

**KINGS COUNTY
ECONOMIC DEVELOPMENT CORPORATION**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2006

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**KINGS COUNTY
ECONOMIC DEVELOPMENT CORPORATION**

**GENERAL INFORMATION
JUNE 30, 2006**

Officers

Marcie Buford	Chair
Ron Jones	Vice Chair
Janet Long	Secretary
Dale Norton	Treasurer
Glen Cardaronella	Past Chair

Directors

Toni Baltierra	Board Member
Dr. Don G. Craft	Board Member
Bill DeLain	Board Member
David Dierking	Board Member
Randy Dodd	Board Member
Dr. Frank Gornick	Board Member
Lyndon Green	Board Member
Jose (JT) Maldonado	Board Member
Cam Maloy	Board Member
Susan Minor	Board Member
Randy Rickman	Board Member
Ron Shanoian	Board Member
Dr. Paul Terry	Board Member
Colby Wells	Board Member

Appointed by the Respective Jurisdictions:

Tom Buford	Lemoore City Council
Joaquin Gonzales	Hanford City Council
Tony Oliveira	Kings County Board of Supervisors
Jerry Robertson	Corcoran City Council
Alicia Steen	Lemoore Naval Air Station
K. Phillip Maroot	Legal Counsel

Board Committees

Executive Committee	Marcie Buford, Chair
Real Estate Committee	Ron Jones, Chair
Loan Administration Committee	Janet Long, Chair
Marketing/Membership Committee	
Budget Finance Committee	Dale Norton, Chair

INDEPENDENT AUDITORS' REPORT

Board of Directors
Kings County Economic Development Corporation

We have audited the accompanying financial statements of Kings County Economic Development Corporation (a nonprofit organization) as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of Kings County Economic Development Corporation's management. 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 and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kings County Economic Development Corporation as of June 30, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated December 22, 2006, on our consideration of Kings County Economic Development Corporation's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted primarily for the purpose of forming an opinion on these financial statements taken as a whole. The accompanying supplementary information on pages 13 to 17 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the audit procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects in relation to the financial statements taken as a whole.

December 22, 2006
Hanford, California

**KINGS COUNTY
ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2006**

KINGS COUNTY ECONOMIC DEVELOPMENT CORPORATION

**STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2006**

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$	146,919
Account receivable		3,228
Prepaid expenses		10,458
		<hr/>
Total current assets		160,605

RESTRICTED ASSETS:

Cash and cash equivalents		1,373,617
Loans receivable		2,441,102
Allowance for loan losses		(101,503)
Land held for development		355,659
		<hr/>
Total restricted assets		4,068,875

CAPITAL ASSETS:

Depreciable capital assets:		
Furniture and equipment		45,685
Accumulated depreciation		(45,685)
		<hr/>
Total depreciable capital assets, net of accumulated depreciation		-
		<hr/>
Total assets	\$	4,229,480

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 1,061
Accrued expenses	2,355
CDBG - due to Kings County	13,799
Loan payable - USDA Rural Development, current portion	48,975
Deferred revenue	3,125
	<hr/>
Total current liabilities	69,315
	<hr/>

LONG-TERM LIABILITIES:

Loan payable - USDA Rural Development, net of current portion	996,415
	<hr/>
Total liabilities	1,065,730
	<hr/>

NET ASSETS:

Restricted for EDA loan program	1,988,522
Restricted for USDA loan program	258,414
Restricted for CDBG loan program	31,928
Restricted for land acquisition	704,259
Unrestricted	180,627
	<hr/>
Total net assets	3,163,750
	<hr/>
Total liabilities and net assets	\$ 4,229,480
	<hr/> <hr/>

See independent auditors' report and notes to financial statements.

