

**Pampa Economic  
Development Corporation**

**Annual Financial Report**

**For the Year Ended September 30, 2015**

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**PAMPA ECONOMIC DEVELOPMENT CORPORATION**

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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**PART I**

**INTRODUCTORY SECTION**

**PAMPA ECONOMIC DEVELOPMENT CORPORATION**

**SEPTEMBER 30, 2015**

**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 AUDITOR'S 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, 2015, 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, 2015, 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 January 8, 2016, 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 auditor's 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  
January 8, 2016

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## **BASIC FINANCIAL STATEMENTS**

**PAMPA ECONOMIC DEVELOPMENT CORPORATION**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2015**

**ASSETS**

Current Assets:	
Cash and cash equivalents	\$ 2,884,648
Investments	106,432
Receivables	305,009
Prepaid expenses	95,780
Notes receivable - current	81,867
	<u>3,473,736</u>
Noncurrent Assets:	
Notes receivable	711,125
Escrow receivable	100,000
Capital assets:	
Land and improvements not being depreciated	549,888
Water rights not being depreciated	600,000
Buildings and improvements, net of depreciation	7,140,218
Vehicles and equipment, net of depreciation	118,887
	<u>9,220,118</u>
Total noncurrent assets	<u>9,220,118</u>
Total assets	<u>12,693,854</u>

**LIABILITIES**

Current Liabilities:	
Accounts payable	53,155
Accrued expenses	82,030
Unearned revenues	39,902
Notes payable - current	144,390
Compensated absences - current	1,590
	<u>321,067</u>
Noncurrent Liabilities:	
Notes payable	3,711,030
Compensated absences	14,309
Unearned revenues	1,144,270
	<u>4,869,609</u>
Total noncurrent liabilities	<u>4,869,609</u>
Total liabilities	<u>5,190,676</u>

**NET POSITION**

Net investment in capital assets	4,553,573
Unrestricted	2,949,605
	<u>7,503,178</u>
Total net position	<u>\$ 7,503,178</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, 2015**

**OPERATING REVENUES:**

Sales tax	\$ 1,349,025
Lease revenues	1,854,273
Other revenues	<u>49,494</u>
 Total operating revenues	 <u>3,252,792</u>

**OPERATING EXPENSES:**

Salaries and employee benefits	271,541
Supplies and operating	20,699
Repairs	161,062
Rent	20,400
Insurance	103,073
Advertising	14,879
Professional	138,728
Facility management fees	508,490
Ad valorem and severance taxes	109,735
Telephone	14,907
Travel	7,209
Meals	1,312
Projects and grants	745,988
Utilities	95,146
Depreciation	<u>559,989</u>

Total operating expenses	<u>2,773,158</u>
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Operating income	<u>479,634</u>
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**NON-OPERATING REVENUES AND EXPENSES:**

Investment earnings	38,358
Interest expense	<u>(160,207)</u>

Total non-operating revenues (expenses)	<u>(121,849)</u>
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<b>CHANGE IN NET POSITION</b>	<b>357,785</b>
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<b>NET POSITION - BEGINNING</b>	<u>7,145,393</u>
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<b>NET POSITION - ENDING</b>	<u><u>\$ 7,503,178</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, 2015**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Receipts from sales taxes	\$ 1,468,665
Receipts from lease revenues	1,923,526
Receipts from other operating revenues	73,332
Payments for personnel services	(278,366)
Payments for suppliers	(1,324,341)
Payments for projects and grants	<u>(676,027)</u>
Net cash provided by operating activities	<u>1,186,789</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Proceeds from sale of investments	746,095
Cash loaned on notes receivable	(162,800)
Collection on notes receivable	56,043
Investment earnings received	<u>36,489</u>
Net cash provided by investing activities	<u>675,827</u>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Purchase of capital assets	(587,592)
Payments on long-term debt	(134,787)
Interest paid on debt	<u>(161,229)</u>
Net cash used by financing activities	<u>(883,608)</u>

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

979,008

**CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR**

1,905,640

**CASH AND CASH EQUIVALENTS AT END OF YEAR**

\$ 2,884,648

**RECONCILIATION OF OPERATING INCOME TO NET  
CASH FLOWS FROM OPERATING ACTIVITIES**

Operating income	\$ 479,634
Adjustment to reconcile operating income to net cash flows from operating activities:	
Depreciation	559,989
Credit given on notes receivable	69,961
(Increase) decrease in operating assets:	
Receivables	244,912
Prepaid expenses	10,315
Increase (decrease) in operating liabilities:	
Accounts payable	(147,297)
Accrued expenses	1,456
Unearned revenues	<u>(32,181)</u>
Net cash provided by operating activities	<u><u>\$ 1,186,789</u></u>

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

**PAMPA ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**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 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.

