

UNIVERSAL CITY
ECONOMIC DEVELOPMENT CORPORATION

ANNUAL FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

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CPAs | ADVISORS

CLIENT **FOCUSED.** RELATIONSHIP **DRIVEN.**

UNIVERSAL CITY ECONOMIC DEVELOPMENT CORPORATION

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Year ended September 30, 2018

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INDEPENDENT AUDITORS' REPORT

The President and Members of the Board of Directors
Universal City Economic Development Corporation

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements 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 opinion.

Opinion

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 general fund of Universal City Economic Development Corporation, as of September 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 4 and 17 and 18 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.

ABIP, PC

San Antonio, Texas
April 11, 2019

UNIVERSAL CITY ECONOMIC DEVELOPMENT CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2018

Our discussion and analysis of the Universal City Economic Development Corporation, a component unit of the City of Universal City, Texas, financial performance provides an overview of the Corporation's financial activity for the fiscal year ended September 30, 2018. It should be read in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

The Corporation's net position was \$2,024,507 at September 30, 2018. The Corporation's total revenues were \$1,526,626 while total expenses were \$1,076,422. The Corporation's net position increased by \$450,234.

CORPORATION HIGHLIGHT

The Universal City Economic Development Corporation was formed on October 14, 1982 under the Development Corporation Act of 1979, Texas Revised Civil Statutes Annotated, Article 5190.6, Section A. The Corporation began operations on March 8, 1996. It receives all its proceeds from the ½ cent sales tax adopted in 1995 for economic development in Universal City.

USING THIS ANNUAL REPORT

This annual report consists of three parts; management's discussion and analysis, basic financial statements, and required supplementary information. The statements of net position and activities provide information on the Corporation as a whole. The Corporation's net position, the difference between assets and liabilities, is a way to measure financial health or financial position.

STATEMENT OF NET POSITION

Table 1 shows all of the assets and liabilities of the Corporation and is presented on the accrual basis. The total net position is \$2,024,507. The Corporation has \$1,380,000 of bonds payable. These bonds are described in more detail in Note 4 in the notes to the financial statements.

TABLE 1 – NET POSITION

	<u>Governmental Activities</u>	
	<u>Year ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 3,404,847	\$ 3,319,470
Current liabilities	163,340	365,197
Noncurrent liabilities	<u>1,217,000</u>	<u>1,380,000</u>
Total liabilities	<u>1,380,340</u>	<u>1,745,197</u>
Unrestricted net position	<u>\$ 2,024,507</u>	<u>\$ 1,574,273</u>

STATEMENT OF ACTIVITIES

Table 2 shows all the expenses and revenues of the Corporation and is presented on the accrual basis. General revenues consist of the ½ cent sales tax the Corporation receives for economic development and interest income.

TABLE 2 – CHANGE IN NET POSITION

	<u>Governmental Activities</u>	
	<u>Year ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
General revenues	\$ 1,526,656	\$ 1,131,941
Total expenses	<u>1,076,422</u>	<u>1,088,430</u>
Change in net position	450,234	43,511
Beginning net position	<u>1,574,273</u>	<u>1,530,762</u>
Ending net position	<u>\$ 2,024,507</u>	<u>\$ 1,574,273</u>

BALANCE SHEET

The balance sheet shows the assets, liabilities, and fund balances for the Corporation.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

This statement shows the revenues and expenditures for the Corporation. The nonproperty taxes, or ½ cent sales tax, make up 75% of the general revenues.

DESCRIPTION OF CURRENT AND EXPECTED CONDITIONS

Presently, the Board of Directors is not aware of any significant changes in conditions that would have a significant effect on the financial position of activities of the Corporation in the near future.

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Corporation's finances and to show the Corporation's accountability to its taxpayers. If you have any questions about this report or need additional financial information, contact the Corporation's office at:

Universal City Economic Development Corporation
City of Universal City
2150 Universal City Boulevard
Universal City, Texas 78148

UNIVERSAL CITY ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES

September 30, 2018

ASSETS

Current Assets:

Cash and cash equivalents	\$ 3,203,788
Due from other governments	200,040
Due from primary government	<u>1,019</u>
Total current assets	<u>3,404,847</u>

Total assets \$ 3,404,847

LIABILITIES AND NET POSITION

Liabilities:

Current Liabilities:

Due to primary government	\$ 340
Current portion of bonds payable	<u>163,000</u>
Total current liabilities	<u>163,340</u>

Noncurrent Liabilities:

Bonds payable	<u>1,217,000</u>
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Total liabilities 1,380,340

Net Position:

Unrestricted	<u>2,024,507</u>
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Total liabilities and net position \$ 3,404,847

