

**Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)**

Annual Financial Report
For the Fiscal Year Ended
September 30, 2018



Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
For the Fiscal Year Ended
September 30, 2018

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Independent Auditor's Report

The Honorable Mayor and
Members of the City Council
City of Kennedale, Texas

We have audited the accompanying financial statements of the governmental activities and the major fund of the Kennedale Economic Development Corporation (Corporation), a component unit of the City of Kennedale, Texas as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

The Honorable Mayor and
Members of the City Council
City of Kennedale, Texas
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Corporation as of September 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Government 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.

BKD, LLP

Dallas, Texas
March 28, 2019

Kennedale Economic Development Corporation

(Component Unit of the City of Kennedale, Texas)

Management's Discussion and Analysis

(Unaudited)

As management of the Kennedale Economic Development Corporation (Corporation), we offer readers of the Corporation's financial statements, this narrative overview and analysis of the financial activities of the Corporation for the fiscal year ended September 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the Corporation exceeded its liabilities at the close of the most recent fiscal year by \$4,179,638.
- The Corporation's net position decreased by \$218,174. The decrease was due to increases in construction costs for the fiscal year.
- As of the close of the current fiscal year, the Corporation's governmental fund reported an ending fund balance of \$290,175, a decrease of \$22,210 in comparison with the prior year. The decrease was primary related to an increase in construction costs for the fiscal year.
- At the end of the current fiscal year, the restricted fund balance and total fund balance for the General Fund was \$290,175.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation'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.

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

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

The statement of activities 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 these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

Governmental Activities: The Corporation's basic expenditures are reported here, including administrative and incentive grants. Sales taxes, rent and investment earnings finance these activities.

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Management's Discussion and Analysis
(Unaudited)

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Corporation uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

The Corporation uses the following fund type:

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 balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Corporation maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, which is considered to be a major fund.

The Corporation adopts an annual appropriated budget for its governmental fund. A budgetary comparison statement has been provided for General Fund component unit to demonstrate compliance with the budget.

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 in the financial section.

Government-Wide Financial Analysis

As noted earlier, over time, net position may serve as a useful indicator of the Corporation's financial position. In the case of the Corporation, assets exceeded liabilities by \$4,179,638 at the close of the most recent fiscal year.

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Management's Discussion and Analysis
(Unaudited)

Kennedale Economic Development Corporation's Statement of Net Position

	Governmental Activities	
	2018	2017
Assets		
Cash and cash equivalents	\$ 234,269	\$ 270,350
Receivables (net of allowance)	96,033	74,466
Prepaid items	10,000	10,000
Capital assets (net of depreciation)	<u>5,025,775</u>	<u>5,323,122</u>
Total assets	<u>5,366,077</u>	<u>5,677,938</u>
Liabilities		
Accounts payable	1,228	3,532
Accrued interest	20,956	22,678
Unearned revenue	20,000	20,000
Accrued liabilities	28,899	18,899
Bond and loan payable	<u>1,115,356</u>	<u>1,215,017</u>
Total liabilities	<u>1,186,439</u>	<u>1,280,126</u>
Net Position		
Net investment in capital assets	3,910,419	4,108,105
Restricted for economic development	269,219	119,690
Unrestricted	<u>-</u>	<u>170,017</u>
Total net position	<u>\$ 4,179,638</u>	<u>\$ 4,397,812</u>

The Corporation's net position decreased by \$218,174 during the current fiscal year. The decrease was due to increases in construction costs for the fiscal year.

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Management's Discussion and Analysis
(Unaudited)

Kennedale Economic Development Corporation's Changes in Net Position

	Governmental Activities	
	2018	2017
General/Program Revenues		
Sales tax	\$ 447,132	\$ 363,679
Rental	108,206	82,071
Miscellaneous	187,765	246,733
Investment Earnings	5,399	789
	<u>748,502</u>	<u>693,272</u>
Expenses		
Economic development		
Administration	893,919	683,343
Interest and other	72,757	72,989
	<u>966,676</u>	<u>756,332</u>
Change in Net Position	<u>(218,174)</u>	<u>(63,060)</u>
Net Position, Beginning	<u>4,397,812</u>	<u>4,460,872</u>
Net Position, Ending	<u>\$ 4,179,638</u>	<u>\$ 4,397,812</u>

The Corporation's revenues increased by \$55,230 or 7.9% from last year. The increase was due to improved sales tax revenue and full rental in the town center.

