

ECONOMIC DEVELOPMENT CORPORATION
AGENDA
BOARD OF DIRECTORS - REGULAR MEETING
March 12, 2015
CITY HALL CONFERENCE ROOM, 405 MUNICIPAL DRIVE

REGULAR SESSION - 12:00 PM

I. CALL TO ORDER

II. ROLL CALL

III. MINUTES APPROVAL

- A. Consider approval of the minutes from the February 12, 2015 regular meeting

IV. REGULAR ITEMS

- A. Review and accept the KEDC Financial Report for January 2015.
- B. Discuss and consider action for approval of Economic Development Corporation Independent Auditor's Report for year ended September 30, 2014.

V. STAFF ANNOUNCEMENTS/REPORTS

- A. Link Street, Burger King, Popeye's Ribbon Cutting
B. TIP Sidewalk Project
C. Village Creek Studies
D. Chamber Update

VI. EXECUTIVE SESSION

A. The Economic Development Corporation will meet in closed session pursuant to Section 551.072 of the Texas Government Code to deliberate the purchase, lease, or value of real property

1. Town Center Development
2. 733 Kennedale Parkway Business Incentives
3. 5414 Highridge Road
4. Industrial Prospect for Bloxom Park
5. 1298 Kennedale Parkway Business Incentives

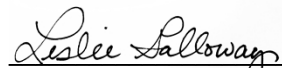
VII. RECONVENE INTO OPEN SESSION, AND TAKE ACTION NECESSARY PURSUANT TO EXECUTIVE SESSION, IF NEEDED

VIII. ADJOURNMENT

In compliance with the Americans with Disabilities Act, the City of Kennedale will provide for reasonable accommodations for persons attending City Council meetings. This building is wheelchair accessible, and parking spaces for disabled citizens are available. Requests for sign interpreter services must be made forty-eight (48) hours prior to the meetings. Please contact the City Secretary at 817.985.2104 or (TDD) 1.800.735.2989

CERTIFICATION

I certify that a copy of the March 12, 2015, Kennedale Economic Development Corporation agenda was posted on the City Hall bulletin board next to the main entrance of the City Hall building, 405 Municipal Drive, of the City of Kennedale, Texas, in a place convenient and readily accessible to the general public at all times and said agenda was posted at least 72 hours preceding the schedule time of said meeting, in accordance with Chapter 551 of the Texas Government Code.



Leslie Galloway, City Secretary

Date: March 12, 2015

Agenda Item No: MINUTES APPROVAL - A.

I. Subject:

Consider approval of the minutes from the February 12, 2015 regular meeting

II. Originated by:

Kathy Moore, Deputy City Secretary

III. Summary:

Minutes are prepared by the Deputy City Secretary and ready for approval.

IV. Recommendation:

Approve

V. Alternative Actions:

VI. Attachments:

1.	EDC Meeting Minutes - February 12, 2015	2.12.15.pdf
----	---	-------------

ECONOMIC DEVELOPMENT CORPORATION
BOARD OF DIRECTORS - REGULAR MEETING
MINUTES
February 12, 2015

I. CALL TO ORDER

Robert Mundy called the meeting to order at 12:00 p.m.

II. ROLL CALL

Present: Robert Mundy, Ron Whitley, Rebecca Mowell, Mark Yeary, Mike Johnson, Adrienne Kay and Pat Turner

Absent: None

Staff Present: Bob Hart, Kathy Moore, and Jack Thompson with Orasi Development/Chamber of Commerce

III. MINUTES APPROVAL

A. Consider approval of the minutes from the January 8, 2015 regular meeting

Motion: To approve the minutes as presented. **Action:** Approve, **Moved By:** Adrienne Kay, **Seconded By:** Ron Whitley.

Motion Passed Unanimously

IV. REGULAR ITEMS

A. Review and accept the KEDC Financial Report for December 2014

Sakura Moten-Dedrick present the December 2014 Financial Report for the Kennedale Economic Development Corporation, noting the comparisons from 2013. Pat Turner questioned the decline in sales tax; Finance Director Moten-Dedrick stated that posting normally runs 2 months behind, also noting that it was dependent upon the timing of the deposits.

Motion: To approve the minutes as presented. **Action:** Approve, **Moved By:** Pat Turner, **Seconded By:** Mike Johnson.

