

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

Annual Financial Report
For the Fiscal Year Ended
September 30, 2020

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
For the Fiscal Year Ended
September 30, 2020

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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 or KEDC), a component unit of the City of Kennedale, Texas (City) as of and for the year ended September 30, 2020, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2020, 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 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.

BKD, LLP

Dallas, Texas
March 22, 2021

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 or KEDC), we offer readers of the Corporation's financial statements, this narrative overview and analysis of the financial activities of the Corporation for the fiscal year ended September 30, 2020. We encourage readers to consider the information presented here in conjunction with 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 \$4,452,539.
- The Corporation's net position increased by \$216,375. The increase was due to sale of land in the current fiscal year.
- As of the close of the current fiscal year, the Corporation's governmental fund reported an ending fund balance of \$951,704, an increase of \$408,516 in comparison with the prior year. The increase was primary related to an increase in sales tax revenue 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 \$951,704.

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 \$4,452,539 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	
	2020	2019
Assets		
Cash and cash equivalents	\$ 862,599	\$ 469,588
Receivables (net of allowance)	111,097	113,609
Prepaid items	10,000	10,000
Capital assets (net of depreciation)	<u>4,422,987</u>	<u>4,727,250</u>
Total assets	<u>5,406,683</u>	<u>5,320,447</u>
Liabilities		
Accounts payable	3,804	21,821
Accrued interest	17,367	20,956
Accrued liabilities	28,188	28,188
Bond and loan payable	<u>904,785</u>	<u>1,013,318</u>
Total liabilities	<u>954,144</u>	<u>1,084,283</u>
Net Position		
Net investment in capital assets	3,518,202	3,713,932
Restricted for economic development	<u>934,337</u>	<u>522,232</u>
Total net position	<u>\$ 4,452,539</u>	<u>\$ 4,236,164</u>

The Corporation's net position increased by \$216,375 during the current fiscal year. The increase was due to increases in miscellaneous revenue.

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	
	2020	2019
General/Program Revenues		
Sales tax	\$ 548,709	\$ 545,785
Rental	224,073	228,241
Miscellaneous	175,656	35,897
Investment Earnings	4,870	9,144
	<hr/>	<hr/>
Total revenues	953,308	819,067
	<hr/>	<hr/>
Expenses		
Economic development		
Administration	667,834	698,932
Interest and other	69,099	63,609
	<hr/>	<hr/>
Total expenses	736,933	762,541
	<hr/>	<hr/>
Change in Net Position	216,375	56,526
Net Position, Beginning	4,236,164	4,179,638
	<hr/>	<hr/>
Net Position, Ending	\$ 4,452,539	\$ 4,236,164
	<hr/>	<hr/>

The Corporation's revenues increased by \$134,241 or 16.39 percent from last year. The increase was due to the sale of land the EDC held and sold during the current fiscal year.

General Fund Budgetary Highlights: The actual expenditures for the year were \$544,792, which was \$188,782 over budget.

For fiscal year 2020, the actual revenues were \$953,308, as compared to the budgeted amount of \$700,728.

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

Capital Asset and Debt Administration

Capital Assets: The investment in capital assets for the governmental activities as of September 30, 2020, amounts to \$4,422,987 (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 20.

Long-term Debt: At year-end, the KEDC had revenue bonds and a loan in the amount of \$605,000 and \$299,785, respectively. No new debt was issued in fiscal year 2020.

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

Discussion of Currently Known Facts, Decisions, or Conditions in Fiscal Year 2020

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

Government-wide

September 30, 2020

Assets

Cash and cash equivalents	\$ 862,599
Receivables (net of allowance)	
Accounts	18,179
Sales tax	92,918
Prepaid items	10,000
Capital assets	
Land	864,017
Other capital assets, net of accumulated depreciation	<u>3,558,970</u>
Total assets	<u>5,406,683</u>

Liabilities

Accounts payable	3,804
Accrued liabilities	28,188
Accrued interest	17,367
Current portion of bond and loan payable	115,081
Noncurrent liabilities	
Bond and loan payable	<u>789,704</u>
Total liabilities	<u>954,144</u>

