



**DEVELOPMENT ALLIANCE**

**CERTIFIED AGENDA**

**THURSDAY, JANUARY 18, 2018, 4:00 P.M.**

**311 W. WOODARD STREET, DENISON, TEXAS**

***PUBLIC NOTICE***

*The Denison Development Alliance will meet in a regular session beginning on Thursday, January 18, 2018, at 4:00 P.M. in the Conference Room at the Denison Development Alliance, 311 West Woodard Street, Denison, Texas. An agenda listing items to be considered at that time is as follows:*

**CALL TO ORDER**

**ORDER OF BUSINESS**

- I. REVIEW AND CONSIDER APPROVAL THE 2016/2017 DRAFT AUDIT PRESENTED BY ANDY REICH OF MCCLANAHAN AND HOLMES.**
- II. REVIEW AND CONSIDER APPROVAL OF THE REGULAR CALLED MEETING MINUTES HELD DECEMBER 21, 2017.**
- III. REVIEW AND CONSIDER APPROVAL OF THE DECEMBER 2017 FINACIAL REPORTS.**
- IV. REVIEW MONTHLY INVESTMENT REPORT.**
- V. MONTHLY STAFF REPORTS.**

THE DENISON DEVELOPMENT ALLIANCE OF DENISON, TEXAS, RESERVES THE RIGHT TO ADJOURN INTO EXECUTIVE SESSION AT ANY TIME DURING THE COURSE OF THIS MEETING TO DISCUSS ANY OF THE MATTERS LISTED ABOVE, AS AUTHORIZED BY TEXAS GOVERNMENT CODE SECTIONS 551.071 (CONSULTATION WITH ATTORNEY), 551.072 (DELIBERATIONS ABOUT REAL PROPERTY), 551.073 (DELIBERATIONS ABOUT GIFTS AND DONATIONS), 551.074 DELIBERATIONS ABOUT PERSONNEL MATTERS), 551.075 (DELIBERATIONS ABOUT SECURITY DEVISES), 551.087 (DELIBERATIONS ABOUT ECONOMIC DEVELOPMENT).

**EXECUTIVE SESSION (CLOSED SESSION), SECTION 551.072 OF THE TEXAS GOVERNMENT CODE.**

**I. DELIBERATION REGARDING REAL PROPERTY**

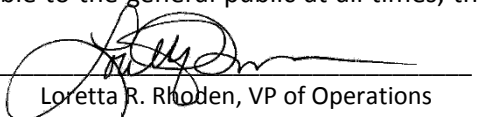
Following the closed Executive Session, the Board will reconvene in open public session and take such action as may be desirable or necessary as a result of the closed deliberation, namely:

**I. DELIBERATION REGARDING REAL PROPERTY**

**ADJOURN**

**CERTIFICATION**

I, Loretta R. Rhoden, Vice President of Operations of the Denison Development Alliance, do hereby certify the above foregoing notice of public meeting was posted at the entrance of the Denison Development Alliance Building, 311 W. Woodard, Denison, Texas, and online at [www.denisontx.org](http://www.denisontx.org), places readily available to the general public at all times, this the 9<sup>th</sup> day of January, 2018, at 9:30 am.

  
Loretta R. Rhoden, VP of Operations

**IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, THE DENISON DEVELOPMENT ALLIANCE WILL PROVIDE FOR REASONABLE ACCOMMODATIONS FOR PERSONS ATTENDING THE BOARD MEETING. TO BETTER SERVE YOU, REQUESTS SHOULD BE RECEIVED 48 HOURS PRIOR TO THE MEETING. PLEASE CONTACT THE VP OF OPERATION'S OFFICE AT 903.464.0883.**

**BUSINESS AND INDUSTRIAL  
CORPORATION OF DENISON, INC.  
D/B/A DENISON DEVELOPMENT ALLIANCE  
(A Component Unit of the City of Denison, Texas)**

**Annual Financial Report**

**September 30, 2017**

**DRAFT**

**Business and Industrial Corporation of Denison, Inc.  
d/b/a Denison Development Alliance  
(A Component Unit of the City of Denison, Texas)  
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September 30, 2017**

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**McClanahan and Holmes, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

STEVEN W. MOHUNDRO, CPA  
GEORGE H. STRUVE, CPA  
ANDREW B. REICH, CPA  
RUSSELL P. WOOD, CPA  
DEBRA J. WILDER, CPA  
TEFFANY A. KAVANAUGH, CPA  
APRIL J. HATFIELD, CPA

228 SIXTH STREET S.E.  
PARIS, TEXAS 75460  
903-784-4318  
FAX 903-784-4310

-----  
304 WEST CHESTNUT  
DENISON, TEXAS 75020  
903-465-6070  
FAX 903-465-6093

-----  
1400 WEST RUSSELL  
BONHAM, TEXAS 75418  
903-583-5574  
FAX 903-583-9453

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Business and Industrial Corporation of Denison, Inc.  
d/b/a Denison Development Alliance  
Denison, Texas

We have audited the accompanying financial statements of the governmental activities and General Fund of Business and Industrial Corporation of Denison, Inc. (BICD) d/b/a Denison Development Alliance, a component unit of the City of Denison, Texas, as of and for the year ended September 30, 2017, and the related notes to financial statements, which collectively comprise BICD's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and General Fund of BICD, as of September 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors  
Business and Industrial Corporation of Denison, Inc.  
d/b/a Denison Development Alliance  
Denison, Texas

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*McClanahan and Holmes, LLP*  
Certified Public Accountants

Denison, Texas  
January 5, 2018

Business and Industrial Corporation of Denison, Inc.  
d/b/a Denison Development Alliance  
(A Component Unit of the City of Denison, Texas)  
Statement of Net Position  
September 30, 2017

	<u>Governmental Activities</u>
<b><u>ASSETS</u></b>	
Cash and Cash Equivalents	\$ 1,705,161
Cash Held In Trust	296,207
Accounts Receivable	69,431
Sales Tax Receivable	301,114
Capital Assets Not Being Depreciated:	
Land	1,687,842
Capital Assets (Net of Accumulated Depreciation):	
Leasehold Improvements	30,994
Land Improvements	177,158
Buildings	2,944,580
Infrastructure	159,861
	7,372,348
<b>Total Assets</b>	<b>7,372,348</b>
<b><u>LIABILITIES</u></b>	
Accounts Payable	142,188
Accrued Interest Payable	6,667
Tenant Deposits	67,702
Noncurrent Liabilities:	
Due within One Year	467,999
Due in More than One Year	1,441,606
Accrued Deferred Compensation	256,717
	2,382,879
<b>Total Liabilities</b>	<b>2,382,879</b>
<b><u>NET POSITION</u></b>	
Net Investment in Capital Assets	3,157,100
Restricted for Retirement of Long-Term Debt	13,217
Unrestricted	1,819,152
	4,989,469
<b>Total Net Position</b>	<b>\$ 4,989,469</b>

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The accompanying notes are an integral part of this financial statement.

Business and Industrial Corporation of Denison, Inc.  
d/b/a Denison Development Alliance  
(A Component Unit of the City of Denison, Texas)  
Statement of Activities  
Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
Economic Development	\$ 1,754,796	\$ 499,217	\$ -	\$ 20,167	\$ (1,235,412)
Interest Expense	120,798	-	-	-	(120,798)
<b>Total Governmental Activities</b>	<b>\$ 1,875,594</b>	<b>\$ 499,217</b>	<b>\$ -</b>	<b>\$ 20,167</b>	<b>(1,356,210)</b>
<b>General Revenues:</b>					
Sales Tax					1,719,068
Interest on Investments					2,829
Miscellaneous Revenue					50
<b>Total General Revenues</b>					<b>1,721,947</b>
<b>Change in Net Position</b>					<b>365,737</b>
<b>Net Position - Beginning</b>					<b>4,623,732</b>
<b>Net Position - End</b>					<b>\$ 4,989,469</b>

The accompanying notes are an integral part of this financial statement.