Motion Passed Unanimously

V. STAFF ANNOUNCEMENTS/REPORTS

A. Link Street, Burger King, Popeye's Ribbon Cutting

Bob Hart stated that Jack Thompson was planning a ribbon cutting ceremony for Popeye's and Burger King and will combine the ribbon cutting with the dedication of Link Street with Commissioner Andy Nguyen. The target date is in March. Additionally, he added that the Dixie House Café had expressed interest in the old Showtime building.

B. TIP Sidewalk Project

Bob Hart informed the Board that the Kennedale Parkway Sidewalk project was under construction, with some curb repairs underway; he estimated that the project should be complete by the end of August.

C. Village Creek Studies

Hart stated that the City completed contracts for the Village Creek Flood Control Study with the Corps of Engineers, and with UTA for water quality testing. Pat Turner questioned the future project funding source; Hart replied that 80% was core funding (FEMA and the EPA) and 20% was local funding. It was noted that the UTA contract was funded by the City through the Storm Water Budget. Bob Hart concluded that the flood control study project would take approximately two and a half years to complete.

D. Kabosi Properties

Director Hart stated that H2O Plumbing Supply based out of McKinney / Lewisville are interested in expanding their business and have expressed interest in this property. Bob noted that they have a good history at their other locations and would employ 6-8 people at the Kennedale location.

E. Chamber Update

Jack Thompson provided updates of Chamber activities, highlighting the Chambers increase in membership renewals. Additionally, he stated that a total of seventeen attended Legislative Day in Austin on February 10 and they held their Ambassador Retreat with eleven representatives. Thompson reminded everyone that the Chamber was still seeking sponsorships until the end of the month for ribbon cutting baskets and new resident welcome packets.

President Mundy recessed the meeting into executive session at 12:37 p.m.

VI. EXECUTIVE SESSION

A. The Economic Development Corporation will meet in closed session pursuant to Section 551.072 of the Texas Government Code to deliberate the purchase, lease, or value of real property

1. Town Center Development
2. 1298 Kennedale Parkway
3. 5414 High Ridge Road
4. Industrial Prospect

VII. RECONVENE INTO OPEN SESSION, AND TAKE ACTION NECESSARY PURSUANT TO EXECUTIVE SESSION, IF NEEDED

President Mundy reopened the regular session at 1:29 p.m.

No Action required pursuant to executive session. Mundy noted that the next regular scheduled meeting would be held March 12, 2015, at 12:00 p.m.

VIII. ADJOURNMENT

Motion Adjourn. Action Adjourn, Moved By Becky Mowell, **Seconded By** Mark Yeary.
Motion passed Unanimously

The meeting was adjourned at 1:31 PM

APPROVED:

President Robert Mundy

ATTEST:

Deputy City Secretary Kathy E. Moore



Date: March 12, 2015

Agenda Item No: REGULAR ITEMS - A.

I. Subject:

Review and accept the KEDC Financial Report for January 2015.

II. Originated by:

Sakura Moten-Dedrick, Director of Finance & IT

III. Summary:

The January 2015 EDC Financial Reports will be emailed on Tuesday, March 10, 2015.

IV. Recommendation:

Approve

V. Alternative Actions:

VI. Attachments:

Date: March 12, 2015

Agenda Item No: REGULAR ITEMS - B.

I. Subject:

Discuss and consider action for approval of Economic Development Corporation Independent Auditor's Report for year ended September 30, 2014.

II. Originated by:

Sakura Moten-Dedrick, Director of Finance & IT

III. Summary:

The auditor's opinion on the financial statements for the year ended September 30, 2014 is that the statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of the Kennedale Economic Development Corporation (KEDC) as of September 30, 2014. The statements also present the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for major fund-types, thus demonstrating the KEDC end of year financial report is in conformity with the Generally Accepted Accounting Principles (GAAP) as provided by the Governmental Accounting Standard Boards (GASB) of America.

Our auditors will be present to review their findings with the Board, as well as provide bound copies of the report.

IV. Recommendation:

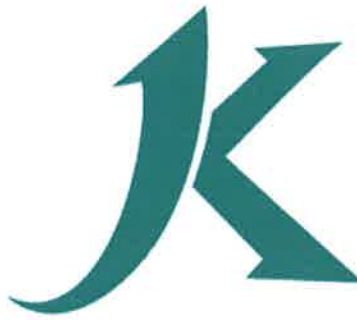
Approve

V. Alternative Actions:

Staff recommends Directors accept and approve the Independent Auditor's Report as presented by Patillo, Brown, & Hill, LLP.

