

*ANNUAL FINANCIAL REPORT*

of the

**Taylor Economic Development Corporation**

**For the Year Ended  
September 30, 2023**

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# Taylor Economic Development Corporation

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September 30, 2023

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## *INDEPENDENT AUDITOR'S REPORT*

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

### **Report on the Financial Statements**

#### *Opinion*

We have audited the accompanying basic financial statements of the Taylor Economic Development Corporation (the "Corporation"), a component unit of the City of Taylor, Texas, 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 Taylor Economic Development 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 Opinion*

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 Taylor Economic Development 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 Taylor Economic Development 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 Taylor Economic Development 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 Taylor Economic Development 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 Taylor Economic Development 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.

### *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.

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, slightly stylized font.

BrooksWatson & Co., PLLC  
Certified Public Accountants  
Houston, Texas  
January 12, 2024

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

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# Taylor Economic Development Corporation

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2023

As management of the Taylor 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's total net position is \$11,109,049 at September 30, 2023. \$11,032,865 is restricted for economic development and \$76,184 is invested in capital assets, net of related debt.
- At the close of the current fiscal year, the Corporation's general fund reported a fund balance of \$11,100,270, an increase of \$5,211,911, which is primarily a result of sales tax revenues exceeding current year expenditures.
- The Corporation had an overall increase in net position of \$5,199,466.

### **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 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 and liabilities, 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).

# Taylor Economic Development Corporation

## 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 one governmental fund, the general fund.

#### **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. Information is presented 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.

The Corporation adopts an annual budget for its general fund. A budgetary comparison schedule has been provided to demonstrate compliance with general fund budget.

#### **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 Supplementary Information. This includes a budgetary comparison schedule for the general fund which can be found after the basic financial statements.

# Taylor Economic Development Corporation

## 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 \$11,109,049 as of September 30, 2023. These assets are restricted to fund Type A projects as defined in the Attorney General's Economic Development Handbook.

Current and other assets increased by \$5,576,231 or 98% primarily due to greater cash on hand, which is a direct result of current year revenues exceeding expenses. Other liabilities increased by \$423,545 or more than 100% primarily due to the Corporation's 380 Agreement with Samsung Austin Semiconductor to refund 0.5% of sales tax remittances once sales have surpassed a specified threshold. During the current year, the Corporation exceeded that threshold. The first reimbursement amount was \$396,141 and was accrued for in the current year.

#### Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	<u>2023</u>	<u>2022</u>		
	<u>Governmental</u>	<u>Governmental</u>		
	<u>Activities</u>	<u>Activities</u>	<u>\$ Change</u>	<u>% Change</u>
Current and				
other assets	\$ 11,244,036	\$ 5,667,805	\$ 5,576,231	98%
Land held for investment	299,595	240,370	59,225	25%
Capital assets	76,184	115,234	(39,050)	-34%
<b>Total Assets</b>	<u>11,619,815</u>	<u>6,023,409</u>	<u>5,596,406</u>	<u>93%</u>
Other liabilities	443,361	19,816	423,545	2137%
Long-term liabilities	67,405	94,010	(26,605)	-28%
<b>Total Liabilities</b>	<u>510,766</u>	<u>113,826</u>	<u>396,940</u>	<u>349%</u>
Net Position:				
Net investment in capital assets	76,184	46,901	29,283	62%
Restricted	11,032,865	5,862,682	5,170,183	88%
<b>Total Net Position</b>	<u>\$ 11,109,049</u>	<u>\$ 5,909,583</u>	<u>\$ 5,199,466</u>	<u>88%</u>

