



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, 2024



**Kennedale Economic Development Corporation
 (Component Unit of the City of Kennedale, Texas)
 For the Fiscal Year Ended September 30, 2024**

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Independent Auditor's Report

To 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, 2024, 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, 2024, 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 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 information 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 Mazars, LLP

**Dallas, Texas
April 21, 2025**

**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, 2024. 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 \$5,474,582.
- The KEDC's net position increased by \$168,223.
- As of the close of the current fiscal year, the KEDC's general fund reports fund balance of \$2,449,621, an increase of \$126,141 in comparison with the prior year.
- At the end of the current fiscal year, the restricted fund balance for the General Fund was \$2,439,621.

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.

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. The *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.

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

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 the *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 \$5,474,582 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	
	2024	2023
ASSETS		
Cash and cash equivalents	\$ 2,313,197	\$ 2,174,201
Receivables (net of allowance)	779,664	953,546
Prepaid items	10,000	15,160
Capital and subscription assets (net of depreciation and amortization)	3,469,366	3,539,527
Total assets	6,572,227	6,682,434
LIABILITIES		
Accounts payable	19,582	37,957
Accrued interest	10,908	13,205
Unearned revenue	48,000	-
Accrued liabilities	33,899	33,899
Bond, loan, and subscription payable	433,497	543,443
Total liabilities	545,886	628,504
DEFERRED INFLOWS OF RESOURCES - LEASES	551,759	747,571
NET POSITION		
Net investment in capital assets	3,035,869	2,996,084
Restricted for economic development	2,438,713	2,310,275
Total net position	\$ 5,474,582	\$ 5,306,359

Cash and cash equivalents increased as a result of 2024 operations. Capital and subscription assets decreased due to depreciation and amortization, and the bond, loan, and subscription 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	
	2024	2023
General/Program Revenues		
Sales tax	\$ 761,402	\$ 738,973
Leases	324,808	334,035
Miscellaneous	24,744	37,201
Investment earnings	103,668	71,896
Gain on sale of land	280,605	365
Total revenues	<u>1,495,227</u>	<u>1,182,470</u>
Expenses		
Economic development	1,289,965	1,109,686
Interest	37,039	50,354
Total expenses	<u>1,327,004</u>	<u>1,160,040</u>
Change in Net Position	168,223	22,430
Net Position, Beginning	<u>5,306,359</u>	<u>5,283,929</u>
Net Position, Ending	<u>\$ 5,474,582</u>	<u>\$ 5,306,359</u>

The KEDC's revenues increased by \$312,757 from last year. The increase was due primarily to increased investment earnings, which stems from higher interest rates, as well as the KEDC selling land during the fiscal year. The KEDC's expenses increased by \$166,964 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 \$1,410,725, as compared to the budgeted amount of \$1,423,586. The budget overage in capital outlay was offset by debt economic development and debt service coming in under budget.

For fiscal year 2024, the actual revenues were \$1,214,622, as compared to the budgeted amount of \$1,093,807 as majority of revenue sources exceeded projections due to the economy remaining strong.

Capital Asset and Debt Administration

Capital and Subscription Assets: The investment in capital assets for the governmental activities as of September 30, 2024, amounts to \$3,469,366 (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings, improvements, infrastructure, machinery and equipment, and subscription assets.

Additional information on the capital and subscription assets can be found in the notes to the financial statements on page 21.

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

Long-term Liabilities. At year-end, the KEDC had revenue bonds and a loan in the amount of \$295,000 and \$113,506, respectively. The KEDC also entered into a subscription-based information technology arrangement during fiscal year 2024. At year-end, the KEDC had a subscription payable of \$24,991.

Additional information on the long-term liabilities can be found in the notes to the financial statements on pages 22-23.

Discussion of Currently Known Facts, Decisions, or Conditions in Fiscal Year 2024

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 KEDC'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.

