

**IOWA COLONY  
DEVELOPMENT AUTHORITY**

**A COMPONENT UNIT OF  
THE CITY OF IOWA COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**September 30, 2022**



# IOWA COLONY DEVELOPMENT AUTHORITY

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Iowa Colony Development Authority  
City of Iowa Colony, Texas

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Iowa Colony Development Authority (the "Authority"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority'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, each major fund of the Authority, as of September 30, 2022, 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Authority, 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 Authority's ability to continue as a going concern for twelve 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 Authority'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 Authority'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 management's discussion and analysis, as listed in the table of contents, 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.

Houston, Texas  
April 17, 2023

## **IOWA COLONY DEVELOPMENT AUTHORITY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Iowa Colony Development Authority, we offer readers of the Authority's financial statements this overview and analysis of the Authority's financial activities for the fiscal year ended September 30, 2022.

#### **Financial Highlights**

The government-wide financial statements include total revenues of \$1,856,662 and total expenses of \$6,102,006, resulting in a decrease to net position of \$4,245,344 and a total ending net deficit of \$24,492,115.

During the fiscal year 2022 the Authority's governmental funds had revenues of \$1,856,662, expenditures of \$6,413,961, and other financing sources/uses of \$5,258,575, which resulted in an ending fund balance of \$3,088,559. The General Fund (Surplus Fund) ended with a fund balance of \$1,033,027 due to an increase in fund balance of \$592,061. The Project Fund ended with a fund balance of \$448 due to a decrease in fund balance of \$0. The Debt Service Fund ended with a fund balance of \$2,055,084 due to an increase in fund balance of \$109,215.

#### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements.

**Government-wide Financial Statements** - The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all of the increases or decreases in net position and may serve as a useful indicator of whether the financial position of the Authority's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**Fund Financial Statements** – 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 current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a district'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.

**Notes to the Basic Financial Statements** – The notes provide additional information that is essential to a full understanding of the data in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 13 of this report.

**IOWA COLONY DEVELOPMENT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Comparison in Government-wide Financial Statements**

The following is a comparison of the Authority's net position as of September 30, 2022 and 2021:

	<u><b>2022</b></u>	<u><b>2021</b></u>
Current Assets	\$ 3,092,921	\$ 2,391,306
Current Liabilities	305,284	309,084
Long-term liabilities	<u>27,279,752</u>	<u>22,328,993</u>
<b>Total Liabilities</b>	<u><b>\$ 27,585,036</b></u>	<u><b>\$ 22,638,077</b></u>
Unrestricted Net Position (Deficit)	<u><b>\$ (24,492,115)</b></u>	<u><b>\$ (20,246,771)</b></u>

The following is a comparison of the Authority's changes in net position for the prior two fiscal years:

	<u><b>2022</b></u>	<u><b>2021</b></u>
Revenues	\$ 1,856,662	\$ 1,347,541
Expenses	<u>6,102,006</u>	<u>6,796,091</u>
Change in Net Position	(4,245,344)	(5,448,550)
<b>Beginning Net Position (Deficit)</b>	<u><b>(20,246,771)</b></u>	<u><b>(14,798,221)</b></u>
<b>Ending Net Position (Deficit)</b>	<u><u><b>\$ (24,492,115)</b></u></u>	<u><u><b>\$ (20,246,771)</b></u></u>

**Economic Factors and Next Year's Budgets and Rates**

The Authority does not currently adopt a budget. However, the City has adopted a General Fund operating budget for the 2021-2022 fiscal year as follows:

	<u><b>Fiscal Year</b></u>
	<u><b>2023</b></u>
Revenues	\$ 8,423,600
Expenditures	<u>(8,407,910)</u>
Budgeted increase (decrease) in fund balance	<u><u><b>\$ 15,690</b></u></u>

The 2023 budget includes property tax rates of \$0.361992 for maintenance and operations (M&O) and \$0.157217 for the interest and sinking fund (I&S) per \$100 of value on real and personal property within the City limits, for a total tax rate of \$0.519209. This was an increase of 6% from the 2022 fiscal year tax rate of \$0.489209 per \$100 of value on real and personal property within the City limits.