# Taylor Economic Development Corporation

## 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:

	<u>2023</u>	<u>2022</u>		
	<u>Governmental</u>	<u>Governmental</u>		
	<u>Activities</u>	<u>Activities</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Revenues</b>				
General revenues:				
Sales taxes	\$ 6,213,568	\$ 2,144,488	\$ 4,069,080	190%
Investment income	190,881	6,410	184,471	2878%
Other revenue	-	239,771	(239,771)	100%
<b>Total Revenues</b>	<u>6,404,449</u>	<u>2,390,669</u>	<u>4,013,780</u>	<u>168%</u>
<b>Expenses</b>				
General government	764,453	556,524	207,929	37%
Economic development	438,572	190,946	247,626	130%
Interest and fiscal charges	1,958	1,924	34	2%
<b>Total Expenses</b>	<u>1,204,983</u>	<u>749,394</u>	<u>455,589</u>	<u>61%</u>
<b>Change in Net Position</b>	5,199,466	1,641,275	3,558,191	217%
Beginning Net Position	<u>5,909,583</u>	<u>4,268,308</u>	<u>1,641,275</u>	<u>38%</u>
<b>Ending Net Position</b>	<u>\$ 11,109,049</u>	<u>\$ 5,909,583</u>	<u>\$ 5,199,466</u>	<u>88%</u>

For the year ended September 30, 2023, revenues totaled \$6,404,449. This represents an increase of \$4,013,780 or more than 100% when compared to the prior year due to greater sales taxes. Sales tax increased by \$4,069,080 or more than 100% primarily due to the new Samsung Austin Semiconductor development that is currently under construction within the City limits. In addition, the Corporation had an increase in investment income of \$184,471 or over 100% due to greater investment balances and realization of higher interest rates in the current year. Other revenue decreased by \$239,771 or 100% due to land sold in the prior year for a net gain over carrying value of \$239,771 and no such sale in the current year.

The cost of all governmental activities this year was \$1,204,983. This represents an increase of \$455,589 or 61% when compared to the previous year. The increase is primarily due to the economic development expenses related to the new agreement with Samsung Austin Semiconductor.

# Taylor Economic Development Corporation

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

September 30, 2023

### FINANCIAL ANALYSIS OF THE CORPORATION'S FUNDS

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

Governmental Funds - 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 general fund reported a fund balance of \$11,100,270, an increase of \$5,211,911, which is primarily a result of sales tax revenues and investment income exceeding current year expenditures.

### CAPITAL ASSETS

The Corporation's capital assets totaling \$76,184 have been recognized within the Statement of Net Position. There were no capital asset additions during the current year. Annual depreciation \$39,050 was recognized for the current year ended.

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

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Board of Directors and management are committed to maintaining and improving the overall wellbeing of the Corporation and increased economic development in the City of Taylor, Texas. The Corporation is planning for growth when preparing the budget for the upcoming year.

### CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens with a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Corporation's business office, at Taylor Economic Development Corporation, P.O. Box 975, Taylor, Texas 76574.

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## ***FINANCIAL STATEMENTS***

# Taylor Economic Development Corporation

## STATEMENT OF NET POSITION

September 30, 2023

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Current assets:	
Cash and cash equivalents	\$ 10,435,615
Sales tax receivable	808,296
Prepays	125
<b>Total Current Assets</b>	<b>11,244,036</b>
Long-term assets:	
Land held for investment	299,595
Capital assets:	
Capital assets	188,336
Accumulated depreciation	(112,152)
<b>Capital Assets, Net</b>	<b>76,184</b>
<b>Total Assets</b>	<b>11,619,815</b>
 <b><u>Liabilities</u></b>	
Current liabilities:	
Accounts payable and accrued liabilities	443,361
Long-term debt due within one year	30,248
Compensated absences due in one year	23,969
<b>Total Current Liabilities</b>	<b>497,578</b>
Noncurrent liabilities:	
Long-term debt due in more than one year	10,524
Compensated absences	2,664
<b>Total Noncurrent Liabilities</b>	<b>13,188</b>
<b>Total Liabilities</b>	<b>510,766</b>
 <b><u>Net Position</u></b>	
Net investment in capital assets	76,184
Restricted for economic development	11,032,865
<b>Total Net Position</b>	<b>\$ 11,109,049</b>

See Notes to Financial Statements.

