CITY OF HUTCHINS ECONOMIC DEVELOPMENT CORPORATION

2023

ANNUAL FINANCIAL

REPORT

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2023

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ANNUAL FINANCIAL REPORT

of the

Hutchins Economic Development Corporation

For the Year Ended September 30, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Hutchins Economic Development Corporation:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, including each major fund, of the Hutchins Economic Development Corporation (the "Corporation") as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Corporation 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 Corporation 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

The Corporation's 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 Corporation's ability to continue as a going concern for one year after the date that the financial statements are issued.

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 Corporation'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 Corporation'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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and general fund budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information

in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

This accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BrooksWatson & Co.

Certified Public Accountants

Brook Watson & Co.

Houston, Texas

October 21, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
September 30, 2023

As management of the Hutchins Economic Development Corporation (the "Corporation"), we offer readers of the Corporation's financial statements this narrative overview and analysis of the financial activities of the Corporation for the fiscal year ended September 30, 2023.

Financial Highlights

- The Corporation had a net position of \$4,358,321 at September 30, 2023. This balance is comprised of net investment in capital assets of \$49,656 and unrestricted net position of \$4,308,665.
- At the close of the current fiscal year, the Corporation's governmental fund reported a fund balance of \$4,579,200, an increase of \$797,704 compared to the prior year.
- The Corporation had an overall increase in net position of \$956,072.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes required supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Corporation's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Corporation's assets, liabilities, and deferred inflows/outflows with the difference 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 Corporation is improving or deteriorating. Other non-financial factors, such as the City's economic activity need to be considered in order to assess the overall health of the Corporation.

The *statement of activities* presents information showing how the Corporation'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 for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued September 30, 2023

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the Corporation. They are usually segregated for specific activities or objectives. The Corporation uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The Corporation only utilizes governmental funds.

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 *on balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the Corporation'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 decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Corporation maintains one individual governmental fund; the General Fund. Information is presented in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for these funds which are all considered to be major funds.

The Corporation adopts an annual budget for this fund. A budgetary comparison schedule has been provided to demonstrate compliance with the respective budgets.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

Other Information

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information. This includes a budgetary comparison schedules, which can be found after the basic financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued September 30, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the Corporation's financial position. For the Corporation, assets exceeded liabilities by \$4,358,321 as of September 30, 2023. These assets are restricted for funding Type B projects as defined in the Attorney General's Economic Development Handbook.

Total current assets increased by \$761,298 when compared to the prior year. The primary reason for the increase in current assets is due to a rise in cash on hand, resulting from a reduction in the operating deficit previously caused by contributions made to the City for street projects. Total capital assets decreased by \$-35,481 due current year depreciation during the year. Total liabilities increased by \$159,293, which was primarily due to the timing of payments made to third party vendors.

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	9/30/2023			9/30/2022				
	Governmental		Governmental					
		Activities	Activities		\$ Change		% Change	
Current assets	\$	4,746,083	\$	3,984,785	\$	761,298	19%	
	Ψ	, ,	Ψ		Ψ	·	250%	
Capital assets, net		49,656		14,175		35,481		
Total Assets		4,795,739		3,998,	3,998,960		796,779	269%
Accounts payable &								
Accrued expenses		166,883		203,289		(36,406)	18%	
Long-term liabilities		270,535		393,422		(122,887)	31%	
Total Liabilities		437,418		596,711		159,293	27%	
Net Position:								
Net investment in capital asset	ts	49,656		14,175		35,481	250%	
Unrestricted		4,308,665		3,388,074		920,591	27%	
Total Net Position	\$	4,358,321	\$	3,402,249	\$	956,072	28%	

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued September 30, 2023

Statement of Activities:

The following table provides a summary of the Corporation's changes in net position:

