



Brownwood Economic  
Development Corporation

# BEDC Annual Report, 2014

Prepared for: Brownwood City Council & BEDC Board of Directors

February 10, 2015

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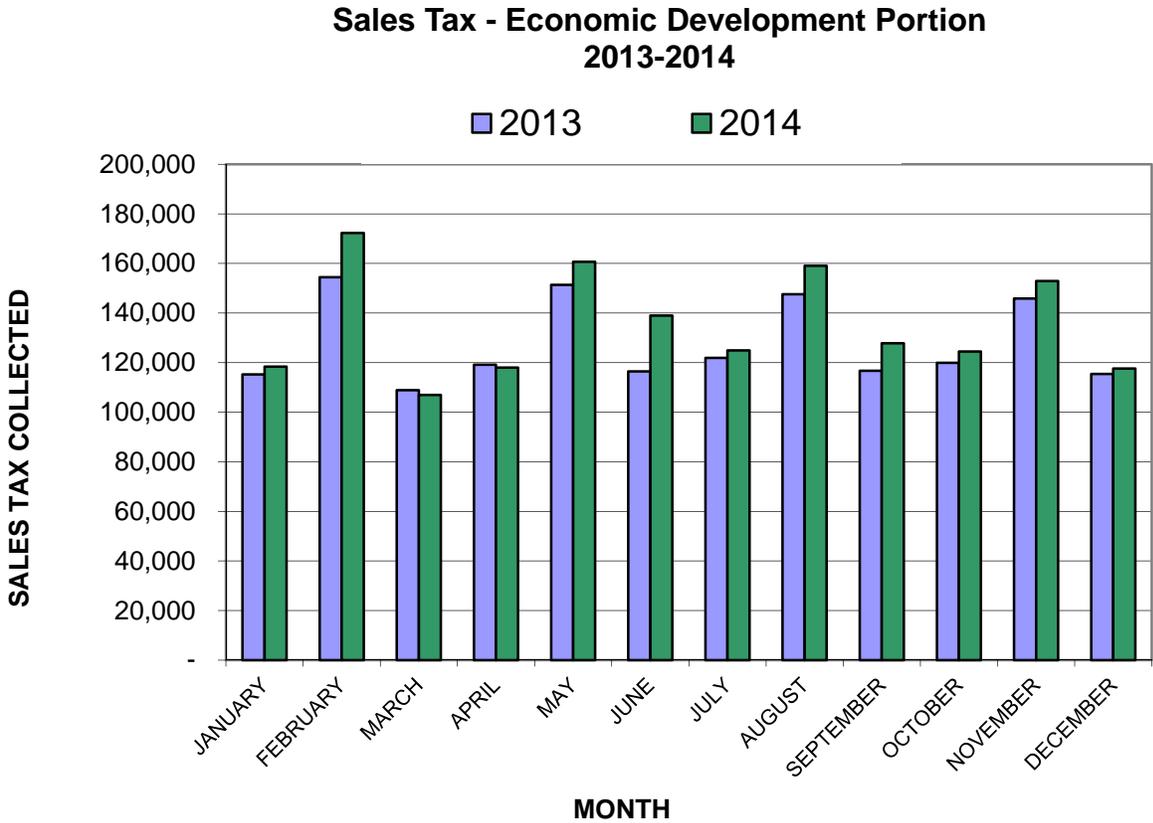
Brownwood Economic  
Development Corporation

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# Economic Indicators

## Sales Tax

The BEDC receives .5% of the 2% local sales tax for economic development. City of Brownwood **sales tax increased about 6.5% in 2014 from 2013**. Multiple factors account for this increase in sales tax, including new retail businesses, increased consumer spending, and continued decreases in unemployment. Increased sales tax is a positive indicator of a strong economy and the trend is continuing even stronger in the current fiscal year.

