



## **DeSoto Economic Development Corporation**

**April 26, 2021**

### **Board Meeting**

**Mission:** To plan, promote, finance, and create opportunities for the attraction, growth, and retention of enterprises that enhance the tax base, quality of life, and level of employment for the citizens of DeSoto, TX.



#### **Board of Directors:**

**Curtis Krohn – President**

**Dr. Delva King – Vice President**

**Michelle Jordan – Secretary/Treasurer**

**Bobby Waddle – Director**

**Paul Griffin, Jr. – Director**

*The DEDC Board and Staff work diligently to attract new industrial, commercial, and retail businesses to our community. DeSoto is a wonderful city, and considering DeSoto's average and median annual incomes, retail sales base, and large trade area, it's a great place to live and do business!*



## SPECIAL DEDC MEETING AGENDA

April 26, 2021

The Board of Directors of the DeSoto Economic Development Corporation (DEDC) will meet on **Monday, April 26, 2021 at 9:00 a.m.** This meeting will be a closed meeting to in person attendance by the public. A temporary suspension of the Open Meetings Act to allow for telephonic or videoconference public meetings has been granted by Governor Greg Abbott. These actions are being taken to mitigate the spread of COVID-19 by avoiding meetings that bring people into a group setting and in accordance with Section 418.016 of the Texas Government Code. Telephonic and videoconferencing capabilities will be utilized to allow individuals to view the meeting on the City of DeSoto's website at [www.desototexas.gov](http://www.desototexas.gov).

The DeSoto Economic Development Corporation Board Meeting will be broadcasted live in its entirety on the City of DeSoto's website at [www.desototexas.gov](http://www.desototexas.gov) which is Government Access Channel 16 available to Spectrum subscribers and Government Access Channel 99 available to AT&T U-verse subscribers. Once on this site, select first the tab labeled <Government>, and then select the tab labeled <Cable TV>. The Board Meeting will be a videoconference on a [www.gotomeetings](http://www.gotomeetings) platform and live streamed on the City of DeSoto's website listed above for the public to view. Questions regarding the broadcast schedules should be directed to Kathy Jones, Community Relations Manager, at 972-230-9648.

As authorized by Section 551.071(2) of the Texas Government Code, this meeting may be convened into closed Executive Session for the purpose of seeking confidential legal advice from the Corporation's attorney on any agenda item listed herein.

### A. REGULAR SESSION – CALL TO ORDER

### B. CONSENT AGENDA

Items are listed on the Consent Agenda by the DEDC Chief Executive Officer and are recommended to the DEDC Board of Directors for single vote of approval. Any item may be removed from the Consent Agenda for separate vote at the request of a Board Director.

- a. Consideration and Approval of DEDC Minutes of March 1, 2021

### C. REGULAR AGENDA – NEW BUSINESS – Items for discussion and/or possible action:

1. Auditor's Annual Report for Fiscal Year 2020 by Clayton Rogers, CPA, Pattillo, Brown & Hill, L.L.P.
2. Consider approving a Resolution terminating the DeSoto Economic Development Corporation, approving a Termination Plan, and authorizing the preparation and execution of all documents necessary to terminate the Corporation including the Agreement between the City of DeSoto and the DeSoto Economic Development Corporation for the assignment of all assets and property.

### D. ADJOURNMENT of DEDC Board and Convene Type B Board Meeting

I, the undersigned authority, do hereby certify that this Notice of Meeting was posted in accordance with the regulations of the Texas Open Meetings Act to the City's website [www.desototexas.gov](http://www.desototexas.gov) and the DEDC's website [www.dedc.org](http://www.dedc.org) and said Notice was posted on the following date and time: **April 23, 2021 at 8:30 A.M.**, and remained so posted at least two hours after said meeting was convened.

  
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Joe D. Newman, CEO



<b>B. Consent Agenda</b>
<b>a. Board Meeting Minutes with Parks Board–March 1, 2021</b>





## SPECIAL-CALLED MEETING MINUTES Monday, March 1, 2021

The DeSoto Economic Development Corporation (DEDC) Board met on Monday, March 1, 2021 by videoconference at [www.zoom.com](http://www.zoom.com)

**Present:** Curtis Krohn, Board President  
Dr. Delva King, Board Vice President  
Michelle Jordan, Board Secretary/Treasurer  
Paul Griffin, Jr., Board Director

**Staff Present:** Joe D. Newman — Chief Executive Officer

**Also Present:** Brandon Wright — City Manager, City of DeSoto  
Pete Smith — Attorney, Nichols, Jackson, Dillard, Hager & Smith, LLP  
Kristoff Bauer, Deputy City Manager, City of DeSoto

**Absent:** Bobby Waddle, Board Director

**A. SPECIAL SESSION – CALL TO ORDER at 9:02am by President Curt Krohn**

1. Invocation by President Curt Krohn

**B. SPECIAL AGENDA – NEW BUSINESS**

Consideration and Possible Approval of a Resolution Expressing Intent to Redeem Certain of the Corporation's Outstanding Bonds and Other Matters Related Thereto.

On a motion concerning the Refunding of Sales Tax Series 2011 by President Curt Krohn and Seconded by Secretary-Treasurer Michelle Jordan the proposition passed unanimously

**C. ADJOURNMENT at 9:08am**

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Curtis Krohn, Board President

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Dr. Delva King, Board Vice President



<b>C. Regular Agenda – New Business</b>
<b>1. Auditor's Annual Report for FY 2020</b>

Board of Directors  
DeSoto Economic Development Corporation  
DeSoto, Texas

We have audited the financial statements of the DeSoto Economic Development Corporation (the "EDC") as of and for the year ended September 30, 2020 and have issued our report thereon dated March 10, 2021. Professional standards require that we advise you of the following matters relating to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated October 29, 2020, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the EDC solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, and, as appropriate, our firm have complied with all relevant ethical requirements regarding independence.

As a part of the engagement we assisted in preparing the financial statements and related notes to the financial statements of the EDC in conformity with U.S. generally accepted accounting principles. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services were not conducted in accordance with *Government Auditing Standards*.