	•	9/30/2023	9/30/2022					
	Go	vernmental	Go	vernmental				
		Activities	Activities			\$ Change	% Change	
Revenues								
General revenues:								
Sales taxes	\$	1,481,673	\$	1,346,751	\$	134,922	10%	
Investment income		142,833		6,877		135,956	1977%	
Total Revenues		1,624,506		1,353,628		270,878	20%	
Expenses								
Economic development		341,310		248,938		92,372	37%	
Intergovernmental		314,324		19,099		295,225	100%	
Interest on long term debt		12,800	18,650		(5,850)		31%	
Total Expenses		668,434		286,687		381,747	133%	
Change in Net Position		956,072		1,066,941		110,869	10%	
Beginning Net Position		3,402,249		2,335,308		1,066,941	46%	
Ending Net Position	\$	4,358,321	\$	3,402,249	\$	956,072	28%	

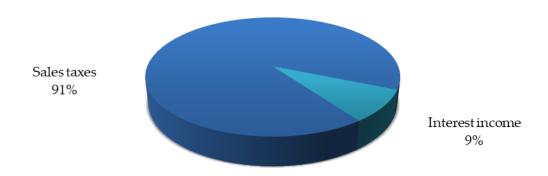
For the year ended September 30, 2023, revenues totaled \$1,624,506. This represents an increase of \$270,878 or 20% when compared to the prior year primarily due to economic growth and an increase in local purchases.

The cost of all governmental activities this year was \$668,434. This represents an increase of \$381,747, which was primarily due to nonrecurring intergovernmental expense contributions to the City's street construction improvements in the current year.

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued September 30, 2023

Governmental Activities - Revenues by source:

Governmental Activities - Revenues



FINANCIAL ANALYSIS OF THE CORPORATION'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

<u>Governmental Funds</u> - The focus of the Corporation's governmental funds is to provide information of near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Corporation's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Corporation's net resources available for spending at the end of the year.

At the close of the current fiscal year, the Corporation's only governmental fund (the general fund) reported a fund balance of \$4,579,200. Current year revenues exceeding expenditures by \$1,112,028, offset by other uses of \$314,324 contributed to the City for street projects resulted in the an overall increase in fund balance of \$797,704.

BUDGETARY HIGHLIGHTS

<u>Original Budget Compared to Final Budget</u> – The Corporation approved an annual budget for the general fund. Budget amendments were approved, increasing total expenses by \$40,000. The expenditures were amended to reflect additional economic development projects.

<u>Final Budget Compared to Actual Results</u> – As of the end of the current year, the fund's revenues and expenditures had a positive budget variance of \$741,343 and \$1,111,463, respectively. Other sources (uses) met expectations, leaving a total positive budget variance of \$1,852,806. The positive variances were primarily a result of sales tax being conservatively budgeted for in addition to an overall increase in economic growth fueling local purchases, in addition to a delay in economic development projects resulting in fewer related expenditures during the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued September 30, 2023

CAPITAL ASSETS

The Corporation's investment in capital assets as of September 30, 2023 amounted to \$49,656. The Corporation had new capital additions totaling \$43,415 during the current year. Capital assets had current year depreciation of \$7,934.

More detailed information about the Corporation's capital assets is presented in the notes to the financial statements at note IV.C.

LONG-TERM DEBT

The Corporation made principal payments of \$120,000. The Corporation had a long-term debt ending balance of \$260,000 as of the fiscal year ending September 30, 2023. More detailed information about the Corporation's long-term debt is presented in note IV.D. of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In the fiscal year 2023-2024 budget, General Fund revenues are budgeted at \$995,060 with sales tax making up about 98% of general fund budgeted revenues. The sales tax revenue source is the most volatile Corporation revenue and is subject to decline if the local economy fails to maintain growth.

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Corporation's finances for all those with an interest in the Corporation's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Hutchins Economic Development Corporation, P.O. Box 361, Hutchins, Texas 75141.

FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

September 30, 2023

Assets	G 	overnmental Activities
Current assets:		
Cash and cash equivalents	\$	4,498,762
Receivables, net	Ψ	247,321
Total Current Asse	ets	4,746,083
Noncurrent assets:		
Capital assets:		
Net depreciable capital assets		49,656
Total Noncurrent Asse	ets	49,656
Total Asse	ets	4,795,739
<u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued liabilities		19,150
Due to primary government		147,733
Compensated absences, current		9,482
Long-term debt obligations, current portion		125,000
Total Current Liabiliti	es	301,365
Noncurrent liabilities:		
Compensated absences, noncurrent		1,053
Long-term debt obligations, noncurrent		135,000
Total Noncurrent Liabiliti	es	136,053
Total Liabiliti	es	437,418
Net Position		
Net investment in capital assets		49,656
Unrestricted		4,308,665
Total Net Position	on \$	4,358,321