General Fund Budgetary Highlights: The actual expenditures for the year were \$1,013,842, which was \$603,186 over budget.

For fiscal year 2018, the actual revenues were \$597,361, as compared to the budgeted amount of \$576,178.

During the year, an unbudgeted sale of land occurred, creating additional cash flow to renovate the town center and bring it to full occupancy.

Capital Asset and Debt Administration

Capital Assets: The investment in capital assets for the governmental activities as of September 30, 2018, amounts to \$5,025,775 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements and infrastructure.

Additional information on the capital assets can be found in the notes to the financial statements on page 19.

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Management's Discussion and Analysis
(Unaudited)

Long-term Debt: At year-end, the KEDC had revenue bonds and a loan in the amount of \$730,000 and \$385,356, respectively. No new debt was issued in fiscal year 2018.

Additional information on the long-term debt can be found in the notes to the financial statements on pages 19 and 20.

Discussion of Currently Known Facts, Decisions or Conditions in Fiscal Year 2019

The Kennedale Economic Development Corporation's projects for the fiscal year and beyond include: 1) Opening a "sit-down" restaurant in the Oak Crest development, 2) building a hotel in the Oak Crest development, 3) continuing the development of the Kennedale Town Center and 4) identifying potential tracts of land to acquire, consolidate, clear and resell for light manufacturing uses.

Request for Information

This financial report is designed to provide a general overview of the Corporation'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 financial information should be addressed to the Director of Finance, Kennedale Economic Development Corporation, 405 Municipal Dr., Kennedale, Texas 76060.

Basic Financial Statements

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Statement of Net Position
September 30, 2018

Assets	
Cash and cash equivalents	\$ 234,269
Receivables (net of allowance)	
Accounts	26,305
Sales tax	69,728
Prepaid items	10,000
Capital assets	
Land	864,017
Other capital assets, net of accumulated depreciation	<u>4,161,758</u>
Total assets	<u>5,366,077</u>
Liabilities	
Accounts payable	1,228
Accrued liabilities	28,899
Accrued interest	20,956
Unearned revenue	20,000
Bond and loan payable	102,038
Noncurrent liabilities	
Bond and loan payable	<u>1,013,318</u>
Total liabilities	<u>1,186,439</u>
Net Position	
Net investment in capital assets	3,910,419
Restricted for	
Economic Development	<u>269,219</u>
Total net position	<u><u>\$ 4,179,638</u></u>

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Statement of Activities
For the Year Ended September 30, 2018

Program Revenue	Expenses	Program Revenue <u>Charges for Services</u>	Net (Expense) Revenue and Changes in Net Assets
Functions/program			
Governmental Activities			
Kennedale Economic			
Development Corporation	\$ 893,919	\$ 108,206	\$ (785,713)
Interest and other	<u>72,757</u>	<u>-</u>	<u>(72,757)</u>
Total governmental activities	<u>\$ 966,676</u>	<u>\$ 108,206</u>	<u>\$ (858,470)</u>
General revenues			
Sales taxes			\$ 447,132
Interest on investments			5,399
Gain on sale of land			106,049
Miscellaneous			<u>81,716</u>
Total general revenues and transfers			<u>640,296</u>
Change in Net Position			(218,174)
Net Position, Beginning of Year			<u>4,397,812</u>
Net Position, End of Year			<u>\$ 4,179,638</u>

Kennedale Economic Development Corporation

(Component Unit of the City of Kennedale, Texas)

Balance Sheet

General Fund

September 30, 2018

Assets	
Cash and cash equivalents	\$ 234,269
Receivables	
Sales tax	69,728
Other	26,305
Deposits held for tenants	<u>10,000</u>
Total assets	<u><u>\$ 340,302</u></u>
Liabilities	
Accounts payable	\$ 1,228
Unearned revenue	20,000
Customer deposits	<u>28,899</u>
Total liabilities	<u>50,127</u>
Fund Balances	
Restricted for economic development	<u>290,175</u>
Total fund balances	<u>290,175</u>
Total Liabilities and Fund Balances	<u><u>\$ 340,302</u></u>

