

**KENNEDALE ECONOMIC DEVELOPMENT CORPORATION
KENNEDEALE, TEXAS**

**GENERAL PURPOSE
FINANCIAL STATEMENTS**

SEPTEMBER 30, 1998

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SEPTEMBER 30, 1998**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report -----	3
General Purpose Financial Statements:	
Balance Sheet -----	4
Statement of Revenues, Expenditures and Changes in Fund Balances -----	5
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual -----	6
Notes to Financial Statements-----	7-9

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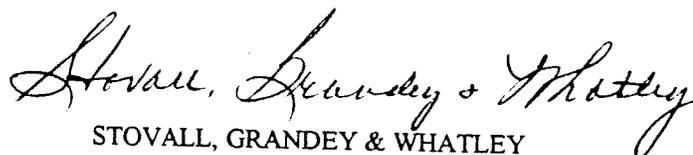
INDEPENDENT AUDITOR'S REPORT

Ms. Margaret Eichelberger, Chairperson
and Board of Directors
Kennedale Economic Development Corporation
Kennedale, Texas

We have audited the accompanying general purpose financial statements of the Kennedale Economic Development Corporation, a component unit of the City of Kennedale, Texas, as of and for the year ended September 30, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Kennedale Economic Development Corporation, a component unit of the City of Kennedale, Texas, as of September 30, 1998, and for the year then ended, in conformity with generally accepted accounting principles.


STOVALL, GRANDEY & WHATLEY

January 7, 1999

**KENNEDALE ECONOMIC DEVELOPMENT CORPORATION
BALANCE SHEET
SEPTEMBER 30, 1998**

ASSETS

Cash – Note 2	\$	20,750
Investments – Note 2		228,912
Accounts receivable – sales taxes – Note 3		<u>13,197</u>
TOTAL ASSETS	\$	<u>262,859</u>

LIABILITIES

Accounts payable	\$	408
Accrued liabilities		2,859
Due to general fund		<u>15,042</u>
TOTAL LIABILITIES	\$	<u>18,309</u>

FUND EQUITY

Fund balance		<u>244,550</u>
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TOTAL LIABILITIES AND FUND EQUITY	\$	<u>262,859</u>
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See accompanying Notes and
auditor's report.

**KENNEDALE ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 1998**

REVENUE:	
Sales taxes	\$ 291,684
Interest on investments	<u>8,341</u>
TOTAL REVENUE	<u>300,025</u>
EXPENDITURES:	
Personnel	32,692
Office and administrative expense	<u>22,783</u>
TOTAL EXPENDITURES	<u>55,475</u>
EXCESS OF REVENUES OVER EXPENDITURES	244,550
FUND BALANCE, October 1	<u>-</u>
FUND BALANCE, September 30	<u><u>\$ 244,550</u></u>

See accompanying Notes and
auditor's report.

**KENNEDALE ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
SALE TAX REVENUE	\$ 160,000	\$ 291,684	\$ 131,684
INTEREST INCOME	<u>-</u>	<u>8,341</u>	<u>8,341</u>
TOTAL REVENUE	160,000	300,025	140,025
EXPENDITURES	<u>55,342</u>	<u>55,475</u>	<u>(133)</u>
EXCESS OF REVENUES OVER EXPENDITURES	104,658	244,550	139,892
FUND BALANCE, OCTOBER 1	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, SEPTEMBER 30	<u>\$ 104,658</u>	<u>\$ 244,550</u>	<u>\$ 139,982</u>

See accompanying Notes and
auditor's report.

**KENNEDALE ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1998**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Kennedale Economic Development Corporation (KEDC), a non-profit corporation, was incorporated December 2, 1996. The Corporation is an instrumentality of the City of Kennedale, subject to the authority of the City Council, and is deemed to be a component unit of the City for financial statement purposes. The KEDC was organized to accomplish the public purpose of projects and improvements that promote economic development within the City. Revenues are provided by a percentage of sales tax collected in the City.

