



Kennedale Economic Development Corporation

(Component Unit of the City of Kennedale, Texas)

Independent Auditor's Report and Financial Statements

For the Fiscal Year Ended September 30, 2023



Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
For the Fiscal Year Ended September 30, 2023

Contents

Independent Auditor’s Report..... 1

Management’s Discussion and Analysis (Unaudited) 3

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position..... 8

Statement of Activities 9

Fund Financial Statements

Balance Sheet 10

Reconciliation of the Balance Sheet of the General Fund
to the Statement of Net Position..... 11

Statement of Revenues, Expenditures, and Changes in Fund Balance 12

Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance of the General Fund to the Statement of Activities 13

Notes to Basic Financial Statements 14

Required Supplementary Information (Unaudited)

Schedule of Revenues, Expenditures, and Changes in Fund
Balance – Budget to Actual (Unaudited)..... 23

Notes to Required Supplementary Information..... 24



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Independent Auditor's Report

The Honorable Mayor and
Members of the Board of Directors
Kennedale Economic Development Corporation
Kennedale, Texas

Opinions

We have audited the financial statements of the governmental activities and the major fund of the Kennedale Economic Development Corporation (KEDC) a component unit of the City of Kennedale, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the KEDC's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the KEDC's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

FORVIS, LLP

**Dallas, Texas
April 1, 2024**

Kennedale Economic Development Corporation

(Component Unit of the City of Kennedale, Texas)

Management's Discussion and Analysis

(Unaudited)

As management of the Kennedale Economic Development Corporation (KEDC), we offer readers of the KEDC's financial statements, this narrative overview and analysis of the financial activities of the KEDC for the fiscal year ended September 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the KEDC exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$5,306,359.
- The KEDC's net position increased by \$22,430.
- As of the close of the current fiscal year, the KEDC's general fund reports fund balance of \$2,323,480, an increase of \$191,384 in comparison with the prior year.
- At the end of the current fiscal year, the restricted fund balance for the General Fund was \$2,308,320.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the KEDC's basic financial statements. The Corporation's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of the KEDC's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the KEDC's assets, liabilities, and deferred inflows of resources, with the difference between the three reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the KEDC is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting.

Governmental Activities: The KEDC's basic expenditures are reported here, including administrative and incentive grants. Sales taxes, rent, and investment earnings finance these activities.

Kennedale Economic Development Corporation

(Component Unit of the City of Kennedale, Texas)

Management's Discussion and Analysis

(Unaudited)

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The KEDC uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

The KEDC uses the following fund type:

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The KEDC maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, which is considered to be a major fund.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in the financial section.

Required Supplementary Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the KEDC's annual budget. The KEDC adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

Government-Wide Financial Analysis

As noted earlier, over time, net position may serve as a useful indicator of the KEDC's financial position. In the case of the KEDC, assets exceeded liabilities and deferred inflows of resources by \$5,306,359 at the close of the most recent fiscal year.

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Management’s Discussion and Analysis
(Unaudited)

Kennedale Economic Development Corporation’s Statement of Net Position

	Governmental Activities	
	2023	2022
Assets		
Cash and cash equivalents	\$ 2,174,201	\$ 2,011,221
Receivables (net of allowance)	953,546	723,309
Prepaid items	15,160	10,000
Capital assets (net of depreciation)	3,539,527	3,820,735
Total assets	6,682,434	6,565,265
Liabilities		
Accounts payable	37,957	141
Accrued interest	13,205	7,606
Accrued liabilities	33,899	33,899
Bond and loan payable	543,443	661,296
Total liabilities	628,504	702,942
Deferred Inflows of Resources – Leases	747,571	578,394
Net Position		
Net investment in capital assets	2,996,084	3,159,439
Restricted for economic development	2,310,275	2,124,490
Total net position	\$ 5,306,359	\$ 5,283,929

Cash and cash equivalents increased as a result of 2023 operations. Capital assets decreased due to depreciation, and the bond and loan payable decreased due to scheduled debt payments.