Business and Industrial Corporation of Denison, Inc.  
d/b/a Denison Development Alliance  
(A Component Unit of the City of Denison, Texas)  
Balance Sheet - Governmental Funds  
September 30, 2017

	<u>General Fund</u>
<b><u>ASSETS</u></b>	
Cash and Cash Equivalents	\$ 1,705,161
Cash Held In Trust	296,207
Accounts Receivable	69,431
Sales Tax Receivable	301,114
	<hr/>
Total Assets	<u>\$ 2,371,913</u>
<b><u>LIABILITIES</u></b>	
Accounts Payable	\$ 142,188
Tenant Deposits	67,702
	<hr/>
Total Liabilities	<u>209,890</u>
<b><u>FUND BALANCES</u></b>	
Restricted for Retirement of Long-Term Debt	13,217
Unassigned	2,148,806
	<hr/>
Total Fund Balances	<u>2,162,023</u>
	<hr/>
Total Liabilities and Fund Balances	<u>\$ 2,371,913</u>
	<hr/>
Fund Balances (above)	\$ 2,162,023
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund. The cost of the assets is \$6,374,789 and the accumulated depreciation is \$1,374,354.</p>	
	5,000,435
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund. Those liabilities consist of:</p>	
Accrued Interest Payable	(6,667)
Notes Payable	(1,843,335)
Compensated Absences	(66,270)
Accrued Deferred Compensation	(256,717)
	<hr/>
Net Position of Governmental Activities	<u>\$ 4,989,469</u>

The accompanying notes are an integral part of this financial statement.



Business and Industrial Corporation of Denison, Inc.  
d/b/a Denison Development Alliance  
(A Component Unit of the City of Denison, Texas)  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Governmental Funds  
Year Ended September 30, 2017

	General Fund
<b>Revenues</b>	
Sales Tax	\$ 1,719,068
Lease Income	499,217
Interest on Investments	2,829
Capital Contributions	20,167
Miscellaneous Revenue	50
<b>Total Revenues</b>	2,241,331
<b>Expenditures</b>	
Administrative Services	461,591
Consultant Fees	23,365
Incentives	149,578
Industrial Park Expenses	9,880
Marketing	167,623
Office Lease	15,497
Professional Fees	16,065
Property Taxes	93,003
Capital Reimbursement Expense	585,665
Debt Service:	
Principal Retirement	432,032
Interest Expense	122,246
<b>Total Expenditures</b>	2,076,545
<b>Net Change in Fund Balance</b>	164,786
<b>Fund Balance - Beginning</b>	1,997,237
<b>Fund Balance - End</b>	\$ 2,162,023
 <b>Net Change in Fund Balance - Governmental Fund (above)</b>	 \$ 164,786

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

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation of (\$117,686) exceeded capital outlays of \$0 in the current year. (117,686)

Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. Compensated Absences of \$(66,270), Accrued Deferred Compensation of \$(48,573) and Interest Expense of \$1,448 were incurred in the current period. (113,395)

The issuance of long-term debt provides current financial resources to Governmental Funds while the repayment of the principal of long-term debt consumes the current financial resources of Governmental Funds. Neither transaction, however, has an effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items, consisting of \$432,032 of principal repayments of notes payable and (\$0) issuance of debt in the current year. 432,032

**Change in Net Position - Governmental Activities** \$ 365,737

The accompanying notes are an integral part of this financial statement.

Business and Industrial Corporation of Denison, Inc.  
d/b/a Denison Development Alliance  
(A Component Unit of the City of Denison, Texas)  
Notes to Financial Statements  
September 30, 2017

**Note 1: Organization**

Business and Industrial Corporation of Denison, Inc. (BICD) was chartered April 1, 1996, under the provisions of the Development Corporation Act of 1979, for the purpose of promoting, assisting and enhancing economic development activities for the City of Denison. BICD is a component unit of the City of Denison, and is governed by a board of directors appointed by the City Council. BICD is funded by a one-half percent sales tax levied on taxable sales within the City of Denison.

**Note 2: Summary of Significant Accounting Policies**

The accounting policies of BICD conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

**A. Basic Financial Statements – Government-Wide Statements**

BICD's basic financial statements include both government-wide (reporting the unit as a whole) and fund financial statements (reporting BICD's General Fund).

In the Statement of Net Position, the governmental activities column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations, if any. BICD's net position is reported in three parts – invested in capital assets, net of related debt, restricted for retirement of long-term debt, and unrestricted.

The Statement of Activities reports both the gross and net cost of BICD's function (economic development). Economic development is also supported by general government revenues (sales tax, interest on investments, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of economic development. Revenues not classified as program revenues are presented as general revenues. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The comparison of program revenues and expenses (net costs) identifies the extent to which economic development is self-financing or draws from the general revenues (sales tax, interest income, etc.) of the unit.

This government-wide focus is more on the sustainability of BICD as an entity and the change in BICD's net assets resulting from the current year's activities.

**B. Basic Financial Statements – Fund Financial Statements**

The financial transactions of BICD are reported in an individual fund in the fund financial statements using the current financial resources measurement focus and the modified accrual basis of accounting. This fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses.

Business and Industrial Corporation of Denison, Inc.  
d/b/a Denison Development Alliance  
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Notes to Financial Statements  
September 30, 2017

Note 2: Summary of Significant Accounting Policies (continued)

B. Basic Financial Statements – Fund Financial Statements (continued)

The accounts of BICD are organized into one fund. The determination of the appropriate fund type is based upon the method used to finance the activities of BICD. The activities of BICD are generally financed by sales tax collected from taxable sales within the City of Denison. The appropriate fund is discussed below:

**GOVERNMENTAL FUND**

The focus of the governmental fund's measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental fund of BICD:

General Fund – The General Fund is the general operating fund of BICD. It is used to account for all financial resources.

C. Basis of Accounting

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

D. Cash and Cash Equivalents

Cash and cash equivalents include currency on hand and all demand deposits at banks or other financial institutions that are readily convertible to known amounts of cash.

BICD's current Investment Policy was adopted September 2002 (with legislative changes made September 2005). In part, the policy states that "Consistent with the requirements of the Public Funds Collateral Act, it is the policy of BICD to require full collateralization of all BICD funds on deposit with a depository bank."

E. Estimates

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

F. Capital Assets

Capital Assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Business and Industrial Corporation of Denison, Inc.  
d/b/a Denison Development Alliance  
(A Component Unit of the City of Denison, Texas)  
Notes to Financial Statements  
September 30, 2017

Note 2: Summary of Significant Accounting Policies (continued)

F. Capital Assets (continued)

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	15-40	years
Equipment	5-10	years
Furniture and Fixtures	7-10	years
Leasehold Improvements	10-40	years
Infrastructure	10-100	years
Land Improvements	10-20	years

G. Long-Term Debt

In the government-wide financial statements, outstanding debt is reported as a liability. The governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period.

H. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use, either through the enabling legislations adopted by BICD or through external restrictions imposed by creditors, grantors or laws or regulation of other governments.

When both restricted and unrestricted resources are available for use, it is BICD's policy to use restricted resources first, then unrestricted resources as they are needed.

I. Fund Balance

As of September 30, 2017, fund balances of the governmental fund are classified as follows:

**Non-spendable** – Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

**Restricted** – Amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** – Amounts that can be used only for specific purposes determined by a formal action of the Board. The Board is the highest level of decision making authority for BICD. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board.

**Assigned** – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purpose. Under BICD's policy, only the Board may assign amounts for specific purposes.