Continued

**PAMPA ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**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, 2015**

**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, 2015 were \$15,899.

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, 2015, 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, 2015**

**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 but remains subject to tax filings with the State of Texas.

The Pampa EDC's federal and state returns for the years ended September 30, 2012 through 2015 could be subject to examination by the Internal Revenue Service and various state tax jurisdictions, 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, 2015:

Deposits and cash equivalents consist of:

	Cost and Fair Value
Bank demand deposits	\$ 2,884,648

Investments consist of:

	Cost and Fair Value	Weighted Average Maturity (Days)
Certificates of deposit (interest rates at 0.47%)	\$ 106,432	272

*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, 2015 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, 2015**

**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, 2015, 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)	\$ 202,223	-
Interest	1,869	-
Leases	2,770	-
Escrow - Enbridge:	98,147	100,000
	\$ 305,009	100,000

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, net of any gains or losses from the balance held in trust.

**PAMPA ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**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, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land and land improvements	\$ 549,888	\$ -	\$ -	\$ 549,888
Water rights	600,000	-	-	600,000
Construction in process	420,080	-	(420,080)	-
Total capital assets, not being depreciated	<u>1,569,968</u>	<u>-</u>	<u>(420,080)</u>	<u>1,149,888</u>
Capital assets, being depreciated:				
Buildings and improvements	7,706,275	958,651	-	8,664,926
Vehicles and equipment	141,285	49,021	-	190,306
Total capital assets, being depreciated	7,847,560	1,007,672	-	8,855,232
Less accumulated depreciation for:				
Buildings and improvements	(983,811)	(540,897)	-	(1,524,708)
Vehicles and equipment	(52,327)	(19,092)	-	(71,419)
Total accumulated depreciation	<u>(1,036,138)</u>	<u>(559,989)</u>	<u>-</u>	<u>(1,596,127)</u>
Total capital assets, being depreciated, net	<u>6,811,422</u>	<u>447,683</u>	<u>-</u>	<u>7,259,105</u>
Total capital assets, net	<u>\$ 8,381,390</u>	<u>\$ 447,683</u>	<u>\$ (420,080)</u>	<u>\$ 8,408,993</u>

Depreciation expense for the year ended September 30, 2015 was \$559,989.

**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, 2015**

**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, 2015, the EDC’s contributions were \$10,481 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, which includes the amortization of improvement costs.

The minimum future lease payments are:

<u>Year Ended</u> <u>September 30,</u>		
2016	\$	14,400
2017		14,400
2018		<u>6,000</u>
	<u>\$</u>	<u>34,800</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, 2015 hay sales received totaled \$14,397.

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 the purpose of 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.

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, 2015 lease income totaled \$663,149.

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, 2015 deferred revenue totaled \$1,176,770 and the current year lease income recognized was \$32,500.

**PAMPA ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 8 – ACCRUED EXPENSES**

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

Ad valorem taxes	\$ 78,175
Interest	<u>3,855</u>
	<u>\$ 82,030</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	\$ 1,144,270
Unearned revenue - leases	<u>7,402</u>	<u>-</u>
	<u>\$ 39,902</u>	<u>\$ 1,144,270</u>

**NOTE 10 – LONG TERM LIABILITIES**

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, 2015, interest expense related to the debt was \$160,207.