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

UNIVERSAL CITY ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES

Year ended September 30, 2018

Expenses:		
Administrative expenses	\$	284,344
Contract services		32,701
Economic development		733,767
Interest and fiscal charges on long-term debt		<u>25,610</u>
Total expenses		<u>1,076,422</u>
Revenues:		
General revenues		
Sales taxes		1,145,313
Interest revenues		3,268
Miscellaneous		<u>378,075</u>
Total general revenues		<u>1,526,656</u>
Change in net position		450,234
Beginning net position		<u>1,574,273</u>
Ending net position	\$	<u>2,024,507</u>

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

UNIVERSAL CITY ECONOMIC DEVELOPMENT CORPORATION

BALANCE SHEET – GENERAL FUND

September 30, 2018

ASSETS

Assets:

Cash and cash equivalents	\$ 3,203,788
Due from other governments	200,040
Due from primary government	<u>1,019</u>
Total assets	<u>\$ 3,404,847</u>

LIABILITIES AND FUND BALANCE

Liabilities:

Due to primary government	\$ <u>340</u>
Total liabilities	<u>340</u>

Fund Balance:

Unassigned	<u>3,404,507</u>
Total liabilities and fund balance	<u>\$ 3,404,847</u>

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

UNIVERSAL CITY ECONOMIC DEVELOPMENT CORPORATION

**RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET POSITION**

September 30, 2018

Total Fund Balances	\$ 3,404,507
Long-term liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
Bonds payable in less than one year	(163,000)
Bonds payable in more than one year	<u>(1,217,000)</u>
Total net position	<u>\$ 2,024,507</u>

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

UNIVERSAL CITY ECONOMIC DEVELOPMENT CORPORATION

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – GENERAL FUND**

Year ended September 30, 2018

Revenues:		
Sales tax	\$	1,145,313
Interest		3,268
Other income		<u>378,075</u>
Total revenues		<u>1,526,656</u>
Expenditures:		
Current:		
Communications		50,914
Support services		226,488
Contract services		32,701
Supplies and materials		6,942
Economic development projects		733,767
Debt Service:		
Principal		160,000
Interest and fiscal charges		<u>25,610</u>
Total expenditures		<u>1,236,422</u>
Change in fund balance		290,234
Fund balance at beginning of year		<u>3,114,273</u>
Fund balance at end of year	\$	<u><u>3,404,507</u></u>

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

UNIVERSAL CITY ECONOMIC DEVELOPMENT CORPORATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

Year ended September 30, 2018

Change in Fund Balance - Governmental Funds	\$ 290,234
Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position.	<u>160,000</u>
Change in net position	<u>\$ 450,234</u>

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

UNIVERSAL CITY ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended September 30, 2018

(1) Summary of significant accounting policies

Financial reporting entity

Universal City Economic Development Corporation is a nonprofit economic corporation, with powers of taxation, created pursuant to Section 4B Article 5190.6 of Vernon's Texas Civil Statutes (V.T.C.S.), as amended. Universal City Economic Development Corporation (hereafter referred to as the Development Corporation) was created March 8, 1996, to act on behalf of Universal City for promotion, development, and enhancement of economic development within Universal City. The Development Corporation is a component unit of the City of Universal City. A component unit is a legally separate corporation for which the elected officials of the governmental unit are financially accountable. The Development Corporation will be presented in the City's financial statements as a discretely presented component unit.

The financial statements of the Development Corporation have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements present the financial position and results of operations of the Development Corporation only.

Basis of presentation

The government-wide financial statements are presented in accordance with GASB 34 which mandates government-wide financial statements of net position and activities, which are presented on the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of the related cash flows. It also requires that capital assets be recorded at cost less accumulated depreciation.

The Development Corporation also presents fund financial statements relevant to the operations of the Corporation.

Governmental funds use the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both available and measurable (flow of current financial resources measurement focus). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt service which are recognized when paid.

Budgets

The Development Corporation adopts an annual operating budget which is approved by the City Council. Formal budgetary accounting is employed as a management control. The budget can be amended by the Board of Directors, subject to City Council approval. Actual expenditures cannot legally exceed budgeted appropriations at the fund level. All budgeted appropriations lapse at the end of each fiscal year. The budget is presented on the modified accrual basis of accounting.

UNIVERSAL CITY ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended September 30, 2018

(1) Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the Development Corporation.

Related party transactions

During the course of operations, numerous transactions occur between the Development Corporation and the City. These receivables and payables are classified as “due from primary government” or “due to primary government” on the balance sheet.

Capital assets

Capital assets, which include office equipment and fixtures, are capitalized at total acquisition cost. Depreciation is recorded on all depreciable capital assets on a straight-line basis over the following estimated useful lives:

Furniture and fixtures	10 years
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Accrued liabilities and long-term obligations

All payables, accrued liabilities, and long-term obligations are reported in the statement of net position. Long-term liabilities are recognized as a liability on the governmental fund financial statement (balance sheet) when due.