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Statement of Net Position
September 30, 2024

ASSETS

Cash, cash equivalents, and investments	\$ 2,313,197
Receivables	
Accounts	28,907
Sales tax	154,676
Leases	596,081
Prepaid items	10,000
Capital and subscription assets	
Nondepreciable	1,025,948
Depreciable, net of accumulated depreciation and amortization	<u>2,443,418</u>

Total Assets 6,572,227

LIABILITIES

Accounts payable	19,582
Accrued interest	10,908
Unearned revenue	48,000
Customer deposits	33,899
Current portion of bond, loan, and subscription payable	155,072
Noncurrent liabilities	
Bond, loan, and subscription payable	<u>278,425</u>

Total Liabilities 545,886

DEFERRED INFLOWS OF RESOURCES

Lease related	<u>551,759</u>
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Total Deferred Inflows of Resources 551,759

NET POSITION

Net investment in capital assets	3,035,869
Restricted for	
Economic development	<u>2,438,713</u>

Total Net Position \$ 5,474,582

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Statement of Activities
For the Fiscal Year Ended September 30, 2024

<u>Functions/Program</u>	<u>Expenses</u>	<u>Program Revenue Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Governmental Activities			
Economic development	\$ 1,289,965	\$ 324,808	\$ (965,157)
Interest	37,039	-	(37,039)
Total governmental activities	<u>\$ 1,327,004</u>	<u>\$ 324,808</u>	<u>(1,002,196)</u>
General Revenues			
Sales taxes			761,402
Investment earnings			103,668
Gain on sale of land			280,605
Miscellaneous			<u>24,744</u>
Total general revenues			<u>1,170,419</u>
Change in Net Position			168,223
Net Position, Beginning of Year			<u>5,306,359</u>
Net Position, End of Year			<u>\$ 5,474,582</u>

**Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Balance Sheet
General Fund
September 30, 2024**

ASSETS	
Cash, cash equivalents, and investments	\$ 2,313,197
Receivables	
Accounts	154,676
Other	28,907
Lease	596,081
Prepaid items	10,000
	<u>10,000</u>
Total Assets	<u><u>\$ 3,102,861</u></u>
LIABILITIES	
Accounts payable	19,582
Customer deposits	33,899
Unearned revenue	48,000
	<u>48,000</u>
Total Liabilities	<u>101,481</u>
DEFERRED INFLOWS OF RESOURCES	
Lease related	551,759
	<u>551,759</u>
Total Deferred Inflows of Resources	<u>551,759</u>
FUND BALANCES	
Nonspendable	10,000
Restricted for economic development	2,439,621
	<u>2,439,621</u>
Total Fund Balances	<u>2,449,621</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u><u>\$ 3,102,861</u></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, 2024**

Total Fund Balance	\$ 2,449,621
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.	(10,908)
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 and amortization.	3,469,366
Long-term liabilities, including bonds payable, loans payable, and subscription payable are not due and payable in the current period and, therefore, are not reported in the fund financial statements.	
Bonds and loans payable and subscription liability	<u>(433,497)</u>
Total Net Position	<u>\$ 5,474,582</u>

**Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Reconciliation of the Balance Sheet of the
Statement of Revenues, Expenditures, and Changes in Fund Balance
General Fund
For the Fiscal Year Ended September 30, 2024**

Revenues	
Sales taxes	\$ 761,402
Leases	324,808
Investment earnings	103,668
Miscellaneous	<u>24,744</u>
Total Revenues	<u>1,214,622</u>
Expenditures	
Current	
Economic development	970,748
Capital outlay	255,849
Debt service	
Principal	144,792
Interest	<u>39,336</u>
Total Expenditures	<u>1,410,725</u>
Deficiency of Revenues Under Expenditures	<u>(196,103)</u>
Other Financing Sources	
Issuance of subscriptions	34,846
Proceeds from disposal of assets	<u>287,398</u>
Total Other Financing Sources	<u>322,244</u>
Net Change in Fund Balance	126,141
Fund Balance, Beginning of Year	<u>2,323,480</u>
Fund Balance, End of Year	<u><u>\$ 2,449,621</u></u>

**Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Reconciliation of the Balance Sheet of the
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balance of the General Fund to the Statement of Activities
For the Fiscal Year Ended September 30, 2024**