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Management's Discussion and Analysis
(Unaudited)

Kennedale Economic Development Corporation's Changes in Net Position

	Governmental Activities	
	2023	2022
General/Program Revenues		
Sales tax	\$ 738,973	\$ 619,749
Leases	334,035	312,171
Miscellaneous	37,566	35,103
Investment earnings	71,896	11,002
Total revenues	<u>1,182,470</u>	<u>978,025</u>
Expenses		
Economic development	1,109,686	726,319
Interest	50,354	40,403
Total expenses	<u>1,160,040</u>	<u>766,722</u>
Change in Net Position	22,430	211,303
Net Position, Beginning	<u>5,283,929</u>	<u>5,072,626</u>
Net Position, Ending	<u>\$ 5,306,359</u>	<u>\$ 5,283,929</u>

The KEDC's revenues increased by \$204,445 from last year. The increase was due primarily to increased sales tax revenue, as the economy remains strong, and investment earnings, due to higher interest rates being paid by investment pools. The KEDC's expenses increased by \$393,318 from last year. This increase was due primarily to an increase in budgeted administration charges to the City of Kennedale.

General Fund Budgetary Highlights: The actual expenditures for the year were \$991,086, as compared to the budgeted amount of \$1,019,852. The budget overage in economic development was offset by debt service coming in under budget.

For fiscal year 2023, the actual revenues were \$1,182,105, as compared to the budgeted amount of \$1,019,621 as all revenue sources exceeded projections as the economy remains strong.

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Management's Discussion and Analysis
(Unaudited)

Capital Asset and Debt Administration

Capital Assets: The investment in capital assets for the governmental activities as of September 30, 2023, amounts to \$3,539,527 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and infrastructure.

Additional information on the capital assets can be found in the notes to the financial statements on page 20.

Long-term Debt: At year-end, the KEDC had revenue bonds and a loan in the amount of \$380,000 and \$163,443, respectively. No new debt was issued in fiscal year 2023.

Additional information on the long-term debt can be found in the notes to the financial statements on page 21.

Discussion of Currently Known Facts, Decisions, or Conditions in Fiscal Year 2023

The Kennedale Economic Development Corporation's projects for the fiscal year and beyond include: 1) Opening a "sit-down" restaurant in the Oak Crest development, 2) building a hotel in the Oak Crest development, 3) continuing the development of the Kennedale TownCenter, and 4) identifying potential tracts of land to acquire, consolidate, clear, and resell for light manufacturing uses.

Request for Information

This financial report is designed to provide a general overview of the Corporation's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Treasurer, Kennedale Economic Development Corporation, 405 Municipal Dr., Kennedale, Texas 76060.

Basic Financial Statements

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Statement of Net Position
September 30, 2023

Assets

Cash and cash equivalents	\$ 2,174,201
Receivables	
Accounts	17,750
Sales tax	144,975
Leases	790,821
Prepaid items	15,160
Capital assets	
Nondepreciable	845,292
Depreciable, net of accumulated depreciation	<u>2,694,235</u>
Total assets	<u>6,682,434</u>

Liabilities

Accounts payable	37,957
Customer deposits	33,899
Accrued interest	13,205
Current portion of bond and loan payable	134,937
Noncurrent liabilities	
Bond and loan payable	<u>408,506</u>
Total liabilities	<u>628,504</u>

Deferred Inflows of Resources

Lease related	<u>747,571</u>
Total deferred inflows of resources	<u>747,571</u>

Net Position

Net investment in capital assets	2,996,084
Restricted for	
Economic development	<u>2,310,275</u>
Total net position	<u><u>\$ 5,306,359</u></u>

Kennedale Economic Development Corporation
 (Component Unit of the City of Kennedale, Texas)
Statement of Activities
 For the Year Ended September 30, 2023

<u>Program Revenue</u>	<u>Expenses</u>	<u>Program Revenue Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Functions/Program			
Governmental Activities			
Economic development	\$ 1,109,686	\$ 334,035	\$ (775,651)
Interest	<u>50,354</u>	<u>-</u>	<u>(50,354)</u>
Total governmental activities	<u>\$ 1,160,040</u>	<u>\$ 334,035</u>	<u>(826,005)</u>
General Revenues			
Sales taxes			738,973
Investment earnings			71,896
Gain on sale of land			365
Miscellaneous			<u>37,201</u>
Total general revenues			<u>848,435</u>
Change in Net Position			22,430
Net Position, Beginning of Year			<u>5,283,929</u>
Net Position, End of Year			<u>\$ 5,306,359</u>

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)