### **OFFICE LOCATIONS**

TEXAS | Waco | Temple | Hillsboro | Houston  
NEW MEXICO | Albuquerque



In order to ensure we maintain our independence for performing these nonaudit services certain safeguards were applied to this engagement. Management assumed responsibility for the financial statements and related notes to the financial statements and any other nonaudit services we provided. Management acknowledged in the management representation letter our assistance with the preparation of the financial statements and related notes to the financial statements and that these items were reviewed and approved prior to their issuance and accepted responsibility for them. Further, the nonaudit services were overseen by an individual within management that has the suitable skill, knowledge, or experience; evaluated the adequacy and results of the services; and accepted responsibility for them.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the EDC is included in Note I to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the current fiscal year. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of the useful lives of capital assets is based on the expected lifespan of the asset in accordance with standard guidelines. We evaluated the key factors and assumptions used to develop the estimate of useful lives in determining that it is reasonable in relation to the financial statements taken as a whole and in relation to the applicable opinion units.

Management's estimate of the net pension liability and pension expense are based on actuarial assumptions which are determined by the demographics of the plan and future projections that the actuarial makes based on historical information of the plan and the investment market. We evaluated the key factors and assumptions used to develop the net pension liability and pension expense and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the EDC's financial statements relate to the net pension liability. The disclosures in the financial statements are neutral, consistent, and clear.

## **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures.

None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion units.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the EDC's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the management representation letter dated March 10, 2021.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the EDC, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the EDC's auditors.

### **Restriction on Use**

This report is intended solely for the information and use of the EDC's board of directors and management of the EDC and is not intended to be and should not be used by anyone other than these specified parties.

*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
March 10, 2021



**DESOTO ECONOMIC  
DEVELOPMENT CORPORATION  
(A Component Unit of the City of Desoto, Texas)**

**Annual Financial Report**

**FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2020**

**DESOTO ECONOMIC DEVELOPMENT CORPORATION**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors of  
DeSoto Economic Development Corporation  
DeSoto, Texas

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and general fund of the DeSoto Economic Development Corporation, a component unit of the City of DeSoto, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the DeSoto Economic Development Corporation's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston  
NEW MEXICO | Albuquerque



## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund of DeSoto Economic Development Corporation, as of September 30, 2020, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2021, on our consideration of the DeSoto Economic Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the DeSoto Economic Development Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the DeSoto Economic Development Corporation's internal control over financial reporting and compliance.

*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
March 10, 2021

## **Management's Discussion and Analysis**

As management of the DeSoto 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, 2020. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section.

### **Financial Highlights**

- The assets and deferred outflows of resources of the Corporation exceeded its liabilities and deferred inflows of resources at the close of the 2020 fiscal year by \$3,180,714 (net position), an increase of \$1,246,340 from the prior year. The primary cause for the increase was increases to sales tax and rent revenues and decreases in operating expenses.
- As of the close of fiscal year 2020, the Corporation's governmental fund reported an ending fund balance of \$4,494,899, which is an increase of \$996,081 from the prior year.
- The Corporation's long-term liabilities had a net decrease of \$238,892 due primarily to principal payments on bonds and notes payable. No new debt was issued during the current fiscal year.

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

This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation'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. This report also contains other supplementary information in addition to the basic financial statements themselves.

### **Government-wide Financial Statements**

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

The statement of net position presents information on all of the Corporation's assets, deferred outflows, liabilities and deferred inflows, with the difference between the four reported as net positions. 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.

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

Both of the government-wide financial statements distinguish functions of the Corporation that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The Corporation does not contain any business type activities. The Corporation was created for the purpose of promoting economic development within the City of DeSoto.

The government-wide financial statements can be found on pages 9 and 10 of this report.



## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Corporation, like other state and local government entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Corporation has only governmental funds in its financial statements.

## **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 fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader 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 governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund.

The governmental fund financial statements can be found on pages 11 through 14 of this report.

## **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 through 20 of this report.

## **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The Corporation adopts an annual appropriated budget for its General Fund and presents pension system information. A budgetary comparison schedule is presented as required supplementary information to demonstrate compliance with this budget disclosure requirements.

These required supplementary information with accompanying footnotes can be found on pages 21 through 22 of this report.

## **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of September 30, 2020, the Corporation's assets and deferred outflows exceeded liabilities and deferred inflows by \$3,180,714.



**DESOTO ECONOMIC DEVELOPMENT CORPORATION'S  
NET POSITION**

	2020	2019
Current and other assets	\$ 4,512,921	\$ 3,579,470
Total assets	<u>4,512,921</u>	<u>3,579,470</u>
Deferred outflows of resources	<u>4,933</u>	<u>6,578</u>
Long-term liabilities	1,317,199	1,556,091
Other liabilities	<u>19,941</u>	<u>95,583</u>
Total liabilities	<u>1,337,140</u>	<u>1,651,674</u>
Net position		
Unrestricted	<u>3,180,714</u>	<u>1,934,374</u>
Total net position	<u>\$ 3,180,714</u>	<u>\$ 1,934,374</u>

**General Government Activities**

The increase in unrestricted net position for governmental activities is primarily increases to rental revenue from the Grow Desoto Marketplace and increases in sales tax.

**Analysis of the Corporation's Operations**

The following table provides a summary of the Corporation's operations for the fiscal years ended September 30, 2020 and 2019. Overall, the Corporation had an increase in net position of \$1,246,340. As stated previously, the primary cause of this increase was increases to revenues compared to reduced expenditures. Expenditure reductions were primarily caused by closures related to the COVID-19 pandemic.

**DESOTO ECONOMIC DEVELOPMENT CORPORATION'S  
CHANGES IN NET POSITION**

	Governmental Activities	
	2020	2019
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 299,144	\$ 274,784
General revenues:		
Sales taxes	2,914,466	2,601,427
Interest income	22,645	41,667
Miscellaneous	<u>489</u>	<u>9,692</u>
Total revenues	<u>3,236,744</u>	<u>2,927,570</u>
<b>Expenses</b>		
Promotion	53,658	137,689
Grant/commitments	1,017,198	1,720,625
Operating & administration	874,907	949,529
Interest on long-term debt	<u>44,641</u>	<u>72,650</u>
Total expenses	<u>1,990,404</u>	<u>2,880,493</u>
<b>Change in Net Position</b>	1,246,340	47,077
<b>Net position - beginning</b>	<u>1,934,374</u>	<u>1,887,297</u>
<b>Net position - ending</b>	<u>\$ 3,180,714</u>	<u>\$ 1,934,374</u>

**Financial Analysis and Budgetary Highlights of Corporation Funds**

As noted earlier, the Corporation uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

## Governmental Funds

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

At the end of the 2020 fiscal year, the Corporation's general fund reported combined ending fund balances of \$4,494,899 an increase of \$996,081 from the prior year. This total amount is available for spending at the Corporation's discretion and in accordance with state statutes.