KINGS COUNTY ECONOMIC DEVELOPMENT CORPORATION

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

	<u>Unrestricted Programs</u>	<u>Permanently Restricted Programs</u>	<u>Total</u>
<u>UNRESTRICTED NET ASSETS</u>			
<u>Unrestricted revenues and support</u>			
Contributions	\$ 186,094		\$ 186,094
Interest on bank deposits	4,435		4,435
Grants	7,500		7,500
Membership fees	5,800		5,800
Enterprise Zone processing fees	5,710		5,710
Miscellaneous income	6,069		6,069
	<hr/>		<hr/>
Total unrestricted revenues and support	215,608		215,608
	<hr/>		<hr/>
<u>Net assets released from restrictions</u>			
Restrictions satisfied by interest payments	103,966		103,966
	<hr/>		<hr/>
Total unrestricted revenues and support	319,574		319,574
	<hr/>		<hr/>
<u>Expenses</u>			
Program services			
Economic development	242,329		242,329
Supporting services			
General management and administration	101,540		101,540
	<hr/>		<hr/>
Total expenses	343,869		343,869
	<hr/>		<hr/>
Decrease in unrestricted net assets	(24,295)		(24,295)
	<hr/>		<hr/>
<u>PERMANENTLY RESTRICTED NET ASSETS</u>			
<u>Revenue:</u>			
Interest on notes receivable		\$ 186,316	186,316
Interest on bank deposits		25,562	25,562
Loan-related fees		5,816	5,816
Loan recoveries		44,998	44,998
		<hr/>	<hr/>
Total revenue		262,692	262,692
		<hr/>	<hr/>
<u>Expenses:</u>			
Released to General Fund		103,966	103,966
Interest expense		10,941	10,941
Loan loss (recovery), net		15,762	15,762
Property taxes		2,951	2,951
Miscellaneous		38	38
		<hr/>	<hr/>
Total expenses		133,658	133,658
		<hr/>	<hr/>
Increase in permanently restricted net assets		129,034	129,034
		<hr/>	<hr/>
Increase (decrease) in net assets	(24,295)	129,034	104,739
	<hr/>		<hr/>
Net assets at July 1, 2005	204,922	2,854,089	3,059,011
	<hr/>	<hr/>	<hr/>
Net assets at June 30, 2006	\$ 180,627	\$ 2,983,123	\$ 3,163,750
	<hr/>	<hr/>	<hr/>

See independent auditors' report and notes to financial statements.

KINGS COUNTY ECONOMIC DEVELOPMENT CORPORATION

**STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2006**

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash contributions	\$ 189,860
Interest received on bank deposits	29,997
Grants received	7,500
Membership fees	3,178
Enterprise Zone fees	5,300
Interest received on loans	186,316
Loan fees received	5,816
Loan losses	(12,746)
Program expenses	(239,503)
Support expenses	(101,463)
Property taxes	(2,951)
Interest paid on long-term loans	(10,941)
	<hr/>
Net cash provided by operating activities	60,363

CASH FLOWS FROM INVESTING ACTIVITIES:

Cash received on notes receivable	403,577
Cash disbursed for new loans	(428,717)
	<hr/>
Net cash used by investing activities	(25,140)

CASH FLOWS FROM FINANCING ACTIVITIES:

Principal payments on long-term debt	(48,490)
	<hr/>
Net cash used by financing activities	(48,490)
	<hr/>
Net increase in cash and cash equivalents	(13,267)
Beginning cash and cash equivalents, July 1, 2005	1,533,803
Ending cash and cash equivalents, June 30, 2006	<u>\$ 1,520,536</u>

(continued)

KINGS COUNTY ECONOMIC DEVELOPMENT CORPORATION

**STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2006**

**RECONCILIATION OF OPERATING
INCOME TO NET CASH PROVIDED
BY OPERATING ACTIVITIES:**

Change in net assets from operations:	\$ 104,739
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	115
Allowance for loan losses	(44,285)
(Increase) decrease in operating assets:	
Accounts receivable	(3,032)
Prepaid expenses	5,297
Increase (decrease) in operating liabilities:	
Accounts payable	(5,589)
Accrued payroll liabilities	25
Accrued expenses	12,568
Deferred revenue - membership fees	<u>(9,475)</u>
Net cash provided by operating activities	<u>\$ 60,363</u>

See independent auditors' report and notes to financial statements.

