

**KENNE DALE ECONOMIC
DEVELOPMENT CORPORATION
(A Component Unit of the
City of Kennedale, Texas)**

**GENERAL PURPOSE
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

YEAR ENDED SEPTEMBER 30, 2000

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INDEPENDENT AUDITOR'S REPORT

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Ms. Nita Vaughn, President
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, 2000 and 1999, 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 audits.

We conducted our audits 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 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, 2000 and 1999, and for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Stovall, Grandey & Whatley LLP
STOVALL, GRANDEY & WHATLEY, L.L.P.

Fort, Worth, Texas
December 15, 2000

**KENNEDALE ECONOMIC DEVELOPMENT CORPORATION
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2000 AND 1999**

ASSETS		<u>2000</u>	<u>1999</u>
Cash - Note 2		\$ 50,161	\$ 85,619
Investments - Note 2		654,139	357,974
Sales tax receivable		<u>59,292</u>	<u>15,180</u>
Total Assets		<u><u>\$ 763,592</u></u>	<u><u>\$ 458,773</u></u>
 LIABILITIES			
Accounts payable		\$ -	\$ 369
Accrued liabilities		278	351
Due to City of Kennedale		<u>877</u>	<u>-</u>
Total Liabilities		<u>1,155</u>	<u>720</u>
 FUND EQUITY			
Fund balance:			
Reserved for encumbrances		2,000	2,000
Unreserved		<u>760,437</u>	<u>456,053</u>
Total Fund Equity		<u>762,437</u>	<u>458,053</u>
Total Liabilities and Fund Equity		<u><u>\$ 763,592</u></u>	<u><u>\$ 458,773</u></u>

See accompanying Notes and Auditor's Report.

**KENNEDALE ECONOMIC DEVELOPMENT CORPORATION
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED SEPTEMBER 30, 2000 AND 1999**

	<u>2000</u>	<u>1999</u>
REVENUE:		
Sales tax	\$ 303,747	\$ 236,871
Investment income	33,097	15,921
Grants	-	4,000
Total Revenue	<u>336,844</u>	<u>256,792</u>
EXPENDITURES:		
Personnel	21,632	32,575
Office and administrative expenses	6,210	7,759
Economic development incentives	39,104	-
Computer expense	-	2,955
Total Expenditures	<u>66,946</u>	<u>43,289</u>
Excess of revenues over expenditures	269,898	213,503
Fund Balance, October 1	458,053	244,550
Prior Period Adjustment - Note 5	<u>34,486</u>	<u>-</u>
Restated Fund Balance, October 1	<u>492,539</u>	<u>244,550</u>
Fund Balance, September 30	<u>\$ 762,437</u>	<u>\$ 458,053</u>

See accompanying Notes and Auditor's Report.

**KENNEDALE ECONOMIC DEVELOPMENT CORPORATION
 STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2000**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Sales tax revenue	\$ 225,000	\$ 303,747	\$ 78,747
Investment income	15,000	33,097	18,097
Total Revenue	<u>240,000</u>	<u>336,844</u>	<u>96,844</u>
Expenditures	<u>310,402</u>	<u>66,946</u>	<u>243,456</u>
Excess of Revenues Over (Under) Expenditures	(70,402)	269,898	340,300
Fund Balance, October 1, 1999	<u>492,539</u>	<u>492,539</u>	<u>-</u>
Fund Balance, September 30, 2000	<u><u>\$ 422,137</u></u>	<u><u>\$ 762,437</u></u>	<u><u>\$ 340,300</u></u>

See accompanying Notes and Auditor's Report.

KENNEDALE ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2000

Note 1 Summary of Significant Accounting Policies

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 a 0.5% local sales and use tax in the City for the benefit of the Corporation. The Corporation as currently organized is to promote economic development within the city, including, but not limited to, construction, operation, and administration, as permitted by Section 4B of the Act, as amended. The Corporation is a discretely presented component unit of the City under the provisions of Governmental Accounting Standards Board statement No. 14.

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

(a) Fund Accounting

The operations of the corporation are accounted for in the following fund:

The Economic Development General Fund - Used to account for the current operations.

(b) Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Economic Development General Fund, a governmental fund type, is accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of this fund present increases, (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net assets.

The Economic Development General Fund is accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred, with the exception of principal and interest on long-term debt, which are recognized when payable from current available financial resources.

**KENNEDALE ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2000**

Note 1 Summary of Significant Accounting Policies, continued

(c) Budgets and Budgetary Accounting

The Economic Development Board of Directors and the City Council of the City follow these procedures in establishing budgets reflected in the financial statements:

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.

Public hearings are conducted at which all interested person's comments concerning the budget are heard.

The budget is legally enacted by the Corporation's Board of Directors and ratified by the City Council of the City.

The Board of Directors and the City Council must approve any budget amendments. At the end of each fiscal year, all appropriations lapse.

Annual budgets adopted for the Economic Development Fund are adopted on a basis consistent with generally accepted accounting principles.

(d) Encumbrances

Encumbrance – commitments related to unperformed contracts for goods or services. Encumbrances outstanding at year-end represent the estimated amount of the expenditures ultimately to result if unperformed contracts in the process at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Encumbrances outstanding at year-end are disclosed by reservation of fund balance.

(e) Cash and Investments

The City 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 a current transactions between willing parties. Investment income on investments is allocated to the Corporation based upon its pro rata participation in the pool.

(f) Compensated Absences

Vacation is earned in varying amounts up to a maximum of 160 hours per year for 40-hour week personnel with 6 or more years of service. Vacation leave does not accumulate from one year to the next for amounts over 160 hours.

40-hour per week personnel accrue one-half working day (4 hours) of sick leave for each full month of employment in the calendar year. Upon separation from employment, a permanent employee, who has completed six months of employment, is entitled to be paid the amount of salary for the employee's accumulated sick leave, but not to exceed 60 hours for 40-hours per week employees.

**KENNEDALE ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2000**

Note 2 Cash and Investments

Deposits

At September 30, 2000, the carrying amount and the bank balance for KEDC was \$50,161. The balances were completely covered by federal depository insurance or by collateral held by the City's agent in the City's name.

Investments

At September 30, 2000, the Corporation's investment consisted of:

	Carrying Amount	Fair Value
State Treasurer's Investment Pool (uncategorized) (TexPool)	\$ 189,963	\$ 189,963
Lone Star Investment Pool (uncategorized)	237,284	237,284
LOGIC Investment Pool (uncategorized)	226,892	226,892
Total Investment	\$ 654,139	\$ 654,139

Note 3 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 4 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 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.

KENNEDALE ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2000

Note 4 Employee Plans, continued

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.

Note 5 Prior Period Adjustment

The prior period adjustment to the beginning Fund Balance is necessary to implement Statement 33 of the Governmental Accounting Standards Board that relates to derived tax revenues transactions. Sales tax revenues are to be recognized in the period in which the tax is imposed occurs or when the resources are received, whichever occurs first. These revenues are received the second month after the month ends, i.e. September revenues are received in November. Thus, the accrual for sales tax revenues at year-end must include two months of revenues rather than the one-month accrual done in prior years. The restated beginning fund balance is the corrected balance if two months of revenues had been accrued in the prior year.