## General Fund

In the general fund, the Corporation budgeted for a decrease in fund balance of \$208,235. The actual revenue of \$3,236,744 was more than the revised budgeted revenues by \$394,114. This occurred primarily because rent revenue exceeded expectations as the Corporation took a more conservative approach when developing the budget based on the current market conditions. Actual expenditures of \$2,240,663 were \$810,202 less than the revised budgeted expenditures of \$3,050,865. This occurred primarily because expectations of private sector investment initiatives did not materialize. Additionally, several companies eligible for incentives did not meet performance obligations in 2020. The COVID-19 pandemic and resulting business shutdowns also slowed business development activities.

## Treasury Management

The Corporation maintains sufficient liquidity in its cash and investments portfolio to meet its contingency grant funding obligations and to have capital available to fund economic development opportunities that sporadically occur. The Corporation's cash and investments balance \$3,989,423 and is held as follows:

### Bank Accounts

Wells Fargo Bank Operating Account	\$ 3,223,249	Yield .23%
Bank of DeSoto	16,174	

### Investments

<u>Description</u>	<u>Amount</u>	<u>Yield</u>	<u>Maturity</u>
CD, Chase	\$ 250,000	1.64%	4/5/2021
CD, Comerica	250,000	0.30%	10/4/2020
CD, Plains Capital Bank	250,000	2.01%	6/20/2022

Sufficient funds are held in the operating account to meet anticipated current obligations (obligations due within 180 days). Funds held for longer periods are invested in high yield certificates of deposits or U.S. Treasury Notes with maturities of one year or less.

## Notes Receivable

As of September 30, 2020, the Corporation recorded the following receivables relates to the revolving fund loan program:

<u>Description</u>	<u>Amount</u>
Sweet & Chic Botique	\$ 7,577
CTC Chiropractic, Inc.	18,410
	<u>\$ 25,987</u>

### Current Grant and Abatement Commitments

Description	Amount	Payment Due
Kohl's Department Stores, Inc.	\$ 295,610	4th Quarter 2020

Total current grant and abatement commitments at September 30, 2020 is \$295,610.

### Long-Term Grant and Abatement Commitments

Description	2021	2022	2023-2055	Total
Kohl's Department Stores	\$ 295,610	\$ 295,610	\$ 9,459,520	\$ 10,050,740
	<u>\$ 295,610</u>	<u>\$ 295,610</u>	<u>\$ 9,459,520</u>	<u>\$ 10,050,740</u>

Total long-term grant and abatement commitments at September 30, 2020 is \$10,050,740. The payments of the obligations are contingent upon the businesses meeting specific performance objectives and will be paid from future resources.

In FY 2020, the Corporation expended the following grant payments related to direct business incentives and other authorized project costs:

Description	Amount
Global Prime Health, LLC	\$ 200,000
Ryland Tax & Financial Service	2,491
El Nuevo Sabor	2,650
Future Event Center & Conference	2,500
RPG Capital Management, LLC	101,144
	<u>\$ 308,785</u>

In FY 2020, the Corporation expended the following payments related to tax abatement agreements:

Description	Amount
Kohl's Department Stores, Inc.	\$ 522,204
	<u>\$ 522,204</u>

### Economic Factors and Next Year's Budget

In FY 2020-2021, the Corporation will continue to work with developers, site selectors, investors, and end-users to increase the value of the community's commercial property tax base. The following are the business sectors in which the Corporation will provide economic development services:

#### Retail Sector

The Corporation will continue to focus on attracting new retail development to the community by promoting and encouraging the development of diverse retail along the Interstate 35E service road; along Hampton Road; at the intersection of Westmoreland and Beltline Road as well as various areas throughout the City. The Corporation staff will also continue in discussions with a major grocery chain that recently acquired the land at the southwest corner of Interstate 35E and Pleasant Run Road. The Corporation also started a small business incubator in the vacant 26,000 square foot space located at 320 E. Beltline.

#### Industrial/Manufacturing Sector

The Corporation will continue to focus on attracting new industrial projects that yield livable wage jobs and significantly add to the tax base. In addition, the Corporation will continue our efforts in business retention visits with existing manufacturers, suppliers, and distributors within the Eagle Industrial & Business Park to encourage supplementary growth.



#### Office/Medical Sector

The Corporation's focus is to attract new commercial, clinical and medical offices along the Hampton Road and Pleasant Run Road corridors, such as the Skilled Nursing Facility under construction. the DeSoto Professional Park area is pegged as prime real estate to further support and will enhance the ongoing development of Methodist Charlton Hospital and the new Dallas Behavioral Healthcare Hospital.

#### **Request for Information**

The financial report is designated to provide citizens, customers, investors and creditors with a general overview of the Corporation's finances. If you have questions about this report or need additional information, contact the City of DeSoto Economic Development Corporation, Attn: Chief Executive Officer, 211 E. Pleasant Run Road, DeSoto, Texas or call (972) 230-9605.

**DESOTO ECONOMIC DEVELOPMENT CORPORATION**

**STATEMENT OF NET POSITION**

SEPTEMBER 30, 2020

**ASSETS**

Cash and investments	\$ 3,989,423
Sales tax receivable	497,511
Notes receivable	<u>25,987</u>
Total assets	<u>4,512,921</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred loss on bond refunding	<u>4,933</u>
Total deferred outflows of resources	<u>4,933</u>

**LIABILITIES**

Accounts payable	1,934
Accrued interest	1,919
Security deposits	16,088
Noncurrent liabilities due within one year:	
Compensated absences	7,465
Note payable to primary government	20,000
Current maturities of revenue bonds	230,000
Noncurrent liabilities due in more than one year:	
Compensated absences	29,860
Long term note payable to primary government	274,874
Long-term revenue bonds payable	<u>755,000</u>
Total liabilities	<u>1,337,140</u>

**NET POSITION**

Unrestricted	<u>3,180,714</u>
Total net position	<u>\$ 3,180,714</u>

**DESOTO ECONOMIC DEVELOPMENT CORPORATION**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Functions/Programs:	Expenses	Program Revenue Charges for Services	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Governmental activities:			
Economic development:			
Operating & administration	\$ 874,907	\$ 299,144	\$( 575,763)
Promotion	53,658	-	( 53,658)
Grant/commitments	1,017,198	-	( 1,017,198)
Interest expense	44,641	-	( 44,641)
Total economic development	\$ 1,990,404	\$ 299,144	( 1,691,260)
General revenues:			
Sales taxes			2,914,466
Miscellaneous			489
Unrestricted investment earnings			22,645
Total general revenues			2,937,600
Change in net position			1,246,340
Net position - beginning			1,934,374
Net position - ending			\$ 3,180,714

The notes to the financial statements are an integral part of this statement.