Net Change in Fund Balance		\$ 126,141
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		255,849
Depreciation		(319,217)
In the governmental fund financial statements the proceeds from sale of assets are shown as an increase in financial resources. In the government-wide financial statements, the gain or loss is calculated and reported.		
		(6,793)
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.		
		2,297
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.		
Bonds and loans payable	134,937	
Subscription payable	9,855	
	<u>144,792</u>	144,792
Current year issuances of long-term debt, such as such as subscription payable, are shown as revenue in the fund financial statements, but shown as increases in long-term liabilities in the government-wide financial statements.		
		<u>(34,846)</u>
Change in Net Position		<u>\$ 168,223</u>

Note 1. Summary of Significant Accounting Policies

The financial statements of Kennedale Economic Development Corporation (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 KEDC are described in the following notes to the financial statements.

Reporting Entity

The KEDC was incorporated on December 2, 1996. The KEDC 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 KEDC 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 KEDC. The KEDC, 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 KEDC is a discretely presented component unit of the City.

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

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 KEDC considers revenues to be

**Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Notes to Basic Financial Statements
September 30, 2024**

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 KEDC.

The KEDC reports the following major governmental fund:

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

Assets, Liabilities, and Net Position or Fund Balance

Cash and Investments

The KEDC's cash and investments are pooled with the City of Kennedale's cash and investments to maximize earnings. Investment income is allocated to the KEDC 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 and Subscription Assets

Capital and subscription assets, which include buildings, improvements, infrastructure, machinery and equipment, and subscription assets are reported in the government-wide financial statements. The KEDC 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. 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. The KEDC defines subscription assets as subscription-based information technology arrangements with an initial, individual cost of more than \$15,000 and an estimated useful life in excess of one year. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs, less any vendor incentives. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life or subscription term, whichever is shorter.

Property, plant, and equipment are depreciated using the straight-line method over the following useful lives or the subscription term, whichever is shorter.

Buildings	20 years
Machinery and equipment	4 - 10 years
Infrastructure	35 - 50 years

The KEDC evaluates capital and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of an asset has occurred. If a capital or subscription asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the historical cost of the asset and related accumulated depreciation and amortization are decreased proportionately such that the net decrease equals the impairment loss. No asset impairment was recognized during the current fiscal year.

**Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Notes to Basic Financial Statements
September 30, 2024**

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.

Subscription Payable

The KEDC contracts for noncancellable subscriptions of information technology software. The KEDC recognizes a subscription payable and an intangible subscription asset (subscription asset) in the government-wide financial statements. The KEDC recognizes subscription payables with an initial, individual value of \$15,000 or more.

At the commencement of a subscription, the KEDC measures the subscription payable at the present value of payments expected to be made during the subscription term. Subsequently, the subscription payable is reduced by the principal portion of subscription payments made.

Key estimates and judgements related to subscriptions include how the KEDC determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The KEDC uses the interest rate charged by the subscription-based information technology arrangement (SBITA) vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the KEDC generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription payable are composed of fixed payments.

The KEDC monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and payable if certain changes occur that are expected to significantly affect the amount of the subscription payable.

Subscription assets are reported with capital assets and subscription payables are reported with long-term liabilities on the statement of net position.

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.

**Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Notes to Basic Financial Statements
September 30, 2024**

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.

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 and amortization, 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 KEDC 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 2024, the KEDC adopted the following GASB standards:

GASB Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62 – This statement improves the clarity and requirements for accounting changes and error corrections. 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 KEDC 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 KEDC 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 KEDC to have independent auditors perform test procedures related to investment practices as provided by the Act. The KEDC is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Act, the KEDC 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, 2024, all of the KEDC's deposits were in the TexPool and TexStar accounts or were collateralized with securities held by pledging the financial institution in the City of Kennedale's name or covered by FDIC insurance.
- (B) ***Credit Risk:*** It is the KEDC's policy to invest in obligations of the United States of America, its agencies, and instrumentalities, in obligations of the State of Texas and related agencies, in obligations of states, agencies, counties, cities and other political subdivisions of any state rated "A" or above by a nationally recognized investment rating firm. It is the KEDC'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.
- (C) ***Interest Rate Risk:*** In accordance with the KEDC's investment policy, the KEDC manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years or less, dependent on market conditions.
- (D) ***Concentration of Credit Risk:*** The KEDC's investment policy states the maximum percentage allowed for each different investment instrument that can be used to make up the portfolio.

**Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Notes to Basic Financial Statements
September 30, 2024**

At September 30, 2024, the carrying amounts of the KEDC's deposits were as follows:

Investment Pools:	
TexPool	\$ 819,738
TexStar	16,432
Money market investments	<u>66,258</u>
Total investment pools	<u>902,428</u>
Investments:	
U.S. Treasury Securities	867,982
U.S. Agency Securities	<u>542,787</u>
Total investments	<u>1,410,769</u>
Total	<u><u>\$ 2,313,197</u></u>

The maturities of investments subject to interest rate risk are as follows:

Investment Type					Total Fair Value	Weighted Average Maturity
	Less Than 1 Year	1 - 2 Years	2 - 3 Years	More Than 3 Years		
U.S. Treasury Securities	\$ 782,419	\$ 85,563	\$ -	\$ -	\$ 867,982	0.66
U.S. Agency Securities	273,617	141,000	42,723	85,447	542,787	1.42
Total Interest Rate Risk Debt Securities	<u>\$ 1,056,036</u>	<u>\$ 226,563</u>	<u>\$ 42,723</u>	<u>\$ 85,447</u>	<u>\$ 1,410,769</u>	<u>2.08</u>

Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable -market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Notes to Basic Financial Statements
September 30, 2024

The following table presents the fair value measurements of the KEDC's assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2024:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment by Fair Value Level				
U.S. Treasury Securities	\$ 867,982	\$ 867,982	\$ -	\$ -
U.S. Agency Securities	542,787	243,747	299,040	-
Total investment by fair value level	1,410,769	\$ 1,111,729	\$ 299,040	\$ -
Investments Measured at Net Asset Value				
Money market securities	66,258			
TexStar	16,432			
Investments Measured at Amortized Cost				
TexPool	819,738			
Total investments	\$ 2,313,197			

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.

The KEDC's investments in TexPool are measured using amortized cost, while the investments in TexStar and money markets are measured using net asset value per share. 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 KEDC 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 2023 to 2024; 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, 2024

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 \$209,000 in lease revenue during the current fiscal year related to these leases. As of September 30, 2024, the KEDC's receivable for lease payments was \$596,081 and the balance of the deferred inflow of resources related to this lease was \$551,759.

The KEDC recognized lease revenue of approximately \$14,000 for the current fiscal year for variable payments related to management fees, not previously recorded in the measurement of the lease receivable.

Agreement with City

The KEDC has no employees. The personnel duties for the KEDC are performed by employees of the City of Kennedale, and the KEDC is charged for expenses related to these duties and amounted to \$447,522 in fiscal year 2024.

Capital and Subscription Assets

Capital and subscription assets activity for year ended September 30, 2024, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated					
Land	\$ 845,292	\$ 187,449	\$ 6,793	\$ -	\$ 1,025,948
Totals capital assets not being depreciated	845,292	187,449	6,793	-	1,025,948
Capital assets, being depreciated					
Buildings	4,917,189	-	-	-	4,917,189
Improvements	1,137,588	-	-	-	1,137,588
Infrastructure	209,707	-	-	-	209,707
Machinery and equipment	-	33,554	-	-	33,554
Subscription assets	-	34,846	-	-	34,846
Totals capital and subscription assets being depreciated and amortized	6,264,484	68,400	-	-	6,332,884
Less accumulated depreciation and amortization for:					
Buildings	2,876,157	245,859	-	-	3,122,016
Improvements	656,844	59,549	-	-	716,393
Infrastructure	37,248	4,194	-	-	41,442
Machinery and equipment	-	6,711	-	-	6,711
Subscription assets	-	2,904	-	-	2,904
Total accumulated depreciation and amortization	3,570,249	319,217	-	-	3,889,466
Total capital and subscription assets being depreciated and amortized, net	2,694,235	(250,817)	-	-	2,443,418
Capital and subscription assets, net	<u>\$ 3,539,527</u>	<u>\$ (63,368)</u>	<u>\$ 6,793</u>	<u>\$ -</u>	<u>\$ 3,469,366</u>

