



KENNEDALE ECONOMIC DEVELOPEMENT CORPORATION

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**KENNEDALE ECONOMIC
DEVELOPMENT CORPORATION**

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2012

KENNEDALE ECONOMIC DEVELOPMENT CORPORATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Of Kennedale Economic Development Corporation
Kennedale, Texas

We have audited the accompanying financial statements of the governmental activities and major fund of Kennedale Economic Development Corporation (the "Corporation"), a component of the City of Kennedale, Texas, as of and for the year ended September 30, 2012, which collectively comprise the Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 major fund of the Corporation, as of September 30, 2012, and the respective changes in financial position of these activities, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 5 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.

March 6, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Kennedale Economic Development Corporation, we offer readers of the Kennedale Economic Development Corporation financial statements, this narrative overview, and analysis of the financial activities of the Kennedale Economic Development Corporation for the fiscal year ended September 30, 2012. 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 Kennedale Economic Development Corporation exceeded its liabilities at the close of the most recent fiscal year by \$4,886,383.
- The Kennedale Economic Development Corporation's net assets decreased by \$86,134. The decrease was due to increases in economic development expenses and interest and fiscal charges.
- As of the close of the current fiscal year, the Kennedale Economic Development Corporation's governmental fund reported an ending fund balance of \$201,972, a decrease of \$1,979,468 in comparison with the prior year. All of the fund balance is restricted for economic development.
- At the end of the current fiscal year, the restricted fund balance for the General Fund was \$201,972, or 7.7% of the total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Kennedale Economic Development Corporation's basic financial statements. The Kennedale Economic Development 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 Kennedale Economic Development Corporation's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 assets 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 – Most of the Corporation's basic expenditures are reported here, including administrative and incentive grants. Sales taxes and investment earnings finance these activities.

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 Kennedale Economic Development 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 Kennedale Economic Development 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 Kennedale Economic Development 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 assets may serve as a useful indicator of the Corporation's financial position. In the case of the Kennedale Economic Development Corporation, assets exceeded liabilities by \$4,886,383 at the close of the most recent fiscal year.

KENNEDALE ECONOMIC DEVELOPMENT CORPORATION'S NET ASSETS

	Governmental Activities	
	2012	2011
Current assets	\$ 323,095	\$ 2,259,206
Capital assets	6,298,809	5,535,207
Total assets	<u>6,621,904</u>	<u>7,794,413</u>
Current liabilities	96,869	51,896
Noncurrent liabilities	1,638,652	2,770,000
Total liabilities	<u>1,735,521</u>	<u>2,821,896</u>
Net assets:		
Invested in capital assets, net of related debt	4,660,157	2,765,207
Unrestricted	<u>226,226</u>	<u>2,207,310</u>
Total net assets	<u>\$ 4,886,383</u>	<u>\$ 4,972,517</u>

The Corporation's net assets decreased by \$86,134 during the current fiscal year. This decrease is primarily due to increases in economic development expenses and interest and fiscal charges.

KENNEDALE ECONOMIC DEVELOPMENT CORPORATION'S CHANGES IN NET ASSETS

	Governmental Activities	
	2012	2011
General Revenues:		
Sales tax	\$ 442,012	\$ 418,303
Rental Income	202,935	209,087
Miscellaneous income	5,251	21,916
Investment earnings	<u>1,330</u>	<u>1,570</u>
Total general revenues	<u>651,528</u>	<u>650,876</u>
Expenses:		
Economic development:		
Administration	461,217	410,738
Payment to city for debt	153,119	154,619
Interest and fiscal charges	<u>123,326</u>	<u>76,676</u>
Total expenses	<u>737,662</u>	<u>642,033</u>
Changes in net assets	(86,134)	8,843
Net assets, beginning	<u>4,972,517</u>	<u>4,963,674</u>
Net assets, ending	<u>\$ 4,886,383</u>	<u>\$ 4,972,517</u>

Governmental activities. The Corporation's general revenues increased by \$652 or .1% from last year. The slight increase was due to the an increase in sales tax revenue offset by decreases in rental income and miscellaneous income. Sales tax revenue increased by \$23,709 or 5.67% to \$442,012.

DISCUSSION OF CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS IN FISCAL YEAR 2012-2013

The Kennedale Economic Development Corporation's projects for fiscal year 2012-2013 and beyond include: 1) Finalizing the participation agreements for the Tax Increment Reinvestment Zone and securing development agreements with the three racetracks providing for the orderly conversion to residential subdivisions, 2) developing the infrastructure needed to redevelop the north entry to Kennedale (Oak Crest area), 3) continuing the development of the Kennedale TownCenter with the second and third retail buildings to be built in 2013, and 4) initiating an educational program to promote Kennedale as a desired location for manufacturing expansion and development.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the Kennedale Economic Development 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 Treasurer, Kennedale Economic Development Corporation, 405 Municipal Dr., Kennedale, Texas 76060.

