

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

**AUDITED FINANCIAL STATEMENTS**

**FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

**BROWNFIELD INDUSTRIAL DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE CITY OF BROWNFIELD, TEXAS)  
AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Brownfield Industrial Development Corporation

We have audited the accompanying financial statements of Brownfield Industrial Development Corporation (a nonprofit organization), a discreetly presented component unit of the City of Brownfield, Texas, which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

***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 an opinion on these 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 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.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brownfield Industrial Development Corporation as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Respectfully Submitted,

*Bennett, Bennett, & Trice, PLLC*

Bennett, Bennett, & Trice, PLLC  
Certified Public Accountants  
Lubbock, TX  
June 16, 2021

**BROWNFIELD INDUSTRIAL DEVELOPMENT CORPORATION**  
**(A COMPONENT UNIT OF THE CITY OF BROWNFIELD, TEXAS)**  
**STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2020 AND 2019**

	2020	2019
<b>Assets</b>		
Current Assets		
Cash & Cash Equivalents	\$ 1,478,860	\$ 1,499,002
Sales Tax Receivable	50,458	49,405
Inventory - Land	880,854	880,854
<i>Total Current Assets</i>	<i>2,410,172</i>	<i>2,429,261</i>
Non-current Assets		
Notes Receivable	150,000	193,333
Net Pension Asset	47,434	1,228
<i>Total Non-current Assets</i>	<i>197,434</i>	<i>194,561</i>
<b>Total Assets</b>	<b>2,607,606</b>	<b>2,623,822</b>
 <b>Deferred Outflows of Resources</b>		
Deferred Outflows - Pension Items	34,081	39,030
Deferred Outflows - Pension Contributions	6,915	9,180
<b>Total Deferred Outflows of Resources</b>	<b>40,996</b>	<b>48,210</b>
 <b>Total Assets &amp; Deferred Outflows of Resources</b>	<b>\$ 2,648,602</b>	<b>\$ 2,672,032</b>
 <b>Liabilities</b>		
Current Liabilities		
Accounts Payable	\$ -	\$ 4,445
Accrued Payroll Expenses	5,126	1,322
<i>Total Current Liabilities</i>	<i>5,126</i>	<i>5,767</i>
<b>Total Liabilities</b>	<b>5,126</b>	<b>5,767</b>
 <b>Deferred Inflows of Resources</b>		
Deferred Inflows - Pension Items	49,497	30,099
<b>Total Deferred Inflows of Resources</b>	<b>49,497</b>	<b>30,099</b>
 <b>Total Liabilities &amp; Deferred Inflows of Resources</b>	<b>54,623</b>	<b>35,866</b>
 <b>Net Assets</b>		
Unrestricted	2,593,979	2,636,166
<b>Total Net Assets</b>	<b>2,593,979</b>	<b>2,636,166</b>
 <b>Total Liabilities, Deferred Inflows of Resources, &amp; Net Assets</b>	<b>\$ 2,648,602</b>	<b>\$ 2,672,032</b>

**BROWNFIELD INDUSTRIAL DEVELOPMENT CORPORATION**  
**(A COMPONENT UNIT OF THE CITY OF BROWNFIELD, TEXAS)**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	2020	2019
<b>Revenues &amp; Support</b>		
Sales Taxes	\$ 549,984	\$ 554,790
Other Miscellaneous	39,025	23
Interest	20,070	36,398
<b>Total Revenues &amp; Support</b>	609,079	591,211
<b>Expenses</b>		
Program Services	598,255	458,681
Management & General	53,011	72,518
<b>Total Expenses</b>	651,266	531,199
<b>Change in Net Assets</b>	(42,187)	60,012
<b>Net Assets at the Beginning of the Year</b>	2,636,166	2,576,154
Prior Period Adjustment	-	-
<b>Net Assets at the End of the Year</b>	\$ 2,593,979	\$ 2,636,166

**BROWNFIELD INDUSTRIAL DEVELOPMENT CORPORATION**  
**(A COMPONENT UNIT OF THE CITY OF BROWNFIELD, TEXAS)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