**Unassigned** – All other spendable amounts.

Business and Industrial Corporation of Denison, Inc.  
d/b/a Denison Development Alliance  
(A Component Unit of the City of Denison, Texas)  
Notes to Financial Statements  
September 30, 2017

Note 2: Summary of Significant Accounting Policies (continued)

I. Fund Balance (continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, BICD considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, BICD considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

A summary of BICD's fund balance policy as adopted by the Board follows:

BICD shall maintain an unassigned fund balance between 20% and 30% of General Fund revenues.

J. Compensated Absences

It is BICD's policy to permit employees to accumulate 240 hours of annual vacation, which is paid to employees upon separation of service.

Sick leave accrues to full-time employees at a rate of 8 hours per month, with a 720 hour carryover limit. Employees who are eligible to retire according to BICD's personnel policy are entitled to payment of a maximum of 90 days (720 hours) of accrued sick leave upon separation of service.

Note 3: Stewardship, Compliance and Accountability

By its nature as a local government unit, BICD is subject to various federal, state, and local laws and contractual regulations. The following instances of noncompliance are considered to be material to the financial statements:

For the year ended September 30, 2017, BICD's expenditures exceeded appropriation at the legal level of control in the General Fund as follows:

<u>Object Category</u>	<u>Expenditures Exceeding</u> <u>Appropriations</u>
Industrial Park Expenses	\$ 2,880
Capital Reimbursement Expense	45,551
Debt Service	80,399

The over-expenditures were funded by available fund balance.

Note 4: Bank Deposits

Custodial credit risk for bank demand deposits is the risk that in the event of a bank failure, BICD's deposits may not be returned or BICD will not be able to recover collateral securities in the possession of an outside party. BICD's Investment Policy requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. Deposited funds may be invested in certificates of deposit; however, collateral shall be at 100% of market or par, whichever is lower. The market value of collateral will always equal or exceed the principal plus accrued interest of deposits at financial institutions.

As of September 30, 2017, BICD's deposits were not exposed to custodial credit risk since they were either insured or collateralized with securities held by the pledging financial institution's trust department or agent in the name of BICD in the amount of \$2,399,208. The bank balances were \$2,019,536.

Business and Industrial Corporation of Denison, Inc.  
d/b/a Denison Development Alliance  
(A Component Unit of the City of Denison, Texas)  
Notes to Financial Statements  
September 30, 2017

Note 5: Receivables

Accounts receivable represent amounts due from tenant for January through September 2017 ad valorem taxes and is considered fully collectible. Therefore, no allowance for doubtful accounts has been recorded.

BICD receives its sales tax allocation from the City of Denison upon receipt by the City of its payment from the State. At year end, the August and September sales tax payments were outstanding.

Note 6: Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
<b>Capital Assets, not Being Depreciated:</b>				
Land	\$ 1,687,842	\$ -	\$ -	\$ 1,687,842
<b>Total Capital Assets Not Being Depreciated</b>	<u>1,687,842</u>	<u>-</u>	<u>-</u>	<u>1,687,842</u>
<b>Capital Assets Being Depreciated:</b>				
Leasehold Improvements	51,917	-	-	51,917
Land Improvements	192,564	-	-	192,564
Buildings	4,243,975	-	-	4,243,975
Furniture and Fixtures	6,126	-	-	6,126
Equipment	31,805	-	( 26,048)	5,757
Infrastructure	186,608	-	-	186,608
<b>Total Capital Assets Being Depreciated</b>	<u>4,712,995</u>	<u>-</u>	<u>( 26,048)</u>	<u>4,686,947</u>
<b>Less Accumulated Depreciation for:</b>				
Leasehold Improvements	( 18,905)	( 2,018)	-	( 20,923)
Land Improvements	( 7,703)	( 7,703)	-	( 15,406)
Buildings	( 1,193,296)	( 106,099)	-	( 1,299,395)
Furniture and Fixtures	( 6,126)	( - )	-	( 6,126)
Equipment	( 31,805)	( - )	26,048	( 5,757)
Infrastructure	( 24,881)	( 1,866)	-	( 26,747)
<b>Total Depreciation</b>	<u>( 1,282,716)</u>	<u>( 117,686)</u>	<u>26,048</u>	<u>( 1,374,354)</u>
<b>Total Capital Assets Being Depreciated, net</b>	<u>3,430,279</u>	<u>( 117,686)</u>	<u>-</u>	<u>3,312,593</u>
<b>Governmental Activities Capital Assets, net</b>	<u>\$ 5,118,121</u>	<u>\$(117,686)</u>	<u>\$ -</u>	<u>\$ 5,000,435</u>

Depreciation expense of \$117,686 was charged to the Economic Development function/program of the governmental activities of BICD.

Business and Industrial Corporation of Denison, Inc.  
d/b/a Denison Development Alliance  
(A Component Unit of the City of Denison, Texas)  
Notes to Financial Statements  
September 30, 2017

**Note 7: Deposits**

Per the terms of the Lease Agreement between BICD (Lessor) and Florestone Products Company (Lessee) dated July 27, 2004, upon execution of the lease, Lessee will pay a security deposit in the amount of \$67,702, which is equal to the first and last months rent. Lessor will refund the security deposit to Lessee within a reasonable time after the lease ends.

**Note 8: Long-Term Liabilities**

Long-Term Liabilities consist of the following:

A \$4,366,217 note dated September 14, 2005, payable to a bank in monthly installments of \$39,490 including interest of 7.00%, and maturing September 2020. The note is secured by a manufacturing facility and land with a total carrying value of \$2,984,387.

\$ 1,274,335

A \$744,000 loan dated March 12, 2014, payable to a bank for the purpose of providing funds for constructing and installing a natural gas pipeline for future economic development. The loan bears interest at a rate of 2.85%, and principal payments are due serially in varying amounts to February 1, 2025. Sales and Use Taxes (one-half of one percent) levied by the City of Denison under the Development Corporation Act of 1979 for the benefit of BICD, are pledged for payment of principal and interest.

569,000  
\$ 1,843,335

A summary of long-term liabilities transactions for the year ended September 30, 2017 follows:

	<u>Balance</u> <u>9-30-16</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>9-30-17</u>	<u>Due Within</u> <u>One Year</u>
Notes Payable	\$ 2,275,367	\$ -	\$ 432,032	\$ 1,843,335	\$ 461,372
Compensated Absences	-	<u>80,378</u>	<u>14,108</u>	<u>66,270</u>	<u>6,627</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 2,275,367</u>	<u>\$ 80,378</u>	<u>\$ 446,140</u>	<u>\$ 1,909,605</u>	<u>\$ 467,999</u>

Annual requirements to amortize the notes payable as of September 30, 2017 are as follows:

<u>Year Ending</u> <u>9-30</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 461,372	\$ 91,923
2019	491,866	61,353
2020	519,097	28,649
2021	70,000	9,576
2022	72,000	7,553
2023-2025	<u>229,000</u>	<u>9,932</u>
	<u>\$ 1,843,335</u>	<u>\$ 208,986</u>

Business and Industrial Corporation of Denison, Inc.  
d/b/a Denison Development Alliance  
(A Component Unit of the City of Denison, Texas)  
Notes to Financial Statements  
September 30, 2017

**Note 8: Long-Term Liabilities (continued)**

**Accrued Deferred Compensation**

An Executive Supplemental Compensation Plan was entered into on October 1, 2007 by and between BICD and the President of BICD in order to provide an inducement for continued management services of this employee for ten years. On October 1, 2007, BICD transferred \$25,000 to a deposit account (the Plan) in BICD's name. This employee continued to provide management services to BICD, therefore BICD transferred \$25,000 to the Plan each October of each of the nine years following the year of the initial transfer as set out in the terms of the Plan. The principal and all earnings attributable to such funds are collectively referred to herein as the "Accumulated Benefits," and are reflected as Cash Held in Trust in the accompanying financial statements. This employee became fully vested in the Accumulated Benefits on October 1, 2017 and shall be entitled to such Accumulated Benefits upon termination of his services to BICD. The vested amount is reflected as a liability in the accompanying financial statements titled Accrued Deferred Compensation. As of September 30, 2017, \$256,717 of the Accumulated Benefits has been recorded as Accrued Deferred Compensation.