**BASIC
FINANCIAL STATEMENTS**

KENNEDALE ECONOMIC DEVELOPMENT CORPORATION

**STATEMENT OF NET ASSETS
AND GOVERNMENTAL FUND BALANCE SHEET**

SEPTEMBER 30, 2012

	General	Adjustments	Statement of Net Assets
ASSETS			
Cash and investments	\$ 233,928	\$ -	\$ 233,928
Sales taxes receivable	64,913	-	64,913
Deferred charges	-	24,254	24,254
Capital assets:			
Land	-	1,136,614	1,136,614
Buildings and improvements	-	2,817,263	2,817,263
Construction in progress	-	2,798,683	2,798,683
Less: accumulated depreciation	-	(453,751)	(453,751)
Total capital assets	-	6,298,809	6,298,809
 Total assets	 298,841	 6,323,063	 6,621,904
LIABILITIES			
Accounts payable	81,970	-	81,970
Customer deposits	14,899	-	14,899
Noncurrent liabilities:			
Due within one year	-	74,907	74,907
Due in more than one year	-	1,563,745	1,563,745
Total liabilities	96,869	1,638,652	1,735,521
FUND BALANCE/NET ASSETS			
Fund balance:			
Restricted for economic development	201,972	(201,972)	-
Total fund balance	201,972	(201,972)	-
 Total liabilities and fund balance	 \$ 298,841		
Net assets:			
Invested in capital assets, net of related debt		4,660,157	4,660,157
Restricted for economic development		226,226	226,226
 Total net assets		 \$ 4,886,383	 \$ 4,886,383

The accompanying notes are an integral part of these financial statements.

KENNEDALE ECONOMIC DEVELOPMENT CORPORATION

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

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	General	Adjustments	Statement of Activities
Expenditures/expenses:			
Current:			
Economic development	\$ 1,223,203	\$(761,986)	\$ 461,217
Payment to city for debt	153,119	-	153,119
Debt service:			
Principal	1,131,348	(1,131,348)	-
Interest and fiscal charges	123,326	-	123,326
Total expenditures/expenses	2,630,996	(1,893,334)	737,662
General revenues:			
Sales taxes	442,012	-	442,012
Rental income	202,935	-	202,935
Miscellaneous income	5,251	-	5,251
Investment earnings	1,330	-	1,330
Total general revenues	651,528	-	651,528
 Excess of revenues over expenditures	 (1,979,468)	 1,893,334	 (86,134)
Net change in fund balance	(1,979,468)	1,979,468	-
Change in net assets	-	(86,134)	(86,134)
Fund balance/net assets:			
Beginning	2,181,440	2,791,077	4,972,517
Ending	\$ 201,972	\$ 4,684,411	\$ 4,886,383

The accompanying notes are an integral part of these financial statements.

KENNEDALE ECONOMIC DEVELOPMENT CORPORATION

COMPONENT UNIT - GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

FOR THE YEAR ENDED SEPTEMBER 30, 2012

(With Comparative Actual Amounts for the Year Ended September 30, 2011)

	2012			Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
REVENUES					
Sales tax	\$ 395,132	\$ 395,132	\$ 442,012	\$ 46,880	\$ 418,303
Rental income	249,272	249,272	202,935	(46,337)	209,087
Miscellaneous income	684,000	684,000	5,251	(678,749)	21,916
Investment earnings	740	740	1,330	590	1,570
Total revenues	<u>1,329,144</u>	<u>1,329,144</u>	<u>651,528</u>	<u>(677,616)</u>	<u>650,876</u>
EXPENDITURES					
Current:					
Economic development	2,872,381	2,004,280	1,223,203	781,077	1,885,282
Payment to city for debt	153,119	153,119	153,119	-	154,619
Debt Service:					
Principal	171,399	1,113,000	1,131,348	(18,348)	35,000
Interest and fiscal charges	141,844	141,844	123,326	18,518	76,676
Total expenditures	<u>3,338,743</u>	<u>3,412,243</u>	<u>2,630,996</u>	<u>781,247</u>	<u>2,151,577</u>
EXCESS OF REVENUES OVER EXPENDITURES	(2,009,599)	(2,083,099)	(1,979,468)	103,631	(1,500,701)
OTHER FINANCING SOURCES					
Debt issuance	-	-	-	-	1,700,000
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,700,000</u>
NET CHANGE IN FUND BALANCES	(2,009,599)	(2,083,099)	(1,979,468)	103,631	199,299
FUND BALANCES, BEGINNING	<u>2,181,410</u>	<u>2,181,440</u>	<u>2,181,440</u>	<u>-</u>	<u>1,982,141</u>
FUND BALANCES, ENDING	<u>\$ 171,811</u>	<u>\$ 98,341</u>	<u>\$ 201,972</u>	<u>\$ 103,631</u>	<u>\$ 2,181,440</u>

The accompanying notes are an integral part of these financial statements.