VI. Attachments:

1.	FY13-14 EDC Draft Audit	2014 Draft EDC Audit.pdf
----	-------------------------	--------------------------



KENNEDALE ECONOMIC DEVELOPEMENT CORPORATION

405 Municipal Drive • Kennedale, Texas 76060 • (817) 985-2100 • (817) 483-0720
www.cityofkennedale.com

**KENNEDALE ECONOMIC
DEVELOPMENT CORPORATION**

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2014

KENNEDALE ECONOMIC DEVELOPMENT CORPORATION

TABLE OF CONTENTS

SEPTEMBER 30, 2014

	<u>Page Number</u>
Independent Auditors' Report.....	1 – 2
Management's Discussion and Analysis	3 – 6
Basic Financial Statements:	
Statement of Net Assets and Governmental Fund Balance Sheet	7
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance.....	8
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	9
Notes to Financial Statements.....	10 – 16



PATILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of Kennedale Economic Development Corporation (the "Corporation"), a component unit of the City of Kennedale, Texas, as of and for the year ended September 30, 2014, 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.

Auditors' 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2014, 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.

Change in Accounting Principle

As discussed in Note 1 to the Financial Statements, in 2014 the City adopted new accounting guidance, GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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 5, 2015

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, 2014. 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 \$5,220,834.
- The Kennedale Economic Development Corporation's net position increased by \$262,913. The increase was due to decreases in miscellaneous income from the sale of property and sales tax revenue. This was offset by the increase in administration expenses primarily due to depreciation and a decrease in rental income.
- As of the close of the current fiscal year, the Kennedale Economic Development Corporation's governmental fund reported an ending fund balance of \$376,090, an increase of \$781,855 in comparison with the prior year. The increase is primarily related to the sale of property in the current year.
- At the end of the current fiscal year, the restricted fund balance for the General Fund was \$376,090.

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 position presents information on all of the Kennedale Economic Development 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 Kennedale Economic Development 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 – 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 position 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 \$5,220,834 at the close of the most recent fiscal year.

KENNEDALE ECONOMIC DEVELOPMENT CORPORATION'S NET POSITION

	Governmental Activities	
	2014	2013
Current assets	\$ 394,344	\$ 275,105
Capital assets	6,330,481	6,930,383
Total assets	6,724,825	7,205,488
Current liabilities	18,254	658,233
Noncurrent liabilities	1,485,737	1,566,697
Total liabilities	1,503,991	2,224,930
Net position:		
Net investment in capital assets	4,844,744	5,363,686
Unrestricted	376,090	(383,128)
Total net position	\$ 5,220,834	\$ 4,980,558

The Corporation's net position increased by \$262,913 during the current fiscal year. This increase is primarily due to increases in sales tax and miscellaneous income offsetting the increase in administration expenses.

KENNEDALE ECONOMIC DEVELOPMENT CORPORATION'S CHANGES IN NET POSITION

	Governmental Activities	
	2014	2013
General Revenues:		
Sales tax	\$ 377,959	\$ 339,515
Rental Income	149,950	199,990
Miscellaneous income	601,337	117,255
Investment earnings	49	612
Total general revenues	1,129,295	657,372
Expenses:		
Economic development:		
Administration	624,286	322,345
Payment to city for debt	155,119	151,619
Interest and fiscal charges	86,977	89,233
Total expenses	866,382	563,197
Changes in net assets	262,913	94,175
Net assets, beginning	4,980,558	4,886,383
Prior period adjustment	(22,637)	-
Net assets, ending	\$ 5,220,834	\$ 4,980,558

Governmental activities. The Corporation's general revenues increased by \$878,681 or 133.67% from last year. The increase was due to an increase in miscellaneous income due to the sale of land. Sales tax revenue increased by \$38,444 or 11.32% to \$377,959.

DISCUSSION OF CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS IN FISCAL YEAR 2014

The Kennedale Economic Development Corporation's projects for the fiscal year and beyond include: 1) Securing development agreements with the racetracks providing for the orderly conversion to residential subdivisions, 2) Opening two fast food restaurants in the Oak Crest development, 3) Securing a commitment from a hotel developer for the Oak Crest development, 4) Continuing the development of the Kennedale TownCenter, and 5) Identifying potential tracts of land to acquire, consolidate, clear and resell for light manufacturing uses.