**DESOTO ECONOMIC DEVELOPMENT CORPORATION**

**BALANCE SHEET  
GOVERNMENTAL FUND**

SEPTEMBER 30, 2020

**ASSETS**

Cash and investments	\$ 3,989,423
Sales tax receivable	497,511
Notes receivable	<u>25,987</u>
Total assets	<u>4,512,921</u>

**LIABILITIES**

Accounts payable	1,934
Security deposits	<u>16,088</u>
Total liabilities	<u>18,022</u>

**FUND BALANCE**

Unassigned	<u>4,494,899</u>
Total fund balance	<u>4,494,899</u>
Total liabilities and fund balance	\$ <u>4,512,921</u>

The notes to the financial statements are  
an integral part of this statement.

**DESOTO ECONOMIC DEVELOPMENT CORPORATION**

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION**

SEPTEMBER 30, 2020

Total fund balance \$ 4,494,899

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

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

Furniture, fixtures, and equipment	69,879
Accumulated depreciation	( 69,879)
Total capital assets	-

Deferred losses on bond refunding do not represent current financial resources and therefore are not reported in the funds.

4,933

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bond Premiums	( 14,874)
Compensated absences	( 37,325)
Note payable to primary government	( 280,000)
Revenue bonds payable	( 985,000)
Accrued interest payable	( 1,919)
	<u>( 1,319,118)</u>

Net position of governmental activities \$ 3,180,714

**DESOTO ECONOMIC DEVELOPMENT CORPORATION**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**REVENUES**

Sales tax	\$ 2,914,466
Rent revenue	299,144
Miscellaneous	489
Interest	<u>22,645</u>
Total revenues	<u>3,236,744</u>

**EXPENDITURES**

Current - Economic Development:	
Operating and administration	865,082
Promotion	53,658
Grants and commitments	1,017,198
Debt Service:	
Principal retirement	245,000
Interest	<u>59,725</u>
Total expenditures	<u>2,240,663</u>

**NET CHANGE IN FUND BALANCE**

996,081

**FUND BALANCE, BEGINNING OF YEAR**

3,498,818

**FUND BALANCE, END OF YEAR**

\$ 4,494,899

The notes to the financial statements are  
an integral part of this statement.



**DESOTO ECONOMIC DEVELOPMENT CORPORATION**

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

**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Net change in fund balance	\$	996,081
Amounts reported for governmental activities in the statement of activities are different because:		
Current year long-term debt principal payments are expenditures in the fund financial statements, but are shown as reductions in long term debt in the government-wide financial statements.		245,000
Governmental funds report the effect of issuance costs, premiums, and deferred losses on refundings when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net effect of these differences in the treatment of long-term debt and related items.		
Amortization of premium on debt		3,717
Amortization of deferred loss on refunding	(	1,645)
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	(	9,825)
Accrued interest payable		<u>13,012</u>
Change in net position of governmental activities	\$	<u>1,246,340</u>

## DESOTO ECONOMIC DEVELOPMENT CORPORATION

### NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

#### 1. Summary of Significant Accounting Policies

The DeSoto Economic Development Corporation (the "Corporation") was incorporated October 5, 1994 as a nonprofit economic development corporation under the Development Corporation Act of 1979 (the Act). The Corporation has a five-member board of directors appointed by the City of DeSoto, Texas (the City) Council. The Corporation is considered a discretely presented component unit of the City.

The Corporation is organized exclusively for the purposes of promoting the economic development of the City by encouraging new business to locate or expand in the City.

The citizens of the City approved the adoption of a sales and use tax within the City at the rate of  $\frac{3}{8}$  of one percent sales and use tax, effective January 1, 1995. The proceeds of the sales and use tax shall only be used by the Corporation as authorized by the voters and in accordance with Section 4A of the Act.

The accounting policies of the Corporation conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies:

##### **A. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the activities of the Corporation.

The statement of net position presents information on all the Corporation's assets, liabilities, deferred outflows, and deferred inflows with the difference between the four 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.

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

In addition to the government-wide financial statements, the Corporation also reports separate financial statements for governmental funds; these statements are classified as fund financial statements. The fund financial statements are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.



The Corporation reports its one fund as a major governmental fund at September 30, 2020 as follows:

The **General Fund** is the operating fund of the Corporation. This fund is used to account for all financial resources of the general government.

**B. Measurement Focus/Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Sales tax revenues are considered non-exchange transactions and are recorded when the underlying transaction generating the tax occurs.

With the economic resources measurement focus, all assets and liabilities (whether current or noncurrent) are reported on the statement of net position.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it becomes measurable and available. Measurable means the amount of the transaction can be determined. Available means collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Corporation considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. When both restricted and unrestricted resources are available for use, it is the Corporation's policy to use restricted resources first, then unrestricted resources as they are needed.

Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred, with the exception of principal and interest on long-term debt and certain other long-term liabilities, which are recognized when due and payable.

**C. Cash and Investments**

The Corporation's cash are considered to be cash on hand and demand deposits. The Corporation's investments are certificates of deposit. Investments for the Corporation are reported at fair value. The Corporation categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs.

**D. Capital Assets**

Capital assets, which include land, buildings, furniture, fixtures, and equipment, are reported in the government-wide financial statements. All capital assets are recorded at historical cost or estimated historical cost. Assets capitalized have an original cost of \$5,000 or more. Depreciation has been calculated using the straight-line method. Estimated useful lives are as follows:

Furniture, fixtures, and equipment	5-10 years
------------------------------------	------------

Donated capital assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.