KENNEDALE ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Kennedale Economic Development Corporation (the "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.

A. Reporting Entity

The Kennedale Economic Development Corporation (KEDC) 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, (the "Act"), as amended. The Corporation was created following an election held by the City of Kennedale, Texas (the "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 under the provisions of Governmental Accounting Standards Board Statement No. 14.

As required by generally accepted accounting principles, these financial statements present the Kennedale Economic Development 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.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets 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.

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. Government-wide and Fund Financial Statements (Continued)

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 column for adjustments between the two statements.

C. 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.

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity

Cash and Investments

The City of Kennedale, Texas, pools substantially all cash and investments except for separate cash and investment accounts which are maintained in accordance with legal restrictions. The Corporation participates in the City's cash and investment pool. Investments are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in current transactions between willing parties. Investment income on investments is allocated to the Corporation based upon its pro rata participation in the pool.

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.

(continued)

3. DETAIL NOTES

A. 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 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 **Public Funds Investment Act**, the Corporation has adopted the deposit and investment policy used by the City of Kennedale. 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, 2012, all of the Corporation's deposits were in the TexPool 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 Corporation's investments were rated AAAM 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.

(continued)

3. DETAIL NOTES

A. Cash and Investments (Continued)

At September 30, 2012, the carrying amounts of the Corporation's investments were as follows:

Balances in public funds investment pools:	
State Treasurer's Investment Pool (TexPool)	<u>233,928</u>
	<u>\$ 233,928</u>

Balances in public funds investment pools noted above are not evidenced by underlying securities that exist in physical or book entry form and, therefore, are not subject to credit risk categorization.

B. Risk Management

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

C. Employee Plans

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. For complete "Employee Plan" disclosures, reference is made to the basic financial statements of the City of Kennedale, Texas.

(continued)

3. DETAIL NOTES

D. Capital Assets

Capital asset activity for the year ended September 30, 2012, was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 985,945	\$ 150,669	\$ -	\$ 1,136,614
Construction in progress	<u>2,556,892</u>	<u>258,331</u>	<u>16,540</u>	<u>2,798,683</u>
Total capital assets not being depreciated	<u>3,542,837</u>	<u>409,000</u>	<u>16,540</u>	<u>3,935,297</u>
Capital assets, being depreciated:				
Buildings	1,551,504	385,711	-	1,937,215
Improvements	<u>753,754</u>	<u>126,294</u>	<u>-</u>	<u>880,048</u>
Total capital assets being depreciated	<u>2,305,258</u>	<u>512,005</u>	<u>-</u>	<u>2,817,263</u>
Less accumulated depreciation:				
Buildings	275,200	96,861	-	372,061
Improvements	<u>37,688</u>	<u>44,002</u>	<u>-</u>	<u>81,690</u>
Total accumulated depreciation	<u>312,888</u>	<u>140,863</u>	<u>-</u>	<u>453,751</u>
Total capital assets, being depreciated, net	<u>1,992,370</u>	<u>371,142</u>	<u>-</u>	<u>2,363,512</u>
Governmental activities capital assets, net	<u>\$ 5,535,207</u>	<u>\$ 780,142</u>	<u>\$ 16,540</u>	<u>\$ 6,298,809</u>

E. 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 of \$1,200,000 also for the purpose of financing new projects. Revenue bonds and loans outstanding at year end are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Government activities					
Revenue bonds	\$ 1,070,000	\$ -	\$ 40,000	\$ 1,030,000	\$ 40,000
Texas leverage fund loan	<u>1,700,000</u>	<u>-</u>	<u>1,091,348</u>	<u>608,652</u>	<u>34,907</u>
Governmental activity					
Long-term liabilities	<u>\$ 2,770,000</u>	<u>\$ -</u>	<u>\$ 1,131,348</u>	<u>\$ 1,638,652</u>	<u>\$ 74,907</u>

(continued)

3. DETAIL NOTES

F. Long-term Debt (Continued)

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

Year Ending September 30	Governmental Activities	
	Principal	Interest
2013	\$ 74,907	\$ 90,849
2014	81,058	86,918
2015	87,248	82,601
2016	88,476	77,897
2017	94,746	73,153
2018-2022	549,283	283,007
2023-2027	662,934	114,177
Total	<u>\$ 1,638,652</u>	<u>\$ 808,602</u>