

**Pampa Economic
Development Corporation**

Annual Financial Report

For the Year Ended September 30, 2014

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PAMPA ECONOMIC DEVELOPMENT CORPORATION

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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PART I

INTRODUCTORY SECTION

PAMPA ECONOMIC DEVELOPMENT CORPORATION

SEPTEMBER 30, 2014

BOARD OF DIRECTORS

Gary Sutherland President
Ken May Vice President
Cay Warner Secretary
Bill Roy Assistant Secretary
Glennette Goode Treasurer
Bill Bridges Assistant Treasurer
Bob Williams Board Member

MANAGEMENT AND STAFF

Clay Rice Executive Director
Kathy Cota Associate Director
Debbie Winegeart Administrative Assistant

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, 2014, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a 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, 2014, 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

Other Information

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2015, 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.

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.

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.

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

DOSHIER, PICKENS & FRANCIS, LLC
February 24, 2015

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BASIC FINANCIAL STATEMENTS

PAMPA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 1,905,640
Investments	852,527
Receivables	448,052
Prepaid expenses	106,095
Notes receivable - current	<u>69,089</u>
Total current assets	<u>3,381,403</u>
Noncurrent Assets:	
Notes receivable	687,107
Escrow receivable	200,000
Capital assets:	
Land and improvements not being depreciated	549,888
Water rights not being depreciated	600,000
Buildings and Improvements, net of depreciation	6,722,464
Vehicles and Equipment, net of depreciation	88,958
Construction in Process	<u>420,080</u>
Total noncurrent assets	<u>9,268,497</u>
Total assets	<u>12,649,900</u>

LIABILITIES

Current Liabilities:	
Accounts payable	200,452
Accrued expenses	85,977
Unearned revenues	1,216,353
Notes payable - current	133,861
Compensated absences - current	<u>1,152</u>
Total current liabilities	<u>1,637,795</u>
Noncurrent Liabilities:	
Notes payable	3,856,346
Compensated absences	<u>10,366</u>
Total noncurrent liabilities	<u>3,866,712</u>
Total liabilities	<u>5,504,507</u>

NET POSITION

Net investment in capital assets	4,391,183
Unrestricted	<u>2,754,210</u>
Total net position	<u>\$ 7,145,393</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, 2014

OPERATING REVENUES:

Sales tax	\$ 1,523,654
Lease revenues	1,301,436
Other revenues	<u>50,082</u>
 Total operating revenues	 <u>2,875,172</u>

OPERATING EXPENSES:

Salaries and employee benefits	267,738
Supplies and operating	19,917
Repairs	80,331
Rent	20,400
Insurance	144,555
Advertising	4,075
Professional	259,304
Facility management fees	887,333
Ad valorem and severance taxes	97,871
Telephone	15,261
Travel	7,372
Meals	536
Projects and grants	20,860
Utilities	69,271
Depreciation	<u>487,680</u>

Total operating expenses	<u>2,382,504</u>
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Operating income	<u>492,668</u>
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NON-OPERATING REVENUES AND EXPENSES:

Gain on disposal of assets	1,388
Investment earnings	36,077
Interest expense	<u>(157,249)</u>

Total non-operating revenues (expenses)	<u>(119,784)</u>
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CHANGE IN NET POSITION	372,884
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NET POSITION - BEGINNING	<u>6,772,509</u>
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NET POSITION - ENDING	<u><u>\$ 7,145,393</u></u>
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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, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from sales taxes	\$ 1,426,014
Receipts from lease revenues	1,061,191
Receipts from other operating revenues	50,121
Payments for personnel services	(261,052)
Payments for suppliers	(2,520,294)
Payments for projects and grants	<u>(20,000)</u>
Net cash used by operating activities	<u>(264,020)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sale of investments	848,782
Purchase of investments	(852,527)
Collection on notes receivable	45,761
Investment earnings received	<u>37,565</u>
Net cash provided by investing activities	<u>79,581</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Purchase of capital assets	(53,931)
Proceeds from long-term debt	4,306,207
Payments on long-term debt	(4,049,489)
Proceeds from sale of equipment	1,500
Interest paid on debt	<u>(161,083)</u>
Net cash provided by financing activities	<u>43,204</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (141,235)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 2,046,875