	Program Services		Total
	Economic Development	Management & General	
<b>Expenses</b>			
Salary & Benefits	\$ 76,289	\$ 25,430	\$ 101,719
Payroll Taxes	4,913	1,638	6,551
Travel Expense	5,958	1,986	7,944
Advertising & Promotion	56,776	-	56,776
Economic Incentives	443,507	-	443,507
Contracted & Other Expense	3,807	1,269	5,076
Building Expense	-	12,050	12,050
Office Expense, Dues, & Fees	-	8,077	8,077
Miscellaneous Expense	-	223	223
Professional Services	492	-	492
Telephone	2,607	2,607	5,214
Education & Training	-	237	237
Web Service	3,400	-	3,400
<b>Total Expenses</b>	<b>\$ 597,750</b>	<b>\$ 53,516</b>	<b>\$ 651,266</b>

**BROWNFIELD INDUSTRIAL DEVELOPMENT CORPORATION**  
**(A COMPONENT UNIT OF THE CITY OF BROWNFIELD, TEXAS)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

	Program Services		Total
	Economic Development	Management & General	
<b>Expenses</b>			
Salary & Benefits	\$ 84,723	\$ 28,241	\$ 112,964
Payroll Taxes	4,960	1,653	6,613
Travel Expense	7,195	2,398	9,593
Advertising & Promotion	43,605	-	43,605
Economic Incentives	304,505	-	304,505
Contracted & Other Expense	3,840	1,280	5,120
Building Expense	-	28,488	28,488
Office Expense, Dues, & Fees	-	7,946	7,946
Miscellaneous Expense	-	581	581
Professional Services	3,123	-	3,123
Telephone	1,471	1,471	2,942
Education & Training	-	460	460
Web Service	5,259	-	5,259
<b>Total Expenses</b>	<b>\$ 458,681</b>	<b>\$ 72,518</b>	<b>\$ 531,199</b>

**BROWNFIELD INDUSTRIAL DEVELOPMENT CORPORATION**  
**(A COMPONENT UNIT OF THE CITY OF BROWNFIELD, TEXAS)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	2020	2019
<b>Operating Activities</b>		
Change in Net Assets	\$ (42,187)	\$ 60,012
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities		
GASB 68 Pension Adjustment	(19,594)	(5,834)
Change in Assets and Liabilities		
Sales Tax Receivable	(1,053)	(6,774)
Accounts Payable	(4,445)	4,445
Accrued Payroll Expenses	3,804	(2,312)
<b>Net Cash Used by Operating Activities</b>	<b>(63,475)</b>	<b>49,537</b>
 <b>Investing Activities</b>		
Purchase of Land for Inventory	-	-
Payments Received on Notes	43,333	93,334
Notes Receivable Issued	-	-
<b>Net Cash Used by Investing Activities</b>	<b>43,333</b>	<b>93,334</b>
 <b>Net Decrease in Cash &amp; Cash Equivalents</b>	 (20,142)	 142,871
 <b>Cash &amp; Cash Equivalents at the Beginning of the Year</b>	 1,499,002	 1,356,131
<b>Cash &amp; Cash Equivalents at the End of the Year</b>	<b>\$ 1,478,860</b>	<b>\$ 1,499,002</b>



BROWNFIELD INDUSTRIAL DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF THE CITY OF BROWNFIELD, TEXAS)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

**NOTE A: SIGNIFICANT ACCOUNTING POLICIES**

**Definition and Nature of Entity** – Brownfield Industrial Development Corporation (“BIDC”) is a quasi-governmental organization incorporated in February 1990 as a public instrumentality and nonprofit industrial development corporation under provisions of the Development Corporation Act of 1979 of the State of Texas and is funded by the City of Brownfield, Texas (City) with a one half of one percent sales tax.