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Reconciliation of the Balance Sheet of the
Governmental Fund to the Statement of Net Position
September 30, 2018

Total Fund Balance	\$ 290,175
Amounts reported in the statement of net position are different because:	
Interest payable on long-term debt does not require current financial resources; therefore, interest payable is not reported as a liability in the balance sheet.	(20,956)
Capital assets used in governmental activities are not financial resources; therefore, are not reported as assets in fund financial statements. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation.	5,025,775
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the fund financial statements.	<u>(1,115,356)</u>
Total Net Position	<u><u>\$ 4,179,638</u></u>

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
For the Year Ended September 30, 2018

Revenues	
Sales taxes	\$ 447,132
Rent	108,206
Investment earnings	5,399
Miscellaneous	<u>36,624</u>
Total revenues	<u>597,361</u>
Expenditures	
Economic development	603,558
Capital Outlay	237,866
Debt service	
Principal	99,661
Interest	<u>72,757</u>
Total expenditures	<u>1,013,842</u>
Deficits of revenues over expenditures	<u>(416,481)</u>
Other Financing Sources	
Sale of capital assets	349,179
Other	<u>45,092</u>
Total other financing sources	<u>394,271</u>
Net Change in Fund Balance	(22,210)
Fund Balance, Beginning of Year	<u>312,385</u>
Fund Balance, End of Year	<u><u>\$ 290,175</u></u>

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of the Governmental Fund to the Statement of Activities
For the Year Ended September 30, 2018

Net Change in Fund Balance \$ (22,210)

Amounts reported in the statement of activities are different because:

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 of capital assets recorded in the current period.

Capital Outlay	237,866
Depreciation	(292,083)

In the governmental fund financial statements the proceeds from sale of assets are shown as an increase in financial resources. In the government-wide financial statements, the gain or loss is calculated and reported.	(243,130)
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Current year principal payments of long-term liabilities are shown as expenditures in the fund financial statements, but shown as reductions in long-term liabilities in the government-wide financial statements.	99,661
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Current year changes in accrued interest payable required the use of current financial resources; therefore, amounts reported as expenditures in Governmental Funds was greater than amounts reported on the Statement of Activities.	<u>1,722</u>
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Change in Net Position	<u><u>\$ (218,174)</u></u>
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Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Notes to Basic Financial Statements
September 30, 2018

Note 1: Summary of Significant Accounting Policies

The financial statements of Kennedale Economic Development Corporation (Corporation) have been prepared in conformity with generally accepted accounting principles (GAAP) for local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB's jurisdiction includes nonprofit corporations that are in substance part of a governmental unit. The most significant accounting and reporting policies of the Corporation are described in the following notes to the financial statements.

Reporting Entity

The Corporation was incorporated on December 2, 1996. The Corporation is a nonprofit corporation organized and operating under the laws of the State of Texas, particularly Section 4B of the *Development Corporation Act of 1979*, as amended and Article 5190.6, Vernon's Texas Civil Statutes (Act), as amended. The Corporation was created following an election held by the City of Kennedale, Texas (City), on August 10, 1996, to levy 0.5% local sales and use tax in the City for the benefit of the Corporation. The Corporation, as currently organized, is to promote economic development within the City, including, but not limited to, construction, operation and administration, as permitted by Section 4B of the Act, as amended. The Corporation is a discretely presented component unit of the City.

As required by generally accepted accounting principles, these financial statements present the Corporation and do not include any component units, entities for which the Corporation is considered to be financially accountable. The Corporation did not have any entities which meet the component unit criteria. Therefore, the reporting entity is limited to those departments which comprise the Corporation's legally adopted jurisdiction. However, the Corporation is considered to be, and is reported as, a component unit of the City.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the government. Governmental activities are supported by taxes, rent and investment revenue.

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

The government-wide and fund financial statements are provided for the governmental fund of the Corporation with a reconciliation between the two provided.

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Notes to Basic Financial Statements
September 30, 2018

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. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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, the Corporation considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Sales tax and interest income associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Corporation.

The Corporation reports the following major governmental fund:

The ***General Fund*** is the government's primary operating fund. It accounts for all financial resources of the Corporation. There are no other funds of the Corporation.

