

YEAR END REPORT

Fiscal Year 2025



FY 2024-2025 Kilgore EDC Year-End Report

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FY 2024-2025 Kilgore EDC Year-End Report

Introduction

The Kilgore Economic Development Corporation (KEDC) 2025 Fiscal Year-End Report offers an updated and comprehensive overview of the organization's achievements, activities, and economic impact over the most recent fiscal year. This latest report underscores progress achieved through KEDC's internal operations and strategic initiatives, serving as both a reflection on accomplishments and a blueprint for ongoing growth and resilience.

Inside, you will find:

- **Advancing the Strategic Plan**
- **Summary of Accomplishments and Key Activities**
- **Overview of Companies with KEDC Performance Agreements**
- **Trend Analysis and Insights**
- **FYE 2025 Program of Work Results**
- **Credentials and Awards**
- **End-of-Year Audited Financial Statements**

2024-2025 Board of Directors and Staff



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Vice-President



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*Real Estate & Development
Director*



Katherine Kirkpatrick
*Marketing & Development
Director*



Stephanie Moore
Office Manager

Kilgore Economic Development Corporation Overview

2025 marks the significant milestone of KEDC's 35th anniversary. Since 1990, KEDC has been at the forefront of Kilgore's economic diversification and growth. Through strategic investments, Kilgore has witnessed a remarkable 551 percent increase in industrial property values over the past 35 years.

As a Type A Economic Development Corporation, KEDC is dedicated to fostering manufacturing and industrial growth, as well as critical business infrastructure. Funded by a voter-approved sales tax, our initiatives are guided by a five-member board of local industry leaders and a dedicated team of four staff members.

KEDC's responsiveness, paired with Kilgore's progressive mindset, has earned numerous accolades for excellence in economic development, including the Texas Economic Development Council (TEDC) Community Economic Development Award in 2001, 2007, 2015, 2019, and 2024, along with the TEDC Workforce Excellence Award in 2024. KEDC has received the TEDC Recognition for Economic Excellence every year since the award's inception in 2009. KEDC is the only organization to receive three consecutive Business Retention and Expansion International awards for excellence, named in 2023, 2024, and 2025. We are also proud recipients of the prestigious IEDC Community EDO of the Year Award in 2020.

Advancing the Strategic Plan

KEDC Mission Statement

*To enhance a business climate that is conducive to **job creation and retention**, improving the standard of living for Kilgore residents.*

KEDC Vision Statement

*A **diverse** economy that attracts and retains **high-impact projects and quality jobs**.*

Kilgore offers a distinctive blend of advantages that position it as an exceptional location for industries seeking expansion or relocation opportunities. Our value proposition is built on a foundation of strategic location, established industry ecosystems, workforce excellence, superior infrastructure, and a business-friendly environment that enables companies to thrive.

The 2024-2026 Strategic Plan

To realize our mission and bring our vision to life, KEDC actively measures our impact, assesses our priorities, and aligns resources to address the future needs of our community. Our **Three-Year Strategic Plan**, adopted in November 2023, sets a clear, ambitious direction for purposeful, diverse growth and community impact.

Approved by both the KEDC Board and Kilgore City Council, the plan is supported by a detailed annual **Program of Work** to ensure the effective implementation and measurement of each objective. In FY2025, KEDC activities aligned with the plan, emphasizing successful management of large projects, optimization of real estate assets, and the launch of new marketing programs. We stayed true to our mission and vision while generating momentum that positions us well to attract new projects and support the industry already in Kilgore.

Shepherding large projects to completion

With KEDC's support, two leading global manufacturers, Camfil USA and KeepRite Refrigeration, managed the construction of premier state-of-the-art manufacturing facilities in Synergy Park. Camfil will bring \$97M in capital investment and 226 new direct jobs. KeepRite Refrigeration will bring \$55M in capital investment and 60 new direct jobs. Both are on track to achieve Certificates of Occupancy in early FY2026. Additionally, home-grown Composite Piping Technology celebrated its grand opening and is now manufacturing transformative technology designed to dramatically improve costs and operations for industries requiring high-pressure pipe.

Continuing to Optimize Real Estate Assets

Through a refined real estate strategy based on market research, KEDC continues to maintain and explore expansion of our property portfolio to attract and retain high-quality advanced manufacturing and distribution companies.

New Marketing Programs

In FY 2025, Kilgore Economic Development Corporation significantly expanded its digital marketing and lead generation capabilities to reach a broader audience of site selectors, corporate decision-makers, and workforce partners. KEDC launched targeted online campaigns, refreshed its web presence to better showcase available properties and local business success stories, and implemented new data-driven prospecting tools to identify and engage companies aligned with Kilgore's strategic industry sectors. Outreach and advertising programs drove a 22% increase in traffic to KEDC's website. These proactive digital initiatives are strengthening the awareness and elevating Kilgore's competitive position in both domestic and international markets.

FY 2024-2025 Kilgore EDC Year-End Report

Summary of Accomplishments and Activities

Projects and EDPAs: KEDC managed EDPAs with 9 companies, all of whom remained in compliance. Examples of how KEDC fosters growth, **one company celebrated its grand opening**, and two faced environmental and construction hurdles that KEDC helped mitigate, keeping the projects on track toward target Certificate of Occupancy dates in early FY2026.



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Job Creation: The Kilgore Labor Draw Area has approximately 325K workers, up from 317K a year ago. Companies with current **EDPA agreements under KEDC's management have generated or retained more than 1.7K jobs for the Kilgore community** across multiple industries. In FY2025, KEDC provided ongoing support ranging from incentives to job fair exposure to economic data that helped equip these operations for success.



1.7K

Industry Diversity: The industries represented by companies with Economic Development Performance Agreements (EDPAs) **remain strongly diversified at 89%**. Of the 9 active agreements during 2024-2025, only one (11%) was related to the energy sector.



89%

Incentives: KEDC performance-based incentives are investments in the growth of Kilgore. These investments are based on the economic impact of each project and are measured by the rate of return and payback period of the investment. Economic impact is determined by a variety of factors, including the number of employees, payroll, contribution to ad valorem and sales taxes, type of industry, and length of agreement, among other factors. On average, projects currently with EDPA agreements align with the rate of return and payback period goals.



10 Years
10% ROR

Business Retention: Business Retention and Expansion activity generates new projects at a higher rate than recruitment activity. KEDC regularly visits local industry to build relationships and uncover opportunities to assist with expansion and retention. 61 visits were made to local companies by KEDC staff in FY2025, a YOY increase of 134%. Learning curves for team members added in 2023 and 2024 are flattening, yielding higher activity and performance.



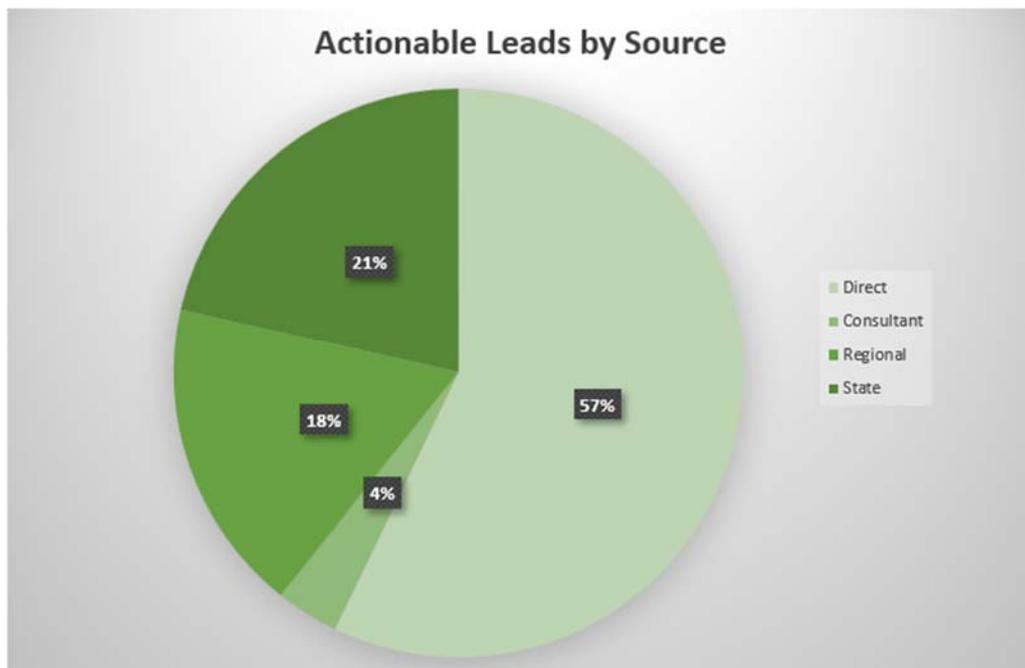
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Trend Analysis – Lead Development & Closure

Each year KEDC monitors the number of leads generated, as well as the type and source of those leads, to help determine which marketing efforts are most on target. **KEDC generated 77 total leads during the fiscal year.** Types tracked include attraction, retention, expansion, and start-up, as well as those that are non-actionable. Non-actionable leads are those where the requirements of the project do not match the attributes of Kilgore.