**Request for Information**

The fiscal report is designed to provide our citizens, customers, investors and creditors with a general overview of the Authority's accountability for money it receives. If you have questions about this report or need additional financial information, please contact the City Secretary's Office, 12003 Iowa Colony Boulevard, Iowa Colony, Texas 77583.



## **BASIC FINANCIAL STATEMENTS**

**IOWA COLONY DEVELOPMENT AUTHORITY****STATEMENT OF NET POSITION****September 30, 2022**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and cash equivalents	\$ 3,092,921
Investments	-
<b>Total Assets</b>	<u>3,092,921</u>
<b>Liabilities:</b>	
Accounts payable	4,362
Accrued interest payable	300,922
Due to primary government	-
Long-term liabilities:	
Due within one year	570,000
Due in more than one year	<u>26,709,752</u>
<b>Total Liabilities</b>	<u>27,585,036</u>
<b>Net Position (Deficit):</b>	
Restricted	<u>(24,492,115)</u>
<b>Total Net Position (Deficit)</b>	<u><u>\$ (24,492,115)</u></u>

**IOWA COLONY DEVELOPMENT AUTHORITY****STATEMENT OF ACTIVITIES***For the Year Ended September 30, 2022*

	<b>Governmental Activities</b>
<b>General Revenues:</b>	
Property tax increments	\$ 1,856,662
Sales taxes	-
Miscellaneous	
<b>Total General Revenues</b>	<u>1,856,662</u>
<b>Expenses:</b>	
Operations	482,308
Paid to developer	4,605,156
Interest	694,959
Bond issuance costs	<u>319,583</u>
<b>Total Expenses</b>	<u>6,102,006</u>
Change in net position	(4,245,344)
<b>Net Position (Deficit) - Beginning</b>	<u>(20,246,771)</u>
<b>Net Position (Deficit) - Ending</b>	<u><u>\$ (24,492,115)</u></u>

**IOWA COLONY DEVELOPMENT AUTHORITY**

**GOVERNMENTAL FUNDS - BALANCE SHEET**

*For the Year Ended September 30, 2022*

	<b>General (Surplus) Fund</b>	<b>Project Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,037,389	\$ 448	\$ 2,055,084	\$ 3,092,921
Investments	-	-	-	-
<b>Total Assets</b>	<u>\$ 1,037,389</u>	<u>\$ 448</u>	<u>\$ 2,055,084</u>	<u>\$ 3,092,921</u>
<b>Liabilities</b>				
Accounts payable	\$ 4,362	\$ -	\$ -	\$ 4,362
<b>Total Liabilities</b>	<u>4,362</u>	<u>-</u>	<u>-</u>	<u>4,362</u>
<b>Fund Balances</b>				
<b>Restricted:</b>				
Zone operations	1,033,027	-	-	1,033,027
Capital projects	-	448	-	448
Debt service	-	-	2,055,084	2,055,084
<b>Total Fund Balance</b>	<u>1,033,027</u>	<u>448</u>	<u>2,055,084</u>	<u>3,088,559</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,037,389</u>	<u>\$ 448</u>	<u>\$ 2,055,084</u>	<u>\$ 3,092,921</u>

**IOWA COLONY DEVELOPMENT AUTHORITY**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**For the Year Ended September 30, 2022**

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

Total fund balances of governmental funds	\$ 3,088,559
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable	(27,360,000)
Discount (Premium) on bonds	80,248
Accrued interest	<u>(300,922)</u>
Net position of governmental activities	<u>\$ (24,492,115)</u>

**IOWA COLONY DEVELOPMENT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES – GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2022**