Assets, Liabilities and Net Position or Fund Balance

Cash and Investments

The City pools substantially all cash and investments except for separate cash and investment accounts which are maintained in accordance with legal restrictions. Investment income on investments is allocated to the Corporation based upon its pro rata participation in the pool.

Investments in government pools are recorded at amortized cost or net asset value. All other investments are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

Long-term Obligations

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

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Notes to Basic Financial Statements
September 30, 2018

Net Position

Net positions represent the difference between assets, deferred inflows/outflows of resources and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue.

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

The Economic Development Board of Directors and the City Council of the City of Kennedale, Texas, follow these procedures in establishing budgets reflected in the financial statements:

1. Prior to the beginning of each fiscal year, the Executive Director submits a proposed budget to the Corporation's Board of Directors for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and means of financing them.
2. Public hearings are conducted at which all interested persons' comments concerning the budget are heard.
3. The budget is legally enacted by the Corporation's Board of Directors and ratified by the City Council of the City.
4. The Board of Directors and the City Council must approve any budget amendments. At the end of each fiscal year, all appropriations lapse.
5. Annual budgets adopted for the Economic Development Fund are adopted on a basis consistent with generally accepted accounting principles.

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Notes to Basic Financial Statements
September 30, 2018

Note 3: Detail Notes on Funds and Activities

Cash and Investments

The *Public Funds Investment Act* (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the Corporation 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. Statutes authorize the Corporation to invest in: (1) obligations of the U. S. Treasury, certain U. S. Agencies, and the State of Texas (2) certificates of deposit (3) certain municipal securities (4) money market savings accounts (5) repurchase agreements (6) bankers' acceptances (7) Mutual Funds, (8) Investment pools (9) guaranteed investment contracts and (10) common trust funds. The *Public Funds Investment Act* (Act) also requires the Corporation to have independent auditors perform test procedures related to investment practices as provided by the Act. The Corporation is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Act, the Corporation has adopted a deposit and investment policy. That policy does address the following risks:

- (A) ***Custodial Credit Risk:*** Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. As of September 30, 2018, all of the Corporation's deposits were in the TexPool, TexStar and TexasTerm accounts held by the City of Kennedale.
- (B) ***Credit Risk:*** It is the Corporation's policy to limit investments to investment types with an investment quality rating no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service or no lower than investment grade by at least one nationally recognized rating service with a weighted average maturity no greater than 90 days. The City's investments were rated AAA-m by Standard and Poor's Investors Services.
- (C) ***Interest Rate Risk:*** In accordance with the Corporation's investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 90 days or less, dependent on market conditions.
- (D) ***Concentration of Credit Risk:*** The Corporation's investment policy states the maximum percentage allowed for each different investment instrument that can be used to make up the portfolio.

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Notes to Basic Financial Statements
September 30, 2018

At September 30, 2018, the carrying amounts of the Corporation’s investments were as follows:

TexPool	\$	219,483
TexStar		13,490
TexasTerm		1,296
Total investments	\$	234,269

Public Funds Investment Pools

Public funds investment pools in Texas (Pools) are established under the authority of the *Interlocal Cooperation Act*, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Act, Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one-half of one percent of the value of its shares.

All investments are measured using amortized cost or net asset value per share (or its equivalent). The carrying value amounts included above approximate amortized cost or net asset value for all related external investment pool balances.

Risk Management

The Corporation carries its general insurance risks with a public entity risk pool by transferring all risks to the insurance carrier except for small deductible amounts.

Agreement with City

The Corporation has no employees. The personnel duties for the Corporation are performed by employees of the City of Kennedale, and the Corporation is charged for expenses related to these duties.