# Taylor Economic Development Corporation

*STATEMENT OF ACTIVITIES*  
For the Year Ended September 30, 2023

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Position Governmental Activities
<b>Primary Government</b>			
<b>Governmental Activities</b>			
General government	\$ 766,411	\$ -	\$ (766,411)
Economic development	438,572	-	(438,572)
<b>Total Governmental Activities</b>	1,204,983	-	(1,204,983)
		<b>General Revenues:</b>	
		Taxes	
		Sales taxes	6,213,568
		Investment income	190,881
		<b>Total General Revenues</b>	6,404,449
		<b>Change in Net Position</b>	5,199,466
		Beginning Net Position	5,909,583
		<b>Ending Net Position</b>	\$ 11,109,049

See Notes to Financial Statements.

# Taylor Economic Development Corporation

*BALANCE SHEET*  
*GOVERNMENTAL FUND*  
September 30, 2023

	<u>General Fund</u>
<b><u>Assets</u></b>	
Cash and cash equivalents	\$ 10,435,615
Sales tax receivable	808,296
Prepays	125
Land held for investment	299,595
<b>Total Assets</b>	<b>\$ 11,543,631</b>
<b><u>Liabilities</u></b>	
Accounts payable and accrued liabilities	\$ 443,361
<b>Total Liabilities</b>	<b>443,361</b>
<b><u>Fund Balance</u></b>	
Restricted for: Economic development	11,100,270
<b>Total Fund Balance</b>	<b>11,100,270</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 11,543,631</b>

See Notes to Financial Statements.

**Taylor Economic Development Corporation**  
**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**GOVERNMENTAL FUND**  
**September 30, 2023**

<b>Fund Balance - Total Governmental Fund</b>		\$ 11,100,270
 <b>Adjustments for the Statement of Net Position:</b>		
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.		
Capital assets		188,336
Accumulated depreciation		(112,152)
 Some liabilities, including long-term debt and compensated absences, are not reported as liabilities in the governmental funds.		
Non-current liabilities due in one year		(30,248)
Non-current liabilities due in more than one year		(10,524)
Compensated absences		(26,633)
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>11,109,049</b>

See Notes to Financial Statements.

**Taylor Economic Development Corporation**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
**For the Year Ended September 30, 2023**

		<u>General Fund</u>
<b><u>Revenues</u></b>		
Sales tax		\$ 6,213,568
Investment income		190,881
	<b>Total Revenues</b>	<u>6,404,449</u>
<b><u>Expenditures</u></b>		
Current:		
Personnel		359,283
Administrative expenses		157,843
Marketing		158,855
Facility		43,631
Community development		438,572
Debt service:		
Principal		27,561
Interest		1,958
Other expenditures		4,835
	<b>Total Expenditures</b>	<u>1,192,538</u>
	<b>Excess of Revenues Over (Under) Expenditures</b>	5,211,911
Beginning fund balance		5,888,359
	<b>Ending Fund Balance</b>	<u><u>\$ 11,100,270</u></u>

See Notes to Financial Statements.

**Taylor Economic Development Corporation**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND 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	\$ 5,211,911
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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	(39,050)
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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.

Compensated absences	(956)
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Principal payments on leases	27,561
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<b>Change in Net Position of Governmental Activities</b>	<b>\$ 5,199,466</b>
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See Notes to Financial Statements.

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# Taylor Economic Development Corporation

## NOTES TO FINANCIAL STATEMENTS

September 30, 2023

### I. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Organizational Structure

The Taylor Economic Development Corporation (the "Corporation") was incorporated in Texas on May 13, 1994. The Corporation is exempt under Section 501(c) (3) of the Internal Revenue Code; however, for financial reporting purposes, it is considered a governmental entity.

The Corporation is a component unit of the City of Taylor, Texas (the "City"), and the Board is appointed by the City Council. The Corporation provides economic development services to the community, generally within the geographic boundaries of the City. The City has the ability to exercise influence or control over daily operations, approve budgets, and provide funding although the Corporation is a separate legal entity.

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

# Taylor Economic Development Corporation

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

relationship with the primary government are 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 five 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.