Balance Sheet
General Fund
September 30, 2023

Assets

Cash and cash equivalents	\$ 2,174,201
Receivables	
Accounts	144,975
Other	17,750
Lease	790,821
Prepaid items	<u>15,160</u>
Total assets	<u>\$ 3,142,907</u>

Liabilities

Accounts payable	\$ 37,957
Customer deposits	<u>33,899</u>
Total liabilities	<u>71,856</u>

Deferred Inflows of Resources

Lease related	<u>747,571</u>
Total deferred inflows of resources	<u>747,571</u>

Fund Balances

Nonspendable	15,160
Restricted for economic development	<u>2,308,320</u>
Total fund balances	<u>2,323,480</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 3,142,907</u>

Kennedale Economic Development Corporation

(Component Unit of the City of Kennedale, Texas)

Reconciliation of the Balance Sheet of the General Fund to the Statement of Net Position

September 30, 2023

Total Fund Balance	\$ 2,323,480
Amounts reported in the statement of net position are different because:	
Interest payable on long-term debt does not require current financial resources; therefore, interest payable is not reported as a liability in the balance sheet.	(13,205)
Capital assets used in governmental activities are not financial resources; therefore, are not reported as assets in fund financial statements. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation.	3,539,527
Long-term liabilities, including bonds and loans payable, are not due and payable in the current period and, therefore, are not reported in the fund financial statements.	<u>(543,443)</u>
Total Net Position	<u><u>\$ 5,306,359</u></u>

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Statement of Revenues, Expenditures, and Changes in Fund Balance
General Fund
For the Year Ended September 30, 2023

Revenues	
Sales taxes	\$ 738,973
Leases	334,035
Investment earnings	71,896
Miscellaneous	<u>37,201</u>
Total revenues	<u>1,182,105</u>
Expenditures	
Current	
Economic development	800,083
Capital outlay	28,395
Debt service	
Principal	117,853
Interest	<u>44,755</u>
Total expenditures	<u>991,086</u>
Increase of Revenues Over Expenditures	<u>191,019</u>
Other Financing Sources	
Other	<u>365</u>
Total other financing sources	<u>365</u>
Net Change in Fund Balance	191,384
Fund Balance, Beginning of Year	<u>2,132,096</u>
Fund Balance, End of Year	<u><u>\$ 2,323,480</u></u>

Kennedale Economic Development Corporation

(Component Unit of the City of Kennedale, Texas)

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the General Fund to the Statement of Activities

For the Year Ended September 30, 2023

Net Change in Fund Balance	\$ 191,384
Amounts reported in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	28,395
Depreciation	(309,603)
Current year changes in accrued interest payable does not require the use of current financial resources; but are reported as expenses in the governmental activities.	
	(5,599)
Current year principal payments of long-term liabilities are shown as expenditures in the fund financial statements, but shown as reductions in long-term liabilities in the government-wide financial statements.	
	<u>117,853</u>
Change in Net Position	<u>\$ 22,430</u>

Kennedale Economic Development Corporation

(Component Unit of the City of Kennedale, Texas)

Notes to Basic Financial Statements

September 30, 2023

Note 1: Summary of Significant Accounting Policies

The financial statements of Kennedale Economic Development Corporation (Corporation or KEDC) have been prepared in conformity with generally accepted accounting principles (GAAP) for local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB's jurisdiction includes nonprofit corporations that are in substance part of a governmental unit. The most significant accounting and reporting policies of the Corporation are described in the following notes to the financial statements.

Reporting Entity

The Corporation was incorporated on December 2, 1996. The Corporation is a nonprofit corporation organized and operating under the laws of the State of Texas, particularly Section 4B of the *Development Corporation Act of 1979*, as amended and Article 5190.6, Vernon's Texas Civil Statutes (Act), as amended. The Corporation was created following an election held by the City of Kennedale, Texas (City), on August 10, 1996, to levy 0.5% local sales and use tax in the City for the benefit of the Corporation. The Corporation, as currently organized, is to promote economic development within the City, including, but not limited to, construction, operation, and administration, as permitted by Section 4B of the Act, as amended. The Corporation is a discretely presented component unit of the City.