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2023

Functions/Programs		Expenses		Net	
Primary Government					
Governmental Activities					
Economic development	\$	341,310	\$	(341,310)	
Intergovernmental		314,324		(314,324)	
Interest on long term debt		12,800		(12,800)	
Total Governmental Activities		668,434		(668,434)	
Genera	l Reve	nues:			
Sale	es taxe	S		1,481,673	
Inv	estme	nt income		142,833	
Total C	Genera	l Revenues		1,624,506	
Chang	e in N	et Position		956,072	
Beginning Net	Positi	on		3,402,249	
Enc	ling N	et Position	\$	4,358,321	

BALANCE SHEET September 30, 2023

		General
<u>Assets</u>		
Cash and cash equivalents		\$ 4,498,762
Receivables, net		247,321
	Total Assets	\$ 4,746,083
<u>Liabilities</u>		
Accounts payable and		
accrued liabilities		\$ 19,150
Intergovernmental payables		
Due to primary government		147,733
	Total Liabilities	166,883
Fund Balance		
Restricted for:		
Economic development		 4,579,200
	Total Fund Balance	4,579,200
	Total Liabilities and Fund Balance	\$ 4,746,083

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION September 30, 2023

Fund Balance - Total \$ 4,579,200

Adjustments for the Statement of Net Position:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets - net depreciable

49,656

Deferred outflows of resources represent a comsumption of net position that applies to future period(s) and is not recognized as an outflow of resources (exenses/expenditure) until then.

Deferred gain on refunding

Some liabilities, including bonds payable and compensated absences,

are not reported as liabilities in the governmental funds.

Compensated absences (10,535)
Non-current liabilities due in one year (125,000)
Non-current liabilities due in more than one year (135,000)

Net Position of Governmental Activities \$ 4,358,321

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE For the Year Ended September 30, 2023

		General	
Revenues	_		
Sales taxes	\$	\$ 1,481,67	3
Investment income		142,83	3
	Total Revenues	1,624,50	6
Expenditures			
Current:			
Economic development		379,678	8
Debt service:			
Principal		120,00	0
Interest and fiscal charges	_	12,80	0
Т	otal Expenditures	512,47	8
Excess of Revenues Over (Un	nder) Expenditures	1,112,02	8
Other Financing Sources (Uses)			
Contributions to City		(314,32	4)
Total Other Finance	ring Sources (Uses)	(314,32	4)
Net Change in Fund Balances		797,70	4
Beginning fund balance	_	3,781,49	6
End	ling Fund Balance	\$ 4,579,20	0

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2023

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

Net changes in fund balances - total governmental funds \$	5 797,704
Governmental funds report capital outlays as expenditures. However, in the	
statement of activities the cost of those assets is allocated over their estimated	
useful lives and reported as depreciation expense.	
Depreciation expense	(7,934)
Capital asset additions	43,415
Some expenses reported in the statement of activities do not require the use of current	
financial resources and, therefore, are not reported as expenditures in governmental funds	3.
Compensated absences	2,887
The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides	
current financial resources to governmental funds, while the repayment of the principal	
of long-term debt consumes the current financial resources of governmental funds.	
Neither transaction, however, has any effect on net position. Also, governmental funds	
report the effect of issuance costs, premiums, discounts, and similar items when they	
are first issued; whereas, these amounts are deferred and amortized in the statement of	
activities. This amount is the net effect of these differences in the treatment of long-term	

Change in Net Position of Governmental Activities

120,000

956,072

See Notes to Financial Statements.

debt and related items.

Principal payments

NOTES TO FINANCIAL STATEMENTS
September 30, 2023

I. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organizational Structure

The Hutchins Economic Development Corporation (the "Corporation") is a component unit of the City of Hutchins, Texas (the "City"). The Corporation was incorporated April 28, 1998 to promote economic development within the City and the State of Texas in order to eliminate unemployment and underemployment, and to promote and encourage employment and the public welfare of, for and on behalf of the City by undertaking, developing, implementing, providing, and financing projects under the Development Corporation Act of 1979, as amended, Article 5190.6, Vernon's Ann. Civ. Stat. Ann. Sect. 4B, as amended, including the payment of maintenance and operating costs of publicly owned and operated projects purchased or constructed under said Section 4B. The accompanying financial statements present the Corporation.