**Note 9: Office Lease**

BICD rents office space and records this as an operating lease. The lease is renewable in one-year increments beginning March 31 of each year and is subject to 3% escalation at the beginning of each renewal term. The current monthly rent payment for the lease is \$1,291 through March 31, 2018. Office lease expense for the year ended September 30, 2017 is \$15,497.

**Note 10: The International City Management Association Retirement Corp. (ICMA)**

BICD provides retirement benefits for all of its salaried employees through ICMA Retirement Corporation Governmental Money Purchase Plan & Trust. There is no minimum age requirement for eligibility to participate. BICD shall contribute on behalf of each participant 14% of earnings for the plan year. A participant is required to contribute 7% of earnings for the plan year as a condition of participation in the Plan. The plan year commences on October 1<sup>st</sup> of each year. Earnings shall not include overtime or bonuses. Participants are immediately 100% vested in the Plan. Retirement expense for the year ended September 30, 2017 is \$32,511.

**Note 11: Commitments/Contingent Liabilities**

BICD offers support in the form of incentive payments to various industries in the City of Denison. These payments are implemented by executed agreements between BICD and the recipients. Depending on the approved agreement, recipients must complete specific requirements and be able to provide evidence of its completion in order for BICD to honor the incentives. Due to the uncertainty of the completion of all specific requirements, the obligated incentive payments will be recorded in the financial statements only as the specific requirements are met. As of September 30, 2017, \$393,253 in obligated incentives remain as unrecorded contingent liabilities.

**Note 12: Risk Management**

BICD is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. BICD manages these various risks of loss by purchasing commercial insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to BICD. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.



Business and Industrial Corporation of Denison, Inc.  
d/b/a Denison Development Alliance  
(A Component Unit of the City of Denison, Texas)  
Notes to Financial Statements  
September 30, 2017

**Note 13: Subsequent Events**

Effective October 1, 2017, the Board of Directors approved an amendment to the Executive Supplemental Compensation Plan discussed in Note 8, wherein BICD will continue to make \$25,000 annual contributions for an additional five years.

In October 2017, the Board of Directors accepted a bid proposal and approved funding of up to \$67,456 for road repairs/upgrades for the use of industrial traffic needs.

In November 2017, the Board of Directors approved an agreement to sell a 50-acre plot of land for \$500,000, which could be rebated as part of an economic development incentive.

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Business and Industrial Corporation of Denison, Inc.  
d/b/a Denison Development Alliance  
(A Component Unit of the City of Denison, Texas)  
Required Supplementary Information  
Budgetary Comparison Schedule - Budget and Actual  
General Fund  
Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Sales Tax	\$ 1,491,948	\$ 1,491,948	\$ 1,719,068	\$ 227,120
Lease Income	501,419	501,419	499,217	(2,202)
Interest on Investments	2,173	2,173	2,829	656
Capital Contributions	19,992	19,992	20,167	175
Miscellaneous Revenue	-	-	50	50
<b>Total Revenues</b>	<u>2,015,532</u>	<u>2,015,532</u>	<u>2,241,331</u>	<u>225,799</u>
<b>Expenditures</b>				
Administrative Services	487,652	487,652	461,591	26,061
Building Insurance - Florestone	395	395	-	395
Consultant Fees	50,000	50,000	23,365	26,635
Incentives	280,788	280,788	149,578	131,210
Industrial Park Expenses	7,000	7,000	9,880	(2,880)
Marketing	294,350	344,350	167,623	176,727
Office Lease	15,497	15,497	15,497	-
Professional Fees	16,300	16,300	16,065	235
Property Taxes	95,205	95,205	93,003	2,202
Capital Reimbursement Expense	540,114	540,114	585,665	(45,551)
Debt Service:				
Principal Retirement	369,032	369,032	432,032	(63,000)
Interest Expense	104,847	104,847	122,246	(17,399)
<b>Total Expenditures</b>	<u>2,261,180</u>	<u>2,311,180</u>	<u>2,076,545</u>	<u>234,635</u>
<b>Net Change in Fund Balance</b>	(245,648)	(295,648)	164,786	460,434
<b>Fund Balance - Beginning</b>	1,997,237	1,997,237	1,997,237	-
<b>Fund Balance - End</b>	<u>\$ 1,751,589</u>	<u>\$ 1,701,589</u>	<u>\$ 2,162,023</u>	<u>\$ 460,434</u>

Business and Industrial Corporation of Denison, Inc.  
d/b/a Denison Development Alliance  
(A Component Unit of the City of Denison, Texas)  
Notes to Required Supplementary Information  
September 30, 2017

**Note 1: Budgetary Data**

BICD’s fiscal year commences October 1 and ends September 30. At least sixty (60) days prior to the commencement of each fiscal year, BICD’s Board adopts a proposed budget of expected revenues and expenditures.

The proposed budget contains such classifications and is in such form as prescribed by the Council of the City of Denison. The budget is not effective until it has been approved by the City Council.

The Budgetary Comparison Schedule – Budget and Actual that is Required Supplementary Information for the General Fund is presented to provide a meaningful comparison of actual results with the budget.

**Note 2: Excess of Expenditures over Appropriations**

<u>Object Category</u>	<u>Expenditures Exceeding</u> <u>Appropriations</u>
Industrial Park Expenses	\$ 2,880
Capital Reimbursement Expense	45,551
Debt Service	80,399

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**BUSINESS AND INDUSTRIAL  
CORPORATION OF DENISON, INC.  
D/B/A DENISON DEVELOPMENT ALLIANCE  
(A Component Unit of the City of Denison, Texas)**

**Required Auditor Communication  
With Those Charged With Governance**

**September 30, 2017**

**DRAFT**

**McClanahan and Holmes, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

STEVEN W. MOHUNDRO, CPA  
GEORGE H. STRUVE, CPA  
ANDREW B. REICH, CPA  
RUSSELL P. WOOD, CPA  
DEBRA J. WILDER, CPA  
TEFFANY A. KAVANAUGH, CPA

228 SIXTH STREET S.E.  
PARIS, TEXAS 75460  
803-784-4316  
FAX 903-784-4310

304 WEST CHESTNUT  
DENISON, TEXAS 75020  
903-465-6070  
FAX 903-465-6093

1400 WEST RUSSELL  
BONHAM, TEXAS 75418  
903-583-5574  
FAX 903-583-9453

Board of Directors  
Business and Industrial Corporation of Denison, Inc.  
d/b/a Denison Development Alliance  
Denison, Texas

We have audited the financial statements of the governmental activities and General Fund of Business and Industrial Corporation of Denison, Inc. d/b/a Denison Development Alliance (the Corporation), a component unit of the City of Denison, Texas, as of and for the year ended September 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 9, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Corporation are described in Note 2 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2017. We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the Corporation's financial statements was depreciation.

Management's estimate of the depreciation is based on management's knowledge and experience. We evaluated the key factors and assumptions used to develop the depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit other than those that are clearly trivial, and communicate them to the appropriate level of management. Appendix A summarizes misstatements detected as a result of audit procedures that were corrected by management. Appendix B summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated January 5, 2018.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Corporation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Corporation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Budgetary Comparison Schedule – General Fund, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

*Internal Control over Financial Reporting*

In planning and performing our audit of the financial statements of the governmental activities and General Fund of Business and Industrial Corporation of Denison, Inc. d/b/a Denison Development Alliance (the Corporation), a component unit of the City of Denison, Texas, as of and for the year ended September 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered Business and Industrial Corporation of Denison, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 BICD's internal control. Accordingly, we do not express an opinion on the effectiveness of BICD's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in internal control to be significant deficiencies:

**Financial Accounting and Reporting:**

The Corporation does not prepare the financial statements and control the period-end financial reporting process, including controls over the selection and application of accounting principles that are in conformity with generally accepted accounting principles; controls over procedures used to analyze transactions comprising general ledger activity; controls over initiating, authorizing, recording and processing journal entries into the general ledger; and controls over recording recurring and nonrecurring adjustments to the financial statements.

**Segregation of Duties:**

A critical element in any internal control structure is the characteristic known as segregation of duties. Assigning different personnel the responsibility of authorizing transactions, recording transactions, and maintaining custody of assets achieve this internal control structure attribute. Due to the Corporation's small number of personnel, there is limited segregation of duties in substantially all areas of the accounting system. To the extent possible, every effort should be made to utilize a "best practices" approach when considering controls over cash transactions and preparation of accounting records. We encourage the Board to closely monitor its financial activities which may help offset the weaknesses associated with limited segregation of duties.

Board of Directors  
Business and Industrial Corporation of Denison, Inc.  
d/b/a Denison Development Alliance  
Denison, Texas  
Page 4

Restriction on Use

This information is intended solely for the information and use of the Corporation's management, Board of Directors, and grant agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

*McClanahan and Holmes, LLP*  
Certified Public Accountants

January 5, 2018  
Denison, Texas

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Business and Industrial Corporation of Denison, Inc.  
d/b/a Denison Development Alliance  
(A Component Unit of the City of Denison, Texas)  
Misstatements Corrected by Management  
September 30, 2017

Appendix A

Account	Description	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>			
1301	Sales Tax Receivable	\$ 170,278.87	\$ -
7000	4a Sales Tax Revenue	-	170,278.87
<b>Total</b>		<b><u>\$ 170,278.87</u></b>	<b><u>\$ 170,278.87</u></b>
<b>Adjusting Journal Entries JE # 2</b>			
1300	Accounts Receivable	\$ 69,431.06	\$ -
7018	Property Taxes - Florestone	1,283.42	-
4010	Accounts Payable	-	69,431.06
9322	Florestone Property Taxes	-	1,283.42
<b>Total</b>		<b><u>\$ 70,714.48</u></b>	<b><u>\$ 70,714.48</u></b>
<b>Adjusting Journal Entries JE # 3</b>			
9220	Deferred Compensation Expense	\$ 48,573.39	\$ -
4350	Accrued Deferred Compensation	-	48,573.39
<b>Total</b>		<b><u>\$ 48,573.39</u></b>	<b><u>\$ 48,573.39</u></b>
<b>Adjusting Journal Entries JE # 4</b>			
4213	Accrued Interest Payable	\$ 1,447.63	\$ -
9440	Interest & Finance Charges	-	1,447.63
<b>Total</b>		<b><u>\$ 1,447.63</u></b>	<b><u>\$ 1,447.63</u></b>
<b>Adjusting Journal Entries JE # 5</b>			
9440	Interest & Finance Charges	\$ 8,193.19	\$ -
109124	Gas Line Extension 75/91	-	8,193.19
<b>Total</b>		<b><u>\$ 8,193.19</u></b>	<b><u>\$ 8,193.19</u></b>
<b>Adjusting Journal Entries JE # 6</b>			
9750	Salaries	\$ 7,158.18	\$ -
9051	Auto Allowance - President	-	5,293.66
9052	Auto Allowance - V. Pres	-	1,864.52
<b>Total</b>		<b><u>\$ 7,158.18</u></b>	<b><u>\$ 7,158.18</u></b>
<b>Adjusting Journal Entries JE # 7</b>			
109109	Infrastructure/Site Improvements	\$ 68,828.40	\$ -
209020	Advertising	3,880.00	-
4010	Accounts Payable	-	72,708.40
<b>Total</b>		<b><u>\$ 72,708.40</u></b>	<b><u>\$ 72,708.40</u></b>
<b>Adjusting Journal Entries JE # 8</b>			
9750	Salaries	\$ 66,270.00	\$ -
4355	Accrued Leave	-	66,270.00
<b>Total</b>		<b><u>\$ 66,270.00</u></b>	<b><u>\$ 66,270.00</u></b>

Business and Industrial Corporation of Denison, Inc.  
d/b/a Denison Development Alliance  
(A Component Unit of the City of Denison, Texas)  
Misstatements Corrected by Management (Continued)  
September 30, 2017

Appendix A

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
Adjusting Journal Entries JE # 9			
2005	Less Depreciation - Equipment	\$ 26,047.92	\$ -
2000	Equipment	-	26,047.92
Total		<u>\$ 26,047.92</u>	<u>\$ 26,047.92</u>

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Business and Industrial Corporation of Denison, Inc.  
d/b/a Denison Development Alliance  
(A Component Unit of the City of Denison, Texas)  
Uncorrected Misstatements  
September 30, 2017

Appendix B

Account	Description	Debit	Credit
Passed Adjusting Journal Entries JE # 101			
6010	Unrestricted	\$ 3,018.09	\$ -
9650	Payroll taxes	704.31	-
4100	FICA taxes payable	-	3,722.40
Total		<u>\$ 3,722.40</u>	<u>\$ 3,722.40</u>
Passed Adjusting Journal Entries JE # 102			
9745	Retirement Expense	\$ 2,534.01	\$ -
4210	Retirement Payable	-	2,534.01
Total		<u>\$ 2,534.01</u>	<u>\$ 2,534.01</u>
Passed Adjusting Journal Entries JE # 103			
6010	Unrestricted	\$ 3,203.60	\$ -
9650	Payroll taxes	-	3,203.60
Total		<u>\$ 3,203.60</u>	<u>\$ 3,203.60</u>
Passed Adjusting Journal Entries JE #104			
109145	Facade Incentive	\$ 3,000.00	\$ -
4220	Incentives Payable	-	3,000.00
		<u>\$ 3,000.00</u>	<u>\$ 3,000.00</u>

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**MINUTES OF MEETING  
THURSDAY, DECEMBER 21, 2017, 4:00 P.M.  
DENISON DEVELOPMENT ALLIANCE  
311 W. WOODARD STREET, DENISON, TEXAS**

**MEMBERS PRESENT:** Matthew Looney, David Spindle, Robert Sylvester

**MEMBERS ABSENT:** Robert Brady, Brett Evans

**STAFF PRESENT:** Tony Kaai, CEcD – President, Loretta Rhoden – VP of Operations,  
William Myers – VP of Business Development

**VISITORS PRESENT:** None

**MEETING WAS CALLED TO ORDER BY DAVID SPINDLE, CHAIRMAN AT 4:07 P.M.**

- I. REVIEW AND CONSIDER APPROVAL OF THE SPECIAL CALLED MEETING MINUTES HELD SEPTEMBER 8, 2017, THE REGULAR CALLED MEETING MINUTES HELD OCTOBER 19, 2017, THE SPECIAL CALLED MEETING MINUTES HELD NOVEMBER 6, 2017, AND THE SPECIAL CALLED MEETING MINUTES HELD NOVEMBER 15, 2017:** Reviewed by members. Matthew Looney motioned to approve the regular and special called meeting minutes as submitted by staff. Robert Sylvester seconded. Motion was unanimously approved.
- II. REVIEW AND CONSIDER APPROVAL OF THE OCTOBER 2017 AND NOVEMBER 2017 FINANCIAL REPORTS:** Robert Sylvester moved to approve the October and November financial reports as submitted by Veronica Davis, CPA. Matthew Looney seconded, and the motion was unanimously approved.
- III. REVIEW AND CONSIDER APPROVAL OF THE REVISED POLICY PROCEDURE MANUAL/EMPLOYEE HANDBOOK:** Matthew Looney moved to approve the revisions on page 24, section 4, item 4.8 (Attachment A) recommended by staff on the updated/revised policy and procedure manual presented to the Board by VP of Operations, Loretta Rhoden. Revisions included the name of DDA's newly acquired retirement agency/broker and the eligibility requirements for retirement. The motion was seconded by Robert Sylvester, and unanimously approved.