KINGS COUNTY ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1 - Nature of Activities

Organization

The Corporation was originally incorporated, under the name Crown Development Corporation of Kings County, on June 28, 1977, under California Nonprofit Public Benefit Corporation Law to develop industrial land in Kings County, California. On March 19, 1999, the Articles of Incorporation were amended to change the name of the Corporation to Kings County Economic Development Corporation. The primary purpose has been expanded, over time, to include the promotion of economic development within Kings County through participation in state and federal programs designed to finance business facilities and community development projects in rural areas. The Corporation has been granted tax-exempt status by the Internal Revenue Service under Section 501(c)(6) and by the California Franchise Tax Board under Section 23701(d).

Effective June 1, 1998, the Corporation entered into an agreement with the County of Kings whereby the Corporation transferred the obligations for the development and implementation of the "Marketing" function to the Kings County Job Training Office (JTO). The agreement came about as a result of governmental programs enacted by the State of California which encouraged cities and counties to cooperate with and work closely with private economic development corporations.

The terms of the agreement include, but are not limited to, the following:

- a. Develop and implement an Economic Development Marketing Strategy to increase business and industry and employment in Kings County.
- b. Report on the Corporation's financial transactions and those of the County chargeable to the Corporation.
- c. Prepare and retain records and documents for a period of four years after the fiscal year end.
- d. Provide necessary staff to administer the agreed upon services as well as state and local programs.
- e. The Director of JTO will serve as the Executive Director of the Corporation.
- f. The JTO Director and his staff will maintain and perform all functions and activities required by the Articles of Incorporation and the Bylaws of the Corporation.

NOTE 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Assets, liabilities, and net assets are classified in accordance with specified restrictions or objectives.

(continued)

KINGS COUNTY ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 2 - Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation

Accounting principles generally accepted in the United States of America require the Corporation to present information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The Corporation is required to present a statement of cash flows. In addition, the Corporation has presented a Statement of Functional Expenses which provides useful information about expenses by function (program and service) in an effort to associate its expenses with its service efforts.

Classes of Net Assets

Unrestricted net assets are the portion of net assets over which the governing board has discretionary control for general operations of the Corporation. The Corporation accounts for revenues and expenses of the General Fund as unrestricted. The only limits on unrestricted net assets are limits resulting from contractual agreements.

Temporarily restricted net assets are the portion of net assets resulting from contributions, pledges and other inflows of assets whose use by the Corporation is limited by donor-imposed restrictions that expire by passage of time. The Corporation accounts for grants and government loans as temporarily restricted as there are purpose restrictions which limit their use. When the purpose restrictions are accomplished, the temporarily restricted net assets are reclassified to unrestricted net assets.

Permanently restricted net assets are gifts of net assets restricted by donors in ways that are not dependent on the passage of time.

Accounting for Contributions

The Corporation has adopted SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions. When restrictions on contributions are satisfied in the same period as the receipt, the Corporation reports both the contribution revenue and the related expense in unrestricted net assets.

The Corporation reports contributions as temporarily restricted if they are received with donor-imposed stipulations that expire by passage of time. When the restriction expires, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

(continued)

KINGS COUNTY ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 2 - Summary of Significant Accounting Policies (continued)

Accounting for Contributions (continued)

The Corporation reports contributions as permanently restricted if they are received with donor-imposed restrictions regarding how the funds are to be used.

Income Taxes

The Corporation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code and the California Franchise Tax Board, under Section 23701(d).

Cash and Cash Equivalents

For the purposes of these financial statements, the Corporation considers cash in checking, cash in savings, and all other highly liquid investments with original maturities of three months or less at date of purchase to be cash and cash equivalents.

Concentration of Credit Risk for Cash Held in Banks

The Corporation maintains several bank accounts at ten banks. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Cash at some of these institutions exceeded federally insured limits. The amount in excess of the FDIC limit totaled \$528,082 as of June 30, 2006.

Property and Equipment

All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost when no historical record exists. Donations of property and equipment are recorded as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated or acquired assets are placed in service, property and equipment are depreciated using the straight-line method.

NOTE 3 - Restrictions on Net Assets

The restrictions on net assets at the end of 2006 are related to funds designated by the Board for a special purpose or funds received with restrictions imposed on them by governmental agencies limiting their use to a specific purpose and stipulations regarding their segregation from other funds.