Of the 77 leads processed by KEDC during the fiscal year, **28 of those leads were deemed “actionable.”** The sources of actionable leads generated are illustrated in the chart below, with direct contact from the company generating the most leads at 57%. Twenty-one percent of actionable leads were received from the state economic development office, followed closely by regional marketing activities at 18%.

Considering direct and regional leads are a result of direct KEDC marketing activities, **the organization generated 71% of its actionable leads.**



Lead Source and Closure

KEDC continually evaluates both the type and source of leads that progress to Economic Development Performance Agreements (EDPAs). While attraction projects typically generate the greatest volume of new leads, business retention and expansion (BRE) efforts consistently yield the strongest close rates. In FY 2025, overall lead volume remained slightly lower—consistent with FY 2024—as companies navigated inflationary pressures and national policy uncertainty, including tariff changes and the federal administrative transition. These factors led many prospects to exercise caution, resulting in extended due diligence periods and delayed expansion or relocation decisions. While no leads achieved closure during the fiscal year, KEDC’s strengthened BRE engagement and ongoing prospect cultivation maintained a solid pipeline that is well-positioned for future wins as economic conditions stabilize.

FY 2024-2025 Kilgore EDC Year-End Report

Trend Details

KEDC has produced consistent results by developing economic development projects and placing an emphasis on nurturing those most promising. Below, an analysis of recent trends compares FY 2024-2025 results to previous years and recent averages. Over the past five years, KEDC has worked with companies to retain or make new capital investments totaling \$252,572,972, yielding 1,695 new and retained jobs.

Yearly Trends

Measurement	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Projects	3	2	5	1	0
Company Investment	\$50,080,000	\$82,488,432	\$118,314,495	\$1,690,000	0
Incentive/Investment	\$1,049,980	\$4,919,434	\$5,136,325	\$95,000	0
Total Jobs under EDPA	755	226	704	10	0
Retained Jobs	732	0	361	0	0
New Jobs	23	226	343	10	0
Asset Development	\$2,566,015	\$0	\$57,287	\$513,166	\$537,668
Infrastructure	\$ 6,348	\$31,800	\$11,646,788	\$0	\$48,475
	\$0	\$250,000	\$250,000	\$250,000	\$250,000
TOTALS	\$2,572,363	\$281,800	\$11,954,075	\$763,166	\$836,143
Diversity: Energy %	36%	27%	27%	8%	11%
Total Leads	86	39	138	68	77

Averages and 5-Year Total

Measurement	3 Year Average	5 Year Average	5 Year Total
Projects	2.00	2.2	11
Company Investment	\$40,001,498	\$510,514,585	\$252,572,927
Incentive/Investment	\$1,743,775	\$2,240,148	\$11,200,739
Total Jobs under EDPA	238	339	1695
Retained Jobs	120	219	1093
New Jobs	118	120	602
Asset Development	\$369,374	\$734,827	\$3,674,136
Infrastructure	\$3,898,421	\$2,346,682	\$11,733,411
Other City Projects	\$250,000	\$200,000	\$1,000,000
TOTALS	\$4,517,795	\$3,281,509	\$16,407,547
Diversity: Energy %	15%	22%	NA
Total Leads	94	82	408

The 2023-2026 Strategic Plan

The Strategic Plan for Kilgore Economic Development Corporation outlines the following priorities:

1. **Team Development** – Align roles, responsibilities, and professional development paths with strategic goals and best-in-class industry benchmarks.
2. **Real Estate Product Development** – Accelerate the development of real estate assets in order to maintain relevant inventory for primary employers and proactively manage current assets with expert attention and service.
3. **Business Development** – Develop an integrated approach to business recruitment and business retention and expansion.
4. **Workforce Talent Development** – Continue to build partnerships with educational institutions, aligning academic curricula with current and future industry demands.
5. **Marketing** – Refine the value proposition of Kilgore, enhance and streamline marketing initiatives with current software tools, and launch data-driven campaigns to target industries (non-energy related sectors).

These priorities support the core goals of the organization listed below and form the framework of our Program of Work activities:

Business Climate	Maintain a relevant inventory of property for primary employers
New and Retained Investment and Jobs	Generate leads from non-energy-related industry sectors
Sustainability	Protect the financial integrity of the organization

KEDC has established Objectives, Goals, and Organizational Key Results to measure our activity and results. The individual focus area results along with the corresponding Program of Work details follow.

FY 2024-2025 Kilgore EDC Year-End Report

Strategic Map for Business Climate

Business Climate	Maintain a relevant inventory of property for primary employers.	FYE 2025
Objective	To be primed to attract investment, we must evaluate gaps in inventory and infrastructure and invest as finances allow, ensuring key sites and buildings are prospect-ready.	
Goal	Keep “Cannot Respond” rate to below 20%.	64%
Measurement	Commitments for:	
	• Asset development	\$ 537,668
	• Infrastructure	\$ 48,475

The “Cannot Respond” rate shows the percentage of leads KEDC has to abandon. At 64%, the rate fell short of the goal and suggests that current infrastructure and inventory are insufficient for new development. Of the 49 “cannot respond” leads, 47 originated from the Governor’s Office for Economic Development & Tourism. The main reason KEDC could not respond was due to insufficient lot size, followed closely by the lack of existing buildings. Thirty-nine percent of reported greenfield prospects needed sites between 200 and 2,000 acres. Forty-two percent of prospects sought existing buildings ranging from 10,000 SF to 575,000 SF. KEDC is actively working on expanding our real estate portfolio strategically. In FY2025, we reviewed our debt capacity and hired a site selection consulting firm for strategic land search and due diligence to support potential acquisitions.

Investments continued at Synergy Park for site readiness, remediation, and repairs. The Class A, campus-style park is consistently viewed as a key advantage when Kilgore is compared to competing cities. In FY2025, KEDC efficiently managed environmental and construction hurdles to keep large projects on track and partnered with the City of Kilgore to begin repairs of the culvert and bridge on Synergy Blvd. KEDC continued clearing lots in Synergy Park, preparing for development.

Asset	Project	Investment	Purpose
Synergy Park – Lot 22	KeepRite Refrigeration	\$297,520	Remediation
Synergy Park – Lot 13	Camfil	\$71,560	Remediation
Elder Lake at Synergy Park	Trail Repair	\$34,250	Trail & drainage repair
Lots 24-27	Lot Clearing	\$121,000	Prepare for development
Lots 24-26	Soil Stabilization	\$1,813	Prepare for development
Kilgore Industrial Park Monument Sign	Kilgore Industrial Park	\$751	Sign refurbishment
Property Acquisition	2005 Hwy 42 N	\$8,094	Closing costs/legal
Gate – FM 349	North Kilgore Industrial Properties	\$2,680	New access gate
	Sub-Total	\$537,668	
Infrastructure			
Synergy Blvd. Bridge	Synergy Park Bridge Engineering	\$36,265	Engineering report for the culvert replacement on Synergy Blvd.
Street Lights	Synergy Park	\$12,210	Upgrade to LED
	Sub-Total	\$48,475	
Other City Projects			
Community Development	Type B Projects	\$250,000	City of Kilgore Hwy 135 Youth Sports Complex
	Sub-Total	\$250,000	
Total Asset, Infrastructure, City			
	TOTAL	\$836,143	

FY 2024-2025 Kilgore EDC Year-End Report

Program of Work for Business Climate

KEDC engaged in the following activities last fiscal year to meet our business climate goals.

Strategy	Activity	Goal	Project	Complete	Remain	Target YE
Infrastructure						
Synergy Park	Utility Installation	1	Electricity	1	0	Y
		1	Fiber/Broadband	1	0	Y
	Asset Development	1	Redevelopment of Covenants and Standards	1	0	Y
SP Prosperity Drive	Infrastructure	1	Infrastructure Extension Design and Construction Documents	1	0	Y
		1	Bidding/Selection of Contractor	0	1	N
		1	Construction Phase	0	1	N
Inventory						
Industrial Sites	Evaluation	2	Market Analysis and Site Selection	2	0	Y
	Market Value Analysis	1	CPI Test Range Property	1	0	Y
Transload Site	Evaluation	1	Feasibility & Stakeholder Engagement	1	0	Y
Spec Building Program	Promotion	1	Various Channels	1	0	Y
Property Management	Quarterly Inspections	4	4005 FM 349	4	0	Y
		4	CDL Facility	4	0	Y
		4	4017 Enterprise	4	0	Y
	Monthly Tour	12	Synergy Park	12	0	Y
		12	Kilgore Industrial Park	12	0	Y
		12	North Kilgore Industrial Park	12	0	Y
		12	East Kilgore Industrial Park	12	0	Y
		12	North Kilgore Industrial Properties	12	0	Y

FY 2024-2025 Kilgore EDC Year-End Report

Strategic Map for Jobs and Investment

New and Retained Investment and Jobs	Generate leads from non-energy-related industry sectors.	FYE 2025
Objective	To attract and retain high-impact projects with quality jobs from targeted industries we must engage in both inbound and outbound marketing and BRE programs.	
Goal	Increase awareness of Kilgore as a manufacturing hub.	22% YOY web traffic increase
Measurement	Grow focused marketing and BRE activity <ul style="list-style-type: none"> • Number of leads generated from targeted industry sectors. • Increased YOY BRE visits • Join regional partners for recruitment activities, including FDI 	<ul style="list-style-type: none"> • 90% • 134% • 10

KEDC advanced its objective of attracting and retaining high-impact projects by increasing Kilgore's visibility as a leading manufacturing hub and by strengthening relationships with existing employers.