The accompanying financial statements of the Corporation are prepared in conformity with generally accepted accounting principles for governmental entities as prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Corporation's significant accounting policies are described below.

The Corporation has adopted GASB Statements No. 61, *The Financial Reporting Entity and amendment of* No. 14 *The Financial Reporting Entity, and* No. 39, *Determining Whether Certain Organizations Are Component Units*. In accordance with these statements, a financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the Corporation's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the Corporation is a part of any other governmental or other type of reporting entity. The overriding elements associated

with prescribed criteria considered in determining that the Corporation's financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are

NOTES TO FINANCIAL STATEMENTS, Continued September 30, 2023

such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The City is the primary government which exercises significant influence over the Corporation. Significant influence or accountability is based primarily on operational or financial relationships with the City. Due to the nature of the relationship between the City and the Corporation, the Corporation has been included as a component unit of the City for financial statement purposes.

The Corporation is made up of seven board members appointed by the City Council. The Board has governance responsibilities over all activities related to corporate services within the jurisdiction of the City. The Board is appointed by the City Council and has the exclusive power and duty to govern and oversee the management of the Corporation. The Corporation receives funding from local state sales tax and must comply with the requirements of this funding per the Development Corporation Act of 1979.

B. Financial Statement Presentation

These financial statements include implementation of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Requirements of the statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Corporation's overall financial position and results of operations;
- Financial statements prepared using full accrual accounting for all of the Corporation's activities;
- A change in the fund financial statements to focus on the major funds, which are prepared using modified accrual accounting.

GASB Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net position and a statement of activities. It requires the classification of net position into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

• **Net investment in capital assets**—This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

NOTES TO FINANCIAL STATEMENTS, Continued September 30, 2023

- **Restricted**—This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted**—This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets."

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information about the Corporation as a whole. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Corporation's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs and grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, such as taxes and investment earnings, are presented as general revenues.

Governmental funds are those funds through which most governmental functions are typically financed.

The government reports the following governmental funds:

General Fund

The general fund is the Corporation's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

D. Measurement Focus and Basis of Accounting

The government-wide statements of net position and statements of activities are accounted for on a flow of economic resources measurement focus, accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the balance sheet.

NOTES TO FINANCIAL STATEMENTS, Continued September 30, 2023

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The Corporation utilizes the modified accrual basis of accounting in the governmental fund type. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Corporation considers revenues available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include charges for services and interest on temporary investments.

Sales taxes, hotel taxes, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Other receipts and other taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due.

E. Assets, Liabilities, and Fund Equity or Net Position

1. Deposits and Investments

The Corporation's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the Corporation reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

NOTES TO FINANCIAL STATEMENTS, Continued September 30, 2023

The Corporation has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the Corporation is authorized to invest in the following:

Obligations of the United States or its agencies and instrumentalities Direct obligations of the State of Texas Fully collateralized certificates of deposit and money market accounts Statewide investment pools

2. Fair Value

The Corporation has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

3. Receivables and Interfund Transactions

Transactions between the City and the Corporation outstanding at the end of the year are classified as "Note payables to City of Hutchins."

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "interfund receivables/payables" (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund statements.

All trade receivables are shown net of any allowance for uncollectible amounts.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the government-wide financial statements. Capital assets are defined by the Corporation, 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 estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

NOTES TO FINANCIAL STATEMENTS, Continued 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 of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives.

	Estimated
Asset Description	Useful Life
Machinery and equipment	5 -10 years
Building improvements	15 - 30 years
Other improvements	10 – 15 years

5. Fund Balance Flow Assumptions

Sometimes the Corporation will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Corporation's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

6. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Corporation itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the corporation's highest level of decision-making authority. The governing body is the highest level of decision-making authority for the corporation that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the corporation for specific purposes but do not meet the criteria to be classified as committed.