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 POSITION AND GOVERNMENTAL FUND BALANCE SHEET

SEPTEMBER 30, 2014

	<u>General</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash and investments	\$ 336,568	\$ -	\$ 336,568
Sales taxes receivable	55,464	-	55,464
Accounts receivable	2,312	-	2,312
Capital assets:			
Land	-	1,340,853	1,340,853
Buildings and improvements	-	5,697,832	5,697,832
Construction in progress	-	171,641	171,641
Less: accumulated depreciation	<u>-</u>	<u>(879,845)</u>	<u>(879,845)</u>
Total capital assets	<u>-</u>	<u>6,330,481</u>	<u>6,330,481</u>
 Total assets	 <u>394,344</u>	 <u>6,330,481</u>	 <u>6,724,825</u>
LIABILITIES			
Accounts payable	3,355	-	3,355
Customer deposits	14,899	-	14,899
Noncurrent liabilities:			
Due within one year	-	87,147	87,147
Due in more than one year	<u>-</u>	<u>1,398,590</u>	<u>1,398,590</u>
Total liabilities	<u>18,254</u>	<u>1,485,737</u>	<u>1,503,991</u>
FUND BALANCE/NET POSITION			
Fund balance:			
Restricted for economic development	<u>376,090</u>	<u>(376,090)</u>	<u>-</u>
Total fund balance	<u>376,090</u>	<u>(376,090)</u>	<u>-</u>
 Total liabilities and fund balance	 <u>\$ 394,344</u>		
 Net position:			
Invested in capital assets, net of related debt		4,844,744	4,844,744
Restricted for economic development		<u>376,090</u>	<u>376,090</u>
 Total net position		 <u>\$ 5,220,834</u>	 <u>\$ 5,220,834</u>

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, 2014

	<u>General</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/expenses:			
Current:			
Economic development	\$ 431,142	\$ 193,144	\$ 624,286
Payment to city for debt	155,119	-	155,119
Debt service:			
Principal	80,961	(80,961)	-
Interest and fiscal charges	<u>86,976</u>	<u>1</u>	<u>86,977</u>
Total expenditures/expenses	<u>754,198</u>	<u>112,184</u>	<u>866,382</u>
General revenues:			
Sales taxes	377,959	-	377,959
Rental income	149,950	-	149,950
Miscellaneous income	1,008,095	(406,758)	601,337
Investment earnings	<u>49</u>	<u>-</u>	<u>49</u>
Total general revenues	<u>1,536,053</u>	<u>(406,758)</u>	<u>1,129,295</u>
Excess of revenues over expenditures	<u>781,855</u>	<u>(518,942)</u>	<u>262,913</u>
Net change in fund balance	781,855	(781,855)	-
Change in net position	-	262,913	262,913
Fund balance/net position:			
Beginning	(405,765)	5,386,323	4,980,558
Prior period adjustment	<u>-</u>	<u>(22,637)</u>	<u>(22,637)</u>
Ending	<u>\$ 376,090</u>	<u>\$ 4,844,744</u>	<u>\$ 5,220,834</u>

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, 2014

(With Comparative Actual Amounts for the Year Ended September 30, 2013)

	2014				2013
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget Positive (Negative)	Amounts
REVENUES					
Sales tax	\$ 328,940	\$ 328,940	\$ 377,959	\$ 49,019	\$ 339,515
Rental income	174,940	174,940	149,950	(24,990)	199,990
Miscellaneous income	600,000	600,000	1,008,095	408,095	117,255
Investment earnings	697	697	49	(648)	612
Total revenues	<u>1,104,577</u>	<u>1,104,577</u>	<u>1,536,053</u>	<u>431,476</u>	<u>657,372</u>
EXPENDITURES					
Current:					
Economic development	451,470	459,182	431,142	28,040	952,303
Payment to city for debt	155,118	155,118	155,119	(1)	151,619
Debt Service:					
Principal	99,171	91,459	80,961	10,498	71,954
Interest and fiscal charges	87,016	87,016	86,976	40	89,233
Total expenditures	<u>792,775</u>	<u>792,775</u>	<u>754,198</u>	<u>38,577</u>	<u>1,265,109</u>
NET CHANGE IN FUND BALANCES	311,802	311,802	781,855	470,053	(607,737)
FUND BALANCES, BEGINNING	(405,765)	(405,765)	(405,765)	-	201,972
FUND BALANCES, ENDING	<u>\$ (93,963)</u>	<u>\$ (93,963)</u>	<u>\$ 376,090</u>	<u>\$ 470,053</u>	<u>\$ (405,765)</u>

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

KENNEDALE ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

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. 61.