As required by generally accepted accounting principles, these financial statements present the Corporation and do not include any component units, entities for which the Corporation is considered to be financially accountable. The Corporation did not have any entities which meet the component unit criteria. Therefore, the reporting entity is limited to those departments which comprise the Corporation's legally adopted jurisdiction. However, the Corporation is considered to be, and is reported as, a component unit of the City.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the government. Governmental activities are supported by taxes, rent, and investment revenue.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenue are reported instead as general revenue.

The government-wide and fund financial statements are provided for the governmental fund of the Corporation with a reconciliation between the two provided.

Kennedale Economic Development Corporation

(Component Unit of the City of Kennedale, Texas)

Notes to Basic Financial Statements

September 30, 2023

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Corporation considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Sales tax and interest income associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Corporation.

The Corporation reports the following major governmental fund:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the Corporation. There are no other funds of the Corporation.

Assets, Liabilities, and Net Position or Fund Balance

Cash and Investments

The Corporation's cash and investments are pooled with the City of Kennedale's cash and investments to maximize earnings. Investment income is allocated to the Corporation based upon its pro rata participation in the Pool.

Investments in government pools are recorded at amortized cost or net asset value. All other investments are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

Capital Assets

Capital assets, which include buildings, improvements, and infrastructure are reported in the government-wide financial statements. The Corporation defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

Kennedale Economic Development Corporation

(Component Unit of the City of Kennedale, Texas)

Notes to Basic Financial Statements

September 30, 2023

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	20 years
Infrastructure	35 - 50 years

Long-term Obligations

In the government-wide financial statements, long-term debt, and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as debt service.

Lease Receivable

The KEDC is a lessor for noncancellable leases of buildings and recognized a related lease receivable and a deferred inflow of resources. At the commencement of a lease, the KEDC initially measures the lease receivable at the present value of lease payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured at the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

The KEDC monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and balance sheet includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. In the statement of net position and balance sheet, the KEDC reports deferred amounts related to leases.

Kennedale Economic Development Corporation

(Component Unit of the City of Kennedale, Texas)

Notes to Basic Financial Statements

September 30, 2023

Net Position

Net position represents the difference between assets, liabilities, and deferred inflows of resources. 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. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Corporation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Nature and Purpose of Classifications on Fund Balances

Governmental funds fund balances classified as restricted can only be used for specific purposes pursuant to constraints imposed by state law for Type A development corporations. Fund balances classified as nonspendable include amounts that cannot be spent because they are not in a spendable form.

Net Position/Fund Balance Flow Assumption

It is the KEDC's policy to consider restricted net position/fund balances to have been depleted before unrestricted net position/fund balances is applied.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and deferred inflows of resources, and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue.

Adoption of New Accounting Standards

During fiscal year 2023, the KEDC adopted the following GASB standards:

GASB Statement No. 91, *Conduit Debt Obligations*. This standard clarifies the definition of conduit debt and provides a single method of reporting these obligations (disclosure only). This standard provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. The adoption of this standard had no impact on KEDC.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This standard addresses the gap in current accounting guidance related to public-private and public-public partnerships (both referred to as PPPs) that do not meet the definition of a service concession arrangement. The adoption of this standard had no impact on KEDC.

Kennedale Economic Development Corporation

(Component Unit of the City of Kennedale, Texas)

Notes to Basic Financial Statements

September 30, 2023

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This standard establishes a single model for subscription-based information technology arrangements (SBITAs) accounting based on the principle that contracts are financings of the right to use an underlying information technology software asset. The standard requires recognition of certain right-to-use subscription assets and subscription liabilities. The adoption of this standard had no impact on KEDC.

Note 2: Detail Notes on Funds and Activities

Cash, Cash Equivalents, and Investments

The *Public Funds Investment Act*, Government Code Chapter 2256 (Act) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the Corporation to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity; (2) portfolio diversification; (3) allowable investments; (4) acceptable risk levels; (5) expected rates of return; (6) maximum allowable stated maturity of portfolio investments; (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio; (8) investment staff quality and capabilities; and (9) bid solicitation preferences for certificates of deposit.