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.

# Taylor Economic Development Corporation

## 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.

The government reports the following governmental fund:

#### Governmental Funds

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

##### **General Fund**

The general fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The principal source of revenue is sales tax collected by the City to be used by the Corporation for expenditures on economic development.

### 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

# Taylor Economic Development Corporation

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the balance sheet.

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 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. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

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

# Taylor Economic Development Corporation

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

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.

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 "due to/from component unit/primary government." All trade receivables are shown net of any allowance for uncollectible amounts.

### **4. Inventories and Prepaid Items**

The costs of inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

### **5. 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 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.

# Taylor Economic Development Corporation

## 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 years.

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Vehicles	5 years
Furniture and equipment	5 to 10 years
Infrastructure	40 years
Buildings and improvements	40 years

### 6. Fund Balance Flow Assumptions

Sometimes the government 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 government'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.

### 7. 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 government 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 government's highest level of decision-making authority. The governing body is the highest level of decision-making authority for the government 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 government for specific purposes but do not meet the criteria to be classified as committed.

# Taylor Economic Development Corporation

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

The governing body (Board of Directors) has by resolution authorized the finance 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.

### **8. 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.

### **9. 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. The long-term debt consists of accrued compensated absences.

Long-term debt for 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

# Taylor Economic Development Corporation

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

### 10. 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.

### 11. Leases

Lessee: The Corporation is a lessee for a noncancellable lease of a building. The Corporation recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The Corporation recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the Corporation initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Corporation determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Corporation uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Corporation generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Corporation is reasonably certain to exercise.

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



# Taylor Economic Development Corporation

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: The Corporation is not a lessor for any noncancellable lease. If applicable, the Corporation would recognize a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the Corporation initially measures the lease receivable at the present value of 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 as 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.

Key estimates and judgments include how the Corporation determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Corporation uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Corporation monitors changes in circumstances that would require a remeasurement of its lease, 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.

## 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.

# Taylor Economic Development Corporation

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

### 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

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general fund. The original budget is adopted by the Board prior to the beginning of the year. A budget is prepared by fund and function. Appropriations lapse at the end of the year.

#### A. Excess of Expenditures Over Appropriations:

For the year ended September 30, 2023, actual general fund expenditures were less than budgeted appropriations by \$227,008. Expenditures exceeded appropriations at the legal level of control in the following departments:

Community outreach:	\$ 26,458
Travel:	23,063
Office maintenance:	38,765
Grants and incentives:	438,572
Other expenditures:	2,335

### IV. DETAILED NOTES ON ALL FUNDS

#### A. Receivables

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

	<u>General</u>
Sales tax	\$ 808,296
	<u>\$ 808,296</u>

# Taylor Economic Development Corporation

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

### B. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets being depreciated				
Commercial sign	\$ 17,244	\$ -	\$ -	\$ 17,244
Office equipment	59,279	-	-	59,279
Leasehold improvements	26,261	-	-	26,261
ROU asset	85,552	-	-	85,552
Total capital assets being depreciated	<u>188,336</u>	<u>-</u>	<u>-</u>	<u>188,336</u>
Less accumulated depreciation				
Commercial sign	(10,488)	(1,724)	-	(12,212)
Office equipment	(36,526)	(7,058)	-	(43,584)
Leasehold improvements	(7,076)	(1,751)	-	(8,827)
ROU asset	(19,012)	(28,517)	-	(47,529)
Total Accumulated Depreciation	<u>(73,102)</u>	<u>(39,050)</u>	<u>-</u>	<u>(112,152)</u>
<b>Total Capital Assets, Net</b>	<u>\$ 115,234</u>	<u>\$ (39,050)</u>	<u>\$ -</u>	<u>\$ 76,184</u>

Depreciation was charged to governmental functions as follows:

Economic development	\$ 39,050
<b>Total Governmental Activities Depreciation Expense</b>	<u>\$ 39,050</u>

# Taylor Economic Development Corporation

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

### C. Other Long-term Liabilities

A summary of changes in other long-term liabilities for the year end was as follows. In general, the Corporation uses the general fund to liquidate compensated absences.