Long-term liability activity for the year ended September 30, 2015 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	\$ 3,990,207	\$ -	\$ 134,787	\$ 3,855,420	\$ 144,390
Accrued compensated absences	<u>11,518</u>	<u>10,457</u>	<u>6,076</u>	<u>15,899</u>	<u>1,590</u>
	<u>\$ 4,001,725</u>	<u>\$ 10,457</u>	<u>\$ 140,863</u>	<u>\$ 3,871,319</u>	<u>\$ 145,980</u>

The annual requirements to amortize all debt outstanding as of September 30, 2015, are as follows:

	<u>Aimbank</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 144,390	\$ 151,626	\$ 296,016
2017	150,273	145,743	296,016
2018	156,395	139,621	296,016
2019	<u>3,404,362</u>	<u>78,519</u>	<u>3,482,881</u>
Total	<u>\$ 3,855,420</u>	<u>\$ 515,509</u>	<u>\$ 4,370,929</u>

**PAMPA ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**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, 2015 the total expenses related to these contracts totaled \$508,490.

On October 15, 2015, the EDC board of directors approved a grant to Pampa ISD Baseball and Softball programs in the amount of \$19,500 for the costs related the athletic programs. 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, 2016.

On October 15, 2015, the EDC board of directors approved a forgivable loan agreement with a company for \$25,000. Under the terms of the agreement, the EDC will loan the company the full amount in October 2015 and will be interest free until January 1, 2020. The forgiveness of the loan will be contingent on the number of full time employees hired each 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 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.

**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, 2015, the outstanding balance of the loan was \$30,491.

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, 2015, the outstanding balance of the loan was \$100,000. The combined balance of the loans was \$151,049 at September 30, 2015.

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, 2015, the outstanding balance of the loan was \$51,049.

Continued

**PAMPA ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 12 – NOTES RECEIVABLE – Continuation**

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, 2015, the EDC forgave \$69,961 of the loan. As of September 30, 2015, the outstanding balance of the loan was \$257,956.

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, 2015, the outstanding balance of the loan was \$193,816.

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, 2015, 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, 2015, none of the loan has been forgiven and the outstanding balance of the loan was \$159,679.

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	\$ 756,196	\$ 162,800	\$ (126,004)	\$ 792,992	\$ 81,867

<u>Fiscal Year</u>	<u>Total</u>	<u>Notes Receivable</u>	
		<u>Interest</u>	<u>Principal</u>
2016	\$ 111,883	\$ 30,016	\$ 81,867
2017	116,895	28,460	88,435
2018	116,884	24,613	92,271
2019	116,884	20,609	96,275
2020	116,885	16,446	100,439
2021-2025	303,110	33,201	269,909
2026-2030	67,410	3,614	63,796
	<u>\$ 949,951</u>	<u>\$ 156,959</u>	<u>\$ 792,992</u>



**PAMPA ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**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, 2015 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, 2015 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, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Budget Variance</u>
<b>REVENUES:</b>				
Sales taxes	\$ 1,400,000	\$ 1,400,000	\$ 1,349,025	\$ (50,975)
Interest income	33,200	33,200	34,203	1,003
Other income	-	-	4,973	4,973
	<u>1,433,200</u>	<u>1,433,200</u>	<u>1,388,201</u>	<u>(44,999)</u>
<b>OPERATING EXPENSES:</b>				
Salaries and employee benefits	260,879	260,879	242,606	18,273
Office supplies and expenses	59,458	59,458	45,872	13,586
Administration	231,500	231,500	135,316	96,184
Projects and grants	840,000	840,000	945,988	(105,988)
	<u>1,391,837</u>	<u>1,391,837</u>	<u>1,369,782</u>	<u>22,055</u>
<b>NET REVENUES OVER EXPENSES</b>	<u>\$ 41,363</u>	<u>\$ 41,363</u>	<u>\$ 18,419</u>	<u>\$ (22,944)</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, 2015**