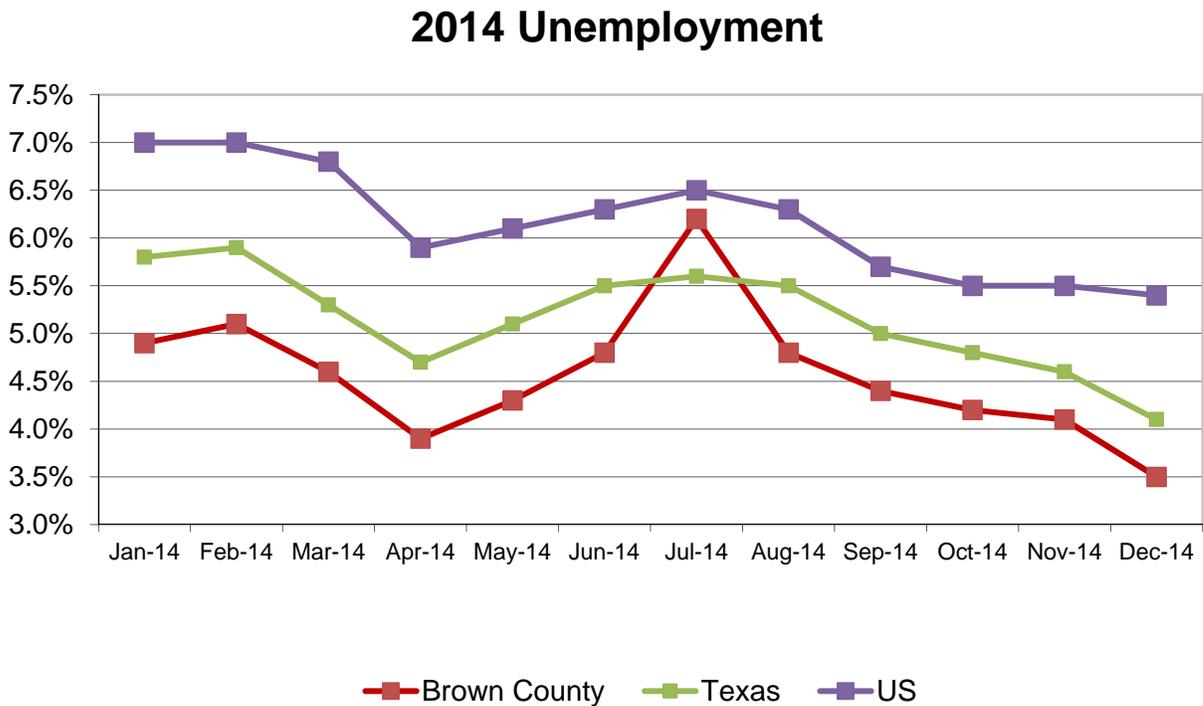


*The Texas Comptroller reports monthly sales tax. Monthly reports reflect activity from two months prior, meaning that January numbers represent November sales activity.*

## Employment

A major indicator of employment data is unemployment claims. In 2014, Brown County's unemployment rate was once again lower than state and national figures. December unemployment in Brown County was 3.5%. This is the lowest rate recorded according to the Texas Workforce Commission's online database, which dates back to 2000. The rate has been on a steady decline since mid-year when an anomaly occurred causing a sharp increase in July as a result of a planned, brief furlough by a local employer. Employees associated with the furlough returned to work within the month and rates rebounded back to prior levels.

Ten out of twelve months reported unemployment at less than 5%. **The 2014 average unemployment rate for Brown County was 4.6%**, which was .6% lower than the Texas average, and 1.6% lower than the national average. This is a positive indicator of a stable economy.