#### **E. Use of 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, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

#### **F. Fund Balance**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Corporation is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the Corporation's intent to be used for a specific purpose but are neither restricted nor committed. The Board of Directors delegate the authority for determining this intent to the CEO. Assignments are made at the CEO's discretion, but generally represent items for which specific funds have been informally dedicated internally.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Corporation considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Corporation considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

## **G. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Corporation is reporting balances for deferred losses on bond refunding in the Statement of Net Position. A deferred loss on a bond refunding results when the reacquisition price of the refunded debt exceeds the carrying value. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

## **2. Cash and Cash Equivalents**

Deposits: State statutes require that all deposits in financial institutions be insured by the Federal Depository Insurance Corporation (FDIC) or fully collateralized as per the Public Funds Collateral Act.

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the Corporation's name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the Corporation's name. The Corporation's cash deposits at year-end were entirely covered by FDIC insurance or by pledged collateral held by the Corporation's agent bank in the Corporation's name.

Investments: The Corporation's investments at September 30, 2020 are as follows:

	Carrying Value	Maturity One (1) Year or Less	Weighted Average Maturity (Years)
Bank Certificates of Deposit	\$ 750,000	\$ 500,000	0.75

Two of the Corporation's three investments at September 30, 2020 have maturities of one year or less; the certificates are considered nonparticipating certificates of deposit and therefore are valued at amortized cost. For the Fiscal Year ended September 30, 2020, the entire balance was covered by FDIC insurance.

Sufficient funds are held in the operating account to meet anticipated current obligations (obligations due within 180 days). Funds held for longer periods are invested in high yield certificates of deposits or U.S. Treasury Notes with maturities of one year or less.

Interest Rate Risk: The strategy of the Corporation is to maintain sufficient liquidity in its portfolio so that it does not need to sell a security prior to maturity. Should it become necessary to sell a security prior to maturity, the written consent of the CEO must be obtained.



### 3. Capital Assets

A summary of changes in capital assets for the Corporation during the year ended September 30, 2020 follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities				
Capital assets being depreciated:				
Furniture, fixtures, and equipment	\$ 69,879	\$ -	\$ -	\$ 69,879
Total capital assets being depreciated	69,879	-	-	69,879
Accumulated depreciation	( 69,879)	-	-	( 69,879)
Total capital assets being depreciated, net	-	-	-	-
Capital assets, net	\$ -	\$ -	\$ -	\$ -

Depreciation expense was \$-0- as all depreciable capital assets were fully depreciated during the fiscal year ending September 30, 2020.

### 4. Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term liabilities:					
Refunding bonds 2011	\$ 1,210,000	\$ -	\$( 225,000)	\$ 985,000	\$ 230,000
Premium on bond refunding	18,591	-	( 3,717)	14,874	-
Heliport note payable	300,000	-	( 20,000)	280,000	20,000
Compensated absences	27,500	9,958	( 133)	37,325	7,465
Total	\$ 1,556,091	\$ 9,958	\$( 248,850)	\$ 1,317,199	\$ 257,465

The annual requirements to amortize the revenue refunding bonds as of September 30, 2020, are as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 230,000	\$ 34,800	264,800
2022	245,000	25,300	270,300
2023	250,000	15,400	265,400
2024	260,000	5,200	265,200
	\$ 985,000	\$ 80,700	\$ 1,065,700

The Corporation signed an agreement with the City in November 2011 (Heliport project) to pay semiannual service installments to the City over a 20-year period when the City issues certain certificates of obligation (the Certificates). The City issued the Certificates in fiscal year 2011. The Corporation paid interest totaling \$15,825 to the City in fiscal year 2020. The annual requirements to amortize the payable to the primary government as of September 30, 2020 are as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 20,000	\$ 14,875	\$ 34,875
2022	20,000	13,875	33,875
2023	20,000	12,825	32,825
2024	20,000	11,775	31,775
2025	25,000	10,594	35,594
2026-2030	140,000	30,988	170,988
2031	35,000	1,006	36,006
	\$ 280,000	\$ 95,938	\$ 375,938



## 5. Economic Development Agreements

The Corporation has entered into or is in the process of entering into grant and tax abatement agreements with certain entities for the purpose of developing economic growth within the City of DeSoto. These agreements provide funds contingent upon the fulfillment of certain conditions by the grantees. The anticipated payout of these grants and tax abatements are as follows:

Fiscal Year	Amount
2021	\$ 295,610
2022	295,610
2023	295,610
2024	295,610
2025	295,610
2026-2030	1,478,050
2031-2035	1,478,050
2036-2040	1,478,050
2041-2045	1,478,050
2046-2050	1,478,050
2051-2054	1,182,440
	<u>\$ 10,050,740</u>

## 6. Promotional Expenditures

In 1979 the Texas Legislature passed the Development Corporation Act of 1979, (the "Act"). The Act limits Type A and Type B Corporations to spending no more than 10 percent of the corporate revenues (Type A and Type B tax proceeds) for promotional purposes. The Act does not define the term "promotional purposes". However, the Texas Attorney General has concluded that a promotional expenditure "must advertise or publicize the city for the purpose of developing new and expanded business enterprises". Further, a corporation is limited to spending not more than 10 percent of its current annual revenues for promotional purposes in any given year. Nonetheless, unexpended revenues specifically set aside for promotional purposes in the past years may be expended along with 10 percent of current revenues without violating the cap. The balance of this unexpended carryforward was \$516,083 as of September 30, 2020.

## 7. Tax Abatements

The Corporation entered into an Economic Development Incentive Agreement with a local business under the Development Corporation Act, Chapters 501-505 of the Texas Local Government Code. Under the act, the Corporation may provide economic development grants for the creation and retention of primary jobs that are required for the development of manufacturing and industrial facilities and for infrastructure suitable for new or expanded industrial business enterprises. For fiscal year September 30, 2020, the Corporation abated sales tax totaling \$522,204, which represents 95% of the sales tax receipts paid by the local business from January 1, 2019 to December 31, 2020.