NOTES TO FINANCIAL STATEMENTS, Continued September 30, 2023

The governing body (Board of Directors) has by resolution authorized the executive director to assign fund balance. The Board of Directors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

7. Compensated Absences

The liability for compensated absences reported in the government-wide consists of unpaid, accumulated vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

It is the Corporation's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the Corporation's general fund recognizes accrued compensated absences when it is paid.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Long-term debt is not reported as liabilities in the fund financial statements until due. Debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS, Continued September 30, 2023

9. 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total* governmental funds and net position-governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, "the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities."

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the General fund. The legal level of control is the fund level. For the

NOTES TO FINANCIAL STATEMENTS, Continued September 30, 2023

year ending September 30, 2023, current year expenditures did not exceed appropriations at the fund level of control for the General fund.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2023, the Corporation had the following investments, which are classified as cash equivalents within the Statement of Net Position:

		Carrying	Weighted
Investment Type	Value		Average Maturity
External investment pools			
Texpool	\$	1,002,181	28 days
TexasCLASS		3,298,325	49 days
Total fair value	\$	4,300,506	
Portfolio weighted averae maturity			39 days

Interest rate risk In accordance with its investment policy, the Corporation manages its exposure to declines in fair values by limiting the weighted average of maturity; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk The Corporation's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAAm, or equivalent, by at least one nationally recognized rating service.

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the Corporation's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2023, the Corporation's bank balances are fully insured and collateralized.

NOTES TO FINANCIAL STATEMENTS, Continued September 30, 2023

Custodial credit risk – investments For an investment, this is the risk that, in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Corporation's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the Corporation's safekeeping account prior to the release of funds.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAm. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. At September 30, 2023, the fair value of the portion in TexPool approximates fair value of the shares. There were no limitations or restrictions on withdrawals.

TexasCLASS

Texas CLASS has been established for governmental entities pursuant to the Public Funds Investment Act, Chapter 2256 of the Texas Government Code and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Texas CLASS is supervised by a Board of Trustees who are elected by the Participants. The Board of Trustees supervises the Trust and its affairs and acts as the liaison between the Participants, the Custodian and the Program Administrator. The Board administers the affairs of the Trust and enters into contracts and agreements on behalf of the Trust in order to effectuate the terms of the Trust Agreement. It also selects consultants for Texas CLASS, including the Program Administrator and the Custodian. MBIA's Texas CLASS is rated AAA by Fitch. There were no limitations or restrictions on withdrawals.

NOTES TO FINANCIAL STATEMENTS, Continued September 30, 2023

B. Receivables

The following comprise receivable balances of the Corporation at year end:

	Hutchins					
		EDC	Total			
Sales tax	\$	247,321	\$	247,321		
	\$	247,321	\$	247,321		

C. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

	Beginning Balances		Increases		Decreases/ Reclassifications		Ending Balances	
Capital assets, being depreciated:								
Building improvements	\$	23,928	\$	-	\$	-	\$	23,928
Machinery and equipment		36,950		43,415		-		80,365
Other improvements		14,260		-		-		14,260
Total capital assets being depreciated		75,138		43,415		-		118,553
Less accumulated depreciation								
Building improvements		10,072		743		-		10,815
Machinery and equipment		36,950		6,874		-		43,824
Other improvements		13,941		317		-		14,258
Total accumulated depreciation		60,963		7,934		-		68,897
Net capital assets being depreciated		14,175		35,481		-		49,656
Total Capital Assets	\$	14,175	\$	35,481	\$	_	\$	49,656

Depreciation expense was \$7,934 for the year ended September 30, 2023.

NOTES TO FINANCIAL STATEMENTS, Continued September 30, 2023

D. Long-term Liabilities

The Corporation's long-term liabilities at September 30, 2023 consists of the following:

	Rate		eginning Balance	Add	litions	P	'ayments	Ending Balance	D	Amounts ue Within One Year
Note Payable - City	2.00-4.00%	\$	380,000	\$	_	\$	(120,000)	\$ 260,000	\$	125,000
Total		\$	380,000	\$	-	\$	(120,000)	\$ 260,000	\$	125,000
Long-term liabilities due in more than one year								\$	135,000	

Debt service requirements at year end are as follows:

Year ending		Governmental Activities						
September 30,		Principal	Interest					
2024	\$	125,000	\$	12,800				
2025		135,000		7,900				
2026				2,700				
	\$	\$ 260,000		23,400				

In November 2009 the citizens of Hutchins, TX approved of the Corporation using sales tax funds to fund improvements and extensions to the City's waterworks and sewer system. The City of Hutchins issued bonds in the amount of \$1,060,000 and the Corporation has agreed to pay \$1,597,449 (including interest) to the City over a period of 14 years.