Statutes authorize the Corporation to invest in: (1) obligations of the U. S. Treasury, certain U. S. Agencies, and the State of Texas; (2) certificates of deposit; (3) certain municipal securities; (4) money market savings accounts; (5) repurchase agreements; (6) bankers' acceptances; (7) Mutual Funds; (8) Investment pools; (9) guaranteed investment contracts; and (10) common trust funds. The Act also requires the Corporation to have independent auditors perform test procedures related to investment practices as provided by the Act. The Corporation is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Act, the Corporation has adopted a deposit and investment policy. That policy does address the following risks:

- (A) **Custodial Credit Risk:** Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. As of September 30, 2023, all of the Corporation's deposits were in the TexPool and TexStar accounts held by the City.
- (B) **Credit Risk:** It is the Corporation's policy to limit investments to investment types with an investment quality rating no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service or no lower than investment grade by at least one nationally recognized rating service with a weighted average maturity no greater than 90 days.

Kennedale Economic Development Corporation

(Component Unit of the City of Kennedale, Texas)

Notes to Basic Financial Statements

September 30, 2023

- (C) **Interest Rate Risk:** In accordance with the Corporation's investment policy, the Corporation manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 90 days or less, dependent on market conditions.
- (D) **Concentration of Credit Risk:** The Corporation's investment policy states the maximum percentage allowed for each different investment instrument that can be used to make up the portfolio.

At September 30, 2023, the carrying amounts of the Corporation's deposits were as follows:

TexPool	\$ 1,974,732
TexStar	20,880
Money market investments	<u>178,589</u>
Total investments	<u>\$ 2,174,201</u>

Public Funds Investment Pools

Public funds investment pools in Texas (Pools) are established under the authority of the *Interlocal Cooperation Act* (Act), Chapter 79 of the Texas Government Code, and are subject to the provisions of the Act, Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one-half of one percent of the value of its shares.

All investments are measured using amortized cost (TexPool and money markets) or net asset value per share (TexStar). The carrying value amounts included above approximate amortized cost or net asset value for all related external investment pool balances. Balances held in Pools are readily available and are recorded as cash equivalents for financial statement purposes.

Risk Management

The Corporation carries its general insurance risks with a public entity risk pool by transferring all risks to the insurance carrier except for small deductible amounts. There has been no significant reduction in coverage from 2022 to 2023; nor have settlement amounts exceeded coverage for each of the past three years.

Kennedale Economic Development Corporation

(Component Unit of the City of Kennedale, Texas)

Notes to Basic Financial Statements

September 30, 2023

Lease Receivable

The KEDC leases building space to third parties, the terms of which for some are greater than one year and expire over various years through 2028. The KEDC recognized approximately \$218,000 in lease revenue and interest revenue during the current fiscal year related to these leases. As of September 30, 2023, the KEDC's receivable for lease payments was \$790,821 and the balance of the deferred inflow of resources related to this lease was \$747,571.

Agreement with City

The Corporation has no employees. The personnel duties for the Corporation are performed by employees of the City of Kennedale, and the Corporation is charged for expenses related to these duties and amounted to \$397,791 in fiscal year 2023.

Capital Assets

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated					
Land	\$ 845,292	\$ -	\$ -	\$ -	\$ 845,292
Construction in progress	25,000	-	-	(25,000)	-
Totals capital assets not being depreciated	870,292	-	-	(25,000)	845,292
Capital assets, being depreciated					
Buildings	4,917,189	-	-	-	4,917,189
Improvements	1,084,193	28,395	-	25,000	1,137,588
Infrastructure	209,707	-	-	-	209,707
Totals capital assets being depreciated	6,211,089	28,395	-	25,000	6,264,484
Less accumulated depreciation for:					
Buildings	2,630,298	245,859	-	-	2,876,157
Improvements	597,295	59,549	-	-	656,844
Infrastructure	33,053	4,195	-	-	37,248
Total accumulated depreciation	3,260,646	309,603	-	-	3,570,249
Total capital assets, being depreciated, net	2,950,443	(281,208)	-	25,000	2,694,235
Capital assets, net	\$ 3,820,735	\$ (281,208)	\$ -	\$ -	\$ 3,539,527

Kennedale Economic Development Corporation

(Component Unit of the City of Kennedale, Texas)