Net Position

Net investment in capital assets	3,518,202
Restricted for	
Economic development	<u>934,337</u>
Total net position	<u>\$ 4,452,539</u>

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Statement of Activities
Government-wide
For the Year Ended September 30, 2020

Program Revenue	Expenses	Program Revenue Charges for Services	Net (Expense) Revenue and Changes in Net Position
Functions/Program			
Governmental Activities			
Kennedale Economic			
Development Corporation	\$ 667,834	\$ 224,073	\$ (443,761)
Interest and other	<u>69,099</u>	<u>-</u>	<u>(69,099)</u>
Total governmental activities	<u><u>\$ 736,933</u></u>	<u><u>\$ 224,073</u></u>	<u>(512,860)</u>
General revenues			
Sales taxes			548,709
Investment earnings			4,870
Miscellaneous			<u>175,656</u>
Total general revenues			<u>729,235</u>
Change in Net Position			216,375
Net Position, Beginning of Year			<u>4,236,164</u>
Net Position, End of Year			<u><u>\$ 4,452,539</u></u>

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Balance Sheet
General Fund
September 30, 2020

Assets

Cash and cash equivalents	\$	862,599
Receivables		
Sales tax		92,918
Other		18,179
Prepaid items		10,000
Total assets	\$	983,696

Liabilities

Accounts payable	\$	3,804
Customer deposits		28,188
Total liabilities		31,992

Fund Balances

Restricted for economic development		951,704
Total fund balances		951,704
Total liabilities and fund balances	\$	983,696

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, 2020

Total Fund Balance	\$	951,704
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.		(17,367)
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.		4,422,987
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>(904,785)</u>
Total Net Position	\$	<u><u>4,452,539</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, 2020

Revenues	
Sales taxes	\$ 548,709
Rent	224,073
Investment earnings	4,870
Miscellaneous	<u>175,656</u>
Total revenues	<u>953,308</u>
 Expenditures	
Economic development	363,571
Debt service	
Principal	108,533
Interest	<u>72,688</u>
Total expenditures	<u>544,792</u>
Increase of Revenues Over Expenditures	<u>408,516</u>
Net Change in Fund Balance	408,516
Fund Balance, Beginning of Year	<u>543,188</u>
Fund Balance, End of Year	<u><u>\$ 951,704</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, 2020

Net Change in Fund Balance	\$	408,516
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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. Amount of capital assets recorded in the current period:

Depreciation		(304,263)
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Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in EDC fund.

		3,589
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Current year principal payments of long-term liabilities are the fund financial statements, but shown as reductions in long-term liabilities in the government-wide financial statements.

		108,533
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Change in Net Position		
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	\$	216,375
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Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Notes to Basic Financial Statements
September 30, 2020

Note 1: Summary of Significant Accounting Policies

The financial statements of Kennedale Economic Development Corporation (Corporation or KEDC) 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 percent 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, 2020

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 Corporation 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.

Capital Assets

Capital assets, which include property, plant, equipment, buildings, improvements, and infrastructure are reported in the government-wide financial statements. The Corporation defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Notes to Basic Financial Statements
September 30, 2020

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	20 years
Machinery and equipment	4 – 10 years
Infrastructure	35 - 125 years

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.

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. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Corporation 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.

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Notes to Basic Financial Statements
September 30, 2020

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.

Note 3: Detail Notes on Funds and Activities

Cash, Cash Equivalents, and Investments

At September 30, 2020, Kennedale's EDC had no deposits.

The *Public Funds Investment Act*, Government Code Chapter 2256 (Act) 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.

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Notes to Basic Financial Statements
September 30, 2020

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 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, 2020, all of the Corporation's deposits were in the TexPool and TexStar accounts held by the City.
- (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 Corporation'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 Corporation 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.