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 1,905,640

RECONCILIATION OF OPERATING INCOME TO NET

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ 492,668
Adjustment to reconcile operating income to net cash flows from operating activities:	
Depreciation	487,680
Credit given on notes receivable	860
(Increase) decrease in operating assets:	
Receivables	2,185
Prepaid expenses	(8,719)
Increase (decrease) in operating liabilities:	
Accounts payable	(900,739)
Accrued expenses	2,076
Unearned revenues	<u>(340,031)</u>
Net cash used by operating activities	<u><u>\$ (264,020)</u></u>

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

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pampa Economic Development Corporation's (EDC) financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

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, the Pampa Economic Development Corporation (EDC) was established by voters in the City of Pampa (City). 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. The activities of the EDC are supported mainly by sales tax revenues.

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 investment 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.

Continued

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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.

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, which include 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

Continued

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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).

All regular full-time employees of the EDC accrue vacation leave benefits of two to five weeks, depending on years of service. Employees are allowed to carryover and are paid up to forty-five hours at termination or retirement. Accrued vacation leave benefits as of September 30, 2014 were \$11,518.

Employees are provided twelve days of sick leave per year. Sick leave accumulates up to ninety days, and is paid out at termination only upon qualified retirement. Sick pay is accrued only when a liability is matured, i.e. for those employees who have reached retirement age.

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 – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation, or constitutional provisions. As of September 30, 2014, 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.

Continued

**PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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.

The Pampa EDC’s federal returns for the years ended September 30, 2011 through 2014 could be subject to examination by the Internal Revenue Service, generally for 3 years after they are filed.

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, 2014:

Deposits and cash equivalents consist of:

	Cost and Fair Value
Bank demand deposits	\$ 1,905,640

Investments consist of:

	Cost and Fair Value	Weighted Average Maturity (Days)
Certificates of deposit (interest rates at 0.05 - 0.46%)	\$ 852,527	182

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, 2014 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.

Continued

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 3 – DEPOSITS AND INVESTMENTS – Continuation

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, 2014, 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.

NOTE 4 – RECEIVABLES

Receivables as of the year end consist of the following:

	Current	Noncurrent
Sales tax (Texas Comptroller)	\$ 321,863	-
Leases	26,608	-
Escrow - Enbridge:	99,581	200,000
	\$ 448,052	200,000

The restricted escrow receivable is related to the sale of a portion of the Pampa Energy Center, LLC on December 16, 2011. Under the terms of the sale, these funds were placed in a fiduciary account held for the EDC to be released in annual increments of \$100,000 beginning May 2013 and ending May 2017.

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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, 2014 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	\$ 550,000	\$ -	\$ (112)	\$ 549,888
Water rights	600,000	-	-	600,000
Construction in process	<u>1,232,246</u>	<u>-</u>	<u>(812,166)</u>	<u>420,080</u>
Total capital assets, not being depreciated	<u>2,382,246</u>	<u>-</u>	<u>(812,278)</u>	<u>1,569,968</u>
Capital assets, being depreciated:				
Buildings and improvements	6,840,178	866,097	-	7,706,275
Furniture and equipment	<u>141,285</u>	<u>-</u>	<u>-</u>	<u>141,285</u>
Total capital assets, being depreciated	6,981,463	866,097	-	7,847,560
Less accumulated depreciation for:				
Buildings and improvements	(512,295)	(471,516)	-	(983,811)
Furniture and equipment	<u>(36,163)</u>	<u>(16,164)</u>	<u>-</u>	<u>(52,327)</u>
Total accumulated depreciation	<u>(548,458)</u>	<u>(487,680)</u>	<u>-</u>	<u>(1,036,138)</u>
Total capital assets, being depreciated, net	<u>6,433,005</u>	<u>378,417</u>	<u>-</u>	<u>6,811,422</u>
Total capital assets, net	<u>\$ 8,815,251</u>	<u>\$ 378,417</u>	<u>\$ (812,278)</u>	<u>\$ 8,381,390</u>

Depreciation expense for the year ended September 30, 2014 was \$487,680.

NOTE 6 – DEFERRED COMPENSATION PLAN

Effective December 7, 2009, the Pampa Economic Development Corporation established a 457 Plan & Trust for Governmental Employers 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.

Continued

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 6 – DEFERRED COMPENSATION PLAN – Continuation

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, 2014, the EDC’s contributions amounted to \$10,305 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. 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.