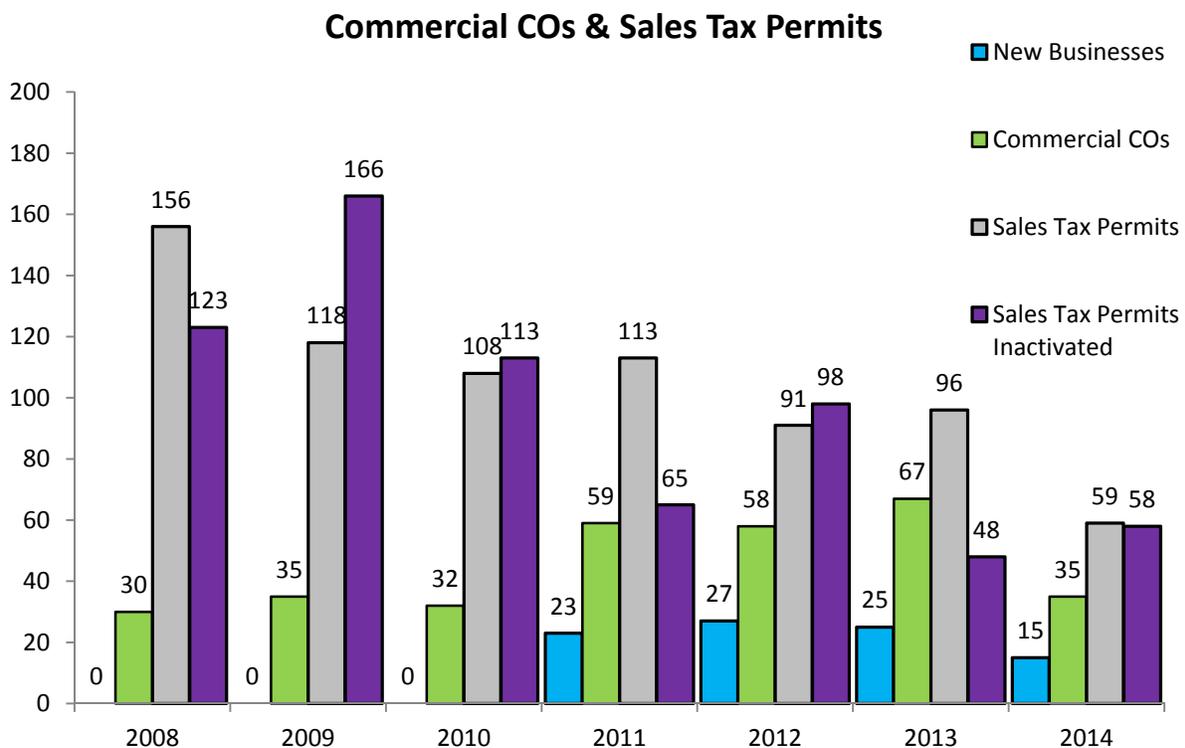


*The Texas Workforce Commission reports Brown County employment information monthly, based off of data from the Bureau of Labor Statistics.*

## New Business Activity

Certificates of Occupancy (CO) for commercial properties are issued for new buildings or after a remodel, expansion, or a change in classification. In 2014, 35 commercial COs were issued, of which 15 were new businesses. Although this is a significant drop in commercial CO's, the total permit valuations increased by nearly \$5 million from \$11,920,413n in 2013 to \$16,904,528 in 2014. This shift shows that there are fewer projects, but that the projects are more capital intensive, adding more value to the tax rolls.

Sales tax permits are issued by the State Comptroller's office to individuals or businesses engaging in sales. The difference in sales tax permits over COs indicates the large number of "home based" or non store-front businesses applying for permits. Sales Tax Permits Inactivated represents businesses that are no longer in business due to either it changing ownership or closing down the business completely. Historically, a slow economy encourages entrepreneurship and small business start-ups. The stark decrease in new sales tax permits indicates that there are ample jobs and opportunity; less people are striking out on their own to create additional income. The number of inactivated permits rose slightly to 58, which remains lower than years immediately following the recession. This is an indication that local businesses continue to be more stable and staying open.

