

**BROWNFIELD INDUSTRIAL DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE CITY OF BROWNFIELD, TEXAS)**

BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
LUBBOCK, TEXAS

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Independent Auditor's Report

To the City Council
City of Brownfield, Texas
And To the Board of Directors of
Brownfield Industrial Development Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities and the general fund of Brownfield Industrial Development Corporation (BID Corp), as of and for the fiscal year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise BID Corp's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 *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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities and the general fund of BID Corp, as of September 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report January 16, 2015, on our consideration of BID Corp's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering of BID Corp's internal control over financial reporting and compliance.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

January 16, 2015

BROWNFIELD INDUSTRIAL DEVELOPMENT CORPORATION

**A COMPONENT UNIT OF THE CITY OF BROWNFIELD, TEXAS
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Governmental Activities</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,746,268	\$	\$ 1,746,268
Receivables	43,421		43,421
Inventory - Land	<u>855,727</u>		<u>855,727</u>
Total Assets	<u>\$ 2,645,416</u>	<u>\$ 0</u>	<u>\$ 2,645,416</u>
LIABILITIES			
Accounts Payable	\$ 2,830	\$	\$ 2,830
Accrued Compensated Absences	<u>2,015</u>		<u>2,015</u>
Total Liabilities	<u>\$ 4,845</u>	<u>\$ 0</u>	<u>\$ 4,845</u>
FUND BALANCES			
Nonspendable - Inventory	\$ 855,727	\$ (855,727)	\$
Restricted - Industrial Development	1,784,844	(1,784,844)	
Total Fund Balance	<u>\$ 2,640,571</u>	<u>\$ (2,640,571)</u>	<u>\$ 0</u>
Total Liabilities and Fund Balance	<u>\$ 2,645,416</u>		
Net Position			
Nonspendable - Inventory		\$ 855,727	\$ 855,727
Restricted - Industrial Development		<u>1,784,844</u>	<u>1,784,844</u>
Total Net Position		<u>\$ 2,640,571</u>	<u>\$ 2,640,571</u>

See accompanying notes to the financial statements.

BROWNFIELD INDUSTRIAL DEVELOPMENT CORPORATION

**A COMPONENT UNIT OF THE CITY OF BROWNFIELD, TEXAS
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

REVENUES	General Fund	Adjustments	Governmental Activities
Sales Taxes	\$ 492,828	\$	\$ 492,828
Other Miscellaneous	1,290		1,290
Interest	34,466		34,466
Total Revenues	\$ 528,584	\$ 0	\$ 528,584
EXPENDITURES/EXPENSES			
Salary	\$ 77,693	\$	\$ 77,693
Salary Related Expense	31,470		31,470
Car Allowance	6,000		6,000
Travel Expense	9,392		9,392
Building Expense	30,000		30,000
Economic Incentives	249,674		249,674
Contracted and Other Expenses	3,800		3,800
Office Expense, Dues, and Fees Expense	6,802		6,802
Miscellaneous Expense	983		983
Special Services	7,162		7,162
Advertising	37,011		37,011
Total Expenditures	\$ 459,987	\$ 0	\$ 459,987
Excess of Revenues over Expenditures/Expenses	\$ 68,597	\$ (68,597)	\$
Change in Net Position		68,597	68,597
Fund Balance/Net Position			
Beginning of the Year	2,571,974	0	2,571,974
End of the Year	\$ 2,640,571	\$ 0	\$ 2,640,571

See accompanying notes to the financial statements.

BROWNFIELD INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

Brownfield Industrial Development Corporation (BID Corp) was formed and incorporated in February, 1990, as a component unit of the City of Brownfield. BID Corp's declared mission is to provide for the promotion and development of presently existing businesses and the aggressive pursuit of new businesses and industry for the City of Brownfield. The mission includes offering an environment conducive for industrial growth, and making Brownfield known as a location that business and industry seeks.

BID Corp is a non-profit corporation governed by the Texas Development Corporation Act of 1979. Industrial Development Corporations are authorized by the provisions of Vernon's Texas Civil Statutes, Article 5190.6, Section 4A as amended.

BID Corp is managed by a five member Board of Directors appointed by the Brownfield City Council which holds the oversight authority over BID Corp. BID Corp derives its major funding from an "additional one-half of one percent sales tax" that is collected within the City of Brownfield for this purpose.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As a component unit of the City of Brownfield, BID Corp's financial reporting policies conform to the accounting principles generally accepted in the United States of America applicable to its primary government (City of Brownfield).

Basis of Accounting and Presentation

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the government-wide entity as a whole. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. BID Corp currently does not have business-type activities.

These government-wide financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Statement of Activities demonstrates the degree to which the direct expenses of a given description are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific description. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given description or segment. BID Corp does not have program revenues.

BROWNFIELD INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

The Corporation reports all direct expenses in the Statement of Activities. Direct expenses are those that are clearly identifiable with a description. Indirect expenses of other types are not allocated but are reported separately in the Statement of Activities. Depreciation expense is reported separately in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Fund Financial Statements

The BID Corp follows GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Nonspendable fund balance – Amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – Amounts constrained to specific purposes by the BID Corp itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless BID Corp takes the same highest level action to remove or change the constraint.

Assigned fund balance – Amounts BID Corp intends to use for a specific purpose. Intent can be expressed by an official or body to which the BID Corp delegates authority.

Unassigned fund balance – Amounts that are available for any purpose.

For the fiscal year ended September 30, 2014, BID Corp's fund balance included nonspendable inventory and restricted fund balance, restricted for industrial development.