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**IV. REVIEW MONTHLY INVESTMENT REPORT:** Loretta Rhoden, VP of Operations, reported the only changes to this month's investment report was the accrued interest and obligated incentive payments made during the month. Reviewed by Board members. No action needed.

**V. MONTHLY STAFF REPORT:** Presented by DDA staff members. No action needed.

**ANNOUNCEMENT BY PRESIDING OFFICER:** "As authorized by Section 551.072 of the Texas Government Code, the Denison Development Alliance adjourned into closed Executive Session on the 21<sup>st</sup> day of December, 2017, at 4:49 P.M. to consider the following:

**I. DELIBERATION REGARDING REAL PROPERTY**

Following the closed Executive Session the Board reconvened in open and public session at 4:57 P.M.

**I. DELIBERATION REGARDING REAL PROPERTY - No action Taken**

**THERE BEING NO FURTHER BUSINESS THE MEETING WAS ADJOURNED AT 4:57 P.M.**

---

David Spindle, Chairman

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Date Approved

# **ATTACHMENT A**

Tuition and reimbursement is not available for expenses already covered by other types of assistance or benefits, such as scholarships, tuition waivers, grants, or other programs.

## **4.8 RETIREMENT**

The Denison Development Alliance provides employees with a 401(a) Defined Contribution Retirement Plan, through Axa Advisors, which provides retirement benefits to eligible employees. Participation in the program is a condition of employment for all benefited employees.

DDA's current 401(a) Defined Contribution Retirement Plan requires a contribution of 7% of the salary of each employee member to be deducted from each paycheck. DDA matches employee contributions at a rate of two to one. Axa Advisors sends employee members an annual statement of service credit and the account balance of employee contributions.

Changes to the employee's contribution rate, the DDA's contribution rate or other optional benefits may be authorized by the DDA Board of Directors, as long as such changes are within the guidelines established by Axa Advisors.

Employees may obtain more information about retirement benefits from the Bruce Malmed, with Axa Advisors, by telephone (972) 455-9157 and/or email [Bruce.Malmed@axa-advisors.com](mailto:Bruce.Malmed@axa-advisors.com). Employees may also meet with the VP of Operations or by visiting the Axa Advisors website at <https://us.axa.com/>.

**Eligibility for Retirement.** Employees are eligible to retire when they have five years of service credit and are at least 60 years of age, or they may retire at any age with twenty years of service credit.

**Survivor Benefits.** Should an employee die, his or her beneficiary or estate will receive all of the member contributions and interest in the employee's 401(a) Defined Contribution Retirement Plan.

**Sick Leave Accrual.** Upon retirement, an employee is eligible to receive payment for up to 720 hours of unused and accrued sick leave in addition to any other accrued paid leave they are normally eligible to receive upon separation of employment.

## **4.9 SOCIAL SECURITY**

All employees of the DDA are covered under the Federal Insurance Contributions Act (FICA) in accordance with Federal law.

## **4.10 HEALTH PLANS**

The Denison Development Alliance, through the City of Denison, currently participates with the Texas Municipal League Intergovernmental Employee Benefits Pool for our Group Health Benefits. We currently have two (2) different health plans that an employee may choose from. The DDA offers one of these plans at no expense to the employee. The employee may elect to

**Denison Development Alliance**

**Financial Statements**

**December 31, 2017**

See Independent Accountant's Compilation Report  
Veronica Brown Davis, CPA



**Veronica Brown Davis, CPA**

123 W. Main PO Box 1218 Denison, TX 75021-1218  
Phone 903-463-3765 Fax 903-463-7262

**INDEPENDENT ACCOUNTANT'S COMPILATION REPORT**

To the Board of Directors  
Denison Development Alliance  
Denison, Texas

Management is responsible for the accompanying financial statements of the Denison Development Alliance (a nonprofit organization and component unit of the City of Denison, Texas), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, budgeted and actual, for the one month and year-to-date then ended in accordance with accounting principles generally accepted in the United States of America. I have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I did not audit or review the financial statements nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The accompanying budget of the Denison Development Alliance for the one month and three months ended December 31, 2017, have not been compiled or examined by me and, accordingly, I do not express an opinion or any other form of assurance on it.

Management has elected to omit the statement of cash flows, and substantially all of the disclosures required in financial statements prepared in accordance with accounting principles generally accepted in the United States of America. If the omitted statement and disclosures were included in the financial statements, they might influence the user's conclusions about the Organization's financial position, changes in net assets, and cash flows. Management has also elected to omit the summaries of significant assumptions and accounting policies required under established guidelines for presentation of prospective financial statements. If the omitted summaries were included in the budgeted information, they might influence the user's conclusions about the organization's budgeted information. Accordingly, these financial statements and budget information are not designed for those who are not informed about such matters.

As explained in note 2 to the financial statements, generally accepted accounting principles require that fixed assets be capitalized and depreciated over their estimated useful lives, and that loan proceeds and repayments be reported as an increase to reduction of a liability. The organization's management has elected to budget current year loan proceeds as income and certain capital purchases and loan payments as expenses. The effect of these departures from generally accepted accounting principles on financial position and results of operations has not been determined.

*Veronica Brown Davis, CPA*

Denison, Texas  
January 17, 2018

**Denison Development Alliance  
Statement of Financial Position  
December 31, 2017**

**ASSETS**

**Current Assets**

Cash on hand	\$	200.00
Checking account		176,079.27
Money market account		1,791,412.43
MMA 4416 - Def Comp		281,828.26
Accounts Receivable		37,001.23
Sales tax receivable		<u>124,379.06</u>

**Total Current Assets** \$ 2,410,900.25

**Fixed Assets**

Equipment	\$	31,804.92
---less depreciation		(31,804.92)
 Furniture & fixtures		 6,125.94
---less depreciation		(6,125.94)
 Buildings		 4,243,974.77
---less depreciation		(1,325,921.72)
 Leasehold improvements		 51,916.64
---less depreciation		(21,426.88)
 Ind Park Infrs/streets		 186,608.00
---less depreciation		(27,213.68)
 Land		 437,842.73
Hwy 75/84 Property		1,250,000.00
 Land improvements		 192,564.42
--- less depreciation		<u>(17,330.80)</u>

**Total Fixed Assets** 4,971,013.48

**Total Assets** \$ 7,381,913.73

**Denison Development Alliance  
Statement of Financial Position  
December 31, 2017**

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Security Deposit - Florestone	\$	67,702.46
Payroll taxes payable		5.73
Retirement payable		2,333.72
Accrued Interest Payable		8,114.98
Deferred Revenue		128,091.97
Accrued Deferred Compensation		208,143.87
CP - Note Pay - ABT Florestone		404,366.82
CP- Woodforest Nat. Bank		<u>64,000.00</u>

**Total Current Liabilities** \$ 882,759.55

**Long-term Liabilities**

American Bank- Florestone Note	1,177,866.12
Woodforest Nat. Bk. Loan	569,000.00
Less current portion	<u>(468,366.82)</u>

**Total Long-term Liabilities** \$ 1,278,499.30

**Net Assets**

Unrestricted	3,224,314.87
Restricted for long-term debt	13,352.00
Net invested in capital assets	1,767,626.00
Current yr rev over(under) expenses	<u>215,362.01</u>

**Total Net Assets** 5,220,654.88

**Total Liabilities & Net Assets** \$ 7,381,913.73

**Denison Development Alliance**  
**Statement of Activities - Budgeted and Actual**  
**For the One Month and Year to Date Periods Ended December 31, 2017**