The minimum future lease payments are:

<u>Year Ended</u> <u>September 30,</u>		
2015	\$	14,400
2016		14,400
2017		14,400
2018		<u>6,000</u>
	<u>\$</u>	<u>49,200</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. For the year ended September 30, 2014 hay sales received totaled \$2,637.

On July 7, 2011 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 the purpose of grazing cattle. Under the terms of the lease, the lessee is required to pay the EDC annual rent of \$3,450 for the twelve months ended June 30 each year.

On June 13, 2012 the EDC board of directors approved the purchase of Las Pampas Square, LLC which 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, 2014 lease income totaled \$671,370.

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, 2014 deferred revenue totaled \$1,209,270 and the current year lease income recognized was \$32,500.

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 8 – ACCRUED EXPENSES

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

Ad valorem taxes	\$ 81,100
Interest	<u>4,877</u>
	<u>\$ 85,977</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	\$ 1,176,770
Tenant deposits	<u>7,083</u>	<u>-</u>
	<u>\$ 39,583</u>	<u>\$ 1,176,770</u>

NOTE 10 – LONG TERM LIABILITIES

On June 13, 2012 the EDC entered into a note agreement with FirstBank Southwest in the amount of \$670,000 for a portion of the cost to purchase Las Pampas Square, LLC. The note agreement has an interest rate of Wall Street Prime, but no less than 4%. The note was paid off on April 30, 2014. For the year ended September 30, 2014, interest expense related to the debt was \$15,484.

On June 13, 2012 the EDC entered into a note agreement with FirstBank Southwest in the amount of \$3,000,000 for a portion of the cost to purchase Las Pampas Square, LLC. The note agreement has an interest rate of Wall Street Prime, but no less than 4%. The note was paid off on April 30, 2014. For the year ended September 30, 2014, interest expense related to the debt was \$62,016.

On August 1, 2013 the EDC entered into a note agreement with FirstBank Southwest in the amount of \$500,000 for leasehold improvements on the Las Pampas Square, LLC. The note agreement has an interest rate of Wall Street Prime, but no less than 4%. The note was paid off on April 30, 2014. For the year ended September 30, 2014, interest expense related to the debt was \$10,735.

On April 29, 2014 the EDC entered into a note agreement with AimBank in the amount of \$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, 2014, interest expense related to the debt was \$68,424.

On November 25, 2013 the EDC entered into a note agreement with a company in the amount of \$89,491 for services performed under an operating and maintenance agreement on the Las Pampa Square, LLC. The note agreement has an interest rate of 4% per annum. The note is due on demand, and is collateralized by the assets of the Las Pampas Square. The note was paid off in January of 2014. For the year ended September 30, 2014, interest expense related to the debt was \$589.

Continued

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 10 – LONG TERM LIABILITIES – Continuation

Long-term liability activity for the year ended September 30, 2014 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:					
Note 1	\$ 670,000	\$ -	\$ 670,000	\$ -	\$ -
Note 2	2,740,283	-	2,740,283	-	-
Note 3	323,206	166,716	489,922	-	-
Note 4	-	4,050,000	59,793	3,990,207	133,861
Note 5	-	89,491	89,491	-	-
Accrued compensated absences	<u>7,453</u>	<u>10,153</u>	<u>6,088</u>	<u>11,518</u>	<u>1,152</u>
	<u>\$ 3,740,942</u>	<u>\$ 4,316,360</u>	<u>\$ 4,055,577</u>	<u>\$ 4,001,725</u>	<u>\$ 135,013</u>

The annual requirements to amortize all debt outstanding as of September 30, 2014, are as follows:

	<u>Note 4</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	133,861	162,155	296,016
2016	144,390	151,626	296,016
2017	150,273	145,743	296,016
2018	156,395	139,621	296,016
2019	<u>3,405,288</u>	<u>78,519</u>	<u>3,483,807</u>
Total	<u>3,990,207</u>	<u>677,664</u>	<u>4,667,871</u>

NOTE 11 – GRANTS, COMMITMENTS, AND CONTINGENCIES

In November 2013 the EDC board approved a grant for \$20,000 to the Hidden Hills Golf Course for the construction of additional concrete golf cart paths on the golf course. The EDC funded the grant in November 2013 and there are no further obligations under the grant by the EDC.