**DESOTO ECONOMIC DEVELOPMENT CORPORATION**

SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Positive (Negative)</u>
<b>REVENUES</b>				
Sales tax	\$ 2,625,000	\$ 2,625,000	\$ 2,914,466	\$ 289,466
Rent revenue	205,480	205,480	299,144	93,664
Miscellaneous	-	-	489	489
Interest	12,150	12,150	22,645	10,495
Total revenues	<u>2,842,630</u>	<u>2,842,630</u>	<u>3,236,744</u>	<u>394,114</u>
<b>EXPENDITURES</b>				
Current - Economic Development:				
Operation and administration	887,390	887,390	865,082	22,308
Promotion	155,250	155,250	53,658	101,592
Grants and commitments	1,703,500	1,703,500	1,017,198	686,302
Debt service:				
Principal retirement	245,000	245,000	245,000	-
Interest	59,725	59,725	59,725	-
Total expenditures	<u>3,050,865</u>	<u>3,050,865</u>	<u>2,240,663</u>	<u>810,202</u>
<b>NET CHANGE IN FUND BALANCE</b>	( 208,235)	( 208,235)	996,081	( 416,088)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>3,498,818</u>	<u>3,498,818</u>	<u>3,498,818</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	\$ <u>3,290,583</u>	\$ <u>3,290,583</u>	\$ <u>4,494,899</u>	\$ <u>( 416,088)</u>

**DESOTO ECONOMIC DEVELOPMENT CORPORATION**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2020

**1. Budgetary Accounting**

An annual budget is adopted for the general fund as part of the City of DeSoto's annual budgeting process and is approved by the DeSoto City Council and the EDC's Board of Directors before the beginning of the fiscal year. All annual appropriations lapse at fiscal year-end. The budget is prepared on a function basis, which is the legal level of budgetary control.





**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
DeSoto Economic Development Corporation  
DeSoto, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the DeSoto Economic Development Corporation, a component unit of the City of DeSoto, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the DeSoto Economic Development Corporation's basic financial statements, and have issued our report thereon dated March 10, 2021.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the DeSoto Economic Development Corporation's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the DeSoto Economic Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the DeSoto Economic Development Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**OFFICE LOCATIONS**

**TEXAS** | Waco | Temple | Hillsboro | Houston  
**NEW MEXICO** | Albuquerque

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the DeSoto Economic Development Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
March 10, 2021



<b>C. Regular Agenda – New Business</b>
<b>2. Resolution Terminating DeSoto Development Corp. Structure</b>



## RESOLUTION

**A RESOLUTION OF THE DESOTO ECONOMIC DEVELOPMENT CORPORATION RECOMMENDING TERMINATION OF THE CORPORATION; APPROVING A TERMINATION PLAN; AUTHORIZING THE PREPARATION AND EXECUTION OF ALL DOCUMENTS NECESSARY TO TERMINATE THE CORPORATION; AND PROVIDING FOR AN EFFECTIVE DATE.**

**WHEREAS**, a special election was held in the City of DeSoto, Texas ("City") on November 3, 2020, at which a proposition was submitted to the duly qualified registered voters of the City for their action thereon, said proposition to repeal the sales and use tax of 0.375% for the benefit of the DeSoto Economic Development Corporation ("Corporation"); and

**WHEREAS**, said election was duly and legally held in conformity with the election laws of the State of Texas, and the results of said election have been verified and returned by the proper judges and clerks; and

**WHEREAS**, a majority of the voters elected in favor of the aforementioned proposition, and

**WHEREAS**, reflective of the above election results, the Board of Directors of the Corporation wish to terminate the Corporation;

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE DESOTO ECONOMIC DEVELOPMENT CORPORATION THAT;**

**SECTION 1.** The facts and recitations contained in the preamble of this resolution are hereby found and declared to be true and correct, and are incorporated by reference herein and expressly made a part hereof.

**SECTION 2.** Pursuant to the voters' decision to authorize the repeal of the above sales and use tax, the Corporation elects to wind-up and recommends termination to the City Council.

**SECTION 3.** A plan of termination, attached hereto as Exhibit "A", is adopted and approved.

**SECTION 4.** The Corporation, through its Chief Executive Officer and General Counsel, shall prepare all documents necessary to effectively terminate the Corporation, including but not limited to a certificate of termination.

**SECTION 5.** The Corporation's Board President is authorized to execute all documents necessary to effectively terminate the Corporation, including but not limited to a certificate of termination.

**SECTION 6.** This Resolution shall take effect upon its passage and publication of the caption, as the law and Charter in such case provide, and passage of a resolution by the City Council of the City of DeSoto, Texas, authorizing the same.

**DULY RESOLVED AND ADOPTED BY THE BOARD OF DIRECTORS OF THE DESOTO ECONOMIC DEVELOPMENT CORPORATION ON THE \_\_\_\_\_ DAY OF \_\_\_\_\_, 2021.**

**DESOTO ECONOMIC  
DEVELOPMENT CORPORATION**

**APPROVED:**

\_\_\_\_\_  
Curt Krohn, President

**ATTEST:**

\_\_\_\_\_  
Michelle Jordan, Secretary  
(03-25-2021:TM 121386)

**EXHIBIT "A"**

Plan of Termination



## **PLAN OF TERMINATION OF DESOTO ECONOMIC DEVELOPMENT CORPORATION**

This Plan of Termination (the "Plan") is intended to accomplish the complete liquidation of the Lake Worth Economic Development Corporation (the "Corporation").

1. Adoption of Plan. This Plan shall become effective as of the first date and time that this Plan and resolutions providing for the termination of the Corporation are adopted by the directors of the Corporation and the City Council of DeSoto, Texas (the "Effective Date").

2. Notice to Claimants. As promptly as practicable after the Effective Date, the Corporation shall cause written notice of its intention to terminate to be sent by registered or certified mail to each known claimant against the Corporation, if any.

3. Payment of Obligations. As promptly as practicable after the Effective Date, the Corporation shall pay or make adequate provision for the payment of all known debts, obligations or liabilities of the Corporation.

4. Distribution of Assets. As promptly as practicable after the payment of all known debts, obligations, or liabilities of the Corporation (or the provision for such payment is made), the remaining assets of the Corporation, if any, shall be distributed to the City of DeSoto, Texas, or otherwise in accordance with the Texas Business Organizations Code (the "Code") and the Texas Development Corporation Act.