	<b>General (Surplus) Fund</b>	<b>Project Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Property taxes	\$ 1,074,369	\$ -	\$ 782,293	\$ 1,856,662
Sales taxes	-	-	-	-
<b>Total Revenues</b>	<u>1,074,369</u>	<u>-</u>	<u>782,293</u>	<u>1,856,662</u>
<b>Expenditures</b>				
Current:				
City administration fee	421,506	-	-	421,506
Professional/contract services	59,284	-	-	59,284
Supplies and other costs	1,518	-	-	1,518
Developer agreements:				
Principal	-	4,605,156	-	4,605,156
Interest	-	-	-	-
Debt service:				
Principal	-	-	310,000	310,000
Interest	-	-	696,914	696,914
Other debt service costs	-	304,863	14,720	319,583
<b>Total Expenditures</b>	<u>482,308</u>	<u>4,910,019</u>	<u>1,021,634</u>	<u>6,413,961</u>
<b>Excess (deficiency) of revenues over expenditures</b>	592,061	(4,910,019)	(239,341)	(4,557,299)
<b>Other financing sources (uses)</b>				
Proceeds from bonds issued	-	4,931,444	348,556	5,280,000
Discount on bonds issued	-	(21,425)	-	(21,425)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>4,910,019</u>	<u>348,556</u>	<u>5,258,575</u>
Net change in fund balances	592,061	-	109,215	701,276
<b>Fund balances - beginning</b>	<u>440,966</u>	<u>448</u>	<u>1,945,869</u>	<u>2,387,283</u>
<b>Fund balance - ending</b>	<u>\$ 1,033,027</u>	<u>\$ 448</u>	<u>\$ 2,055,084</u>	<u>\$ 3,088,559</u>

# **IOWA COLONY DEVELOPMENT AUTHORITY**

## **RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**For the Year Ended September 30, 2022**

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

Net change in fund balances - total governmental funds	\$	701,276
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Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. 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.

Issuance of bonds	(5,280,000)
Discount on issuance of bonds	21,425
Repayment of bond principal	310,000
	<u>(5,258,575)</u>

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. These items are as follows:

Accrued interest on long-term debt	4,139
Amortization of bond discounts/premiums	(2,184)
	<u>1,955</u>

Change in net position of governmental activities	\$	<u><u>(4,245,344)</u></u>
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## **IOWA COLONY DEVELOPMENT AUTHORITY**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS**

#### **Note 1 – Creation of The Authority**

Iowa Colony Development Authority, a public not-for-profit local government corporation (the “Authority”), was established by the City of Iowa Colony, Texas (the “City”) authorized by City Resolution No. R2010-R-3 adopted on November 15, 2010, pursuant to Subchapter D of Chapter 431, Texas Transportation Code, and Chapter 394, Texas Local Government Code. The Authority was created to aid, assist, and act on behalf of the City in the performance of the City’s governmental functions to promote the common good and general welfare of the area included within Reinvestment Zone Number Two, City of Iowa Colony, Texas (the “Zone”) and neighboring areas; and to promote, develop, encourage and maintain housing, educational facilities, employment, commerce and economic development in the City. The Zone, which was created by the City pursuant to the provisions of the Tax Increment Financing Act, Chapter 311, Texas Tax Code (the “TIF Act”), is an approximate 956-acre area located in Brazoria County approximately 3.5 miles southwest of the intersection of State Highway 6 and State Highway 288. Land within the Zone is being developed as a portion of the master planned community of Meridiana, a single family, mixed-used and commercial development which will span across the City and the neighboring city of Manvel, Texas. Property tax receipts over undeveloped assessments (base value) provide funding for the projects. The City appoints the Board members who operate and account for the tax zone activity consistent with the State statute for economic benefit of the City. The City accounts for the tax zone (consolidated into the Iowa Colony Development Authority) as a component unit.

#### **Note 2 – Significant Accounting Policies**

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board.

The Governmental Accounting Standards Board has established the criteria for determining whether or not a given entity is a component unit. The criteria are: (1) is the potential component unit a legally separate entity, (2) does the primary government appoint a voting majority of the potential component unit’s board, (3) is the primary government able to impose its will on the potential component unit, (4) is there a financial benefit or burden relationship. The Authority was created as an instrumentality of the City of Iowa Colony (the “City”). The Authority does meet criteria for inclusion as a component of the City.