On May 13, 2011 and August 21, 2012 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 and Las Pampas Square, LLC. The contract with Las Pampas Square, LLC ended on February 1, 2014 moving the day to day operations to the staff of the EDC. For the year ended September 30, 2014 the total expenses related to these contracts totaled \$887,333.

On October 23, 2013, the EDC board of directors approved a capital improvement grant to the Pampa Energy Center, LLC in the amount of \$1,500,000 for the costs related to a rail expansion project. As of September 30, 2014, \$20,080 of the amount has been funded. The remainder of the project is expected to be concluded in the year ended September 30, 2015.

Continued

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 11 – GRANTS, COMMITMENTS, AND CONTINGENCIES – Continuation

On December 19, 2013, the EDC board of directors approved a grant to CP Homes for \$227,515 to construct the roadway of Stoney Brook Lane. Due to the EDC's policy on recognizing outstanding grants at year end, this grant has not met the requirements to be included in the current year and is anticipated to be funded and recognized in the year ended September 30, 2015.

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%. 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, 2014, the outstanding balance of the loan was \$34,848.

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. At September 30, 2014, the outstanding balance of the forgivable loan was \$100,000.

On November 30, 2011, the EDC entered into a loan agreement with a company. Under the terms of the agreement, the EDC has loaned the company \$89,896 at an interest rate of 5.25% beginning July 30, 2012. Monthly collections of \$1,363 began on July 30, 2012, 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, 2014, the outstanding balance of the loan was \$64,342.

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. As of September 30, 2014, the outstanding balance of the loan was \$341,228.

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, 2014, the outstanding balance of the loan was \$215,778.

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, 2014, the outstanding balance of the loan was \$662,828.

Continued

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 12 – NOTES RECEIVABLE – Continuation

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	\$ 802,817	\$ -	\$ (46,621)	\$ 756,196	\$ 69,089

<u>Fiscal Year</u>	<u>Total</u>	<u>Notes Receivable</u>	
		<u>Interest</u>	<u>Principal</u>
2015	\$ 99,596	\$ 30,507	\$ 69,089
2016	106,380	28,747	77,633
2017	105,382	23,982	81,400
2018	106,382	21,054	85,328
2019	78,746	17,338	61,408
2020-2024	247,690	57,424	190,266
2025-2029	132,893	30,266	102,627
2030-2034	95,529	7,084	88,445
	<u>\$ 972,598</u>	<u>\$ 216,402</u>	<u>\$ 756,196</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, 2014 for the Pampa Energy Center, LLC have been separately tracked and are combined with the EDC through the Combining Statement under other supplemental information.

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, 2014 for Las Pampas Square, LLC have been separately tracked and are combined with the EDC through the Combining Statement under other supplemental information.

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OTHER SUPPLEMENTARY INFORMATION

**PAMPA ECONOMIC DEVELOPMENT CORPORATION
BUDGET COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Original Budget	Final Budget	Actual Amounts	Budget Variance
REVENUES:				
Sales taxes	\$ 1,400,000	\$ 1,400,000	\$ 1,523,654	\$ 123,654
Interest income	15,700	15,700	31,450	15,750
Other income	-	-	131	131
Total Revenues	1,415,700	1,415,700	1,555,235	139,535
OPERATING EXPENSES:				
Salaries and employee benefits	254,994	254,994	250,392	4,602
Office supplies and expenses	59,958	59,958	55,578	4,380
Administration	230,500	230,500	172,558	57,942
Projects and grants	850,000	850,000	228,544	621,456
Total Operating Expenses	1,395,452	1,395,452	707,072	688,380
NET REVENUES OVER EXPENSES	\$ 20,248	\$ 20,248	\$ 848,163	\$ 827,915