A strategic mix of digital marketing, targeted recruitment outreach, and enhanced BRE efforts drove a 22% year-over-year increase in web traffic and significantly expanded engagement with priority industry sectors. Performance indicators show strong progress: 90% of new leads originated from targeted industries, BRE visit activity increased 134% year-over-year, and KEDC joined regional partners in 12 recruitment activities, including a landmark foreign direct investment recruitment trip to Germany supported by Congressman Nathaniel Moran's office, which yielded 40+ meetings with companies interested in establishing a presence in the United States. These efforts are building a stronger project pipeline, reinforcing Kilgore's competitive position, and supporting new and retained investment and jobs that contribute to a resilient local economy.

FY 2024-2025 Kilgore EDC Year-End Report Program of Work for Jobs and Investment

KEDC engaged in the following activities last fiscal year to meet our lead development goals.

Strategy	Activity	Goal	Project	Complete	Remain	Target YE
Lead Development						
Retained and Expanded Industries	Key Account Management	12	BRE Survey Visits	0	12	N
	Contact Maintenance	60	Contact Visits	61	+1	Y
Local Supplier Networks	Communicate Industry Needs from Survey	1	Strengthen Supplier Capabilities	0	1	N
	Events Communications	3	Connect Industry w Local Suppliers	3	0	Y
New Industries	Geographic Recruitment	1	NETEA	1	0	Y
		1	Team Texas	1	0	Y
		1	FDI	1	0	Y
		1	Internal	1	0	Y
	Trade Shows	1	Team Texas	2	0	Y
		6	SLP	6	0	Y
Lead Generating Agents	Site Selectors	1	SEDC	1	0	Y
		2	I-20 Corridor	2	0	Y
		1	IAMC	1	0	Y
		1	Team Texas	1	0	Y
Digital Campaigns	Market Analysis	1	365 DTM	1	0	Y
	Campaign Planning	1	365 DTM	1	0	Y
	List Acquisition	1	365 DTM	2	+1	Y
	HubSpot Landing Page Development	12	365 DTM	12	0	Y
	Email Outreach	9	365 DTM/Creation Branding	18	+9	Y
	Programmatic Digital Ads	9	MultiView	12	+3	Y
	LinkedIn Ads	2	MultiView	4	+2	Y
Prospect Nurturing	Site Selector Mass Emails	3	Project/Industry Updates	3	0	Y
Site Selection Assistance	Proposals/RFI Responses	40	Internal	27	13	N
	Site Visits	4	Internal	3	1	N
Branding						
Collateral Materials	Videos	12	Testimonials/Properties	12	0	Y
	Success Stories	6	Web/Media Pitches	4	2	N
	Profile	1	Flyer	1	0	Y
Online Presence	Website	1	Update	1	0	Y
	Directories	2	Media & Influencer Partnerships	2	0	Y
	Property Listings	12	Monthly Verification & Entry	12	6	N
Workforce Development						
HR	Programs & Events	2	TBD	2	0	Y
	Career Events	1	Industry Tours	1	0	Y
Kilgore College	Advisory Boards (PTB & AMIT)	2	Representation	2	0	Y
	Workforce Programs Quarterly Meetings & Promotion	4	Industry	4	0	Y
Workforce Education	Collaborative Training Programs	2	AMIT/Trans Inst./TBIC	2	0	Y
CTE Month	Career Highlight Visits	1	Industry	1	1	Y
Small Business Development						
Pipeline Management	Offer Onsite Counseling	3	SBDC & Industry	3	0	Y
	Promotion	3	Website Link, Various	3	0	Y

FY 2024-2025 Kilgore EDC Year-End Report

Strategic Map for Sustainability

Sustainability	Protect the financial integrity of the organization.	2024
Objective	To impact economic outcomes in Kilgore we must seek and provide opportunities to collaborate with economic development partners.	
Goal	Maintain Kilgore Economic Development Corp. as a relevant and financially viable organization.	
Measurement	<ul style="list-style-type: none"> • Meet budget. • Maintain positive cash flow. • FYE 2025 budget was set at \$4,363,011. • Even when considering potential cash outlay and potential projects, cash flow is projected to be positive over the next 10 years. 	

Program of Work for Sustainability

Activities undertaken to sustain and develop the organization and foster a positive economic development environment are listed below.

Strategy	Activity	Goal	Project	Complete	Remain	Target YE
Partner Collaboration						
Chamber of Commerce	Membership	1		1	0	Y
Existing Industry	Management Roundtable	1	Facilitated Meeting	1	0	Y
	Industry Appreciation	1	Reception	1	0	Y
	Workforce Appreciation	6	Snow Cone Events, Freezer Pop Day	12	+6	Y
Governmental	Collaboration	As Needed	City	12	0	Y
		As Needed	County	3	0	Y
	Office of the Governor	1	State	1	0	Y
		As Needed	Federal	1	0	Y
Organizational Proficiency						
Program of Work	2025	1		1	0	Y
	Meetings	3	Annual Review	3	0	Y
Team Development & Networking	Real Estate & Development Director	6		3	3	N
	Marketing & Development Director	6		6	0	Y
	Office Manager	2		2	0	Y
Awards	TEDC Economic Excellence	1	Designation	1	0	Y
CRM	HubSpot Expanded Utilization	1		1	0	Y
Communications						
Advisory Board Meetings	Administrative	1		1	0	Y
Board Meetings	Administrative	11		11	0	Y
SPPOA	Administrative	1		1	0	Y
News	Various activities and information	6		6	0	Y
Financial						
Budget	Board Meetings	11		11	0	Y
Cash flow	Board Meetings	11		11	0	Y

FY 2024-2025 Kilgore EDC Year-End Report

Credentials

The greatest credential of all is an organization's success. Over time, KEDC has aggressively pursued new investment and jobs for the community and has produced results. Our statement of success lends a credential that is impressive and resonates with our prospects and others. As a result of the organization's activities and results, KEDC has amassed award credentials for outstanding work in economic development.

KEDC has won international awards for excellence in economic development from the International Economic Development Council and Business Retention and Expansion International. The Texas Economic Development Council has recognized KEDC with an Excellent rating every year since the recognition began in 2009. TEDC has awarded the Community Economic Development Award to KEDC in years 2024, 2019, 2015, 2007, and 2001. The International Economic Development Council awarded its first Community Economic Development Award to KEDC in 2020 for the most outstanding EDO of its size in the nation. Business Retention Expansion International recognized KEDC in 2025, 2024, 2023, 2016, and 2009 with Project Impact and Excellence awards.



Texas Economic Development Council
Community Economic Development Award
2024, 2019, 2015, 2007, 2001
Best in Show-Transferability Award
2019
Workforce Excellence Award
2024
Economic Excellence Recognition
2009-2024
(every year since the program's inception)



Project Impact Award
2024, 2023
Award of Excellence
2025, 2024, 2023, 2016, 2009



International Economic Development Council EDO of the Year Award
Communities under 25,000
2020

FY 2024-2025 Kilgore EDC Year-End Report

**KILGORE ECONOMIC DEVELOPMENT
CORPORATION
(A Component Unit of the City of Kilgore, Texas)**

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2025

Gollob Morgan Peddy PC
CERTIFIED PUBLIC ACCOUNTANTS

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KILGORE ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the City of Kilgore, Texas)
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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Kilgore Economic Development Corporation

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Kilgore Economic Development Corporation ("KEDC"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise Kilgore Economic Development 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Kilgore Economic Development Corp (KEDC) as of September 30, 2025 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of KEDC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Kilgore 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 KEDC's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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.

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of KEDC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about KEDC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-8, the schedule of changes in net pension liability and related ratios, and the schedule of contributions, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise KEDC's basic financial statements. The additional supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2025 on our consideration of KEDC'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 solely 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 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 KEDC's internal control over financial reporting and compliance.