At September 30, 2020, the carrying amounts of the Corporation's investments were as follows:

TexPool	\$	829,489
TexStar		33,110
Total investments	\$	862,599

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Notes to Basic Financial Statements
September 30, 2020

Public Funds Investment Pools

Public funds investment pools in Texas (Pools) are established under the authority of the *Interlocal Cooperation Act* (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, 2020

Capital Assets

Capital assets activity for year ended September 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Capital assets, not being depreciated				
Land	\$ 864,017	\$ -	\$ -	\$ 864,017
Totals capital assets not being depreciated	<u>864,017</u>	<u>-</u>	<u>-</u>	<u>864,017</u>
Capital assets, being depreciated				
Buildings	4,917,189	-	-	4,917,189
Improvements	1,084,193	-	-	1,084,193
Infrastructure	<u>209,707</u>	<u>-</u>	<u>-</u>	<u>209,707</u>
Totals capital assets being depreciated	<u>6,211,089</u>	<u>-</u>	<u>-</u>	<u>6,211,089</u>
Less accumulated depreciation for:				
Buildings	1,892,721	245,859	-	2,138,580
Improvements	434,665	54,210	-	488,875
Infrastructure	<u>20,470</u>	<u>4,194</u>	<u>-</u>	<u>24,664</u>
Total accumulated depreciation	<u>2,347,856</u>	<u>304,263</u>	<u>-</u>	<u>2,652,119</u>
Total capital assets, being depreciated, net	<u>3,863,233</u>	<u>(304,263)</u>	<u>-</u>	<u>3,558,970</u>
Capital assets, net	<u>\$ 4,727,250</u>	<u>\$ (304,263)</u>	<u>\$ -</u>	<u>\$ 4,422,987</u>

Long-term Debt

During fiscal year 2011, a loan was issued for \$1,700,000 at 3.25 percent for the purpose of financing new projects in addition to the revenue bonds issued in fiscal year 2007 for \$1,200,000 at 6.95 percent 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 Unit					
Revenue bonds	\$ 670,000	\$ -	\$ 65,000	\$ 605,000	\$ 70,000
Texas leverage fund loan	<u>343,318</u>	<u>-</u>	<u>43,533</u>	<u>299,785</u>	<u>45,081</u>
Total	<u>\$ 1,013,318</u>	<u>\$ -</u>	<u>\$ 108,533</u>	<u>\$ 904,785</u>	<u>\$ 115,081</u>

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Notes to Basic Financial Statements
September 30, 2020

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

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2021	\$ 115,081	\$ 30,815	\$ 145,896
2022	121,685	26,779	148,464
2023	128,345	22,512	150,857
2024	135,065	18,013	153,078
2025	141,845	13,278	155,123
2026-2030	<u>262,764</u>	<u>11,969</u>	<u>274,733</u>
Total	<u>\$ 904,785</u>	<u>\$ 123,366</u>	<u>\$ 1,028,151</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, 2020

	<u>Budgeted Amounts</u>		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Sales taxes	\$ 445,401	\$ 445,401	\$ 548,709	\$ 103,308
Rent taxes	221,207	221,207	224,073	2,866
Miscellaneous income	30,120	30,120	175,656	145,536
Investment earnings	4,000	4,000	4,870	870
	<u>700,728</u>	<u>700,728</u>	<u>953,308</u>	<u>252,580</u>
Expenditures				
Current				
Economic development	249,028	249,028	363,571	(114,543)
Debt service				
Principal	323,570	323,570	108,533	215,037
Interest	-	-	72,688	(72,688)
	<u>572,598</u>	<u>572,598</u>	<u>544,792</u>	<u>27,806</u>
Excess (deficiency) of revenues over (under) expenditures	<u>128,130</u>	<u>128,130</u>	<u>408,516</u>	<u>280,386</u>
Other financing sources (uses)				
Transfers out	(151,900)	(151,900)	-	151,900
	<u>(151,900)</u>	<u>(151,900)</u>	<u>-</u>	<u>151,900</u>
Net Change in Fund Balances	(23,770)	(23,770)	408,516	432,286
Fund Balance, Beginning of Year	<u>543,188</u>	<u>543,188</u>	<u>543,188</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 519,418</u>	<u>\$ 519,418</u>	<u>\$ 951,704</u>	<u>\$ 432,286</u>