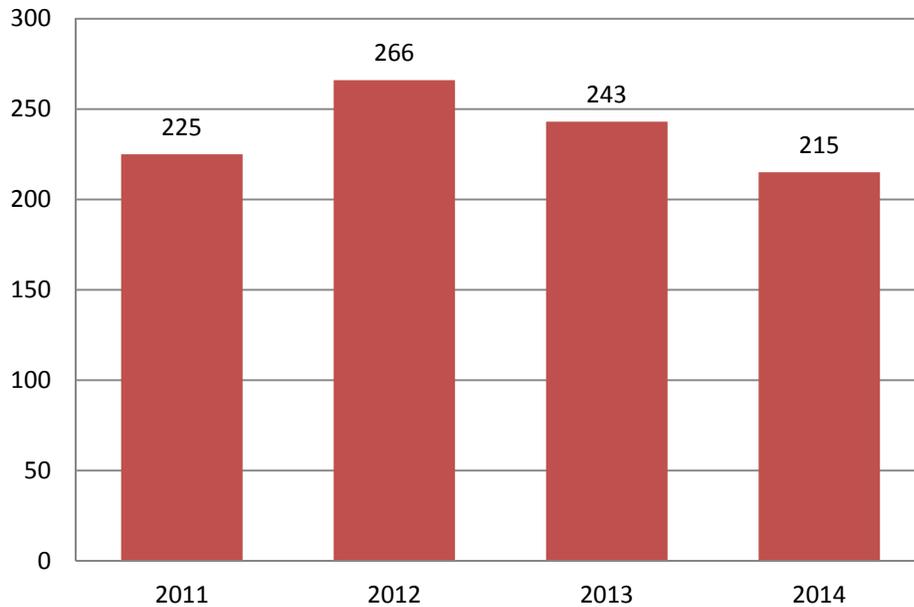


*COs are issued by the City of Brownwood Development Services Department and represent activity inside the city limits. New businesses were not tracked prior to 2011. Sale Tax Permits issued and inactivated permits are tracked by the State Comptroller.*

## Real Estate Sales and Construction

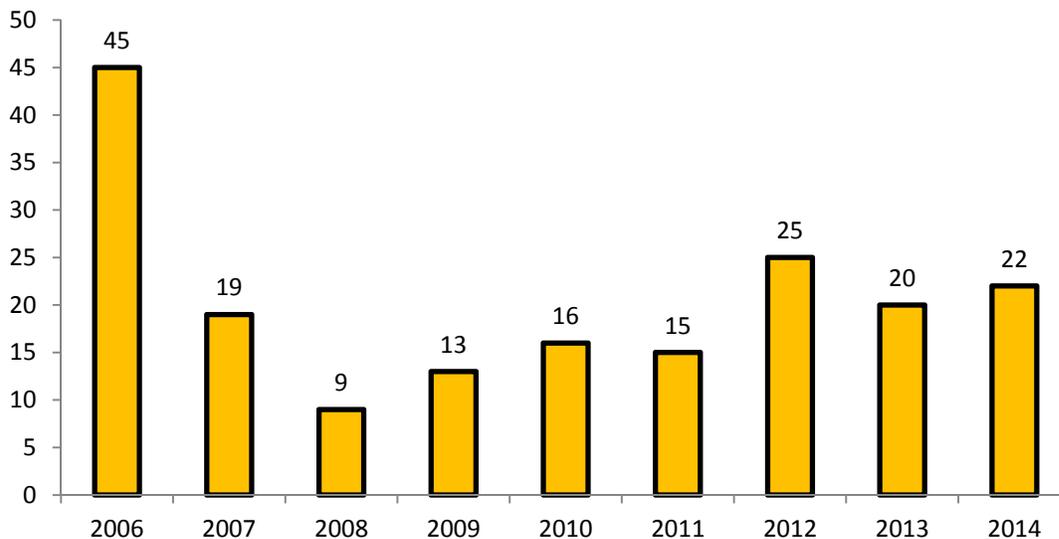
Real estate sales within the City of Brownwood in 2014 were 215. This is down about 11% from 2013.

### Closed Real Estate Sales



Certificates of Occupancy (CO) for residential properties are issued for new residential construction or substantial renovation. **In 2014, 22 residential COs were issued inside the city limits, of which 16 were newly built houses.** This is a 10% increase from 2013.