Gollob Morgan Peddy PC

Certified Public Accountants

Tyler, Texas
December 3, 2025

Management's Discussion and Analysis

As management of the Kilgore Economic Development Corporation ("KEDC"), we offer readers of KEDC's financial statements this narrative overview and analysis of the financial activities of KEDC for the fiscal year ended September 30, 2025.

Financial Highlights

- The assets of KEDC exceeded its liabilities at the close of the most recent fiscal year by \$23,867,278 (*net position*). Of this amount, \$676,574 (*restricted net position*) is restricted for debt service, and \$13,526,715 (*unrestricted net position*) may be used for promotion of prospective businesses, promotion of existing businesses, and employment.
- KEDC's total net position increased by \$426,146 due mostly in part to \$318,500 in donated revenue for property
- As of the close of the current fiscal year, KEDC's governmental funds reported combined ending fund balances of \$14,203,202.
- KEDC's total long-term debt decreased by \$434,006 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to KEDC's basic financial statements. KEDC's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains 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 KEDC's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all KEDC's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of KEDC is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of KEDC that are principally supported by sales tax revenue and rental revenue. For audit purposes, the governmental activity of KEDC includes economic development.

The government-wide financial statements can be found on pages 10-11 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. KEDC, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of KEDC are governmental funds. A fund is classified as a major fund when it meets each of the two following criteria:

- Total assets, liabilities, revenues or expenditures of individual governmental funds are at least 10 percent of the corresponding element total (assets, liabilities, revenues or expenditures) for all funds of that category or type.
- The same element that met the 10 percent criterion above is at least 5 percent of the corresponding element total for all governmental funds combined.

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 *balance 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, 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 statements of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

KEDC maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balance for all two funds.

KEDC adopts an annual appropriated budget for its special revenue fund. A budgetary comparison statement has been provided for the special revenue fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12 and 14-15 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 16-30 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.

Approximately 2.83 percent of KEDC’s net position reflects amounts restricted for various uses and 56.67 percent of net position is available for spending at KEDC’s discretion (unrestricted net position).

A portion of KEDC’s net position (\$9,663,989) reflects its investment in capital assets (e.g. land, construction in progress, building and improvements, machinery and equipment) less any related debt used to acquire those assets that are still outstanding. KEDC uses these capital assets to provide economic development; consequently, these are *not* available for future spending. Although KEDC’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities	
	2025	2024
Current and other assets	\$ 15,619,227	\$ 15,370,480
Capital assets	14,804,782	14,718,046
Total assets	<u>30,424,009</u>	<u>30,088,526</u>
Current liabilities	642,900	569,795
Long-term liabilities outstanding	4,709,533	5,198,211
Deferred inflow of resources	1,204,298	879,388
Total liabilities	<u>6,556,731</u>	<u>6,647,394</u>
Net position:		
Net investment in capital assets	9,663,989	9,142,386
Restricted	676,574	638,531
Unrestricted	13,526,715	13,660,215
Total net position	<u>\$ 23,867,278</u>	<u>\$ 23,441,132</u>

At the end of the current fiscal year, KEDC is able to report positive balance in all categories of net position for the government as a whole.

	Governmental Activities	
	2025	2024
Revenues:		
General revenues:		
Sales tax	\$ 3,465,683	\$ 3,373,444
Investment earnings	646,804	799,092
Lease revenue	370,259	402,461
Donated Revenue	318,500	-
Miscellaneous revenue	9,750	47,870
Total revenues	<u>4,810,996</u>	<u>4,622,867</u>
Expenses:		
Economic development	3,529,675	3,715,498
Amortization of right of use leases	55,903	55,903
Interest & fees	549,272	535,207
Loss on disposal of asset	-	152,599
Principal Payment made to City of Kilgore Bond	250,000	275,000
Total expenses	<u>4,384,850</u>	<u>4,734,207</u>
Increase in net position	426,146	(111,340)
Net position - beginning	<u>23,441,132</u>	<u>23,552,472</u>
Net position - ending	<u>\$ 23,867,278</u>	<u>\$ 23,441,132</u>

Financial Analysis of the Government's Funds

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

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

At the end of the current fiscal year, KEDC's governmental funds reported combined ending fund balance of \$14,203,202. Approximately 25 percent of this amount (\$4,656,730) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. Approximately 5 percent of the fund balance is *restricted* to indicate amounts that are constrained by external parties, constitutional provisions or enabling legislation 1) for debt service (\$676,574). Approximately 74 percent of fund balance is *committed* to indicate amounts that can only be used for a specific purpose because of a formal action by KEDC's Board of Directors for capital improvements (\$883,532), for future commitment (\$4,414,455), for early retirement of debt or special projects (\$3,411,288), and for marketing (\$139,708).

Special Revenue Fund

The special revenue fund is the chief operating fund of KEDC. At the end of the current fiscal year, unassigned fund balance of the special revenue fund was \$4,656,730.

During the current fiscal year, the fund balance of KEDC's special revenue fund decreased by \$133,500.

Special Revenue Fund Budgetary Highlights

KEDC budgets conservatively. No budget amendments occurred for the current fiscal year. Special Revenue Fund revenues exceeded budgeted amounts by \$673,468, due to a favorable variance in sales tax revenue (\$392,224) and donated revenue for property (\$318,500). Expenditures exceeded budget by \$1,289,782 during the year primarily due to more contractual incentives paid out, and more maintenance and repairs expenditures.

Capital Asset and Debt Administration

Capital Assets. KEDC’s investment in capital assets for its governmental activities as of September 30, 2025, amounts to \$14,804,782, (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture, fixtures, and equipment, and property held for resale and/or transfer. The total increase in KEDC’s investment in capital assets for the current fiscal year was approximately 1 percent primarily due to the donated land and new equipment during the current year.

KEDC
Capital Assets
(net of depreciation)

	Governmental Activities	
	2025	2024
Land	\$ 161,072	\$ 161,072
Buildings & Improvements	9,643,325	9,901,254
Furniture, Fixtures, & Equipment	30,608	15,562
Property Held for Resale/Transfer	4,969,777	4,640,158
Total	\$ 14,804,782	\$ 14,718,046

Additional information on KEDC’s capital assets can be found in Note 4, Item C on page 26 of this report.

Long-term Debt. At the end of the current fiscal year, KEDC had total debt outstanding of \$5,141,654. The total decrease in KEDC’s long-term debt for the current fiscal year was approximately 8% due to current year payments on bonds.

KEDC
Outstanding Debt

	Governmental Activities	
	2025	2024
2010 Sales Tax Refunding	\$ 715,000	\$ 875,000
Bond Premium/(Discount)	16,654	20,660
2015 Sales Tax	1,020,000	1,105,000
2019 Sales Tax	3,390,000	3,575,000
Total	\$ 5,141,654	\$ 5,575,660

Additional information on KEDC’s long-term debt can be found in Note 4, Item E on page 27 of this report.

Factors in Preparing the 2025 KEDC Budget

Sales tax revenue increased in 2025 by 2.7% with a total collection of \$3,465,683 compared to \$3,373,445 in fiscal year 2024. The current ten-year average for annual revenue is \$2,997,607, with the last five-year average being \$3,120,484. The KEDC Board of Directors chose an optimistic budget revenue projection of \$3,200,000 for FY2026, an increase of \$450,000 from FY2025.

The unemployment rate for the Longview Metro Area, which includes Kilgore, was 4.9% during October 2024 through December 2024 and 4.4% from June through August 2025. Outside of the energy sector, other sectors have been investing in Kilgore, primarily in the goods producing sector with diversified industries, and logistics/distribution centers.

The 2026 ad valorem tax rate remained the same as 2025 at \$0.616 per \$100 of assessed value. Total taxable values assessed for the city of Kilgore in 2025 was \$1,657,252,268. Building permit values for commercial additions, remodeling, and new construction decreased from \$83,302,520 in 2024 to \$57,510,297 in 2025. Permits included \$41,274,616 issued to Tersco Property Management Ltd. for new construction in Synergy Park.

Four of the top ten property taxpayers are oil and gas energy sector businesses, and account for 4.48% of the total taxable value. The remaining six are non-oilfield related businesses and account for 11.47% of the taxable value. Kilgore's property tax revenue is subject to fluctuations in the oil and gas economy; however, KEDC continues to focus on diversifying the economy.

The KEDC Board did not enter into any contracts for capital investment or job creations during the 2025 fiscal year. Tariffs and a need for stabilization in the marketplace affected project activity. During this year, KEDC staff focused on the infrastructure needs of Synergy Park and the clearing of existing lots for future projects.

Requests for Information

This financial report is designed to provide a general overview of KEDC's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to KEDC Coordinator, Kilgore Economic Development Corporation, 1001 Synergy Blvd. Suite 100, Kilgore, Texas 75662.