	<u>Current Month</u>	<u>Current Month Budget</u>	<u>Variance</u>	<u>YTD Actual</u>	<u>YTD Budget</u>	<u>YTD Variance</u>	<u>Annual Budget</u>
<b>Revenues</b>							
4a Sales Tax Revenue	\$ 124,379.06	\$ 149,581.17	\$ (25,202.11)	\$ 422,159.06	\$ 448,743.50	\$ (26,584.44)	\$ 1,794,974.00
Billboard Reimbursement	1,666.00	1,691.00	(25.00)	4,998.00	5,073.00	(75.00)	20,292.00
Interest Income	313.93	321.17	(7.24)	787.08	963.50	(176.42)	3,854.00
Lease Income - Florestone	33,851.23	33,851.17	0.06	101,553.69	101,553.50	0.19	406,214.00
Property Tax Income - Florestone	-	7,783.33	(7,783.33)	-	23,350.00	(23,350.00)	93,400.00
<b>Total Revenues</b>	<b>\$ 160,210.22</b>	<b>\$ 193,227.84</b>	<b>\$ (33,017.62)</b>	<b>\$ 529,497.83</b>	<b>\$ 579,683.50</b>	<b>\$ (50,185.67)</b>	<b>\$ 2,318,734.00</b>
<b>Expenses</b>							
<b>Administrative</b>							
Annual Meeting (Summit)	\$ 169.00	\$ 541.67	\$ 372.67	\$ 1,169.00	\$ 1,625.00	\$ 456.00	\$ 6,500.00
Audit/Accounting	475.00	1,395.83	920.83	2,095.00	4,187.50	2,092.50	16,750.00
Automotive Allowance	950.00	950.00	-	2,250.00	2,850.00	600.00	11,400.00
Bank Fees	-	4.17	4.17	-	12.50	12.50	50.00
Computer Expenses	119.80	458.33	338.53	169.80	1,375.00	1,205.20	5,500.00
Consultant Fees	400.00	4,166.67	3,766.67	(2,710.00)	12,500.00	15,210.00	50,000.00
Copier/Maintenance	-	70.83	70.83	258.01	212.50	(45.51)	850.00
Deferred Compensation Trust	-	2,083.33	2,083.33	-	6,250.00	6,250.00	25,000.00
Employee Insurance	2,174.67	2,597.50	422.83	3,823.87	7,792.50	3,968.63	31,170.00
Equip Rent/Maint/Purchase	17.99	100.00	82.01	35.98	300.00	264.02	1,200.00
Janitorial/Office Maintenance	80.00	125.00	45.00	260.00	375.00	115.00	1,500.00
Legal Services	-	833.33	833.33	300.00	2,500.00	2,200.00	10,000.00
Liability Insurance	-	441.67	441.67	-	1,325.00	1,325.00	5,300.00
Meeting Refreshments	-	141.67	141.67	414.57	425.00	10.43	1,700.00
Miscellaneous Expense	1.92	125.00	123.08	384.92	375.00	(9.92)	1,500.00
Office Furnishings	-	83.33	83.33	46.19	250.00	203.81	1,000.00
Office Lease	-	1,291.42	1,291.42	1,291.40	3,874.25	2,582.85	15,497.00
Office Supplies	-	458.33	458.33	456.61	1,375.00	918.39	5,500.00
Payroll Taxes	(2,029.03)	1,899.58	3,928.61	539.99	5,698.75	5,158.76	22,795.00
Postage	-	183.33	183.33	225.00	550.00	325.00	2,200.00
Professional Development	2,189.12	1,083.33	(1,105.79)	4,814.14	3,250.00	(1,564.14)	13,000.00
Retirement	(5,310.81)	3,290.58	8,601.39	(2,762.51)	9,871.75	12,634.26	39,487.00
Salaries	24,515.87	24,504.00	(11.87)	60,148.42	73,512.00	13,363.58	294,048.00
Subscriptions/Dues	52.00	186.67	134.67	144.00	560.00	416.00	2,240.00
Telephone/Communications	87.50	808.33	720.83	1,207.04	2,425.00	1,217.96	9,700.00
Travel	173.53	250.00	76.47	313.17	750.00	436.83	3,000.00
Utilities	341.23	575.00	233.77	1,066.82	1,725.00	658.18	6,900.00
Workers Comp	-	75.00	75.00	(44.00)	225.00	269.00	900.00
<b>Subtotal Administrative</b>	<b>24,407.79</b>	<b>48,723.90</b>	<b>24,316.11</b>	<b>75,897.42</b>	<b>146,171.75</b>	<b>70,274.33</b>	<b>584,687.00</b>

**Denison Development Alliance**  
**Statement of Activities - Budgeted and Actual**  
**For the One Month and Year to Date Periods Ended December 31, 2017**

	<u>Current Month</u>	<u>Current Month Budget</u>	<u>Variance</u>	<u>YTD Actual</u>	<u>YTD Budget</u>	<u>YTD Variance</u>	<u>Annual Budget</u>
<b>Program Expenses</b>							
Briefing Center Equipment/Presentations	\$ -	\$ 291.67	\$ 291.67	\$ -	\$ 875.00	\$ 875.00	\$ 3,500.00
Regis Online	-	300.00	300.00	-	900.00	900.00	3,600.00
Geographic Information System	-	-	-	-	-	-	-
Retail Lease Trac	-	-	-	-	-	-	-
Retail Market Analysis	-	416.67	416.67	-	1,250.00	1,250.00	5,000.00
Workforce Development	10.00	7,616.67	7,606.67	10,937.46	22,850.00	11,912.54	91,400.00
Xceligent Direct	-	450.00	450.00	5,400.00	1,350.00	(4,050.00)	5,400.00
Subtotal Program Exp.	10.00	9,075.01	9,065.01	16,337.46	27,225.00	10,887.54	108,900.00
<b>Property Mgmt. Expenses</b>							
Business /Industrial Park Maintenance	-	250.00	250.00	-	750.00	750.00	3,000.00
Floestone Building (Interest on Note)	7,060.06	39,489.92	32,429.86	22,000.37	118,469.75	96,469.38	473,879.00
Floestone Insurance (Liability)	-	32.92	32.92	395.00	98.75	(296.25)	395.00
Floestone Bldg. Taxes (Property)	-	7,783.33	7,783.33	-	23,350.00	23,350.00	93,400.00
Subtotal Property Mgmt. Exp.	7,060.06	47,556.17	40,496.11	22,395.37	142,668.50	120,273.13	570,674.00
<b>Marketing</b>							
<b>Materials/Activities</b>							
Advertising	443.13	1,666.67	1,223.54	10,456.75	5,000.00	(5,456.75)	20,000.00
Behavioral Marketing	-	2,083.33	2,083.33	-	6,250.00	6,250.00	25,000.00
Billboard (Hwy 75)	-	25.00	25.00	-	75.00	75.00	300.00
Business Retention Activities	46.05	250.00	203.95	46.05	750.00	703.95	3,000.00
Corporate Visitation	-	250.00	250.00	-	750.00	750.00	3,000.00
Direct Mail Program	-	166.67	166.67	-	500.00	500.00	2,000.00
Mailing Lists	-	166.67	166.67	-	500.00	500.00	2,000.00
Maps & Photos	3.00	416.67	413.67	292.00	1,250.00	958.00	5,000.00
Meeting Expense	228.44	250.00	21.56	529.87	750.00	220.13	3,000.00
Meeting Sponsorship	-	208.33	208.33	-	625.00	625.00	2,500.00
NTRA Cooperative Advertising	8,250.00	2,750.00	(5,500.00)	8,250.00	8,250.00	-	33,000.00
PR Firm	749.37	833.33	83.96	761.37	2,500.00	1,738.63	10,000.00
Prospect Hosting	-	250.00	250.00	385.19	750.00	364.81	3,000.00
Recruitment Missions	658.24	2,250.00	1,591.76	1,651.07	6,750.00	5,098.93	27,000.00
Special Events	-	416.67	416.67	2,777.94	1,250.00	(1,527.94)	5,000.00
Team Texas/DFW Marketing	3,000.00	1,666.67	(1,333.33)	3,000.00	5,000.00	2,000.00	20,000.00
Trade Shows	-	250.00	250.00	-	750.00	750.00	3,000.00
Website Update	-	2,083.33	2,083.33	450.00	6,250.00	5,800.00	25,000.00
Website/Email Hosting	49.75	291.67	241.92	99.50	875.00	775.50	3,500.00
Subtotal Marketing	13,427.98	16,275.01	2,847.03	28,699.74	48,825.00	20,125.26	195,300.00
Total Admin, Prog., Mgmt, & Mkt	44,905.83	121,630.09	76,724.26	143,329.99	364,890.25	221,560.26	1,459,561.00
<b>Revenue over (under) expenses after administration, property management, and marketing</b>							
	<b>115,304.39</b>	<b>71,597.75</b>	<b>43,706.64</b>	<b>386,167.84</b>	<b>214,793.25</b>	<b>171,374.59</b>	<b>859,173.00</b>