### Residential Certificates of Occupancy

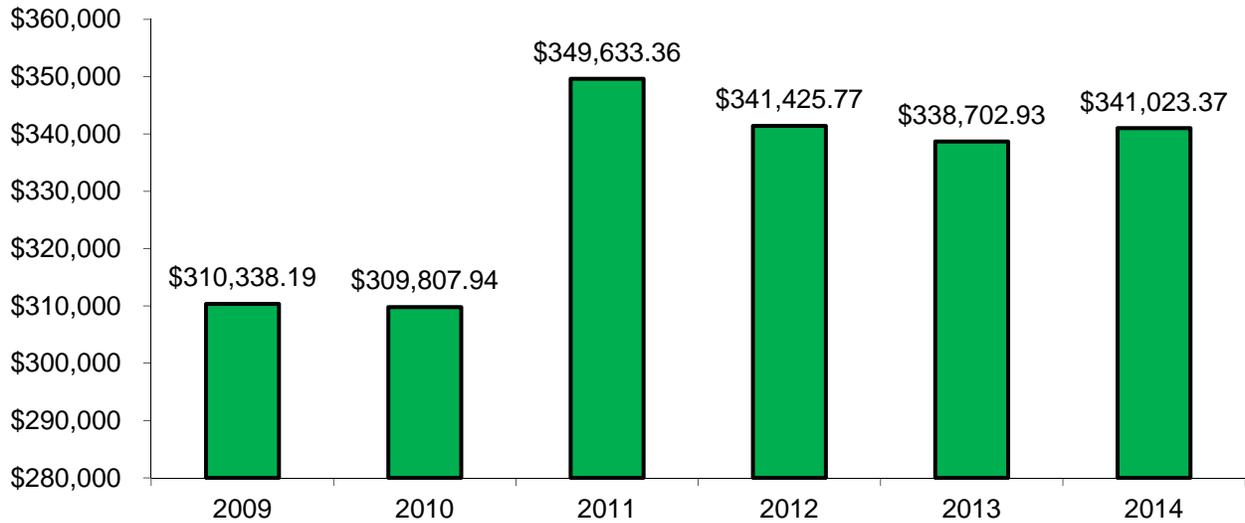


*Residential sales are tracked by the Brownwood Board of Realtors. Certificates of Occupancy are issued by the City of Brownwood Development Services Department, and represent activity inside the city limits.*

## Hotel Occupancy Tax

Local Hotel Occupancy Tax is 7% in the City of Brownwood and reflects leisure and business travel in the area. **The local Hotel Occupancy Tax collected in 2014 had a slight increase from 2013** and is rebounding to earlier peaks that were, in part, a result of the new Bert Massey Sports Complex opening.

### Hotel Occupancy Tax



*The local Hotel Occupancy Tax is collected by the City of Brownwood for hotels and motels inside the city limits.*

# BEDC PROJECTS

*BEDC is mandated to engage in activity that directly aides in the accomplishment of creating identifiable new jobs or retaining existing jobs. In 2014, the BEDC was engaged in the following projects and activities:*

## New Projects

- Approved a \$250,000 new business loan to Wright Asphalt for its new Brownwood plant.
- Approved a \$200,000 business expansion loan with Loadcraft Industries.
- Approved a \$300,000 business expansion loan with Ingram Concrete.
- Approved a \$360,000 infrastructure incentive to United Supermarkets.
- Approved a \$30,000 infrastructure incentive for the new Stripes Station.
- Approved a \$25,900 infrastructure incentive for the Lyric Theatre.
- Approved a \$100,000 expansion incentive for the Ron Jackson Unit.
- Approved a \$39,000 infrastructure incentive to replace a waterline in the industrial area.
- Submitted four (4) proposals to the Office of the Governor, Economic Development and Tourism.

## Existing Projects

- Maintained eight (8) existing loans with local businesses.
- Maintained three (3) existing incentives with local businesses.
- Maintained two leases of BEDC property.
- One loan was paid off early (Fenton) and one loan paid off as scheduled (Wall Moulding).
- Continued work on the BEDC Strategic Plan including development of BEDC and City owned property for Industrial Development, completed website project and worked on multiple grants with local schools and businesses.