In November 2011 the citizens of Hutchins, TX approved of the Corporation using sales tax funds to fund the construction of a water well and an overhead water storage tower. The City of Hutchins issued bonds in the amount of \$2,000,000 and the Corporation has agreed to pay \$2,882,427 (including interest) to the City over a period of 20 years. On August 12, 2020 these bond were refunded by City of Hutchins refunding bonds in the amount of \$1,404,000 with an interest rate of 1.21%. The proceeds were used to refund the \$1,355,000 of the outstanding 2011 certificate of obligation bonds being paid for by the Corporation. The Corporation agreed to pay \$2,298,480 (including interest) to the City over a period of 12 years.

In October 1998, the Board of Directors adopted a debt service cap of 60%, meaning that the total monthly required debt service payments are not to exceed 60% of the Sales tax

NOTES TO FINANCIAL STATEMENTS, Continued September 30, 2023

revenue less monthly administrative expenses. As of September 30, 2023, the Corporation is in compliance with this policy.

E. Other Long-term Liabilities

The following is a summary of changes in the EDC's other long-term liabilities for the year ended. In general, the EDC uses the general fund to liquidate compensated absences.

		eginning Balance	Additions 1			Reductions		Ending Balance		Amounts Due Within One Year	
Governmental Activities:	-								-		
Compensated Absences	\$	13,422	\$	9,193	\$	(12,080)	\$	10,535	\$	9,482	
Total Governmental Activities	\$	13,422	\$	9,193	\$	(12,080)	\$	10,535	\$	9,482	
Long-term liabilities due in more than one year								\$	1,053		

V. OTHER INFORMATION

A. Restatements

The EDC restated beginning net position/fund balance of governmental activities and the general fund in order to correct prior year payroll accruals. The restatements are summarized below:

	Governmental			General	
		Activities		Fund	
Prior year ending net position, as reported	\$	3,397,790	\$	3,777,037	
Correct payroll accrual		4,459		4,459	
Restated beginning net position	\$	3,402,249	\$	3,781,496	

B. Subsequent Events

There were no material subsequent events warranting disclosure through October 21, 2024, the date the financial statements were available to be issued.

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REQUIRED S	SUPPLEMEN	TARY INFO	RMATION

BUDGETARY COMPARISON SCHEDULE GENERAL FUND

For the Year Ended September 30, 2023

		Original Budget		Final Budget		Actual	Variance with Final Budget Positive (Negative)		
Revenues	Duuget		Duaget		Actual		(Ivegative)		
Sales taxes	\$	881,613	\$	881,613	\$	1,481,673	\$	600,060	
	Ф	-	Ф	-	Ф		Ф	· ·	
Investment income		1,550		1,550		142,833		141,283	
Total Revenues		883,163		883,163		1,624,506		741,343	
Expenditures									
Current:									
Economic development		1,446,341		1,486,341		379,678		1,106,663	
Debt service:									
Principal		120,000		120,000		120,000		-	
Interest		17,600		17,600		12,800		4,800	
Total Expenditures		1,583,941		1,623,941		512,478		1,111,463	
Excess of Revenues Over (Under)									
Expenditures		(700,778)		(740,778)		1,112,028		1,852,806	
Other Financing Sources (Uses)									
Contributions to City		(314,324)		(314,324)		(314,324)		-	
Total Other Financing Sources (Uses)		(314,324)		(314,324)		(314,324)			
Net Change in Fund Balance	\$	(1,015,102)	\$	(1,055,102)		797,704	\$	1,852,806	
Beginning fund balance						3,781,496			
Ending Fund Balance					\$	4,579,200			

Notes to Required Supplementary Information

^{1.} Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP)