

**KENNEDALE ECONOMIC DEVELOPMENT CORPORATION  
KENNEDALE, TEXAS**

**GENERAL PURPOSE  
FINANCIAL STATEMENTS**

**SEPTEMBER 30, 1999**

**KENNEDALE ECONOMIC DEVELOPMENT CORPORATION  
GENERAL PURPOSE  
FINANCIAL STATEMENTS  
SEPTEMBER 30, 1999**

**TABLE OF CONTENTS**

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

STOVALL, GRANDEY & WHATLEY, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

1300 South University Drive  
Suite 308  
Fort Worth, Texas 76107-5735  
817-338-1115  
Metro 817-429-7422  
Fax 817-338-1163  
sgw@sgw-cpas.com

Members of  
American Institute of  
Certified Public Accountants  
Division of CPA Firms  
SEC and Private Companies  
Practice Sections

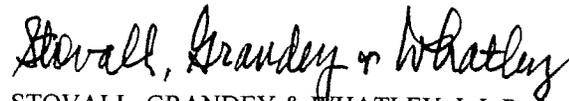
**INDEPENDENT AUDITOR'S REPORT**

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 years ended September 30, 1999 and 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 audits 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 audits provide 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, 1999 and 1998, and for the years then ended, in conformity with generally accepted accounting principles.

  
STOVALL, GRANDEY & WHATLEY, L.L.P.

December 28, 1999

**KENNEDALE ECONOMIC DEVELOPMENT CORPORATION**  
**COMPARATIVE BALANCE SHEETS**  
**SEPTEMBER 30, 1999 AND 1998**

	<u>1999</u>	<u>1998</u>
<b>ASSETS</b>		
Cash – Note 2	\$ 85,619	\$ 20,750
Investments – Note 2	357,974	228,912
Accounts receivable – sales taxes – Note 3	<u>15,180</u>	<u>13,197</u>
<b>TOTAL ASSETS</b>	<u><u>458,773</u></u>	<u><u>262,859</u></u>
 <b>LIABILITIES</b>		
Accounts payable	369	408
Accrued liabilities	351	2,859
Due to general fund	<u>0</u>	<u>15,042</u>
<b>TOTAL LIABILITIES</b>	<u>720</u>	<u>18,309</u>
 <b>FUND EQUITY</b>		
Fund balance:		
Reserved for encumbrances	2,000	0
Undesignated	<u>456,053</u>	<u>244,550</u>
<b>TOTAL FUND EQUITY</b>	<u>458,053</u>	<u>244,550</u>
 <b>TOTAL LIABILITIES AND FUND EQUITY</b>	 <u><u>\$ 458,773</u></u>	 <u><u>\$ 262,859</u></u>

See accompanying Notes and  
auditor's report.

**KENNEDALE ECONOMIC DEVELOPMENT CORPORATION**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**YEARS ENDED SEPTEMBER 30, 1999 AND 1998**

	<u>1999</u>	<u>1998</u>
REVENUE:		
SALES TAXES	\$ 236,871	\$ 291,684
INTEREST ON INVESTMENTS	15,921	8,341
GRANTS	<u>4,000</u>	<u>0</u>
TOTAL REVENUE	<u>256,792</u>	<u>300,025</u>
EXPENDITURES:		
PERSONNEL	32,575	32,692
OFFICE AND ADMINISTRATIVE EXPENSES	7,759	22,783
COMPUTER EXPENSE	<u>2,955</u>	<u>0</u>
TOTAL EXPENDITURES	<u>43,289</u>	<u>55,475</u>
EXCESS OF REVENUES OVER EXPENDITURES	213,503	244,550
FUND BALANCE, OCTOBER 1	<u>244,550</u>	<u>-</u>
FUND BALANCE, SEPTEMBER 30	<u><u>\$ 458,053</u></u>	<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, 1999**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
SALE TAX REVENUE	\$ 175,000	\$ 236,871	\$ 61,871
INTEREST INCOME	10,500	15,921	5,421
GRANTS	<u>0</u>	<u>4,000</u>	<u>4,000</u>
TOTAL REVENUE	185,500	256,792	71,292
EXPENDITURES	<u>64,033</u>	<u>43,289</u>	<u>20,744</u>
EXCESS OF REVENUES OVER EXPENDITURES	121,467	213,503	92,036
FUND BALANCE, OCTOBER 1, 1998	<u>244,550</u>	<u>244,550</u>	<u>0</u>
FUND BALANCE, SEPTEMBER 30, 1999	<u><u>\$ 366,017</u></u>	<u><u>\$ 458,053</u></u>	<u><u>\$ 92,036</u></u>

See accompanying Notes and  
auditor's report.

**KENNEDALE ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 1999**

**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, 1999**

**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. There were no liabilities accrued as of September 30, 1999.

**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 \$85,619 (including deposits in transit) and the bank balance was \$85,619. 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, 1999**

**NOTE 2 - CASH AND INVESTMENTS (continued)**

	CATEGORY			CARRYING AMOUNT	MARKET VALUE
	1	2	3		
None	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Mutual funds/pools: (not subject to category listing)					
Texpool				89,612	89,612
Lone Star Investment Pool				176,444	176,444
Local Government Investment Cooperative				91,918	91,918
Total Investments				\$ 357,974	\$ 357,974

Investments during the fiscal year ended September 30, 1999 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 1999 is \$15,180.

**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.

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.