(continued)

KINGS COUNTY ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 3 - Restrictions on Net Assets (continued)

The Corporation, as part of its primary purpose, has acquired land to be used for industrial purpose in Hanford, California. As of June 30, 2006, the Corporation has title to four parcels in Hanford's Industrial Park and four parcels in the City of Corcoran. In April, 2000, the Corporation and the City of Hanford went together to buy 100 acres, known as the Pirelli land purchase. A shared-appreciation agreement was entered into at that time, whereby title to the mortgage would be held by the City of Hanford, and the Corporation would not receive any interest or principal on the loan. When property is sold the note will be reduced by its original investment of \$3,095 per acre. The Corporation will also receive one third of any sale proceeds in excess of the original cost (\$9,103 per acre) of the property. The proceeds from the sale of this property are restricted for investment into additional properties and are accounted for in the Land Fund.

The Corporation received a grant from the Special Economic Development and Adjustment Assistance Program under Title IX of the Public Works and Economic Development Act of 1965 of the U.S. Department of Commerce. Funds from the grant are restricted for the purpose of making business loans in compliance with governmental guidelines. Loans and repayments are accounted for in the Economic Development Agency Fund.

In 1992 and 1999, the Corporation borrowed money from the USDA Rural Development Intermediary Relending Program (USDA IRP). The purpose of the program is to finance business facilities and community development projects in rural areas. This is a revolving loan designed so that collections from loans in excess of necessary operating expenses and debt payments are used to make additional loans. Loans and repayments are accounted for in the USDA IRP Fund. As the loans are repaid, a percentage of the interest earned is released from restriction to pay for the cost of servicing and accounting for the loan portfolio.

NOTE 4 - Loans Receivable

Kings County Economic Development Corporation provides financing to businesses in Kings County. Financing is available for business startups, expansions, working capital or to acquire real property or equipment. The loans bear interest at 5 to 9 percent per annum and are payable monthly over terms of five to fifteen years. The notes are collateralized by deeds of trust on real property and secured agreements on equipment.

A schedule of the loans receivable by funding source at June 30, 2006, is as follows:

	<u>Long-term</u>	<u>Short-term</u>	<u>Total</u>
Economic Development Administration	\$ 1,235,164	\$ 104,580	\$ 1,339,744
USDA Intermediary Relending Program	980,086	90,225	1,070,311
Land Fund	<u>29,403</u>	<u>1,644</u>	<u>31,047</u>
Totals	<u>\$ 2,244,653</u>	<u>\$ 196,449</u>	<u>\$ 2,441,102</u>

KINGS COUNTY ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 5 - Allowance for Loan Losses

Kings County Economic Development Corporation maintains a reserve account for potentially uncollectible loans. The allowance is based on the Corporation's analysis of delinquent or inconsistent loan payments. A percentage, in a range from 6 percent to 10 percent, of the outstanding loan balance can be reserved. At June 30, 2006, the balance in the Loan Loss Reserve was \$101,503.

NOTE 6 - Furniture and Equipment

Furniture and equipment are recorded at cost. Depreciation is computed using the straight-line method over an estimated life of between 5 and 10 years. A summary of changes in furniture and equipment during 2005 is as follows:

	Balance July 1, 2005	Additions	Retirements	Balance June 30, 2006
Furniture and fixtures	\$ 8,030			\$ 8,030
Equipment	37,655			37,655
Total furniture and equipment	45,685			45,685
Less accumulated depreciation	45,685			45,685
Net book value of furniture and equipment	\$ -			\$ -

NOTE 7 - Accrued Vacation and Sick Leave

Vacation

Accrued unpaid employee vacation benefits are recognized as liabilities of the Corporation. The value of accrued vacation at June 30, 2006, is \$1,204.

Sick leave

Sick leave benefits can accumulate up to 50 days per employee. The employees do not gain a vested right to accumulated sick leave; therefore, accumulated employee sick leave benefits are not recognized as liabilities of the Corporation, but are recorded as expenditures in the year that sick leave is taken.

NOTE 8 - Deferred Revenue

Deferred revenue consists of contributions made for the fiscal year ended June 30, 2007.

(continued)

KINGS COUNTY ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 9 - Loan Payable

Economic Development Administration Revolving Loan Program

In 1981, the Corporation received a grant of \$915,420 from the Special Economic Development and Adjustment Assistance Program under Title IX of the Public Works and Economic Development Act of 1965 from the U.S. Department of Commerce. The grant proceeds are for the purpose of making business loans.

On April 22, 1993, and December 1, 1998, the Corporation borrowed \$900,000 and \$500,000, respectively, from of the USDA Rural Development Rural Business Cooperative. The Corporation used the monies to establish a revolving loan fund. The loans are payable over 30 years at an interest rate of 1%. Principal payment obligations related to the loans at June 30, 2006, were as follows:

USDA Rural Development
Intermediary Re-Lending Program

	<u>Balance</u> <u>July 1, 2005</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2006</u>	<u>Due Within</u> <u>One Year</u>
Loan #1	\$ 626,489	\$ (31,941)	\$ 594,548	\$ 32,260
Loan #2	467,339	(16,497)	450,842	16,715
Totals	<u>\$ 1,093,828</u>	<u>\$ (48,438)</u>	<u>\$ 1,045,390</u>	<u>\$ 48,975</u>

Scheduled principal repayments of long-term debt are as follows:

<u>Year ended</u> <u>June 30</u>	<u>Loan #1</u>	<u>Loan #2</u>	<u>Total</u>
2007	\$ 32,260	\$ 16,715	\$ 48,975
2008	32,583	16,882	49,465
2009	32,910	17,051	49,961
2010	33,238	17,221	50,459
2011	33,570	17,393	50,963
Thereafter	<u>429,987</u>	<u>365,580</u>	<u>795,567</u>
Total notes payable	<u>\$ 594,548</u>	<u>\$ 450,842</u>	<u>\$ 1,045,390</u>

NOTE 10 - Pension Plan

The Corporation established a SEP-IRA in July of 2003 for its employees. An employee is eligible to participate in the plan upon completing one year of service. For 2006, the Corporation's annual contribution was 10 percent of the participant's compensation equal to \$3,945.

SUPPLEMENTARY INFORMATION

KINGS COUNTY ECONOMIC DEVELOPMENT CORPORATION

**COMBINING STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2006**

ASSETS

	Unrestricted	Permanently Restricted Programs			Total	
	General Fund	EDA Loan Program	USDA Loan Program	CDBG Loan Program		Land Fund
<u>CURRENT ASSETS:</u>						
Cash and cash equivalents	\$ 146,919				\$ 146,919	
Prepaid expenses	10,458				10,458	
Accounts receivable	3,228				3,228	
Total current assets	160,605				160,605	
<u>RESTRICTED ASSETS:</u>						
Cash and cash equivalents		\$ 666,838	\$ 343,499	\$ 45,727	\$ 317,553	1,373,617
Long-term loans receivable		1,339,744	1,070,311		31,047	2,441,102
Allowance for loan losses		(3,475)	(98,028)			(101,503)
Land held for development					355,659	355,659
Interfund receivable	26,591					26,591
Total restricted assets	26,591	2,003,107	1,315,782	45,727	704,259	4,095,466
<u>CAPITAL ASSETS:</u>						
Furniture and equipment	45,685					45,685
Accumulated depreciation	(45,685)					(45,685)
Total capital assets, net	-					-
Total assets	\$ 187,196	\$ 2,003,107	\$ 1,315,782	\$ 45,727	\$ 704,259	\$ 4,256,071

(continued)