BASIC FINANCIAL STATEMENTS

EXHIBIT 1

KILGORE ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the City of Kilgore, Texas)
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

	GOVERNMENTAL ACTIVITIES
ASSETS	
Current	
Cash and cash equivalents	\$ 704,515
Temporary investments	12,760,264
Accounts and notes receivable	601,405
Leases receivable (current)	465,115
Noncurrent	
Leases receivable (non-current)	1,025,355
Right of use asset GASB 87, net of accumulated amortization (\$196,125)	59,709
Right of use asset GASB 96, net of accumulated amortization (\$17,753)	2,864
Capital assets (net)	
Land	161,072
Building and improvements	9,643,325
Furniture, fixtures, and equipment	30,608
Property held for resale/transfer	4,969,777
Total Assets	\$ 30,424,009
LIABILITIES	
Current liabilities:	
Accounts payable and deposits	\$ 149,154
Noncurrent liabilities:	
Due within one year	443,661
Lease liability (current portion)	50,085
Due in more than one year	4,697,993
Lease liability	11,540
Total Liabilities	5,352,433
DEFERRED INFLOW OF RESOURCES	
Deferred inflows of resources	1,204,298
Total deferred inflows of resources	1,204,298
NET POSITION	
Net investment in capital assets	9,663,989
Restricted for:	
Debt service	676,574
Unrestricted net position	13,526,715
Total Net Position	\$ 23,867,278

The accompanying notes are an integral part of this statement.

KILGORE ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the City of Kilgore, Texas)
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2025

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>For</u>	<u>Grants and</u>	<u>Changes in Net</u>
		<u>Services</u>	<u>Contributions</u>	<u>Position</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities:				
Economic development	\$ 3,529,675	\$ -	\$ -	\$ (3,529,675)
Amortization of right of use leases	49,031	-	-	(49,031)
Amortization of right of use intangible asset	6,872	-	-	(6,872)
Interest & fees on long-term debt	549,272	-	-	(549,272)
Principal Payments made to City Bonds	250,000	-	-	(250,000)
Total governmental activities	<u>\$ 4,384,850</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,384,850)</u>
		General revenue:		
		Sales tax		\$ 3,448,160
		Garbage sales tax		17,523
		Interest on investments		646,804
		Lease revenue		370,259
		Donated Revenue		318,500
		Miscellaneous revenue		9,750
		Total general revenues		<u>4,810,996</u>
		Change in net position		426,146
		Net position - beginning		<u>23,441,132</u>
		Net position - ending		<u>\$ 23,867,278</u>

The accompanying notes are an integral part of this statement.

KILGORE ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the City of Kilgore, Texas)
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

	Special Revenue	Debt Service	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 604,338	\$ 100,177	\$ 704,515
Temporary investments	12,183,863	576,401	12,760,264
Receivables:			
Sales Taxes	591,845	-	591,845
Other	9,560	-	9,560
Lease receivable - short term	465,115	-	465,115
Total current assets	13,854,721	676,578	14,531,299
Lease receivable - long term	1,025,355	-	1,025,355
Total assets	\$ 14,880,076	\$ 676,578	\$ 15,556,654
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 144,442	\$ -	\$ 144,442
Due to Primary Gov	4,711	\$ -	\$ 4,711
Total Liabilities	149,153	-	149,153
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflow of resources	1,204,299	-	1,204,299
Total deferred inflow of resources	1,204,299	-	1,204,299
FUND BALANCES			
Restricted fund balances:			
Restricted for retirement of debt	-	676,574	676,574
Committed fund balances:			
Committed for capital improvement	883,532	-	883,532
Committed for marketing	139,708	-	139,708
Committed for early debt retirement or special projects	3,411,288	-	3,411,288
Committed for 4A(s) projects	20,915	-	20,915
Committed for future commitments	4,414,455	-	4,414,455
Unassigned fund balance	4,656,730	-	4,656,730
Total fund balances	13,526,628	676,574	14,203,202
Total liabilities and fund balances	\$ 14,880,080	\$ 676,574	\$ 15,556,654

The accompanying notes are an integral part of this statement.

KILGORE ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the City of Kilgore, Texas)
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

Total fund balances - governmental funds balance sheet (Exhibit 3 page 1)	\$ 14,203,202
Amounts reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are capitalized in the statement of position, but are not included in the funds.	14,804,782
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.	(5,141,654)
Right-of-use assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	62,573
Lease liabilities, are not due and payable in the current period and therefore are not reported in the funds	<u>(61,625)</u>
Net position of governmental activities	<u><u>\$ 23,867,278</u></u>

The accompanying notes are an integral part of this statement.

KILGORE ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the City of Kilgore, Texas)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES			
Sales tax	\$ 3,448,160	\$ -	\$ 3,448,160
Garbage sales tax	17,523	-	17,523
Interest on investments	607,098	39,706	646,804
Lease revenue	370,259	-	370,259
Donated revenue	318,500	-	318,500
Miscellaneous income	9,750	-	9,750
Total revenues	<u>4,771,290</u>	<u>39,706</u>	<u>4,810,996</u>
EXPENDITURES			
Business retention/expansion	50,243	-	50,243
Contractual - incentives	1,191,063	-	1,191,063
Contractual - administration	609,042	-	609,042
Contractual - services	147,254	-	147,254
4A(s) projects	250,000	-	250,000
Dues, fees & memberships	51,040	-	51,040
Maintenance	476,716	-	476,716
Marketing	218,519	-	218,519
Office expense	8,807	-	8,807
Synergy Center lease expenses	43,290	-	43,290
Training & education	6,474	-	6,474
Travel	9,355	-	9,355
Capital outlay	554,608	-	554,608
Debt service:			
Interest & bond expense	1,135	552,143	553,278
Principal - leases	50,525	-	50,525
Principals - SBITAs	6,239	-	6,239
Principal - bonds	-	680,000	680,000
Total expenditures	<u>3,674,310</u>	<u>1,232,143</u>	<u>4,906,453</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,096,980</u>	<u>(1,192,437)</u>	<u>(95,457)</u>

The accompanying notes are an integral part of this statement.

KILGORE ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the City of Kilgore, Texas)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 1,230,480	\$ 1,230,480
Transfers out	(1,230,480)	-	(1,230,480)
Total other financing sources and uses	<u>(1,230,480)</u>	<u>1,230,480</u>	<u>-</u>
Net Change of Fund Balances	(133,500)	38,043	(95,457)
Fund Balance, October 1, 2024	<u>13,660,128</u>	<u>638,531</u>	<u>14,298,659</u>
Fund Balance, September 30, 2025	<u><u>\$ 13,526,628</u></u>	<u><u>\$ 676,574</u></u>	<u><u>\$ 14,203,202</u></u>

The accompanying notes are an integral part of this statement.

KILGORE ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the City of Kilgore, Texas)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2025

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds	\$ (95,457)
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. This is the amount by which depreciation exceeded capital outlay in the current period.	86,736
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. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	434,006
Net effect of lease transactions	861
Change in net position of governmental activities	\$ 426,146

The accompanying notes are an integral part of this statement.

KILGORE ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the City of Kilgore, Texas)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 1: - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

Kilgore Economic Development Corporation's ("KEDC") financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by KEDC are discussed below.

B. Reporting Entity

The Kilgore Economic Development Corporation is a nonprofit corporation and is a component unit of the City of Kilgore, Texas (the "City"). The governing body of the KEDC is appointed by the City's Council and KEDC's operating budget is subject to approval of the City's Council. The purpose of KEDC, which is financed with a voter-approved half-cent city sales tax, is to aid, promote, and further economic development within Kilgore, Texas. Under a contract with the City, the City performs human resource services for KEDC.

The accompanying financial statements present KEDC's funds and activities. As required by GAAP, these financial statements present KEDC as a component unit of the City. Based on the criteria listed below, the City is considered a primary government.

A primary government is financially accountable for an organization if a) it appoints a voting majority of the organization's governing board and is able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government; or b) total outstanding debt, including leases, is expected to be repaid entirely or almost entirely with resources from the primary government. Based upon these criteria, KEDC is considered to be a component unit of the City and is disclosed as such in the City's financial statements.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements consist of a statement of net position and a statement of activities to report information about KEDC as a whole.

The statement of net position reports all financial and capital resources. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. Gains on the sale of capital assets are reported as general revenues, losses on the sale of capital assets are reported as function/program expenses. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

KEDC has only governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All of the funds of KEDC are reported as major funds.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, KEDC considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Sales taxes associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of sales tax receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

KEDC reports the following major governmental funds:

The *special revenue fund* is used to account for specific revenues that are legally-restricted to expenditure for particular purposes. KEDC is currently using the special revenue fund to account for sales tax revenue that is restricted for economic development.

The *debt service fund* is used to account for resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

The *capital projects fund* is used to account for resources and payments made for ongoing construction of specific capital projects.