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, 2014

	<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	\$ 1,635,501	\$ 32,800	\$ 237,339	\$ -	\$ 1,905,640
Investments	852,527	-	-	-	852,527
Investment in subsidiaries	2,887,930	1,032,268	-	(3,920,198)	-
Receivables	324,016	109,360	16,829	(2,153)	448,052
Prepaid expenses	29,733	19,575	56,787	-	106,095
Notes receivable - current	69,089	-	-	-	69,089
	<u>5,798,796</u>	<u>1,194,003</u>	<u>310,955</u>	<u>(3,922,351)</u>	<u>3,381,403</u>
Noncurrent Assets:					
Notes receivable	1,349,935	-	-	(662,828)	687,107
Escrow receivable	-	200,000	-	-	200,000
Capital assets, net of depreciation	23,727	2,837,218	5,520,445	-	8,381,390
	<u>1,373,662</u>	<u>3,037,218</u>	<u>5,520,445</u>	<u>(662,828)</u>	<u>9,268,497</u>
Total noncurrent assets	<u>1,373,662</u>	<u>3,037,218</u>	<u>5,520,445</u>	<u>(662,828)</u>	<u>9,268,497</u>
Total assets	<u>7,172,458</u>	<u>4,231,221</u>	<u>5,831,400</u>	<u>(4,585,179)</u>	<u>12,649,900</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	15,544	103,053	84,008	(2,153)	200,452
Accrued expenses	-	30,970	55,007	-	85,977
Unearned revenues	-	1,209,270	7,083	-	1,216,353
Notes payable - current	-	-	133,861	-	133,861
Compensated absences - current	1,152	-	-	-	1,152
	<u>16,696</u>	<u>1,343,293</u>	<u>279,959</u>	<u>(2,153)</u>	<u>1,637,795</u>
Total current liabilities	<u>16,696</u>	<u>1,343,293</u>	<u>279,959</u>	<u>(2,153)</u>	<u>1,637,795</u>
Noncurrent Liabilities:					
Notes payable	-	-	4,519,174	(662,828)	3,856,346
Compensated absences	10,366	-	-	-	10,366
	<u>10,366</u>	<u>-</u>	<u>4,519,174</u>	<u>(662,828)</u>	<u>3,866,712</u>
Total noncurrent liabilities	<u>10,366</u>	<u>-</u>	<u>4,519,174</u>	<u>(662,828)</u>	<u>3,866,712</u>
Total liabilities	<u>27,062</u>	<u>1,343,293</u>	<u>4,799,133</u>	<u>(664,981)</u>	<u>5,504,507</u>
NET POSITION					
Net investment in capital assets	23,727	2,837,218	1,530,238	-	4,391,183
Unrestricted	7,121,669	50,710	(497,971)	(3,920,198)	2,754,210
	<u>7,145,396</u>	<u>2,887,928</u>	<u>1,032,267</u>	<u>(3,920,198)</u>	<u>7,145,393</u>
Total net position	<u>\$ 7,145,396</u>	<u>\$ 2,887,928</u>	<u>\$ 1,032,267</u>	<u>\$ (3,920,198)</u>	<u>\$ 7,145,393</u>

PAMPA ECONOMIC DEVELOPMENT CORPORATION
COMBINING STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>PEDC</u>	<u>PEC, LLC</u>	<u>LPS, LLC</u>	<u>Eliminations</u>	<u>Combined Total</u>
OPERATING REVENUES:					
Sales tax	\$ 1,523,654	\$ -	\$ -	\$ -	\$ 1,523,654
Lease revenues	-	630,066	671,370	-	1,301,436
Other revenues	131	257,135	500	(207,684)	50,082
	<u>1,523,785</u>	<u>887,201</u>	<u>671,870</u>	<u>(207,684)</u>	<u>2,875,172</u>
OPERATING EXPENSES:					
Salaries and employee benefits	250,392	-	17,346	-	267,738
Supplies and operating	17,829	1,235	853	-	19,917
Repairs	-	-	80,331	-	80,331
Rent	20,400	-	-	-	20,400
Insurance	17,348	21,025	106,182	-	144,555
Advertising	3,950	-	125	-	4,075
Professional	139,658	77,887	41,759	-	259,304
Facility management fees	-	746,944	140,389	-	887,333
Ad valorem and severance taxes	-	36,411	61,460	-	97,871
Telephone	15,261	-	-	-	15,261
Travel	7,372	-	-	-	7,372
Meals	536	-	-	-	536
Projects and grants	228,544	-	-	(207,684)	20,860
Utilities	-	-	69,271	-	69,271
Depreciation	5,782	61,287	420,611	-	487,680
	<u>707,072</u>	<u>944,789</u>	<u>938,327</u>	<u>(207,684)</u>	<u>2,382,504</u>
Total operating expenses					
Income (expense) from operations	<u>816,713</u>	<u>(57,588)</u>	<u>(266,457)</u>	<u>-</u>	<u>492,668</u>
NON-OPERATING REVENUES AND EXPENSES:					
Gain on disposal of assets	-	1,388	-	-	1,388
Investment earnings	31,450	4,627	-	-	36,077
Interest expense	-	-	(157,249)	-	(157,249)
Loss from subsidiaries	(475,279)	(352,706)	-	827,985	-
Transfers	-	(71,000)	71,000	-	-
	<u>(443,829)</u>	<u>(417,691)</u>	<u>(86,249)</u>	<u>827,985</u>	<u>(119,784)</u>
Total net non-operating revenues (expenses)					
CHANGE IN NET POSITION	<u>\$ 372,884</u>	<u>\$ (475,279)</u>	<u>\$ (352,706)</u>	<u>\$ 827,985</u>	<u>\$ 372,884</u>