BIDC is considered a “Type A” development corporation under Section 504 of the Texas Local Government Code (formerly, Vernon’s Texas Civil Statutes, Article 5190.6, Section 4A). Its mission is to provide for the promotion and development of presently existing businesses and the pursuit of new business and industry for the City. The mission includes offering an environment conducive for industrial growth, and promotion of the City to make it known as a location that business and industry seek for development opportunities.

A five-member Board of Directors (Board) appointed by the Brownfield City Council (Council) governs BIDC, and BIDC’s annual operating budgets, as well as projects undertaken by BIDC, are subject to approval and oversight by the Council.

Because of this oversight responsibility, BIDC is considered to be a component unit of the City of Brownfield, and in accordance with Governmental Accounting Standards Board (GASB) Statements Nos. 61, 39, and 14, its financial affairs are included in the City’s annual financial report as a discretely-presented entity separately presented in the government-wide financial statements.

The significant accounting policies followed are described below.

**Basis of Accounting** – The accounting records and financial statements of BIDC are prepared on the accrual basis.

**Estimates** – The preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Budget** – At least 60 days prior to the commencement of each fiscal year of BIDC, the Board shall adopt a proposed budget of expected revenues and projected expenses for the ensuing fiscal year. The budget shall not be effective until it has been approved by the City Council.

**Income Taxes** – Since BIDC’s revenues are received from the exercise of an essential governmental function through the City of Brownfield, any net revenues of BIDC are exempt from federal income tax under Section 115 of the Internal Revenue Code of 1986, as amended.

**Financial Statement Preparation** – BIDC has elected to adopt FASB ASC 958-205, *Financial Statements of Not-for-Profit Organizations*, formerly known as Statement of Financial Accounting Standards (SFAS) No. 117. Under this standard, BIDC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Presentation** – Certain prior year amounts may have been reclassified in order to present comparatively with the current period classifications.

**Cash and Cash Equivalents** – For purposes of the Statement of Cash Flows, BIDC considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Currently BIDC maintains only cash.

BROWNFIELD INDUSTRIAL DEVELOPMENT CORPORATION  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

**NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued**

**Custodial Credit Risk** – In accordance with the FDIC, time deposits, savings deposits, and interest-bearing NOW accounts held at each financial institution will be insured up to \$250,000 in aggregate. As of and during the years ended September 30, 2019 and 2020, BIDD had funds in excess of this amount; however, all excess funds were covered under the umbrella of the City's pledged collateral held by the City's agent bank in the City's name. Therefore, BIDD had no funds subject to custodial credit risk.

**Allowance for Uncollectible Receivables** – BIDD has no allowance for uncollectible receivables in relation to its sales tax receivable because the State of Texas pays the amount it collected in full. Regarding the notes receivable BIDD has, management fully expects to either collect the proceeds in full or forgive portions of the notes in accordance to the agreements provided the criteria for forgiveness are met.

**Contributions** – BIDD also elected to adopt FASB ASC 958-605, formerly SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

**Inventory** – BIDD has significant land holdings in the form of developed and undeveloped land in the City. This included a purchase in 2019 for \$50,000. No land was purchased in 2020. The land held in inventory is being held to provide potential spots for businesses to start from and may either be sold or offered through incentive packages.

**Restricted Resources** – When BIDD incurs an expense for which it may use either restricted or unrestricted resources, it is BIDD's general policy to use the restricted resources first whenever they will have to be returned if they are not used. Management does reserve the right to use unrestricted resources first depending on the circumstances.

**Advertising** – BIDD advertises through various means, and the cost is expensed when incurred.

**Functional Allocation of Expenses** – The costs of providing BIDD's services and activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated between the program services and the supporting services benefited.

**Related Parties** – The City of Brownfield provides office space, utilities, and other operational support to BIDD. These services and expenses paid by the City are donated to BIDD, and except for a nominal fee paid by BIDD, but they have not been recorded in BIDD's financial statements because the value of the donated services cannot be substantially determined.