During the course of operations, KEDC has activity or transfers of resources between funds for various purposes. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. Any residual balances outstanding at year end are reported as due from/to other funds. While these transfer and balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

E. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

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

In accordance with GASB Statement No. 72 *Fair Value Measurement and Application*, investments are recorded at fair value. Consistent with GASB Statement 72, KEDC categorizes its fair value measurements within the fair value hierarchy. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. 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. A detail of the fair value hierarchy of investments held by KEDC is disclosed in Note 1 to the financial statements.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables are shown net of an allowance for uncollectible. Included in receivables as of September 30, 2025, is a sales tax receivable in the amount of \$591,845.

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E. Assets, Liabilities, and Net Position or Equity – Continued

3. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by KEDC as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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.

Depreciation is computed using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings & system	20-50
Vehicles	3-5
Office equipment	5-10
Computer equipment	5

4. Construction-in-Progress

Expenditures on incomplete capital projects have been capitalized as construction-in-progress. The assets resulting from these projects will be transferred from the construction-in-progress accounts to the appropriate asset account as the projects are completed. There was no construction-in-progress as of September 30, 2025.

5. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds, using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. Leases

Leases are defined by KEDC as the right to use an underlying asset. In the government-wide financial statements, KEDC recognizes a lease liability and an intangible right-of-use asset at the beginning of a lease unless the lease is considered a short-term lease or transfers ownership of the underlying asset. Right-of-use lease assets are measured based on the net present value of the future lease payments at inception, using the weighted average cost of capital, which approximate the incremental borrowing rate. KEDC calculates the amortization of the discount rate on the lease liability and reports that amount as outflow of resources. Payments are allocated first to accrued interest liability and then to the lease liability.

In the fund financial statements, governmental fund types record a capital outlay and other financing source at the beginning of a lease under the same valuation method at the government-wide financial statements. Principal and interest payments are then made based on the terms of each lease with the interest rate used equaling the same

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E. Assets, Liabilities, and Net Position or Equity – Continued

6. Leases (continued)

incremental borrowing rate used in the calculation in the right-of-use assets in the government-wide financial statements.

As lessor, KEDC recognizes a lease receivable. The lease receivable is measured using the net present value of future lease payments to be received for the lease term and deferred inflow of receivables at the beginning of the lease term. Periodic amortization of the discount on the receivable are reported as interest revenue for that period. Deferred inflows of resources are recognized as inflows on a straight-line basis over the term of the lease. This recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases. Any initial direct costs are reported as an outflow of resources for that period. Re-measurement of lease receivables occur when there are modifications, including but not limited to changes in the contract price, lease term, and adding or removing an underlying asset to the lease agreements. In the case of a partial or full lease termination, the carrying value of the lease receivable and the related deferred inflow of resources will be reduced and will include a gain or loss for the difference.

For lease contracts that are short-term, KEDC recognizes short-term lease payments as inflows of resources (revenues) based on the payment provisions of the lease contract. Liabilities are only recognized if payments are received in advance, and receivables are only recognized if payments are received subsequent to the reporting period.

7. Subscription Based Information Technology Arrangements (SBITA's)

Subscription-Based Information Technology Arrangements (SBITA's) are defined by KEDC as a contract that conveys control of the right to use another party's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in exchange or exchange-like transactions. In the government-wide financial statements, KEDC recognizes an intangible subscription asset and subscription liability. The subscription liability is measured as the present value of the total subscription payments expected to be made to the vendor during the subscription term. The total future payments are discounted using the interest rate the vendor charges, or if the implicit interest rate is not readily determinable, KEDC uses an estimated incremental borrow rate. The subscription asset is measured as the initial value of the subscription liability plus any initial capitalized costs and less any vendor incentives received at the commencement of the subscription term.

In the fund financial statements, governmental fund types record a capital outlay and other financing source at the beginning of a SBITA under the same valuation method as the government-wide financial statements. Principal and interest payments are then made based on the terms of each arrangement with the interest rate used equaling the same incremental borrowing rate used in the calculation in the subscription asset and liability in the government-wide financial statements.

8. Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted Fund Balance – represents amounts that can be spent for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by KEDC's Board of Directors. Committed amounts cannot be used for any other purpose unless the Board of Directors removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Directors. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted

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E. Assets, Liabilities, and Net Position or Equity – Continued

8. Fund Balances – Governmental Funds (continued)

balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which KEDC intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Directors or by an official or body to which the Board of Directors delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund’s primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of KEDC itself.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

9. Net Position

Net position represents the difference between assets and liabilities, and is divided into three components.

Net investment in capital assets - This component consists of KEDC’s capital assets, net of accumulated depreciation, reduced by any outstanding debt used for the acquisition or construction of those assets and adjusted for any deferred outflows or inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt.

Restricted – This component consist of those amounts which have limitations imposed on their use either through ordinances adopted by KEDC or through external restrictions imposed by creditors, grantors or other laws and regulations, reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component consist of the net amount of the assets, deferred outflows and inflows of resources, and liabilities not included in net investment in capital assets or restricted components of net position.

10. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 expenses during the reporting period. Actual results could differ from those estimates.

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NOTE 2: - 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 Assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains, “Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$(5,141,654) difference are as follows:

Bonds Payable	\$(5,125,000)
Unamortized Bond Premium/(Discount)	(16,654)
Net Adjustment to <i>Decrease</i> Total Fund Balances-Total Governmental Funds to Arrive at Net Position-Governmental Activities	\$(5,141,654)

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 position – total governmental funds and net change in fund balances – total governmental funds. One element of that reconciliation explains, “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.” The details of this (\$86,736) difference are as follows:

Capital Outlay Expenditures	\$ 554,608
Depreciation Expense	(467,872)
Net Adjustment to <i>Decrease</i> Net Changes in Fund Balances-Total Governmental Funds to Arrive at Changes in Net Position-Governmental Activities	\$ 86,736

NOTE 3: - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

KEDC follows these procedures in establishing the budgetary data reflected in the financial statements:

Prior to September 5, KEDC submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them. The City of Kilgore conducts public hearings to obtain taxpayer comments. Prior to October 1, the budget is legally enacted through passage of an ordinance.

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NOTE 4: - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

At September 30, 2025, the carrying amount of KEDC’s deposits with financial institutions was \$604,338. KEDC’s cash deposits are secured in conjunction with the City of Kilgore’s cash deposits under a depository contract. As provided for under the laws of the State of Texas, all of the deposits under the City’s depository contract must be secured by FDIC insurance or pledged collateral held by the City’s agent bank in the City of Kilgore’s name. See the City of Kilgore’s audit report for details regarding this requirement.

KEDC is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act (the “Act”) requires an annual audit of investment practices. Audit procedures in this area, conducted as part of the audit and of the basic financial statements, disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, KEDC adhered to the requirement of the Act. Additionally, investment practices of KEDC were in accordance with local policies.

The Act determines the types of investments which are allowable for KEDC. These include, with certain restrictions:

- 1) Obligations of the United States, its agencies and instrumentalities;
- 2) Direct obligations of the State of Texas or its agencies and instrumentalities rated not less than A or its equivalent;
- 3) Depository banks and credit unions in Texas which are insured by FDIC or NCUA;
- 4) Local Government Investment Pools authorized under Section 2256.016 of the Texas Government Code which invest in instruments and follow practices allowed by current law. A pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service;
- 5) Certificates of deposits and share certificates authorized under Section 2256.010 of the Texas Government Code;
- 6) Security and Exchange Commission registered no-load money market mutual funds

As of September 30, 2025, KEDC had the following investments:

<u>External Investment Pool</u>	<u>Amount</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Credit Risk</u>
Texpool	\$ 8,772,575	\$ 8,772,575	0.12	AAAm
TexStar	<u>3,987,689</u>	<u>3,987,689</u>	0.14	AAAm
Total	<u>\$ 12,760,264</u>	<u>\$ 12,760,264</u>		

GASB Statement No. 77, Fair Value Measurement and Application, establishes a fair value hierarchy for inputs used in the measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available, of how the market would price the asset or liability. The fair value hierarchy is categorized into three levels based on the inputs as follows:

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A. Deposits and Investments -Continued

Level 1 – Unadjusted quoted priced in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 – Unobservable inputs for the asset or liability (supported by little or no market activity). Level 3 inputs include management’s own assumption about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

The asset’s or liability’s fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The Investment Pools noted above are measured at amortized costs or net asset value (NAV) and are exempt from fair value reporting.

Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (“the Act”), Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments.

TexPool

TexPool uses amortized cost to value portfolio assets and follows the criteria for GASB Statement No. 79 for use of amortized cost. TexPool does not place any limitations or restrictions such as notice periods or maximum transaction amounts, on withdrawals. TexPool has a credit rating of AAA from Standard & Poor’s Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. TexPool invests in a high quality portfolio of debt securities investments that are legally permissible for local governments in the state. TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the Pool are available by request at www.texpool.com.

TexSTAR

TexSTAR is measured at NAV. The primary objectives of the pool are to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. KEDC has no unfunded commitments related to the investment pools. TexSTAR has a redemption notice period of one day and may redeem daily. The investment pool’s authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects the pool’s liquidity. TexSTAR is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the Pool are available by request at www.texstar.org.