5. Termination. As promptly as practicable after the Effective Date, a Certificate of Termination of the Corporation and related required documents, if any, shall be filed with the Secretary of State of Texas in accordance with the Code, the Texas Development Corporation Act, and all other applicable law.

6. Termination of Business. From and after the Effective Date, the Corporation shall not engage in any business activity, except for operations and activities related to maintaining and preserving its assets pending the termination and winding-up of its affairs in an orderly manner, and its withdrawal from the State of Texas, in which it is qualified to transact business, all in accordance with this Plan and applicable law.

7. Power of Officers. The officers of the Corporation, or any of them, shall do all acts and things provided for in this Plan and any and all other acts and things that they, or any of them, may deem necessary or advisable to effectuate the liquidation and dissolution of the Corporation and to carry out fully this Plan in accordance with the laws of the State of Texas.

**DESOTO ECONOMIC  
DEVELOPMENT CORPORATION**

**APPROVED:**

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Curt Krohn, President

**ATTEST:**

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Michelle Jordan, Secretary



**Form 652—General Information**  
**(Certificate of Termination of a Domestic Nonprofit Corporation or Cooperative Association)**

The attached form is designed to meet minimal statutory filing requirements pursuant to the relevant code provisions. *This form and the information provided are not substitutes for the advice and services of an attorney and tax specialist.*

**Commentary**

When the owners, members or governing authority of a domestic entity have determined that the existence of an entity should terminate, or there is an occurrence of an event specified in the governing documents requiring the winding up, dissolution or termination of a domestic entity, the entity should follow the procedures for winding up the business and affairs of the entity in the manner provided in chapter 11 of the Texas Business Organizations Code (BOC). On completion of the winding up process, a filing entity must file a certificate of termination with the secretary of state. *This form is only applicable to the termination of a nonprofit corporation or a cooperative association.*

**Instructions for Form**

- **Items 1-4—Entity Information:** The certificate of termination must contain the legal name of the entity and the file number assigned by the secretary of state. It is recommended that the entity type and date of formation be provided to facilitate processing of the document. *Note that this form should only be used for the termination of a nonprofit corporation or a cooperative association.*
- **Item 5—Governing Persons:** The certificate of termination must set forth the name and address of each of the filing entity's governing persons. In general, a nonprofit corporation must have at least three directors, and a cooperative association must have three liquidating trustees. Set forth the name of the individual in the format specified. Do not use prefixes (e.g., Mr., Mrs., Ms.). Use the suffix box only for titles of lineage (e.g., Jr., Sr., III) and not for other suffixes or titles (e.g., M.D., Ph.D.). An address is always required for each governing person.

Please note that a document on file with the secretary of state is a public record that is subject to public access and disclosure. When providing address information for governing persons, use a business or post office box address rather than a residence address if privacy concerns are an issue.

- **Item 6—Event Requiring Winding Up:** The certificate of termination must state the nature of the event requiring winding up of the entity. Sections 11.051 to 11.059 of the BOC contain provisions relating to the winding up of a domestic entity. Section 11.051 provides that winding up of a domestic entity is required on the approval of a voluntary decision to wind up the entity (option A); the expiration of the entity's period of duration as specified in its certificate of formation (option B), the occurrence of an event specified in the governing documents requiring winding up (option C), the occurrence of an event specified by the BOC requiring winding up (option D), or a decree by a court requiring winding up or dissolution of the entity rendered under the BOC or other law (option E).

Select the applicable event requiring the winding up or termination of the entity. *The secretary of state will reject a certificate of termination if item 6 is not completed.*



- **Statement Regarding Completion of Winding Up:** The certificate of termination must provide that the filing entity has complied with the provisions of the BOC governing its winding up. Please review the winding up procedures in subchapter B of chapter 11 of the BOC and any supplemental winding up procedures that may apply to the filing entity.
- **Supplemental Information Required for a Nonprofit Corporation:** The certificate of termination of a nonprofit corporation must contain a statement that:
  - (1) Any property of the nonprofit corporation has been transferred, conveyed, applied, or distributed in accordance with chapters 11 and 22 of the BOC.
  - (2) There is no suit pending against the nonprofit corporation or adequate provision has been made for the satisfaction of any judgment, order or decree that may be entered against the nonprofit corporation in a pending suit.
  - (3) If the nonprofit corporation received and held property permitted to be used only for charitable, religious, eleemosynary, benevolent, educational, or similar purposes, but the nonprofit corporation did not hold the property on a condition requiring return, transfer, or conveyance because of the winding up and termination, the distribution of that property has been effected in accordance with a plan of distribution adopted in compliance with the BOC for the distribution of that property.
- **Effectiveness of Filing:** A certificate of termination becomes effective when filed by the secretary of state (option A). However, pursuant to sections 4.052 and 4.053 of the BOC the effectiveness of the instrument may be delayed to a date not more than ninety (90) days from the date the instrument is signed (option B). The effectiveness of the instrument also may be delayed on the occurrence of a future event or fact, other than the passage of time (option C). If option C is selected, you must state the manner in which the event or fact will cause the instrument to take effect and the date of the 90<sup>th</sup> day after the date the instrument is signed. In order for the certificate to take effect under option C, the entity must, within ninety (90) days of the filing of the certificate, file a statement with the secretary of state regarding the event or fact pursuant to section 4.055 of the BOC.

On the filing of a document with a delayed effective date or condition, the computer records of the secretary of state will be changed to show the filing of the document, the date of the filing, and the future date on which the document will be effective or evidence that the effectiveness was conditioned on the occurrence of a future event or fact. In addition, at the time of such filing, the status of the filing entity will be shown as "voluntarily terminated" on the records of the secretary of state.

- **Execution:** Pursuant to section 4.001 of the BOC, the certificate of termination must be signed by a person authorized by the BOC to act on behalf of the entity in regard to the filing instrument.

A certificate of termination filed by a nonprofit corporation should be signed by an officer of the corporation (BOC § 20.001).

A certificate of termination filed by a cooperative association should be signed by an officer of the cooperative or by one or more of the persons designated as a liquidating trustee under section 251.401 of the BOC (BOC § 251.402).