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Notes to Basic Financial Statements
September 30, 2024

Long-term Obligations

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, 2024. Revenue bonds were issued in fiscal year 2007 for \$1,200,000 at 6.95% also for the purpose of financing new projects. During fiscal year 2024, the KEDC entered into subscription information technology arrangements to assist in conducting operations, the terms of which expire in 2027. The Revenue bonds, loans, and subscription payables outstanding at year end are as follows:

Discretely Presented Component Unit	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 380,000	\$ -	\$ 85,000	\$295,000	\$ 90,000
Texas leverage fund loan	163,443	-	49,937	113,506	54,351
Subscription liability	-	34,846	9,855	24,991	10,721
Total	<u>\$ 543,443</u>	<u>\$ 34,846</u>	<u>\$ 144,792</u>	<u>\$ 433,497</u>	<u>\$ 155,072</u>

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

Fiscal Year	Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 144,351	\$ 28,155	\$ 172,506
2026	159,155	17,007	176,162
2027	105,000	7,298	112,298
Total	<u>\$ 408,506</u>	<u>\$ 52,460</u>	<u>\$ 460,966</u>

Annual debt service requirements to maturity for the subscription liability of the KEDC are as follows:

Fiscal Year	Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 10,721	\$ 1,279	\$ 12,000
2026	14,270	730	15,000
Total	<u>\$ 24,991</u>	<u>\$ 2,009</u>	<u>\$ 27,000</u>

**Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Notes to Basic Financial Statements
September 30, 2024**

The following is a summary of pledged revenues for KEDC for the year ended September 30, 2024:

<u>Revenue Pledged</u>	<u>Total Revenue Pledged</u>	<u>Current Year Debt Service Requirements</u>	<u>Percentage Portion of Revenue Stream</u>	<u>Remaining Principal and Interest</u>	<u>Period Revenue Will not be Available for Other Purposes</u>
.05% sales and use tax	\$ 761,402	\$ 174,128	22.87%	\$ 460,966	Until 2027

Note 3. Future Change in Accounting Principle

The GASB has issued the following potentially significant statements which the KEDC has not yet adopted, and which require adoption subsequent to September 30, 2024. The KEDC will evaluate the potential impact on the KEDC's net position.

<u>Statement No.</u>	<u>Title</u>	<u>Adoption Required</u>
102	<i>Certain Risk Disclosures</i>	September 30, 2025
103	<i>Financial Reporting Model Improvements</i>	September 30, 2026
104	<i>Disclosure of Certain Capital Assets</i>	September 30, 2026

**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 Fiscal Year Ended September 30, 2024**

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Sales taxes	\$ 688,500	\$ 688,500	\$ 761,402	\$ 72,902
Rent	310,807	310,807	324,808	14,001
Miscellaneous income	34,500	34,500	24,744	(9,756)
Investment earnings	60,000	60,000	103,668	43,668
Total revenues	1,093,807	1,093,807	1,214,622	120,815
Expenditures				
Current				
Economic development	1,114,386	1,114,386	970,748	143,638
Capital outlay	-	-	255,849	(255,849)
Debt service				
Principal	256,038	256,038	144,792	111,246
Interest	53,162	53,162	39,336	13,826
Total expenditures	1,423,586	1,423,586	1,410,725	12,861
Excess (deficiency) of revenues over (under) expenditures	(329,779)	(329,779)	(196,103)	133,676
Other financing sources				
Issuance of subscriptions	-	-	34,846	34,846
Proceeds from sale of assets	-	-	287,398	287,398
Total other financing sources	-	-	322,244	322,244
Net Change in Fund Balances	(329,779)	(329,779)	126,141	455,920
Fund Balance, Beginning of Year	2,323,480	2,323,480	2,323,480	-
Fund Balance, End of Year	\$ 1,993,701	\$ 1,993,701	\$ 2,449,621	\$ 455,920

**Kennedale Economic Development Corporation
Notes to Required Supplementary Information
For the Fiscal Year Ended September 30, 2024**

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 KEDC'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 KEDC'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.