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Notes to Basic Financial Statements
September 30, 2018

Capital Assets

Capital assets activity for year ended September 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Capital assets, not being depreciated				
Land	\$ 1,107,147	\$ -	\$ 243,130	\$ 864,017
Totals capital assets not being depreciated	<u>1,107,147</u>	<u>-</u>	<u>243,130</u>	<u>864,017</u>
Capital assets, being depreciated				
Buildings	4,740,085	177,104	-	4,917,189
Improvements	1,017,693	60,762	-	1,078,455
Infrastructure	209,707	-	-	209,707
Totals capital assets being depreciated	<u>5,967,485</u>	<u>237,866</u>	<u>-</u>	<u>6,205,351</u>
Less accumulated depreciation for:				
Buildings	1,409,858	237,004	-	1,646,862
Improvements	329,570	50,885	-	380,455
Infrastructure	12,082	4,194	-	16,276
Total accumulated depreciation	<u>1,751,510</u>	<u>292,083</u>	<u>-</u>	<u>2,043,593</u>
Total capital assets, being depreciated, net	<u>4,215,975</u>	<u>(54,217)</u>	<u>-</u>	<u>4,161,758</u>
Capital assets, net	<u>\$ 5,323,122</u>	<u>\$ (54,217)</u>	<u>\$ 243,130</u>	<u>\$ 5,025,775</u>

Long-term Debt

During fiscal year 2011, a loan was issued for \$1,700,000 for the purpose of financing new projects in addition to the revenue bonds issued fiscal year 2007 for \$1,200,000 also issued for the purpose of financing new projects. Revenue bonds and loans outstanding at year end are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Discretely Presented Component Units					
Revenue bonds	\$ 790,000	\$ -	\$ 60,000	\$ 730,000	\$ 60,000
Texas leverage fund loan	425,017	-	39,661	385,356	42,038
Total discretely presented component units	<u>\$ 1,215,017</u>	<u>\$ -</u>	<u>\$ 99,661</u>	<u>\$ 1,115,356</u>	<u>\$ 102,038</u>

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Notes to Basic Financial Statements
September 30, 2018

Annual debt service requirements to maturity for the revenue bonds and note payable of the Corporation are as follows:

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2019	\$ 102,038	\$ 38,202	\$ 140,240
2020	108,533	34,622	143,155
2021	115,081	30,815	145,896
2022	121,685	26,779	148,464
2023	128,345	22,512	150,857
2024-2028	<u>539,674</u>	<u>43,259</u>	<u>582,933</u>
Total	<u>\$ 1,115,356</u>	<u>\$ 196,189</u>	<u>\$ 1,311,545</u>

Commitment

The EDC has committed to pay the City of Kennedale debt service payments for the Certificates of Obligation, Series 2010 when the payments become due. The following commitment is anticipated to be funded with future sales tax revenue.

Year Ending September 30	
2019	\$ 154,825
2020	151,900
2021	153,300
2022	154,500
2023	154,500
2024-2028	763,750
2029-2030	<u>306,500</u>
Totals	<u>\$ 1,839,275</u>

Required Supplementary Information

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual (Unaudited)
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Sales Tax	\$ 408,835	\$ 408,835	\$ 447,132	\$ 38,297
Rental Tax	121,858	121,858	108,206	(13,652)
Miscellaneous income	45,120	45,120	36,624	(8,496)
Investment earnings	365	365	5,399	5,034
	<u>576,178</u>	<u>576,178</u>	<u>597,361</u>	<u>21,183</u>
Total revenues				
Expenditures				
Current				
Economic development	240,879	240,879	420,776	(179,897)
Capital outlay	-	210,000	237,866	(27,866)
Debt service				
Principal	169,777	169,777	99,661	70,116
Interest and other	-	-	72,757	(72,757)
	<u>410,656</u>	<u>620,656</u>	<u>831,060</u>	<u>(210,404)</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>165,522</u>	<u>(44,478)</u>	<u>(233,699)</u>	<u>(189,221)</u>
Other financing sources (uses)				
Transfers in	29,719	29,719	-	(29,719)
Transfers out	(182,307)	(182,307)	(182,782)	(475)
Sale of capital assets	-	349,179	349,179	-
Other sources	-	-	45,092	45,092
	<u>(152,588)</u>	<u>196,591</u>	<u>211,489</u>	<u>14,898</u>
Total other financing sources (uses)				
Net Change in Fund Balances	12,934	152,113	(22,210)	(174,323)
Fund Balance, Beginning of Year	<u>312,385</u>	<u>312,385</u>	<u>312,385</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 325,319</u>	<u>\$ 464,498</u>	<u>\$ 290,175</u>	<u>\$ (174,323)</u>