Notes to Basic Financial Statements

September 30, 2023

Long-term Debt

During fiscal year 2011, a loan was issued for \$1,700,000 for the purpose of financing new projects. This loan includes variable interest rates that vary throughout the year and was 8.5% at September 30, 2023. Revenue bonds were issued in fiscal year 2007 for \$1,200,000 at 6.95% also for the purpose of financing new projects. Revenue bonds and loans outstanding at year end are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Discretely Presented Component Unit					
Revenue bonds	\$ 460,000	\$ -	\$ 80,000	\$ 380,000	\$ 85,000
Texas leverage fund loan	201,296	-	37,853	163,443	49,937
Total	<u>\$ 661,296</u>	<u>\$ -</u>	<u>\$ 117,853</u>	<u>\$ 543,443</u>	<u>\$ 134,937</u>

Annual debt service requirements to maturity for the revenue bonds and loan of the Corporation are as follows:

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2024	\$ 134,937	\$ 38,387	\$ 173,324
2025	144,351	28,155	172,506
2026	159,155	17,007	176,162
2027	105,000	7,298	112,298
Total	<u>\$ 543,443</u>	<u>\$ 90,847</u>	<u>\$ 634,290</u>

The following is a summary of pledged revenues for KEDC for the year ended September 30, 2023:

Revenue Pledged	Total Revenue Pledged	Current Year Debt Service Requirements	Percentage Portion of Revenue Stream	Remaining Principal and Interest	Period Revenue Will not be Available for Other Purposes
.05% sales and use tax	\$ 738,973	\$ 222,608	30.10%	\$ 634,290	Until 2027

Kennedale Economic Development Corporation

(Component Unit of the City of Kennedale, Texas)

Notes to Basic Financial Statements

September 30, 2023

Note 3: Future Change in Accounting Principle

GASB Statement No. 102, Certain Risk Disclosures (GASB 102)

GASB 102 requires governments to disclose information about certain concentrations or constraints that could affect services provided or the ability to meet obligations as they come due. The KEDC expects to first apply GASB 102 during the year ending September 30, 2025. The impact of applying the Statement has not been determined.

Required Supplementary Information

Kennedale Economic Development Corporation

(Component Unit of the City of Kennedale, Texas)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget to Actual (Unaudited)

For the Year Ended September 30, 2023

	<u>Budgeted Amounts</u>		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Sales taxes	\$ 688,491	\$ 688,491	\$ 738,973	\$ 50,482
Rent	293,607	293,607	334,035	40,428
Miscellaneous income	33,500	33,500	37,201	3,701
Investment earnings	<u>4,023</u>	<u>4,023</u>	<u>71,896</u>	<u>67,873</u>
Total revenues	<u>1,019,621</u>	<u>1,019,621</u>	<u>1,182,105</u>	<u>162,484</u>
Expenditures				
Current				
Economic development	705,505	705,505	800,083	(94,578)
Capital outlay	-	-	28,395	(28,395)
Debt service				
Principal	314,347	314,347	117,853	196,494
Interest	<u>-</u>	<u>-</u>	<u>44,755</u>	<u>(44,755)</u>
Total expenditures	<u>1,019,852</u>	<u>1,019,852</u>	<u>991,086</u>	<u>28,766</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(231)</u>	<u>(231)</u>	<u>191,019</u>	<u>191,250</u>
Net Change in Fund Balances	(231)	(231)	191,384	191,615
Fund Balance, Beginning of Year	<u>2,132,096</u>	<u>2,132,096</u>	<u>2,132,096</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 2,131,865</u></u>	<u><u>\$ 2,131,865</u></u>	<u><u>\$ 2,323,480</u></u>	<u><u>\$ 191,615</u></u>

Kennedale Economic Development Corporation
Notes to Required Supplementary Information
For the Year Ended September 30, 2023

Budgetary Information

The Economic Development Board of Directors and the City Council of the City of Kennedale, Texas, follow these procedures in establishing budgets reflected in the financial statements:

1. Prior to the beginning of each fiscal year, the Executive Director submits a proposed budget to the Corporation's Board of Directors for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and means of financing them.
2. Public hearings are conducted at which all interested persons' comments concerning the budget are heard.
3. The budget is legally enacted by the Corporation's Board of Directors and ratified by the City Council of the City.
4. The Board of Directors and the City Council must approve any budget amendments. At the end of each fiscal year, all appropriations lapse.
5. Annual budgets adopted for the Economic Development Fund are adopted on a basis consistent with generally accepted accounting principles.
6. The legal level of budgetary control is maintained at the fund level.