## Workforce Development

- In partnership with Ranger College, TSTC, Kohler Company and M&F Gauge, applied for and received a \$1.4 million grant through the Texas Workforce Commission's Skills Development Fund.
- Launched new job posting site for Brown County on BEDC website: [www.brownwoodbusiness.com/jobs](http://www.brownwoodbusiness.com/jobs).
- Facilitated meetings with TSTC and metal fabrication companies for possible welding fast track course.
- Participated in and facilitated meetings of the Brownwood Area Chamber of Commerce Education Workforce Solutions of Brown County Committee. Director serves as chair.
- Supported Ranger College's Associates Degree in Nursing program and expanded services to Brown County in the amount of \$120,000 per fiscal year.

## Entrepreneurship and Small Business Development

- Through the Brownwood Area Chamber of Commerce, a total of 33 consultations were conducted which include 19 small business consults to new or prospective businesses and 14 consults with existing businesses, five (5) of which started new businesses. Compared to last year, the number of consults have slightly decreased, however the success rate resulting from the consultations is up 15%.
- Supported the West Central Texas Council of Government SBA Loan Office in Brownwood in the amount of \$24,000 per year (2013-2014) and \$12,000 per year (2014-2015). One (1) SBA 504 loan was made and three (3) Rural Business Enterprise Grant loans were made to Brown County businesses in 2014 for a total amount of \$209,500.

## Marketing

- Attended the International Convention of Shopping Centers (ICSC) trade show in Dallas with the Mayor and Brownwood Area Chamber of Commerce, as well as year-round retail recruitment efforts with site selectors, brokers and developers.
- Produced two aerial videos of the Brownwood Area and "Story of Success" video which was shared with local employers for recruitment tools.
- Established a YouTube channel for BEDC.
- Completed new BEDC website with enhanced features, such as a site selection tool and report builder.
- Utilized BEDC Facebook and Twitter accounts.
- Full page ad in *Texas Wide Open for Business* magazine, the official Economic Development magazine of the State of Texas and quarter page ad in *Brown County Living* magazine.

# Challenges and Issues

## Short Term Challenges

The most urgent challenges are the drought, workforce shortage, the unexpected downturn in the oil and gas industry, and retail recruitment. Water is a major concern for all facets of business including manufacturing and tourism. The BEDC will continue to support the City and Brown County Water Improvement District's efforts to ensure an adequate water supply for its residents and businesses.

In 2014, the skilled workforce shortage became a serious challenge for businesses of every sector in Brownwood. The unemployment rate fell to unprecedented levels, and the local labor pool became very thin. The booming oil and gas industry pulled many workers from the Brown County region, causing existing workers to leave the county. In response to the shortage of labor, the BEDC created a centralized job listings page on our website and marketed that website to the local area and across the state. Additional recruitment efforts will be necessary to fill the vacant and newly created jobs. In 2015, there is a projected additional 300 jobs that will be created by new and existing companies.

The impact of the drop in oil prices on the Brownwood economy is yet to be fully seen. Oilfield related companies are slowing down and diversifying in order to weather the downturn. On a positive note, the labor force may grow as workers return to the area or migrate here for jobs. The BEDC continues to participate in regional meetings and activities to stay in tune with the energy sector and to promote the available jobs and business opportunities in Brownwood.

United Supermarkets and Aldi opening in Brownwood in 2015 has created heightened interest by retail developers and site selectors in the Brownwood market. Multiple factors such as the flood plain, cost of real estate, and limited sites available are challenges the BEDC and City must facilitate solutions for in order to capitalize on the retail interest.

## Long Term Issues

The following are long term issues as stated in the BEDC's Strategic Plan. The BEDC is actively addressing each challenge. For Implementation Tables or the Full Strategic Plan, visit the website at [www.brownwoodstrategy.com](http://www.brownwoodstrategy.com).

- Recruitment and retention of young professionals.
- Availability of higher skilled mechanical and technical labor.
- Lack of higher education for area's high demand jobs, such as engineering and nursing.
- Relatively low wages, in comparison to State average.
- Limited retail, restaurants and other lifestyle related businesses.
- Limited housing options and availability.
- Possible conversion to a Type B or MDD corporation.
- Perception of high taxes by major industry.