#### **Financial Statement Presentation**

These financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34-Basic Financial Statements and Management’s Discussion and Analysis for State of Local Governments.

GASB 63/65 established standards for external financial reporting for all state and local government entities, which includes a requirement for a Statement of Net Positions and a Statement of Activities. It requires the classification of net position into three components: Net Investments 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 improvements of those assets.
- Restricted Net Position – This component of net position consists of constraints placed on net assets use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

When both restricted and unrestricted resources are available for use, generally it is the Authority’s policy to use restricted resources first.

**IOWA COLONY DEVELOPMENT AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 2 – Significant Accounting Policies (continued)**

**Government-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities display information about the Authority as a whole. The Authority's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The Authority is viewed as a special purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental funds to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense in the government-wide Statement of Activities.

**Fund Financial Statements**

As discussed above, the Authority's fund financial statements are combined with the government-wide statements. The fund financial statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

**Governmental Funds**

The Authority currently has three governmental funds, all of which are considered major funds. The General Fund, often referred to as the Surplus Fund, serves as a general fund and administrative umbrella for the Zone. The Project Fund is used to record proceeds of contract revenue bonds issued to pay project costs. The Debt Service Fund is funded with pledged revenues and is used to pay principal and interest payments on contract revenue bonds.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the government-wide Statement of Net Position and Statement of Activities, the Governmental activities are reported using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position, and cash flows. All assets and liabilities associated with the activities are reported, regardless of the timing of related cash flows. Fund equity is classified as net assets.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)**

The Authority uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The authority considers revenues reported in the governmental funds to be available if they are collectable within sixty (60) days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

**Capital Assets**

Normally, capital assets are reported as assets in the government-wide Statement of Net Position. Capital assets are recorded at historical cost and depreciated over their estimated useful lives unless they are inexhaustible, such as land. Depreciation is not recorded on items classified as construction in progress. Depreciation expense is reported in the government-wide Statement of Activities. As of September 30, 2022, the Authority has no capital assets, as capital assets are transferred to the City.

**IOWA COLONY DEVELOPMENT AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 2 – Significant Accounting Policies (continued)**

**Budgeting**

The Authority has not previously adopted a budget or spending plan.

**Fund Balances**

The Authority reports the fund balance of various funds in a hierarchy of classifications based on the constraints imposed on the uses of those resources. The fund balances for governmental funds consist of the following:

Restricted fund balance includes amounts that are restricted for specific purposes stipulated by external resource providers and creditors, constitutionally or through enabling legislation. All of the fund balance in the Zone Funds is restricted for debt service and for zone operations and projects.

Unassigned fund balance is the residual classification of the Authority. As of September 30, 2022, the Authority does not have unassigned fund balance.

**Accounting Estimates**

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

**Implementation of New Standard**

GASB No. 87, Leases, was issued to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement did not impact the Authority in fiscal year 2022.

**Note 3 – Deposits and Investments**

**Deposits**

Custodial Credit Risk is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas requires that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance corporation or its successor, be continuously secured by a valid pledge to the Authority of securities eligible under the laws of Texas to secure the funds of the Authority, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At September 30, 2022, none of the Authority's bank balances were exposed to custodial credit risk.

**IOWA COLONY DEVELOPMENT AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 4 – Paid to Developers**

As discussed in Note 6, construction of the Authority's capital assets is financed through prefunding agreements with the Authority's developers. The Authority will reimburse its developers through the issuance of bonds or other resources. The Authority recognizes the liability associated with developer construction at such time as developer costs have been submitted for reimbursement and verified.

**Note 5 – Tri-Party Agreements**

The Tri-Party Agreement states in detail the scope of services to be provided to the Zone by the Authority. The services include management and administrative service for the Zone, as requested by the Zone board, services with respect to the Project Plan and Financing Plan (the Plan), including enlarging the zone and amendments to the project plan and financing plan, and services with respect to the infrastructure construction and construction of Zone projects.