Financial statements are provided for the governmental fund.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, BID Corp considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues from local sources consist primarily of sales taxes. Miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

BROWNFIELD INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

BID Corp reports the following governmental fund:

General Fund

This fund is established to account for financial resources used for BID Corp's operations. This is a budgeted fund and restricted fund balances are considered resources available for current operations.

Budgets and Budgetary Accounting

BID Corp generally follows the budgetary procedures of the City of Brownfield. The operating budget is prepared on the cash basis and because of the operating characteristics of the entity such basis is not materially different than the modified accrual basis upon which BID Corp reports. In the budget process expenditures are appropriated with the means of financing them. Unused appropriations lapse at the end of the fiscal year (September 30th) and can't be carried over to the following year.

Encumbrances

Encumbrance accounting is not utilized by BID Corp because of its small size and its relatively simple operations.

Inventories

BID Corp does have significant land holdings in the form of developed and undeveloped land in the City of Brownfield. The inventory of unsold land is reflected in the financial statements as "Inventory - Land".

3. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (the Act) (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the BID Corp to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the BID Corp to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the BID Corp to have independent auditors perform test procedures related to investment practices as provided by the Act. BID Corp currently does not hold any investments.

BROWNFIELD INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, BID Corp has adopted a deposit and investment policy. That policy does not address the following risks:

- a. Custodial Credit Risk – Deposits and Investments: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits and investments in certificates of deposits may not be returned to it. BID Corp's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state or local governments by pledging securities in excess of the highest cash balance of the government. BID Corp is not exposed to custodial credit risk, for its deposits are all covered by depository insurance and pledged securities held by a third party in BID Corp's name.
- b. Concentration of Credit Risk – The investment policy of BID Corp contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. At September 30, 2014, the BID Corp's cash balances are with Lone Star State Bank which are covered by FDIC insurance and pledged securities, and as such BID Corp has no risk.
- c. Credit Risk – The risk that an issuer of other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At September 30, 2014 BID Corp was not significantly exposed to credit risk.
- d. Interest Rate Risk – Not applicable
- e. Foreign Currency Risk – Not applicable

The carrying amount of BID Corp's cash and cash equivalents at September 30, 2014, approximates fair value and consisted of the following shown below:

	Primary Government
Cash in Bank	\$ 1,746,268
Total Cash and Cash Equivalents	\$ 1,746,268

BROWNFIELD INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

4. RECEIVABLES

	<u>Total Receivables</u>	<u>Estimated Uncollectible Accounts</u>	<u>Net Receivables</u>
Sales Tax (Due From State)	\$ 43,421	\$	\$ 43,421
	<u>\$ 43,421</u>	<u>\$ 0</u>	<u>\$ 43,421</u>

5. RETIREMENT PLAN

The BID Corp's employees are considered employees of the City of Brownfield and participate in the defined benefit plan administered by Texas Mutual Retirement System (TMRS). BID Corp contributed \$12,770 to the pension plan on behalf of its employees for the year ended September 30, 2014. For more information about the plan, see the City of Brownfield's annual audit report.

6. COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS

As of September 30, 2014, there were no claims or assessments nor any litigation pending against BID Corp.

Management has evaluated subsequent events through the date of the audit report. No events have occurred up to that date that would require adjustment to, or disclosure in, the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

BROWNFIELD INDUSTRIAL DEVELOPMENT CORPORATION

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	(Unaudited) <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Sales Taxes	\$ 432,683	\$ 492,828	\$ 60,145
Other Miscellaneous	200,000	1,290	(198,710)
Interest	<u>34,722</u>	<u>34,466</u>	<u>(256)</u>
Total Revenues	<u>\$ 667,405</u>	<u>\$ 528,584</u>	<u>\$ (138,821)</u>
EXPENDITURES			
Salary	\$ 77,693	\$ 77,693	\$ 0
Salary Related Expense	29,869	31,470	(1,601)
Car Allowance	7,200	6,000	1,200
Travel Expense	9,000	9,392	(392)
Building Expense	30,000	30,000	0
Economic Incentives	454,643	249,674	204,969
Contracted and Other Expenses	4,000	3,800	200
Office Expense, Dues, and Fees Expense	10,000	6,802	3,198
Miscellaneous Expense	1,700	983	717
Special Services	10,000	7,162	2,838
Advertising	<u>33,300</u>	<u>37,011</u>	<u>(3,711)</u>
Total Expenditures	<u>\$ 667,405</u>	<u>\$ 459,987</u>	<u>\$ 207,418</u>
Excess of Revenues over Expenditures	<u>\$ 0</u>	<u>\$ 68,597</u>	<u>\$ 68,597</u>

FUND BALANCE

Beginning of Year - October 1, 2013	<u>2,571,974</u>
End of Year - September 30, 2014	<u>\$ 2,640,571</u>

No amendments to budget.

OVERALL INTERNAL CONTROL AND COMPLIANCE SECTION

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Independent Auditor's Report

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

To the City Council
City of Brownfield, Texas
And To the Board of Directors of
Brownfield Industrial Development Corporation

We have audited, in accordance with the 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, the financial statements of governmental activities and the general fund of Brownfield Industrial Development Corporation (BID Corp) as of and for the year ended September 30, 2014, and related notes to the financial statements, which collectively comprise the BID Corp's basic financial statements and have issued our report thereon dated January 16, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered BID Corp's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BID Corp's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of BID Corp's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether BID Corp's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bolinger, Segars, Gilbert & Moss L.L.P.

Certified Public Accountants

Lubbock, Texas

January 16, 2015