KINGS COUNTY ECONOMIC DEVELOPMENT CORPORATION

**COMBINING STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2006**

LIABILITIES AND NET ASSETS

	Unrestricted		Permanently Restricted Programs			Total
	General Fund	EDA Loan Program	USDA Loan Program	CDBG Loan Program	Land Fund	
<u>CURRENT LIABILITIES:</u>						
Accounts payable	\$ 1,089	\$ (28)				\$ 1,061
Accrued expenses	2,355					2,355
CDBG loan proceeds				\$ 13,799		13,799
USDA loan - current portion			\$ 48,975			48,975
Deferred revenue	3,125					3,125
Interfund payable		14,613	11,978			26,591
	<u>6,569</u>	<u>14,585</u>	<u>60,953</u>	<u>13,799</u>		<u>95,906</u>
Total current liabilities						
	<u>6,569</u>	<u>14,585</u>	<u>60,953</u>	<u>13,799</u>		<u>95,906</u>
<u>LONG-TERM LIABILITIES:</u>						
USDA Rural Development loan			996,415			996,415
Total liabilities	<u>6,569</u>	<u>14,585</u>	<u>1,057,368</u>	<u>13,799</u>		<u>1,092,321</u>
<u>NET ASSETS:</u>						
Restricted for EDA loan program		1,988,522				1,988,522
Restricted for USDA loan program			258,414			258,414
Restricted for CDBG loan program				31,928		31,928
Restricted for land acquisition					\$ 704,259	704,259
Unrestricted	180,627					180,627
Total net assets	<u>180,627</u>	<u>1,988,522</u>	<u>258,414</u>	<u>31,928</u>	<u>704,259</u>	<u>3,163,750</u>
Total liabilities and net assets	<u>\$ 187,196</u>	<u>\$ 2,003,107</u>	<u>\$ 1,315,782</u>	<u>\$ 45,727</u>	<u>\$ 704,259</u>	<u>\$ 4,256,071</u>

See independent auditors' report.

KINGS COUNTY ECONOMIC DEVELOPMENT CORPORATION

**COMBINING STATEMENT OF ACTIVITIES
AT JUNE 30, 2006**

	Unrestricted	Permanently Restricted			Total
	General Fund	EDA RLF	USDA IRP	CDBG Grant	
<u>SUPPORT AND REVENUE:</u>					
<u>Support:</u>					
Contributions					
Local municipalities	\$ 180,194				\$ 180,194
Business commitments	5,900				5,900
Grants	7,500				7,500
Membership fees	5,800				5,800
Enterprise Zone processing fees	5,710				5,710
Other contributions	3,766				3,766
Total support	208,870				208,870
<u>Revenue:</u>					
Interest earned					
Notes receivable		\$ 108,120	\$ 75,806		\$ 186,316
Bank deposits	4,435	7,905	10,310		29,997
Loan processing		282	3,890		4,188
Late fees		688	940		1,628
Loan recoveries	2,303	31,496	13,502		47,301
Total revenue	6,738	148,491	104,448	9,753	269,430
<u>Net Assets Released from</u>					
Restrictions:					
Allocations to General Fund from:					
Interest on notes receivable	91,963	(54,060)	(37,903)		-
Interest on bank deposits	9,107	(3,952)	(5,155)		-
Loan processing	2,087	(141)	(1,946)		-
Late fees	809	(344)	(465)		-
Total net assets released from restrictions	103,966	(58,497)	(45,469)		-
Total support and revenue	319,574	89,994	58,979	9,753	478,300
<u>EXPENSES:</u>					
Program services:					
Economic development	242,329				242,329
Interest expense			10,941		10,941
Bad debt provision		2,298	13,464		15,762
Property taxes				2,951	2,951
Miscellaneous		18	20		38
Supporting services:					
General management and administration	101,540				101,540
Total expenses	343,869	2,316	24,425	2,951	373,561
Change in net assets	\$ (24,295)	\$ 87,678	\$ 34,554	\$ 6,802	\$ 104,739

(continued)

KINGS COUNTY ECONOMIC DEVELOPMENT CORPORATION

**COMBINING STATEMENT OF ACTIVITIES
AT JUNE 30, 2006**

	Unrestricted	Permanently Restricted			Total	
	General Fund	EDA RLF	USDA IRP	CDBG Grant		Land Fund
Change in net assets, from page 15	\$ (24,295)	\$ 87,678	\$ 34,554		\$ 6,802	\$ 104,739
Net assets at July 1, 2005	204,922	1,900,844	223,860	\$ 31,928	697,457	3,059,011
Net assets at June 30, 2006	\$ 180,627	\$1,988,522	\$ 258,414	\$ 31,928	\$ 704,259	\$ 3,163,750

See independent auditors' report.

ADDITIONAL INDEPENDENT AUDITORS' REPORTS

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

Board of Directors
Kings County Economic Development Corporation

We have audited the financial statements of Kings County Economic Development Corporation, as of and for the year ended June 30, 2006, and have issued our report thereon dated December 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Kings County Economic Development Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kings County Economic Development Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors of Kings County Economic Development Corporation, management and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

December 22, 2006
Hanford, California