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NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued**

**Risk Management** – BIDC is exposed to various risks of loss related to torts; errors and omissions; violations of civil rights; theft of, damage to, and destruction of assets; and natural disasters. These risks are covered by BIDC's participation, via the City of Brownfield, in the Texas Municipal League Intergovernmental Risk Pool (TML). TML was established by various political subdivisions in the State of Texas to provide self-insurance for its members and to obtain lower costs for insurance.

The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance.

The City pays annual TML premiums that includes coverage for BIDC. The City also maintains other insurance, such as health insurance, for the employees of BIDC as well.

No significant reductions in insurance coverage occurred in the past fiscal year and settled claims have not exceeded insurance coverage in any of the past three fiscal years.

**NOTE B: SALES TAX RECEIVABLE**

The majority of BIDC's funding is dependent on a one half of one percent tax assessed on retail sales within the city limits of the City of Brownfield. The Comptroller of the State of Texas remits the monthly sales tax receipts to the City of Brownfield which in turn sends the appropriate amount to BIDC.

Sales tax receivable due from the State of Texas totaled approximately \$49,405 and \$50,458 for the fiscal years ended September 30, 2019 and 2020, respectively. BIDC received \$554,790 and \$549,984 in sales tax revenue for the fiscal years ended September 30, 2019 and 2020, respectively.

**Concentration of Risk** – This revenue source is subject to the normal economic fluctuations experienced by the City of Brownfield and the surrounding region and therefore could negatively impact the amount of revenue designated for BIDC. If the citizens of the City of Brownfield vote to reduce or rescind the assessment on retail sales, the operation of BIDC would be severely impacted.

**NOTE C: NOTES RECEIVABLE**

BIDC has two notes receivable issued and outstanding. Both of these were issued during the fiscal year ended September 30, 2018, and additional proceeds were issued on one of the notes during the fiscal year ended September 30, 2019.

The first note was issued to Texas Custom Wine Works in the amount of \$125,000. This is for expansion of its wine business to cover more property and hire additional employees. The first two payments on the note were received during the fiscal year ended September 30, 2019. No payments were received during the fiscal year ended September 30, 2020. The current balance of the note is \$75,000.

The second note was issued to TIRZ with an original amount of \$93,000 and additional proceeds of \$68,667 for a total of \$161,667. This note is to help make some infrastructure improvements near the County Courthouse downtown to enable businesses safer parking and to create potential new business space. There is a provision in the note to allow partial forgiveness if certain terms are met. As of the fiscal year ended September 30, 2020, the remaining balance on the note is \$75,000.

BROWNFIELD INDUSTRIAL DEVELOPMENT CORPORATION  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

**NOTE D: PAYROLL AND RELATED EXPENSES**

BIDC's employees are considered employees of the City of Brownfield, and all payroll and related expenses are considered made by the City and reported on the City's federal and state payroll forms. This includes payroll taxes and employee benefits like health insurance and retirement.

BIDC's one full-time employee is a participant in the pension plan administered by the Texas Municipal Retirement System (TMRS). The City has extensive reporting requirements under GASB 68 for this pension plan, covering the net pension asset, the deferred outflows of resources related to pension items, the deferred outflows of resources related to pension contributions, the deferred inflows of resources related to pension items, and the pension expense. BIDC has reported its share of these items on its financial statements. For more information about the plan, please see the City of Brownfield's annual financial report.

**NOTE E: SUBSEQUENT EVENTS**

In accordance with FASB ASC 855-10-50-1, Management has evaluated subsequent events through June 16, 2021, which is the date the financial statements were available to be issued.

Subsequent to the fiscal year ended September 30, 2020, BIDC was victim of the February 13-17, North American winter storms unofficially referred to as Winter Storm Uri ("Uri"). Although the financial consequences are likely not material, the potential effects and incurred costs cannot be evaluated at the time of the audit.

Subsequent to year end, the Board of Directors and the City Council of Brownfield, Texas approved the purchase of property located at 1945 David Bailey Road. The property was purchased thereafter for \$473,306.

No other material subsequent events were noted by management.