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 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 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.

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.

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, 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.

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.

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, 2014, 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.

At September 30, 2014, the carrying amounts of the Corporation's investments were as follows:

Balances in public funds investment pools:

State Treasurer's Investment Pool (TexPool)	336,568
---	---------

	\$ 336,568
--	------------

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.

D. Capital Assets

Capital asset activity for the year ended September 30, 2014, 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	\$ 1,703,328	\$ 44,283	\$ 406,758	\$ 1,340,853
Construction in progress	<u>2,997,966</u>	<u>47,465</u>	<u>2,873,790</u>	<u>171,641</u>
Total capital assets not being depreciated	<u>4,701,294</u>	<u>91,748</u>	<u>3,280,548</u>	<u>1,512,494</u>
Capital assets, being depreciated:				
Buildings	1,937,215	2,742,924	-	4,680,139
Improvements	<u>886,827</u>	<u>130,866</u>	<u>-</u>	<u>1,017,693</u>
Total capital assets being depreciated	<u>2,824,042</u>	<u>2,873,790</u>	<u>-</u>	<u>5,697,832</u>
Less accumulated depreciation:				
Buildings	468,922	234,007	-	702,929
Improvements	<u>126,031</u>	<u>50,885</u>	<u>-</u>	<u>176,916</u>
Total accumulated depreciation	<u>594,953</u>	<u>284,892</u>	<u>-</u>	<u>879,845</u>
Total capital assets, being depreciated, net	<u>2,229,089</u>	<u>2,588,898</u>	<u>-</u>	<u>4,817,987</u>
Governmental activities capital assets, net	<u>\$ 6,930,383</u>	<u>\$ 2,680,646</u>	<u>\$ 3,280,548</u>	<u>\$ 6,330,481</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	\$ 990,000	\$ -	\$ 45,000	\$ 945,000	\$ 50,000
Texas leverage fund loan	<u>576,697</u>	<u>-</u>	<u>35,960</u>	<u>540,737</u>	<u>37,147</u>
Governmental activity					
Long-term liabilities	<u>\$ 1,566,697</u>	<u>\$ -</u>	<u>\$ 80,960</u>	<u>\$ 1,485,737</u>	<u>\$ 87,147</u>

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

Year Ending September 30	Governmental Activities	
	Principal	Interest
2015	\$ 87,147	\$ 82,701
2016	88,373	78,001
2017	94,638	73,260
2018	100,946	68,130
2019	102,297	62,609
2020-2024	608,357	221,673
2025-2029	403,979	45,925
Total	<u>\$ 1,485,737</u>	<u>\$ 632,299</u>

F. Prior Period Adjustment - Change in Accounting Principle

As a result of implementing GASB Statement 65, the Corporation has decreased beginning net position as of September 1, 2013 by \$22,637 for the governmental activities. This decrease results from no longer deferring and amortizing bond issuance costs.



Date: March 12, 2015

Agenda Item No: STAFF ANNOUNCEMENTS/REPORTS - A.

I. Subject:

- Link Street, Burger King, Popeye's Ribbon Cutting
- B. TIP Sidewalk Project
- C. Village Creek Studies
- D. Chamber Update

II. Originated by:

Bob Hart

III. Summary:

The Director will provide an update on these items.

IV. Recommendation:

V. Alternative Actions:

VI. Attachments:



Date: March 12, 2015

Agenda Item No: EXECUTIVE SESSION - A.

I. Subject:

The Economic Development Corporation will meet in closed session pursuant to Section 551.072 of the Texas Government Code to deliberate the purchase, lease, or value of real property

1. Town Center Development
2. 733 Kennedale Parkway Business Incentives
3. 5414 Highridge Road
4. Industrial Prospect for Bloxom Park
5. 1298 Kennedale Parkway Business Incentives

II. Originated by:

Bob Hart

III. Summary:

These items will be discussed during the Executive Session.

IV. Recommendation:

V. Alternative Actions:

VI. Attachments: