

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

BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

AND

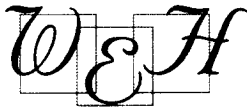
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

BROWNFIELD INDUSTRIAL DEVELOPMENT CORPORATION

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 2016**

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William E. Holloway, CPA

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 Statement

I have audited the accompanying financial statements of the Brownfield Industrial Development Corporation (BID Corp), as of and for the fiscal year ended September 30, 2016, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I express no such opinion. An audit also includes evaluating

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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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinions

In my 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, 2016, 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 13 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles general 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 context. My opinion on the basic financial statements is not affected by this missing information.

William E. Holloway
William E. Holloway
Certified Public Accountant
Brownfield, Texas
February 16, 2017

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, 2016**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Governmental Activities</u>
ASSETS			
Cash and Cash Equivalents	\$ 2,026,750	\$	\$ 2,026,750
Receivables	40,313		40,313
Inventory - Land	826,295		826,295
Total Assets	<u>2,893,358</u>		<u>2,893,358</u>
DEFERRED OUTFLOWS			
Defered Outflows - Pension	38,104		38,104
Total Deferred Outflows	<u>38,104</u>		<u>38,104</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>2,931,462</u>		<u>2,931,462</u>
LIABILITIES			
Accounts Payable	360,000		360,000
Accrued Compensated Absences	3,882		3,882
Pension Liability	31,543		31,543
Total Liabilities	<u>395,425</u>		<u>395,425</u>
DEFERRED INFLOWS			
Pension Inflows - Experience	10,662		10,662
Total Deferred Inflows	<u>10,662</u>		<u>10,662</u>
FUND BALANCES			
Nonspendable - Inventory	826,295	(826,295)	
Restricted - Industrial Development	1,708,018	(1,708,018)	
Prior Period Adjustment	(8,938)	8,938	
Total Fund Balance	<u>\$ 2,525,375</u>	<u>\$ 2,525,375</u>	<u>\$</u>
Total Liabilities and Fund Balance	<u>\$ 2,931,462</u>		
Net Position			
Nonspendable - Inventory		\$ 826,295	\$ 826,295
Restricted - Industrial Development		1,708,018	1,708,018
Prior Period Adjustment		(8,938)	(8,938)
Total Net Position		<u>\$ 2,525,375</u>	<u>\$ 2,525,375</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, 2016

	<u>General Fund</u>	<u>Adjustments</u>	<u>Governmental Activities</u>
REVENUES			
Sales Taxes	\$ 459,037	\$	\$ 459,037
Other Miscellaneous	12,560		12,560
Sale of Inventory	111,174		111,174
Interest	<u>15,999</u>		<u>15,999</u>
 Total Revenues	 <u>598,770</u>		 <u>598,770</u>
 EXPENDITURES/EXPENSES			
Salary	88,864		88,864
Salary Related Expense	34,627		34,627
Car Allowance	7,200		7,200
Travel Expense	6,336		6,336
Marketing	26,300		26,300
Economic Incentives	589,499		589,499
Membership Dues	4,163		4,163
Building Expense	5,000		5,000
Office Expense, Dues, and Fees	6,151		6,151
Miscellaneous Expense	2,567		2,567
Professional Services	9,805		9,805
TIF Expense	6,142		6,142
Cost of Inventory Sold	121,416		121,416
Web Service	<u>4,033</u>		<u>4,033</u>
 Total Expenditures	 <u>912,103</u>		 <u>912,103</u>
 Excess of Revenues Over Expenditures	 (313,333)	 313,333	
 Change in Net Position		 (313,333)	 (313,333)
 Fund Balance/ Net Position			
Beginning of the Year	<u>2,838,708</u>	<u>0</u>	<u>2,838,708</u>
 End of the Year	 <u>\$ 2,525,375</u>	 <u>\$ 0</u>	 <u>\$ 2,525,375</u>

See accompanying notes to the financial statements.

BROWNFIELD INDUSTRIAL DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE CITY OF BROWNFIELD, TEXAS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$	567,647
Payments to Suppliers		(434,310)
Payments to Employees		(121,367)
Other Receipts		12,560
Net Cash provided by operating activities		24,530

CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES

Interest Income		15,999
Deferred Outflows		(24,540)
Deferred Inflows		894
Pension Liability		18,808
Net Cash provided by financing activities		11,161

Net increase (decrease) in cash and cash equivalents 35,691

Balances - beginning of the year		1,991,059
Balances - end of the year		2,026,750

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income (loss)		(329,332)
Adjustments to reconcile operating income to net cash provided by operating activities		
Accrued Payroll/Vacation & Sick Leave		2,124
Change in assets and liabilities:		
Receivables		(2,564)
Inventories		114,302
Accounts Payable		240,000
		24,530

Net Cash provided by operating activities \$ 24,530

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.

BROWNFIELD INDUSTRIAL DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

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 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.

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. Interest of 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 spendable 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.

BROWNFIELD INDUSTRIAL DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

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, 2016, BID Corp's fund balance included nonspendable inventory and restricted fund balance, restricted for industrial development.

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 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.

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 cannot be carried over to the following year.

BROWNFIELD INDUSTRIAL DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

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, 2016, 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, 2016, BID Corp was not significantly exposed to credit risk.
- d. *Interest Rate Risk* – Not Applicable
- e. *Foreign Currency Risk* – Not applicable

BROWNFIELD INDUSTRIAL DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

The carrying amount of BID Corp's cash and cash equivalents at September 30, 2016, approximates fair value and consisted of the following shown below:

	Primary Government
Cash in Bank	\$ <u>2,026,750</u>
Total Cash and Cash Equivalents	\$ <u><u>2,026,750</u></u>

4. RECEIVABLES

	Total Receivables	Estimated Uncollectible Accounts	Net Receivables
Sales Tax(Due from State)	\$ <u>40,313</u>	\$ <u>0</u>	\$ <u>40,313</u>
	\$ <u><u>40,313</u></u>	\$ <u><u>0</u></u>	\$ <u><u>40,313</u></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 Municipal Retirement System (TMRS). The reporting requirements for pension plans have been modified under the implementation of GASB 68. Under GASB 68, the employer must report the net pension liability, pension expense, and related deferred inflows and outflows of resources associated with providing retirement benefits to their employees (and former employees) in their basic financial statements. For more information about the plan, see the City of Brownfield's annual audit report.

6. PRIOR PERIOD ADJUSTMENT

GASB 68 implementation created net pension liability; pension expense, and related deferred inflows and outflows of resources. The net affect of this change created a prior period adjustment, which is a decrease of fund balance in the amount of \$8,938.

7. COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS

Brownfield Industrial Development Corp and Halliburton have committed to an economic development grant based on real and personal property investments. BID Corp has committed to pay \$600,000 based on a total of \$40,000,000 investment over the same time period. As of September 30, 2016 Halliburton reported investments in excess of their goal and the remainder of the incentive was paid November, 2016.

As of September 30, 2016, 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.