The Tri-Party Agreements also provides for the Authority to issue bonds or enter into other Authority obligations with developers or builders, and enter in contracts with consultants, to be repaid from Contract Tax Increments. All bonds must be approved by City Council of the City of Iowa Colony. These Agreements shall end upon termination of the Zone.

The City, on behalf of itself and the Zone, will pay the authority, not less than twice a year, all monies then available in the Tax Increment fund.

**Note 6 – Tax Increments**

The amount of a Participants tax increment for a year is the amount of property taxes levied and collected by the Participant for the year on the Captured Appraised Value of real property taxable by the Participant and located in the Zone. The Captured Appraised Value of real property taxable by a Participant for a year is the total appraised value of all real property taxable by the participant and located in the Zone for that year less the Tax Increment base, which is the total appraised value of all real property taxable by the Participant and located in the Zone on January 1 of the year in which the Zone was designated as such under the Tax Increment Financing Act (the "TIF Act").

**Note 7 – Interfund Transactions**

There were no interfund transfers during the fiscal year and no interfund balances as of the end of the fiscal year.

**Note 8 – Long-Term Liabilities**

In September 2022, the Authority issued Tax Increment Revenue Bonds, Series 2022, in the amount of \$5,280,000 with a discount of \$21,425. The proceeds of the bonds were used for (1) financing certain project costs in accordance with the Authority's Project and Financing Plan; (2) funding reserve requirements in the Debt Service Fund; (3) reimbursing the project's developer for the costs of the creation of the Zone and operating advances; and (4) paying costs of issuance. The bulk of the project costs funded related to landscaping and trails constructed around the detention ponds constructed in the Zone, including installation of sidewalks, shrubbery, trees, landscape lighting and irrigation.

Changes in the Authority's long-term liabilities for governmental activities during the year-ended September 30, 2022 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Tax increment contract revenue bonds	\$ 22,390,000	\$ 5,280,000	\$ (310,000)	\$ 27,360,000	\$ 570,000
Premium on bonds	33,082	-	(1,160)	31,922	-
Discount on bonds	(94,089)	(21,425)	3,344	(112,170)	-
<b>Total Long-term Liabilities</b>	<u>\$ 22,328,993</u>	<u>\$ 5,258,575</u>	<u>\$ (307,816)</u>	<u>\$ 27,279,752</u>	<u>\$ 570,000</u>

**IOWA COLONY DEVELOPMENT AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

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

Additional information for the year ended September 30, 2022 is as follows:

	<u>Original Borrowing</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Outstanding at Year-end</u>
<b>Tax Increment Contract Revenue Bonds:</b>				
Series 2018	\$ 8,480,000	3.100% - 4.750%	2049	\$ 8,145,000
Series 2019	4,105,000	2.000% - 3.500%	2050	4,020,000
Series 2020	3,865,000	2.000% - 3.125%	2050	3,810,000
Series 2021	6,105,000	2.125% - 3.000%	2050	6,105,000
Series 2022	5,280,000	4.000% - 5.000%	2050	5,280,000
<b>Total Tax Increment Contract Revenue Bonds</b>	<u>\$ 27,835,000</u>			<u>\$ 27,360,000</u>

The debt service requirements for the bonds are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 570,000	\$ 895,455
2024	645,000	1,000,236
2025	670,000	624,812
2026	690,000	957,044
2027	715,000	933,721
2028-2032	3,940,000	4,299,749
2033-2037	4,685,000	3,566,311
2038-2042	5,615,000	2,638,791
2043-2047	6,385,000	1,448,161
2048-2050	3,445,000	269,271
	<u>\$ 27,360,000</u>	<u>\$ 16,633,551</u>

The Authority is required to comply with certain reserve requirements related to the bonds. The reserve requirement is computed after the issuance of any series contract revenue bonds and is the lesser of (a) 1.25 times the average annual debt service on the contract revenue bonds, or (b) the maximum annual debt service. As of September 30, 2022, the Authority complied with all reserve requirements.