GASB Statement No. 40 requires a determination as to whether KEDC was exposed to the following specific investment risks at year-end and, if so, the reporting of certain related disclosures:

a. Interest Rate Risk

This is the risk that changes in market risk rates will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods of time are more likely to be subject to increased variability in their fair values due to changes in the market interest rates. In accordance with its investment policy, KEDC manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to eighteen months. At year-end, KEDC was not exposed to interest rate risk.

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A. Deposits and Investments -Continued

b. Credit Risk

Credit risk is the risk that an issuer or other counterparty of a debt type investment will not fulfill its obligation to the holder of the investment. KEDC's investment policy, in conjunction with state law, specifies the type of credit rating of all authorized investments. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The credit quality rating for both TexPool and TexSTAR at year-end was AAAM by Standard & Poor's. At year-end, KEDC was not significantly exposed to credit risk.

c. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Concentration risk is defined as positions of five percent or more in the securities of a single issuer. Investments issued by the U.S. Government and investments in investment pools are excluded from the five percent disclosure requirement. At year-end, KEDC was not exposed to concentration of credit risk.

d. 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 agency, but not in KEDC's name. Investment securities are exposed to 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 KEDC's name.

KEDC's cash deposits are secured along with the City of Kilgore's cash deposits. At year-end, KEDC was not exposed to custodial credit risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year-end, KEDC was not exposed to foreign currency risk.

B. Health Care Coverage

KEDC provides health insurance benefits to its employees under a fully pooled program through the TML Intergovernmental Employee Benefit Pool (the "Plan") through KEDC's contract with the City of Kilgore. The TML IEBP provides these benefits pursuant to Chapter 172 of the Local Government Code and the Interlocal Cooperation Act.

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C. Capital Assets

Capital asset activity for the year ended September 30, 2025 was as follows:

<u>PRIMARY GOVERNMENT</u>	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 161,072	\$ -	\$ -	\$ 161,072
Property held for resale/transfer	4,640,158	329,619	-	4,969,777
Total Capital Assets, Not Being Depreciated	4,801,230	329,619	-	5,130,849
Capital Assets, Being Depreciated				
Buildings and Improvements	15,387,400	206,289		15,593,689
Equipment, Furniture, & Fixtures	268,276	18,700	-	286,976
Total Capital Assets, Being Depreciated	15,655,676	224,989	-	15,880,665
Less Accumulated Depreciation For:				
Buildings and Improvements	(5,486,146)	(464,218)	-	(5,950,364)
Equipment, Furniture, & Fixtures	(252,714)	(3,654)	-	(256,368)
Total Accumulated Depreciation	(5,738,860)	(467,872)	-	(6,206,732)
Net Total Assets Being Depreciated	9,916,816	(242,883)	-	9,673,933
Governmental Activities Capital Assets, Net	<u>\$14,718,046</u>	<u>\$ 86,736</u>	<u>\$ -</u>	<u>\$ 14,804,782</u>

Depreciation expense was charged as follows:

Economic Development	<u>\$467,872</u>
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D. Interfund Transfers

Interfund transfers are made in accordance with KEDC's adopted budget or through approval to meet unexpected operating needs.

The composition of interfund transfers as of September 30, 2025, is as follows:

	<u>Transfers In</u>		<u>Total</u>
	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	
Transfers Out:			
Special Revenue Fund	\$ -	\$ 1,230,480	\$ 1,230,480
Totals	<u>\$ -</u>	<u>\$ 1,230,480</u>	<u>\$ 1,230,480</u>

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E. Long-Term Debt

Revenue Bonds

KEDC issues bonds whereby the government pledges income from sales tax to pay the related debt service. The revenue bonds issued by KEDC in prior years were to fund construction projects and improvements and to refund prior issuances. The original amount of the outstanding revenue bonds was \$8,915,000.

<u>Issue</u>	<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Series 2010	Improvements for economic and industrial development	2.00 to 4.25%	715,000
Series 2015	Construction of roadways, drainage, and public utilities	2.00 to 4.00%	1,020,000
Series 2019	Improvements for economic and industrial development	2.30 to 3.44%	3,390,000
			<u>\$ 5,125,000</u>

Annual debt service requirements to maturity for revenue bonds are as follows:

<u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 440,000	\$ 201,205	\$ 641,205
2027	460,000	185,072	645,072
2028	475,000	167,916	642,916
2029	495,000	149,774	644,774
2030	315,000	130,674	445,674
2031-2035	1,775,000	457,617	2,232,617
2036-2039	1,165,000	122,958	1,287,958
	<u>\$ 5,125,000</u>	<u>\$ 1,415,216</u>	<u>\$6,540,216</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2025 was as follows:

	<u>Beginning Balance 10/01/24</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance 9/30/25</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
Governmental Activities:						
Refunding & Improvement Bonds	\$ 875,000	\$ -	\$ 160,000	\$ 715,000	\$ 165,000	\$ 550,000
Bond Premium/(Discount)	20,660	-	4,006	16,654	3,661	12,993
Sales Tax Revenue Bonds	4,680,000	-	270,000	4,410,000	275,000	4,135,000
Total Long-Term Liabilities	<u>\$ 5,575,660</u>	<u>\$ -</u>	<u>\$ 434,006</u>	<u>\$5,141,654</u>	<u>\$ 443,661</u>	<u>\$ 4,697,993</u>

F. Workmen's Compensation Insurance

All KEDC employees are covered under a risk pool workmen's compensation insurance program TML – Intergovernmental Risk Pool. KEDC pays premiums through its contract with the City of Kilgore. TML – Intergovernmental Risk Pool administers the plan and pays claims and benefits.

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G. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

H. Committed Fund Balance – Special Revenue Fund

The Board has elected to commit fund balance in the Special Revenue Fund for future capital improvements. The committed amount is made up of two components, future Synergy Park infrastructure needs and other capital improvement needs. During the fiscal year, these two components were combined for simplicity. The total amount reserved in the special revenue fund for future capital outlay is \$883,532.

I. Leases

Lessee

KEDC has obtained office space and a copy machine through long-term operating leases. The terms and conditions for these leases varies. All leases are fixed with periodic payments over the lease term which is normally 4 years.

At September 30, 2025, right-of-use lease consisted of the following:

	Balance October 01, 2024	Additions	Retirements	Balance September 30, 2025
Leases				
Right of Use - Copy machine	\$ 9,484	\$ -	\$ -	\$ 9,484
Right of Use - Office space	\$ 246,350	-	-	246,350
Total leases	255,834	-	-	255,834
Less accumulated amortization for:				
Right of Use - Copy machine	(6,322)	(2,107)	-	(8,429)
Right of Use - Office space	(140,772)	(46,924)	-	(187,696)
Total accumulated amortization	(147,094)	(49,031)	-	(196,125)
Leases, net	<u>\$ 108,740</u>	<u>\$ (49,031)</u>	<u>\$ -</u>	<u>\$ 59,709</u>

As of September 30, 2025, lease liability consisted of the following:

	Balance October 01, 2024	Additions	Reductions	Balance September 30, 2025	Due Within One Year
Lease Liabilities	\$ 112,150	\$ -	\$ (50,525)	\$ 61,625	\$ 50,085

KILGORE ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the City of Kilgore, Texas)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

I. Leases (Continued)

Principal and interest requirements to maturity for the lease liability at September 30, 2025 are as follows:

Year ended September 30,	Principal	Interest	Total
2026	\$ 50,085	\$ 498	\$ 50,583
2027	11,540	26	11,566
Total	<u>\$ 61,625</u>	<u>\$ 524</u>	<u>\$ 62,149</u>

Lessor

KEDC leases some of its land and office space to various lessee's. The terms and conditions for each lease varies. Payments are either fixed or variable over the lease term, which ranges from 2 – 5 years.