	<u>PEDC</u>	<u>PEC, LLC</u>	<u>LPS, LLC</u>	<u>Eliminations</u>	<u>Combined Total</u>
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents	\$ 2,474,016	\$ 327,965	\$ 82,667	\$ -	\$ 2,884,648
Investments	106,432	-	-	-	106,432
Investment in subsidiaries	3,227,293	812,008	-	(4,039,301)	-
Receivables	204,953	98,147	2,770	(861)	305,009
Prepaid expenses	25,187	17,612	52,981	-	95,780
Notes receivable - current	81,867	-	-	-	81,867
Total current assets	<u>6,119,748</u>	<u>1,255,732</u>	<u>138,418</u>	<u>(4,040,162)</u>	<u>3,473,736</u>
Noncurrent Assets:					
Notes receivable	1,381,125	-	-	(670,000)	711,125
Escrow receivable	-	100,000	-	-	100,000
Capital assets, net of depreciation	18,372	3,078,114	5,312,507	-	8,408,993
Total noncurrent assets	<u>1,399,497</u>	<u>3,178,114</u>	<u>5,312,507</u>	<u>(670,000)</u>	<u>9,220,118</u>
Total assets	<u>7,519,245</u>	<u>4,433,846</u>	<u>5,450,925</u>	<u>(4,710,162)</u>	<u>12,693,854</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	168	6	53,842	(861)	53,155
Accrued expenses	-	22,375	59,655	-	82,030
Unearned revenues	-	39,902	-	-	39,902
Notes payable - current	-	-	144,390	-	144,390
Compensated absences - current	1,590	-	-	-	1,590
Total current liabilities	<u>1,758</u>	<u>62,283</u>	<u>257,887</u>	<u>(861)</u>	<u>321,067</u>
Noncurrent Liabilities:					
Notes payable	-	-	4,381,030	(670,000)	3,711,030
Compensated absences	14,309	-	-	-	14,309
Unearned revenues	-	1,144,270	-	-	1,144,270
Total noncurrent liabilities	<u>14,309</u>	<u>1,144,270</u>	<u>4,381,030</u>	<u>(670,000)</u>	<u>4,869,609</u>
Total liabilities	<u>16,067</u>	<u>1,206,553</u>	<u>4,638,917</u>	<u>(670,861)</u>	<u>5,190,676</u>
<b>NET POSITION</b>					
Net investment in capital assets	18,372	3,078,114	1,457,087	-	4,553,573
Unrestricted	7,484,806	149,179	(645,079)	(4,039,301)	2,949,605
Total net position	<u>\$ 7,503,178</u>	<u>\$ 3,227,293</u>	<u>\$ 812,008</u>	<u>\$ (4,039,301)</u>	<u>\$ 7,503,178</u>

**PAMPA ECONOMIC DEVELOPMENT CORPORATION**  
**COMBINING STATEMENT OF REVENUES AND EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>PEDC</u>	<u>PEC, LLC</u>	<u>LPS, LLC</u>	<u>Eliminations</u>	<u>Combined Total</u>
<b>OPERATING REVENUES:</b>					
Sales tax	\$ 1,349,025	\$ -	\$ -	\$ -	\$ 1,349,025
Lease revenues	-	1,191,124	663,149	-	1,854,273
Other revenues	4,973	241,854	2,667	(200,000)	49,494
	<u>1,353,998</u>	<u>1,432,978</u>	<u>665,816</u>	<u>(200,000)</u>	<u>3,252,792</u>
<b>OPERATING EXPENSES:</b>					
Salaries and employee benefits	242,606	-	28,935	-	271,541
Supplies and operating	15,740	3,570	1,389	-	20,699
Repairs	-	-	161,062	-	161,062
Rent	20,400	-	-	-	20,400
Insurance	9,732	21,748	71,593	-	103,073
Advertising	14,839	-	40	-	14,879
Professional	91,694	43,659	3,375	-	138,728
Facility management fees	-	508,490	-	-	508,490
Ad valorem and severance taxes	-	37,224	72,511	-	109,735
Telephone	14,907	-	-	-	14,907
Travel	7,209	-	-	-	7,209
Meals	1,312	-	-	-	1,312
Projects and grants	945,988	-	-	(200,000)	745,988
Utilities	-	-	95,146	-	95,146
Depreciation	5,355	70,975	483,659	-	559,989
	<u>1,369,782</u>	<u>685,666</u>	<u>917,710</u>	<u>(200,000)</u>	<u>2,773,158</u>
Income (expense) from operations	<u>(15,784)</u>	<u>747,312</u>	<u>(251,894)</u>	<u>-</u>	<u>479,634</u>
<b>NON-OPERATING REVENUES AND EXPENSES:</b>					
Investment earnings	34,203	4,155	-	-	38,358
Interest expense	-	-	(160,207)	-	(160,207)
Loss from subsidiaries	339,366	(220,260)	-	(119,106)	-
Transfers	-	(191,841)	191,841	-	-
	<u>373,569</u>	<u>(407,946)</u>	<u>31,634</u>	<u>(119,106)</u>	<u>(121,849)</u>
Total net non-operating revenues (expenses)	<u>373,569</u>	<u>(407,946)</u>	<u>31,634</u>	<u>(119,106)</u>	<u>(121,849)</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ 357,785</u>	<u>\$ 339,366</u>	<u>\$ (220,260)</u>	<u>\$ (119,106)</u>	<u>\$ 357,785</u>