Fund balance

The unassigned fund balance represents the amount available for budgeting future operations.

Net position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any loans used to purchase, construct, or improve those assets.

Use of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

UNIVERSAL CITY ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended September 30, 2018

(2) Deposits and investments

Deposits

At September 30, 2018, the carrying amount of the Development Corporation's deposits in the bank was \$3,206,789 and the book balance was \$3,203,788. The bank balance was covered by federal deposit insurance and the Development Corporation's depository had pledged securities having a market value of \$3,330,663 as collateral for the Development Corporation's deposits. All of the Development Corporation's cash was fully collateralized.

Investments

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

The Act determines the types of investments which are allowable for the Development Corporation. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

Investment accounting policy

The Universal City Economic Development Corporation has adopted the investment policy of the City of Universal City. The policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public funds investment pools

Public funds investment pools in Texas ("Pools" are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provision of the Public Funds Investment Act (the "Act")), Chapter 2256 of the Texas Governmental Code.

UNIVERSAL CITY ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended September 30, 2018

(2) Deposits and investments (continued)

Public funds investment pools (continued)

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 the 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.

(3) Capital assets

	Balance October 1, 2017	Additions	Deletions	Balance September 30, 2018
Furniture and fixtures	\$ 2,729	\$ -	\$ -	\$ 2,729
Less: accumulated depreciation	<u>(2,729)</u>	<u>-</u>	<u>-</u>	<u>(2,729)</u>
Totals	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(4) Long-term debt

Changes in long-term debt for the year ended September 30, 2018 are as follows:

	Original Amount		Balance Outstanding October 1, 2017	Decrease	Balance Outstanding September 30, 2018	Due Within One Year
2016	\$ 1,700,000	1.650%	<u>\$ 1,540,000</u>	<u>\$ (160,000)</u>	<u>\$ 1,380,000</u>	<u>\$ 163,000</u>
Total bonds			<u>\$ 1,540,000</u>	<u>\$ (160,000)</u>	<u>\$ 1,380,000</u>	<u>\$ 163,000</u>

UNIVERSAL CITY ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended September 30, 2018

(4) Long-term debt (continued)

Annual debt service requirements as of September 30, 2018 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 163,000	\$ 22,770	\$ 185,770
2020	165,000	20,081	185,081
2021	168,000	17,358	185,358
2022	171,000	14,586	185,586
2023	174,000	11,765	185,765
2024-2026	<u>539,000</u>	<u>17,869</u>	<u>556,869</u>
Totals	<u>\$ 1,380,000</u>	<u>\$ 104,429</u>	<u>\$ 1,484,429</u>

(5) Commitments and contingencies

Litigation

Management of the Development Corporation is not aware of any pending or threatened litigation.

REQUIRED SUPPLEMENTARY INFORMATION

UNIVERSAL CITY ECONOMIC DEVELOPMENT CORPORATION

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – GENERAL FUND
BUDGET AND ACTUAL**

Year ended September 30, 2018

	Original and Final Budget	2018 Actual	Variance Final Budget Positive (Negative)
Revenues:			
Sales tax	\$ 1,100,000	\$ 1,145,313	\$ 45,313
Interest	3,800	3,268	(532)
Miscellaneous	<u>3,000</u>	<u>378,075</u>	<u>375,075</u>
Total revenues	<u>1,106,800</u>	<u>1,526,656</u>	<u>419,856</u>
Expenditures:			
Communications	45,400	50,914	(5,514)
Support services	224,000	226,488	(2,488)
Contract services	40,200	32,701	7,499
Supplies and materials	5,200	6,942	(1,742)
Economic development projects	2,519,390	733,767	1,785,623
Contingency	879,466	-	879,466
Debt service:			
Principal	160,000	160,000	-
Interest	<u>25,410</u>	<u>25,610</u>	<u>(200)</u>
Total expenditures	<u>3,899,066</u>	<u>1,236,422</u>	<u>2,662,644</u>
Change in fund balance	(2,792,266)	290,234	3,082,500
Fund balance - October 1, 2017	<u>3,114,273</u>	<u>3,114,273</u>	<u>-</u>
Fund balance - September 30, 2018	<u>\$ 322,007</u>	<u>\$ 3,404,507</u>	<u>\$ 3,082,500</u>

UNIVERSAL CITY ECONOMIC DEVELOPMENT CORPORATION

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year ended September 30, 2018

Budgetary information

The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The Corporation maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Directors and as such is a good management control device.

Actual expenditures may not legally exceed appropriations at the fund level. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized. Encumbrances lapse at year end and do not constitute expenditures or liabilities because the commitments must be reappropriated and honored during the subsequent year.