A certificate of termination need not be notarized. However, before signing, please read the statements on this form carefully. *A person commits an offense under section 4.008 of the BOC if the*

*person signs or directs the filing of a filing instrument the person knows is materially false with the intent that the instrument be delivered to the secretary of state for filing. The offense is a Class A misdemeanor unless the person's intent is to harm or defraud another, in which case the offense is a state jail felony.*

- **Payment and Delivery Instructions:** The filing fee for a certificate of termination for a nonprofit corporation or cooperative association is \$5. Fees may be paid by personal checks, money orders, LegalEase debit cards, or American Express, Discover, MasterCard, and Visa credit cards. Checks or money orders must be payable through a U.S. bank or financial institution and made payable to the secretary of state. Fees paid by credit card are subject to a statutorily authorized convenience fee of 2.7 percent of the total fees.

Submit the completed form in duplicate along with the filing fee. The form may be mailed to P.O. Box 13697, Austin, Texas 78711-3697; faxed to (512) 463-5709; or delivered to the James Earl Rudder Office Building, 1019 Brazos, Austin, Texas 78701. If a document is transmitted by fax, credit card information must accompany the transmission (Form 807). On filing the document, the secretary of state will return the appropriate evidence of filing to the submitter together with a file-stamped copy of the document, if a duplicate copy was provided as instructed.

Revised 05/11



**Form 652**  
**(Revised 05/11)**

Return in duplicate to:  
Secretary of State  
P.O. Box 13697  
Austin, TX 78711-3697  
512 463-5555  
FAX: 512 463-5709  
**Filing Fee: \$5**



This space reserved for office use.

**Certificate of Termination  
of a Domestic  
Nonprofit Corporation or  
Cooperative Association**

**Entity Information**

1. The name of the domestic entity is:  
DeSoto Economic Development Corporation
2. The entity is organized under Texas law as a ☒ nonprofit corporation ☐ cooperative association.
3. The date of formation of the entity is: October 27, 1994
4. The file number issued to the entity by the secretary of state is: 133148901

**Governing Persons**

5. The names and addresses of each of the entity's governing persons are: (see instructions)

**GOVERNING PERSON 1**

NAME (Enter the name of either an individual or an organization, but not both.)

**IF INDIVIDUAL**

Curt

Krohn

*First Name*

*M.I.*

*Last Name*

*Suffix*

**OR**

**IF ORGANIZATION**

*Organization Name*

**ADDRESS**

211 E. Pleasant Run Road

DeSoto

TX

USA

75115

*Street or Mailing Address*

*City*

*State*

*Country*

*Zip Code*

**GOVERNING PERSON 2**

NAME (Enter the name of either an individual or an organization, but not both.)

**IF INDIVIDUAL**

Delva

J

King

*First Name*

*M.I.*

*Last Name*

*Suffix*

**OR**

**IF ORGANIZATION**

*Organization Name*

**ADDRESS**

211 E. Pleasant Run Road

DeSoto

TX

USA

75115

*Street or Mailing Address*

*City*

*State*

*Country*

*Zip Code*



<b>GOVERNING PERSON 3</b>					
NAME (Enter the name of either an individual or an organization, but not both.)					
IF INDIVIDUAL					
Michelle		Jordan			
First Name	M.I.	Last Name	Suffix		
OR					
IF ORGANIZATION					
Organization Name					
ADDRESS					
211 E. Pleasant Run Road		DeSoto	TX	USA	75115
Street or Mailing Address		City	State	Country	Zip Code

<b>GOVERNING PERSON 4</b>					
NAME (Enter the name of either an individual or an organization, but not both.)					
IF INDIVIDUAL					
Bobby		G.	Waddle		
First Name	M.I.	Last Name	Suffix		
OR					
IF ORGANIZATION					
Organization Name					
ADDRESS					
211 E. Pleasant Run Road		DeSoto	TX	USA	75115
Street or Mailing Address		City	State	Country	Zip Code

**Event Requiring Winding Up**  
(See instructions.)

6. The nature of the event requiring winding up is set forth below: (Select either A, B, C, D, or E.)

- ☒ A. A voluntary decision to wind up the entity has been approved in the manner required by the Texas Business Organizations Code and by the governing documents of the entity.
- ☐ B. The period of duration specified in the governing documents of the entity has expired.
- ☐ C. The occurrence of an event specified in the governing documents of the entity that requires the winding up, dissolution, or termination of the entity
- ☐ D. The occurrence of an event specified in the Texas Business Organizations Code that requires the winding up, dissolution, or termination of the entity
- OR
- ☐ E. A court decree requiring the winding up, dissolution, or termination of the entity has been rendered under the provisions of the Texas Business Organizations Code or other law.

**Completion of Winding Up**

7. The filing entity has complied with the provisions of the Texas Business Organizations Code governing its winding up.

**Supplemental Information Required For a Nonprofit Corporation**

The undersigned authorized person acting on behalf of the named nonprofit corporation certifies that:

1. Any property of the nonprofit corporation has been transferred, conveyed, applied, or distributed in accordance with chapter 11 and chapter 22 of the Texas Business Organizations Code.
2. There is no suit pending against the nonprofit corporation or that adequate provision has been made for the satisfaction of any judgment, order or decree that may be entered against the nonprofit corporation in a pending suit.
3. If the nonprofit corporation received and held property permitted to be used only for charitable, religious, eleemosynary, benevolent, educational, or similar purposes, but the nonprofit corporation did not hold the property on a condition requiring return, transfer, or conveyance because of the winding up and termination, that the distribution of that property has been effected in accordance with a plan of distribution adopted in compliance with the BOC for the distribution of that property.

**Effectiveness of Filing** (Select either A, B, or C.)

- A. ☒ This document becomes effective when the document is filed by the secretary of state.
- B. ☐ This document becomes effective at a later date, which is not more than ninety (90) days from the date of signing. The delayed effective date is: \_\_\_\_\_
- C. ☐ This document takes effect upon the occurrence of the future event or fact, other than the passage of time. The 90<sup>th</sup> day after the date of signing is: \_\_\_\_\_
- The following event or fact will cause the document to take effect in the manner described below:

**Execution**

The undersigned signs this document subject to the penalties imposed by law for the submission of a materially false or fraudulent instrument and certifies under penalty of perjury that the undersigned is authorized under the provisions of law governing the entity to execute the filing instrument.

Date: \_\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_  
A person authorized by law to execute the filing instrument  
(see instructions)

Joe D. Newman

\_\_\_\_\_  
Printed or typed name of authorized person