Principal and interest requirements to maturity for the lease receivable at September 30, 2025 are as follows:

Year ended September 30,	Principal	Interest	Total
2026	\$ 465,115	\$ 50,585	\$ 515,700
2027	496,996	31,601	528,597
2028	470,782	12,045	482,827
2029	57,579	288	57,867
Total	<u>\$ 1,490,472</u>	<u>\$ 94,519</u>	<u>\$ 1,584,991</u>

J. Subscription Based Information Technology Arrangements (SBITA)

KEDC obtained access to a property search system through a software as a service (SaaS) agreement. The payments of the agreement are fixed. As of September 30, 2025, subscription assets consisted of the following:

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SEPTEMBER 30, 2025

	Balance October 01, 2024	Additions	Retirements	Balance September 30, 2025
SBITA				
Right of Use - SBITA GASB 96	20,617	-	-	20,617
Total	20,617	-	-	20,617
Less accumulated amortization for:				
Right of Use - SBITA GASB 96	(10,881)	(6,872)	-	(17,753)
Total accumulated amortization	(10,881)	(6,872)	-	(17,753)
SBITA, net	\$ (10,881)	\$ (6,872)	\$ -	\$ 2,864

J. Subscription Based Information Technology Arrangements (SBITA)

As of September, 2025, subscription liabilities consisted of the following:

	Balance October 1, 2024	Additions	Reductions	Balance September 30, 2025	Due Within One Year
Subscription Liabilities	\$ 6,239	\$ -	\$ (6,239)	\$ -	\$ -

K. Commitments

The government has entered into contracts with various entities as economic development incentives and/or other contractual agreements. The schedule titled Maximum Cash Outlays and Loan Abatement Commitments details these contractual commitments. Fund balance has been reserved in an amount equal to the total commitments due. In addition, the schedule titled Pending Cash Commitments details contractual commitments the government is considering

On September 21, 2023, The City of Kilgore issued \$20,000,000 of bonds, of which \$7,805,000 was identified for economic development for improvements inside Synergy Park which will ultimately be to attract future businesses to the park and the City. As part of the bond issue and agreement with the City, KEDC is responsible to reimburse the City annually for the debt service requirements on this \$7,805,000. The City will carry the debt on its books and the funds were deposited into a construction account under the City's name. Likewise, the City will reflect the construction costs on its books and will ultimately own the asset upon completion of the project. KEDC will oversee the project and invoices from vendors as the work is completed in Synergy Park.

The following schedule reflects KEDC's commitment for reimbursement to the City under the agreement:

September 30,	Principal	Interest	Total
2026	\$ 260,000	\$ 322,000	\$ 582,000
2027	275,000	308,625	583,625
2028	290,000	294,500	584,500
2029	300,000	279,750	579,750
2030	320,000	264,250	584,250
2031-2035	1,855,000	1,058,875	2,913,875
2036-2040	2,335,000	572,050	2,907,050
2041-2043	1,645,000	100,500	1,745,500
	<u>\$ 7,280,000</u>	<u>\$ 3,200,550</u>	<u>\$ 10,480,550</u>

KILGORE ECONOMIC DEVELOPMENT CORPORATION
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NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 5: SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 3, 2025, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

KILGORE ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the City of Kilgore)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
(NON-GAAP BUDGET BASIS)
YEAR ENDED SEPTEMBER 30, 2025

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Sales tax	\$ 2,750,000	\$ 2,750,000	\$ 3,142,224	\$ 392,224
Garbage sales tax	14,500	14,500	17,523	3,023
Interest on investments	607,500	607,500	557,958	(49,542)
Interest Income- GASB 87	-	-	49,140	49,140
Lease revenue	418,060	418,060	370,259	(47,801)
Donated revenue	-	-	318,500	318,500
Miscellaneous income	1,826	1,826	9,750	7,924
Total revenues	<u>3,791,886</u>	<u>3,791,886</u>	<u>4,465,354</u>	<u>673,468</u>
EXPENDITURES				
Business retention/expansion	73,113	73,113	50,243	22,870
Contractual - incentives	275,396	275,396	1,191,063	(915,667)
Contractual - administration	604,331	604,331	604,331	-
Contractual - services	122,350	122,350	153,493	(31,143)
4A(s) projects	250,000	250,000	250,000	-
Dues, fees & memberships	56,973	56,973	51,040	5,933
Interest Expense- GASB 87	-	-	1,135	(1,135)
Maintenance	214,211	214,211	476,716	(262,505)
Marketing	219,978	211,278	218,519	(7,241)
Office expense	8,600	8,600	8,807	(207)
Synergy Center lease expenses	98,380	98,380	93,815	4,565
Training & education	8,285	8,285	6,474	1,811
Travel	29,500	29,500	9,355	20,145
Capital outlay	418,700	427,400	554,608	(127,208)
Total expenditures	<u>2,379,817</u>	<u>2,379,817</u>	<u>3,669,599</u>	<u>(1,289,782)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,412,069</u>	<u>1,412,069</u>	<u>795,755</u>	<u>(616,314)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(1,412,069)</u>	<u>(1,412,069)</u>	<u>(1,230,480)</u>	<u>181,589</u>
Total other financing sources and uses	<u>(1,412,069)</u>	<u>(1,412,069)</u>	<u>(1,230,480)</u>	<u>181,589</u>
Net change in fund balances - budget basis	-	-	(434,725)	(434,725)
Budget basis to GAAP basis adjustments:				
Adjustment made to contract with City	-	-	(4,711)	(4,711)
Conversion of sales tax revenue to full accrual basis	-	-	305,936	305,936
Net change in fund balances - GAAP basis	<u>-</u>	<u>-</u>	<u>(133,500)</u>	<u>(133,500)</u>
Fund Balance, October 1, 2024	12,013,045	12,013,045	13,660,128	1,647,083
Fund Balance, September 30, 2025	<u>\$ 12,013,045</u>	<u>\$ 12,013,045</u>	<u>\$ 13,526,628</u>	<u>\$ 1,513,583</u>

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE 2

KILGORE ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the City of Kilgore, Texas)
SCHEDULE OF MAXIMUM CASH OUTLAYS AND LOAN ABATEMENT COMMITMENTS
SEPTEMBER 30, 2025

Company / Contract Type	Anniversary Date	Cash (C) Credit (A) Non-Cash (N)	10/1/2025	10/1/2026	10/1/2027	10/1/2028	10/1/2028	Totals
			9/30/2026	9/30/2027	9/30/2028	9/30/2029	& Thereafter	
Alliance Architec Virtual Building Plans	6/21/2022	C	116,500	-	-	-	-	116,500
Camfill USA	24-May	C	-	322,960	450,000	450,000	1,506,100	2,729,060
Composite Fluid Transfers LLC 4/24/23	24-Apr	C	35,000	10,500	38,500	35,000	-	119,000
Keeprite Refrigeration, Inc. (Tersco Property Mgt) 09/19/23	19-Sep	C	515,000	305,000	50,000	165,000	-	1,035,000
KEDC Synergy Blvd Street/Bridge Repairs 08/06/25	6-Aug	C	144,332	-	-	-	-	144,332
KEDC Site Selection Group - Land Phase 2 09/16/25	16-Sep	C	10,000	-	-	-	-	10,000.00
KEDC Marketing Alliance Strategic Plan 08/19/25	19-Aug	C	36,750	-	-	-	-	36,750.00
KEDC Marketing Alliance By-Law Review 09/16/25	19-Sep	C	18,500	-	-	-	-	18,500.00
Orgill Inc.	17-Jul	C	75,000	75,000	7,000	-	-	157,000
Wagner Tuning - Lease payment reduction	1-May	N	5,771	9,166	-	-	-	14,937
Wagner Tuning	1-May	C	44,229	40,834	-	-	-	85,063
Total Cash and Non-Cash Commitments			\$ 1,001,082	\$ 763,460	\$ 545,500	\$ 650,000	\$ 1,506,100	\$ 4,466,142
Total Cash Commitments			\$ 958,561	\$ 754,294	\$ 545,500	\$ 650,000	\$ 1,506,100	\$ 4,414,455

KILGORE ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the City of Kilgore, Texas)
SCHEDULE OF PENDING CASH COMMITMENTS
SEPTEMBER 30, 2025

Company Name	Cash (C) Noncash (N) Credit (A)	10/1/2025	10/1/2026	10/1/2027	10/1/2028	10/1/2029	10/1/2030	Maximum
		9/30/2026	9/30/2027	9/30/2028	9/30/2029	9/30/2030	& Thereafter	Commitments
Prospect 2630	N	140,000	-	-	-	-	-	140,000
Prospect 2733 Hwy 42 Property next to RR Commision Building	C	350,000	-	-	-	-	-	350,000
Prospect 2737 Splash Too 04/30/25	C	225,000	-	-	-	-	-	225,000
Total Commitments Pending		<u>\$ 715,000</u>	<u>\$ -</u>	<u>\$ 715,000</u>				
Total Cash Commitments		\$ 575,000	-	-	-	-	-	\$ 575,000
Total Non-Cash Commitments		\$ 140,000	-	-	-	-	-	\$ 140,000

These are contracts that have been offered and have not been accepted, or details of these contracts have not been finalized.

OTHER REPORTS

**INDEPENDENT AUDITORS 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***

To the Board of Directors
Kilgore Economic Development Corporation
Kilgore, 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, each major fund, and the aggregate remaining fund information of the Kilgore Economic Development Corporation as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Kilgore Economic Development Corporation's basic financial statements and have issued our report thereon dated December 3, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Kilgore Economic Development Corporation's internal control over financial reporting (internal control) to determine 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 Kilgore Economic Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Kilgore 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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kilgore Economic Development Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. 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 disclose 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 to solely describe the scope of our testing of internal control and compliance and the result 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.

Gollob Morgan Peddy PC

Certified Public Accountants

Tyler, Texas

December 3, 2025