PAMPA ECONOMIC DEVELOPMENT CORPORATION
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<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	\$ 1,426,014	\$ -	\$ -	\$ -	\$ 1,426,014
Receipts from lease revenues	-	382,738	678,453	-	1,061,191
Receipts from other operating revenues	131	274,003	(16,329)	(207,684)	50,121
Payments for personnel services	(245,859)	-	(15,193)	-	(261,052)
Payments for suppliers	(206,296)	(1,715,119)	(598,879)	-	(2,520,294)
Payments for projects and grants	(227,684)	-	-	207,684	(20,000)
	<u>746,306</u>	<u>(1,058,378)</u>	<u>48,052</u>	<u>-</u>	<u>(264,020)</u>
Net cash provided (used) by operating activities					
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment in Las Pampas Square	-	629,911	(629,911)	-	-
Proceeds from sale of investments	848,782	-	-	-	848,782
Purchase of investments	(852,527)	-	-	-	(852,527)
Cash loaned on notes receivable	(662,828)	-	-	662,828	-
Collection on notes receivable	45,761	-	-	-	45,761
Investment earnings received	32,938	4,627	-	-	37,565
	<u>(587,874)</u>	<u>634,538</u>	<u>(629,911)</u>	<u>662,828</u>	<u>79,581</u>
Net cash provided (used) by investing activities					
CASH FLOWS FROM FINANCING ACTIVITIES:					
Purchase of capital assets	-	-	(53,931)	-	(53,931)
Proceeds from long-term debt	-	-	4,969,035	(662,828)	4,306,207
Payments on long-term debt	-	-	(4,049,489)	-	(4,049,489)
Proceeds from sale of equipment	-	1,500	-	-	1,500
Interest paid on debt	-	-	(161,083)	-	(161,083)
Transfers	-	(71,000)	71,000	-	-
	<u>-</u>	<u>(69,500)</u>	<u>775,532</u>	<u>(662,828)</u>	<u>43,204</u>
Net cash provided (used) by financing activities					
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	158,432	(493,340)	193,673	-	(141,235)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,477,069	526,140	43,666	-	2,046,875
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,635,501</u>	<u>\$ 32,800</u>	<u>\$ 237,339</u>	<u>\$ -</u>	<u>\$ 1,905,640</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES					
Operating income (loss)	\$ 816,713	\$ (57,588)	\$ (266,457)	\$ -	\$ 492,668
Adjustment to reconcile operating income to net cash flows from operating activities:					
Depreciation	5,782	61,287	420,611	-	487,680
Credit given on notes receivable	860	-	-	-	860
(Increase) decrease in operating assets:					
Receivables	(99,793)	116,654	(16,829)	2,153	2,185
Prepaid expenses	14,216	(726)	(22,209)	-	(8,719)
Increase (decrease) in operating liabilities:					
Accounts payable	4,463	(812,762)	(90,287)	(2,153)	(900,739)
Accrued expenses	4,065	(18,129)	16,140	-	2,076
Unearned revenues	-	(347,114)	7,083	-	(340,031)
	<u>746,306</u>	<u>(1,058,378)</u>	<u>48,052</u>	<u>-</u>	<u>(264,020)</u>
Net cash provided (used) by operating activities					

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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 and the aggregate remaining fund information of the Pampa Economic Development Corporation, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Pampa Economic Development Corporation's basic financial statements and have issued our report thereon dated February 24, 2015.

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 to be 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 24, 2015