**Denison Development Alliance**  
**Statement of Activities - Budgeted and Actual**  
**For the One Month and Year to Date Periods Ended December 31, 2017**

	<u>Current Month</u>	<u>Current Month Budget</u>	<u>Variance</u>	<u>YTD Actual</u>	<u>YTD Budget</u>	<u>YTD Variance</u>	<u>Annual Budget</u>
<b>One-Time Expenses/Obligated Incentives</b>							
Downtown TIF/Planning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gas Line Extension (75/91)	-	6,702.08	6,702.08	-	20,106.25	20,106.25	80,425.00
Infrastructure	-	8,333.33	8,333.33	136,284.32	25,000.00	(111,284.32)	100,000.00
Bent Leaf, LLC	-	1,679.17	1,679.17	2,100.00	5,037.50	2,937.50	20,150.00
Façade Incentives	-	4,166.67	4,166.67	3,000.00	12,500.00	9,500.00	50,000.00
Hilton Garden Inn/Texoma Event Center	-	4,166.67	4,166.67	-	12,500.00	12,500.00	50,000.00
National Govt. Services Incentive	-	-	-	-	-	-	-
Novo1/Dialog Direct Incentives	-	-	-	-	-	-	-
Ruiz Foods Incentive	-	-	-	-	-	-	-
Texas Turbines, Inc. Incentive	-	-	-	-	-	-	-
US Aviation Group Incentives	-	-	-	-	-	-	-
Visionary Ind. Insulation, Inc. Incentives	-	-	-	-	-	-	-
Subtotal one-time expenses	-	25,047.92	25,047.92	141,384.32	75,143.75	(66,240.57)	300,575.00
<b>Revenue (over) under before other non-budgeted items</b>	<b>115,304.39</b>	<b>46,549.83</b>	<b>68,754.56</b>	<b>244,783.52</b>	<b>139,649.50</b>	<b>105,134.02</b>	<b>558,598.00</b>
Depreciation	9,807.17	-	(9,807.17)	29,421.51	-	(29,421.51)	-
<b>Revenue(over) under expenses</b>	<b>\$ 105,497.22</b>	<b>\$ 46,549.83</b>	<b>\$ 58,947.39</b>	<b>\$ 215,362.01</b>	<b>\$ 139,649.50</b>	<b>\$ 75,712.51</b>	<b>\$ 558,598.00</b>

**DENISON DEVELOPMENT ALLIANCE**  
**Selected Information**  
**Substantially All Disclosures Required by Accounting Principles**  
**Generally Accepted in the United States are Not Included**  
**December 31, 2017**

Note 1 - Organization and Business

Business and Industrial Corporation of Denison, Inc. is a component unit of the City of Denison, Texas, doing business as Denison Development Alliance. Their mission is to stimulate growth of the local economy by locating, inducing and assisting businesses making investment decisions.

Note 2 - Accounting Policies

The financial statements have been prepared on the accrual basis of accounting.

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

The basis of accounting used by the organization requires that fixed assets be capitalized and depreciated over their estimated useful lives, and that loan proceeds and repayments be reported as an increase in or reduction of a liability. The organization's budgeted revenues and expenses include loan proceeds as revenue and capital improvements and loan payments as expenses.

400 · 4A Sales Tax Revenue

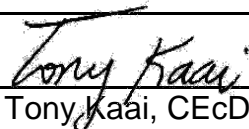
2015/2016			2016/2017			2017/2018			Annual	
Date	Memo	Amount	Date	Memo	Amount	Date	Memo	Amount	Difference	
09/21/15	September	\$ 109,408.44	09/20/16	September	\$ 123,027.32	09/18/17	September	\$ 127,680.25	\$ 4,652.93	
10/20/15	October	\$ 112,579.97	10/21/16	October	\$ 135,352.31	10/24/17	October	\$ 130,834.95	\$ (4,517.36)	
11/19/15	November	\$ 145,108.38	11/28/16	November	\$ 162,960.47	11/27/17	November	\$ 170,278.87	\$ 7,318.40	
12/02/15	December	\$ 118,014.96	12/21/16	December	\$ 131,531.77	12/18/17	December	\$ 127,501.13	\$ (4,030.64)	
01/20/16	January	\$ 108,636.35	01/31/17	January	\$ 135,541.01		January			
02/22/16	February	\$ 155,624.88	02/23/17	February	\$ 178,724.07		February			
03/21/16	March	\$ 110,058.49	03/21/17	March	\$ 125,555.52		March			
04/15/16	April	\$ 107,656.27	04/26/17	April	\$ 118,135.10		April			
05/27/16	May	\$ 143,863.19	05/22/17	May	\$ 165,106.79		May			
06/20/16	June	\$ 119,444.26	06/19/17	June	\$ 134,583.33		June			
07/18/16	July	\$ 114,018.14	07/28/17	July	\$ 137,083.36		July			
08/24/16	August	\$ 162,934.29	08/21/17	August	\$ 164,013.03		August			
Total to Date Comparison		\$ 485,111.75	Total to Date Comparison		\$ 552,871.87	Total to Date Comparison		\$ 556,295.20		
<b>2015/2016 Grand Total</b>		<b>\$ 1,507,347.62</b>	<b>2016/2017 Grand Total</b>		<b>\$ 1,711,614.08</b>	<b>2017/2018 Grand Total</b>		<b>\$ 556,295.20</b>		
									<b>To Date Difference</b>	<b>\$ 3,423.33</b>
									(from previous year)	



**Investment Report  
Denison Development Alliance  
December 31, 2017**

<b>Bank/Money Market</b>	<b>Type</b>	<b>Date Opened</b>	<b>Maturity Date</b>	<b>Current Yield</b>	<b>Beginning Balance</b>	<b>Accrued Interest</b>	<b>Ending Balance</b>
American Bank Checking	Commercial Checking			0.000	\$264,351.71	\$0.00	\$179,079.27
American Bank of Texas	Money Market	10/27/03		0.150	\$1,551,644.51	\$278.03	\$1,791,412.43
American Bank of Texas	Deferred Comp Trust MM	10/01/11		0.150	\$321,282.25	\$35.90	\$281,828.26
<b>Total</b>							<b>\$2,252,319.96</b>

<i>October 2017 Total</i>	<i>\$2,096,484.16</i>
<i>November 2017 Total</i>	<i>\$2,057,212.20</i>
<i>December 2017 Total</i>	<i>\$2,252,319.96</i>
<i>January 2018 Total</i>	
<i>February 2017 Total</i>	
<i>March 2018 Total</i>	
<i>April 2018 Total</i>	
<i>May 2018 Total</i>	
<i>June 2018 Total</i>	
<i>July 2018 Total</i>	
<i>August 2018 Total</i>	
<i>September 2018 Total</i>	

  
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 Tony Kaai, CECD  
 President