

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

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

YEAR ENDED SEPTEMBER 30, 2002

KENNEDALE ECONOMIC DEVELOPMENT CORPORATION

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INDEPENDENT AUDITORS' REPORT

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, 2002, 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 the general purpose 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 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, 2002, and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Pattillo, Brown & Hill, LLP

December 5, 2002

KENNEDALE ECONOMIC DEVELOPMENT CORPORATION

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS**

SEPTEMBER 30, 2002

	<u>Governmental Fund Types</u>	<u>Account Group</u>	
	<u>General</u>	<u>General Fixed Assets</u>	<u>Total</u>
ASSETS			
Cash	\$ 217,136	\$ -	\$ 217,136
Investments	992,671	-	992,671
Sales tax receivable	59,527	-	59,527
Fixed assets	<u>-</u>	<u>47,391</u>	<u>47,391</u>
 Total Assets	 <u>\$ 1,269,334</u>	 <u>\$ 47,391</u>	 <u>\$ 1,316,725</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	\$ 548	\$ -	\$ 548
Accrued liabilities	<u>397</u>	<u>-</u>	<u>397</u>
Total Liabilities	<u>945</u>	<u>-</u>	<u>945</u>
EQUITY			
Fund balance	1,268,389	-	1,268,389
Investment in general fixed assets	<u>-</u>	<u>47,391</u>	<u>47,391</u>
Total Equity	<u>1,268,389</u>	<u>47,391</u>	<u>1,315,780</u>
 Total Liabilities and Equity	 <u>\$ 1,269,334</u>	 <u>\$ 47,391</u>	 <u>\$ 1,316,725</u>

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

KENNEDALE ECONOMIC DEVELOPMENT CORPORATION

**STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE**

GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2002

REVENUE

Sales tax	\$ 329,830
Investment income	<u>19,507</u>
Total Revenue	<u>349,337</u>

EXPENDITURES

Personnel	26,043
Office and administrative	11,784
Capital outlay	<u>52,340</u>
Total Expenditures	<u>90,167</u>

EXCESS OF REVENUE OVER EXPENDITURES 259,170

FUND BALANCE, OCTOBER 1, 2001 1,009,219

FUND BALANCE, SEPTEMBER 30, 2002 \$ 1,268,389

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

KENNEDALE ECONOMIC DEVELOPMENT CORPORATION

**STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2002

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUE			
Sales tax	\$ 310,000	\$ 329,830	\$ 19,830
Investment income	<u>37,000</u>	<u>19,507</u>	<u>(17,493)</u>
Total Revenue	<u>347,000</u>	<u>349,337</u>	<u>2,337</u>
 EXPENDITURES	 <u>449,498</u>	 <u>90,167</u>	 <u>359,331</u>
 EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	 (102,498)	 259,170	 361,668
 FUND BALANCE, OCTOBER 1, 2001	 <u>1,009,219</u>	 <u>1,009,219</u>	 <u>-</u>
 FUND BALANCE, SEPTEMBER 30, 2002	 <u>\$ 906,721</u>	 <u>\$ 1,268,389</u>	 <u>\$ 361,668</u>

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

KENNEDALE ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

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 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:

Fund Accounting

The Corporation uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Corporation functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The Corporation uses the following fund type:

Governmental Funds are used to account for all or most of a government's general activities. The General Fund is used to account for all activities of the general government not required to be accounted for in some other fund.

The Corporation uses the following account group:

General Fixed Assets Account Group – represents a summary of the fixed assets of the Corporation. Capital outlays in governmental funds are recorded as expenditures of those funds at the time of purchase and subsequently recorded for control purposes in the General Fixed Assets Account Group.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The 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., revenue and other financing sources) and decreases (i.e., expenditures and other financing uses) in net assets.

The General Fund is accounted for using the modified accrual basis of accounting. Revenue is recognized when it becomes 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.

Budgets and Budgetary Accounting

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.

Encumbrances

Encumbrances relate to commitments of 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.

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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 6 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.

2. **CASH AND INVESTMENTS**

Deposits

At September 30, 2002, the carrying amount and the bank balance for KEDC was \$217,136. The balance was completely covered by federal depository insurance or by collateral held by the City's agent in the City's name.

Investments

At September 30, 2002, the Corporation's investments consisted of:

	<u>Fair Value</u>
State Treasurer's Investment Pool (TexPool) (uncategorized)	\$ 470,028
Lone Star Investment Pool (uncategorized)	456,231
Federated Investment Portfolio (uncategorized)	<u>66,412</u>
Total Investments	<u>\$ 992,671</u>

3. GENERAL FIXED ASSETS

A summary of changes in general fixed assets is as follows:

	<u>Balance October 1, 2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30, 2002</u>
Construction in progress	\$ -	\$ 47,391	\$ -	\$ 47,391
Total	<u>\$ -</u>	<u>\$ 47,391</u>	<u>\$ -</u>	<u>\$ 47,391</u>

4. 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.

5. 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, Texas.