The accounting policies of the KEDC conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

A. BASIS OF PRESENTATION – FUND ACCOUNTING

The accounts of the KEDC are organized on the basis of Governmental Fund Types. The operations of the corporation are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. The measurement focus is upon determination of changes in financial position, rather than upon net income determination.

B. BASIS OF ACCOUNTING

The modified accrual basis of accounting is followed by governmental funds. These revenues are recognized when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred, if measurable. Interest on long-term debt is recorded when due.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance. Sales tax revenues are recorded under the susceptible to accrual concept. Investment earnings are recorded as earned since they are measurable and available.

C. BUDGETARY DATA

(1) General Budget Policies

The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the City Manager submits to the City Council a proposed budget. The budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to September 30, the budget is legally enacted through passage of an ordinance. The annual appropriations lapse at year-end.
4. Revisions that alter the total expenditures of any fund must be approved by the City Council.
5. Budget for the funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts presented in the general purpose financial statements are as originally adopted by the City Council.

KENNEDALE ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental fund types. Encumbrances outstanding at year-end are reported as reservations of fund balances because they do not constitute expenditures or liabilities.

E. INVESTMENTS

Investments are stated at cost, which approximates market. (See Note 2)

F. COMPENSATED ABSENCES

Vacation, sick leave and compensatory time are granted to City employees in limited amounts. Accumulated vested amounts that are expected to be liquidated with expendable available financial resources are accrued as expenditures and fund liabilities in the Special Revenue Fund. Liabilities accrued as of September 30, 1998 are \$1,243.

NOTE 2 - CASH AND INVESTMENTS

The City of Kennedale maintains a cash pool and an investment pool that is available for use by all funds, including KEDC. Each fund type's portion of these pools is displayed on the combined balance sheet as "Cash" and "Investments". In addition, investments are separately held by several of the City's funds.

Deposits

At year-end, the carrying amount of cash on hand and deposits for the KEDC was \$20,750 (including deposits in transit) and the bank balance was \$20,750. The bank balance was entirely covered by federal depository insurance or by collateral held by the City's agent in the City's name.

Investments

The City, in general, is authorized to invest its public funds in any obligations or securities described in Section 2 or 3 of the Public Funds Investment Act of 1987 as amended; and, specifically certain government pools within limitations.

The City's investments held for KEDC are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department or agent but not in the City's name.

**KENNEDALE ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1998**

NOTE 2 - CASH AND INVESTMENTS (continued)

	CATEGORY			CARRYING AMOUNT	MARKET VALUE
	1	2	3		
None	\$ 0	\$ 0	\$ 0	\$	\$
Mutual funds/pools: (not subject to category listing)					
Texpool				60,648	60,648
Lone Star Investment Pool				168,264	168,264
Total Investments				\$ 228,912	\$ 228,912

Investments during the fiscal year ended September 30, 1998 were limited to governmental pools investing in government securities and to U. S. Treasury obligations only.

NOTE 3 - DUE FROM OTHER GOVERNMENTS

The amount due for KEDC sales tax revenue for September 1998 is \$13,197.

NOTE 4 - RISK MANAGEMENT

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

NOTE 5 - EMPLOYEE PLANS

The Corporation has no employees. The personnel duties performed for the Corporation are employees of the City of Kennedale. For complete "Employee Plan" disclosures, reference is made to the general purpose financial statements of The City of Kennedale dated January 9, 1999.

a. Deferred Compensation Plan

The government offers its employees a deferred compensation plan administered by a trust established by public employers in which the deferred amounts are not held by nor required to be considered assets of the City and are not subject to the claims of the City's general creditors. No costs or liabilities are incurred by the City.

b. Cafeteria Plan (IRC Sec 125)

Plan benefits consist of a health plan (hospitalization) and a dental plan for which the City pays the employee portion of the premiums. Dependent coverage is funded by charges to employees. Disability and accident coverage is paid entirely by employees.