**PAMPA ECONOMIC DEVELOPMENT CORPORATION**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>PEDC</u>	<u>PEC, LLC</u>	<u>LPS, LLC</u>	<u>Eliminations</u>	<u>Combined Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from sales taxes	\$ 1,468,665	\$ -	\$ -	\$ -	\$ 1,468,665
Receipts from lease revenues	-	1,267,460	656,066	-	1,923,526
Receipts from other operating revenues	6,265	251,633	16,726	(201,292)	73,332
Payments for personnel services	(249,431)	-	(28,935)	-	(278,366)
Payments for suppliers	(175,457)	(724,370)	(425,806)	1,292	(1,324,341)
Payments for projects and grants	(876,027)	-	-	200,000	(676,027)
	<u>174,015</u>	<u>794,723</u>	<u>218,051</u>	<u>-</u>	<u>1,186,789</u>
<b>Net cash provided by operating activities</b>					
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Proceeds from sale of investments	746,095	-	-	-	746,095
Cash loaned on notes receivable	(169,972)	-	-	7,172	(162,800)
Collection on notes receivable	56,043	-	-	-	56,043
Investment earnings received	32,334	4,155	-	-	36,489
	<u>664,500</u>	<u>4,155</u>	<u>-</u>	<u>7,172</u>	<u>675,827</u>
<b>Net cash provided by investing activities</b>					
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>					
Purchase of capital assets	-	(311,872)	(275,720)	-	(587,592)
Proceeds from long-term debt	-	-	7,172	(7,172)	-
Payments on long-term debt	-	-	(134,787)	-	(134,787)
Interest paid on debt	-	-	(161,229)	-	(161,229)
Transfers	-	(191,841)	191,841	-	-
	<u>-</u>	<u>(503,713)</u>	<u>(372,723)</u>	<u>(7,172)</u>	<u>(883,608)</u>
<b>Net cash used by financing activities</b>					
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	838,515	295,165	(154,672)	-	979,008
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>1,635,501</u>	<u>32,800</u>	<u>237,339</u>	<u>-</u>	<u>1,905,640</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 2,474,016</u>	<u>\$ 327,965</u>	<u>\$ 82,667</u>	<u>\$ -</u>	<u>\$ 2,884,648</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ (15,784)	\$ 747,312	\$ (251,894)	\$ -	\$ 479,634
Adjustment to reconcile operating income to net cash flows from operating activities:					
Depreciation	5,355	70,975	483,659	-	559,989
Credit given on notes receivable	69,961	-	-	-	69,961
(Increase) decrease in operating assets:					
Receivables	120,932	111,213	14,059	(1,292)	244,912
Prepaid expenses	4,546	1,963	3,806	-	10,315
Increase (decrease) in operating liabilities:					
Accounts payable	(15,376)	(103,047)	(30,166)	1,292	(147,297)
Accrued expenses	4,381	(8,595)	5,670	-	1,456
Unearned revenues	-	(25,098)	(7,083)	-	(32,181)
	<u>-</u>	<u>(25,098)</u>	<u>(7,083)</u>	<u>-</u>	<u>(32,181)</u>
<b>Net cash provided by operating activities</b>	<u>\$ 174,015</u>	<u>\$ 794,723</u>	<u>\$ 218,051</u>	<u>\$ -</u>	<u>\$ 1,186,789</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 and the aggregate remaining fund information of the Pampa Economic Development Corporation, as of and for the year ended September 30, 2015, 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 January 8, 2016.

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  
January 8, 2016