	Beginning Balance	Additions	Reductions	Ending Balance	Due in one Year
<b>Governmental Activities:</b>					
Compensated Absences	\$ 25,677	\$ 26,633	\$ (25,677)	\$ 26,633	\$ 23,969
<b>Total Governmental Activities</b>	\$ 25,677	\$ 26,633	\$ (25,677)	\$ 26,633	\$ 23,969
<b>Other Long-term Liabilities Due in More than One Year</b>				\$ 2,664	

### D. Notes Receivable

The footnote below represents notes receivable as of September 30, 2023 in which the amount will be forgiven if specific conditions are met. Accordingly, these notes are not reflected in the balance sheet.

Forgivable Notes Receivable	Original Commitment	Beginning Balance	Additions	Reductions	Ending Balance
Ringer Windows, Inc. (MRB Holdings, LLC)	87,438	\$ 87,438	\$ -	\$ -	\$ 87,438
Jeff's Resurrections, LLC	44,268	42,268	-	-	42,268
Taylor Iron-Machine Woorks	45,000	45,000	-	-	45,000
Texas Beer Company	200,000	200,000	-	-	200,000
Rum Runners	19,559	19,559	-	-	19,559
Responsivle Consumer, LLC	5,000	5,000	-	-	5,000
<b>Totals</b>	\$ 1,947,521	\$ 399,265	\$ -	\$ -	\$ 399,265
				Allowance for doubtful accounts	(399,265)
				Notes receivable, net	\$ -

# Taylor Economic Development Corporation

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

The terms and remaining commitments associated with the forgivable notes receivable are as follows:

Forgivable Notes Receivable	Original Commitment	Ending Balance	Remaining Commitment	Interest Rate	Due Date
Ringer Windows, Inc. (MRB Holdings, LLC)	\$ 87,438	\$ 87,438	\$ -	Prime + 3%	May 2022
Jeff's Resurrections, LLC	44,268	42,268	2,000	0%	October 2023
Taylor Iron-Machine Works	45,000	45,000	-	0%	April 2025
Texas Beer Company	200,000	200,000	-	6%	6/21/2027
Rum Runners	19,559	19,559	-	n/a	12/21/2026
Responsivle Consumer, LLC	5,000	5,000	-	n/a	12/31/2024
Langham Group, LLC	290,000	-	290,000	n/a	12/31/2021
<b>Totals</b>	<u>\$ 691,265</u>	<u>\$ 399,265</u>	<u>\$ 292,000</u>		

### F. Economic Development Agreement

The City of Taylor will annually budget and contribute to the Corporation one-half percent of its estimated annual revenue from sales tax to promote economic development within the City. All funding received from the City is to be separately accounted for and is the property of the City in the event of the dissolution of the Corporation. The Board of Directors has five voting members all of whom are appointed by the City.

Sales tax revenue received by the Corporation totaled \$6,213,568 for the year ended September 30, 2023.

### G. Samsung Austin Semiconductor Agreement

As per the performance agreement with Samsung Austin Semiconductor, LLC ("SAS"), executed on July 15, 2022, Taylor EDC is obligated to refund one half of the sale tax remittances received from SAS in excess of \$3,300,000. At the end of July 2023, the EDC's sale tax receipts from SAS totaled \$4,092,282. Therefore, the EDC's first sales tax reimbursement was calculated to be \$396,141 ( $\$792,282 \times 1/2$ ). This amount was unpaid as of yearend and included in accrued liabilities as of September 30, 2023.

# Taylor Economic Development Corporation

## NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

### H. Long-Term Debt

A summary of changes in long-term debt for the year end was as follows.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due in one Year</u>
<b>Governmental Activities:</b>					
Building lease liability	\$ 68,333	\$ -	\$ (27,561)	\$ 40,772	\$ 30,248
<b>Total Governmental Activities</b>	<u>\$ 68,333</u>	<u>\$ -</u>	<u>\$ (27,561)</u>	<u>\$ 40,772</u>	<u>\$ 30,248</u>
<b>Long-term Debt Due in More than One Year</b>				<u>\$ 10,524</u>	

In February 2022, the Corporation signed a noncancelable lease for an office building. The lease term is for 3 years with monthly payments of \$2,380, \$2,500, & \$2,650, respectively, in twelve-month increments. There is no stated interest rate in the lease. The Corporation has utilized our incremental borrowing rate which was determined to be 5.5% on the date of the agreement. The final payment will be made on January 31, 2025.

The annual requirements to amortize leases outstanding at year end were as follows:

#### Leases Liabilities

<u>Year ending September 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 30,248	\$ 952	\$ 31,200
2025	10,524	77	10,601
<b>Total</b>	<u>\$ 40,772</u>	<u>\$ 1,029</u>	<u>\$ 41,801</u>

### I. Land Held for Investment

Land and land improvements acquired by the Corporation for the express purpose of being resold, granted, or redeveloped is reported as land held for investment on the Statement of Net Position. The land is recorded at cost.

Additional Walnut Creek Commercial Park property was acquired during the year with a total book value of \$59,225. The total cost of land held for investment amounted to \$299,595 as of September 30, 2023.

# Taylor Economic Development Corporation

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

## V. OTHER INFORMATION

### A. Commitments and Contingent Liabilities

#### Texas Department of Commerce

The City of Taylor entered into an agreement with the Texas Department of Commerce and its Texas Capital Fund to finance the improvements necessary to convert the building purchased by the Corporation into a college campus facility. These costs totaled \$518,815 and were financed by the Texas Capital Fund. The City agreed to repay this amount in monthly installments of \$2,083 over twenty years. The Corporation entered into a lease agreement with the college for monthly payments equal to that amount. The City entered into an agreement with the Corporation which assigned the lease payment to the City to facilitate this reimbursement. The Corporation has guaranteed the repayment of this amount.

On August 23, 2001, title to the college building was transferred to the Temple College at Taylor Foundation. The Corporation's guarantee of the City's repayment of the Texas Capital Fund loan remains in effect.

### B. Subsequent Events

There were no material subsequent events through January 12, 2024, the date the financial statements were issued.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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# Taylor Economic Development Corporation

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

### IN FUND BALANCE - BUDGET AND ACTUAL

#### GENERAL FUND

For the Year Ended September 30, 2023

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Sales tax	\$ 1,620,000	\$ 6,213,568	\$ 4,593,568
Investment income	-	190,881	190,881
<b>Total Revenues</b>	1,620,000	6,404,449	4,784,449
<b>Expenditures</b>			
Personnel	475,105	359,283	115,822
Administrative expenses:			
Office furniture and equipment	1,000	-	1,000
Supplies & postage	7,500	6,671	829
Professional services	240,000	145,530	94,470
Local meetings	22,500	-	22,500
Dues and memberships	28,000	4,144	23,856
Insurance	7,000	1,498	5,502
Marketing:			
Community outreach	-	26,458	(26,458) *
Marketing	92,900	70,834	22,066
Travel	38,500	61,563	(23,063) *
Facility:			
Office maintenance	-	38,765	(38,765) *
Phone & internet	5,400	4,866	534
Community development:			
Grants and incentives	-	438,572	(438,572) *
Industrial park maintenace	15,000	-	15,000
Debt service			
Principal	35,442	27,561	7,881
Interest	1,958	1,958	-
Other expenditures	2,500	4,835	(2,335) *
<b>Total Expenditures</b>	972,805	1,192,538	(219,733)
<b>Net Change in Fund Balance</b>	\$ 647,195	5,211,911	\$ 4,564,716
Beginning fund balance		5,888,359	
<b>Ending Fund Balance</b>		\$ 11,100,270	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a modified accrual basis.
- \* 2. Expenditures exceeded appropriations at the legal level of control.

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