# BEDC Financials

Fiscal year 2013-2014 financials were sound. The audited financial reports indicate that the BEDC's net assets were \$4,844,092 as of September 30, 2014. Total revenue was \$1,714,167 while total expenses were \$862,041. The Corporation's net assets increased by \$853,126.

# Partnerships and Affiliations

## Local

- Brownwood Area Chamber of Commerce, Member
- Brownwood Marketing Alliance, Member
- Education Workforce Solutions of Brown County Committee, Chair
- Brownwood Area Chamber of Commerce Legislative Affairs Committee, Member
- Brownwood Industrial Foundation, Inc., Partner
- Brownwood ISD PR Committee, Member
- Mid-Tex Human Resource Management Association and SHRM, Board President
- United Way Board, Board President
- Young Leaders of Brown County, Board Member
- Kiwanis Club, Member

## Regional

- West Texas Energy Consortium, Economic Development Committee Co-chair
- Texas Midwest Community Network, Member and Delegate
- West Central Texas Council of Governments, Council Finance and RBEG Board Member
- Workforce Solutions of West Central Texas, Partner
- Small Business Development Center, Tarleton University, Partner

## State and National

- Texas Economic Development Council, Member
- International Economic Development Council, Member
- International Convention of Shopping Centers, Member
- Society for Human Resource Management, Member



Brownwood Economic  
Development Corporati

# Contact Information

Brownwood Economic Development Corporation  
P.O. Box 1389 / 501 Center  
Ave. Brownwood, TX 76804  
325.646.6751  
[www.brownwoodbusiness.com](http://www.brownwoodbusiness.com)

Emily Crawford, Executive Director  
[ecrawford@ci.brownwood.tx.us](mailto:ecrawford@ci.brownwood.tx.us)

Ruth Willis, Project Administrator  
[rwillis@ci.brownwood.tx.us](mailto:rwillis@ci.brownwood.tx.us)

## Acknowledgements

This report was compiled with the cooperation of:

Walter Middleton, City of Brownwood Finance Director

Kevin Pate, City of Brownwood Development Services Director

Ray Tipton, Brownwood Area Chamber of Commerce

Daniel Hutson, WCTCOG – Small Business Administration

Brownwood Board of Realtors

# Appendix A

BEDC 2014 Ọ ẹ & Ọ E ă

# Krischke CPA, PC

D. A. "Tony" Krischke, CPA

201 CENTER AVENUE  
P. O. BOX 1645  
BROWNWOOD, TEXAS 76804  
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January 12, 2015

To the Board of Directors  
Brownwood Economic Development Corporation

I have audited the financial statements of the governmental activities and each major fund of Brownwood Economic Development Corporation for the year ended September 30, 2014. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated May 28, 2014. Professional standards also require that I communicate to you the following information related to my audit.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Brownwood Economic Development Corporation are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013-2014. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Brownwood Economic Development Corporation's financial statements was the estimate of the collectability of notes receivable which is based on historical collections and an analysis of each note. I evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the disclosure of commitments and contingencies in Note 5 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

I encountered no significant difficulties in dealing with management in performing and completing my audit.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.



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*Management Representations*

I have requested certain representations from management that are included in the management representation letter dated January 12, 2015

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

This information is intended solely for the use of the Board of Directors and management of Brownwood Economic Development Corporation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

  
Krischke CPA, PC

BROWNWOOD ECONOMIC DEVELOPMENT CORPORATION  
A Component Unit of the City of Brownwood, Texas  
Brownwood, Texas

ANNUAL REPORT

September 30, 2014

BROWNWOOD ECONOMIC DEVELOPMENT CORPORATION

A Component Unit of the City of Brownwood, Texas

Brownwood, Texas

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September 30, 2014

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# Krischke CPA, PC

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**D. A. "Tony" Krischke, CPA**

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Brownwood Economic Development Corporation  
Brownwood, Texas

I have audited the accompanying financial statements of the governmental activities and each major fund of Brownwood Economic Development Corporation, a component unit of City of Brownwood, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statement, which collectively comprise the Corporation'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. 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 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 opinions.

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Brownwood Economic Development Corporation, a component unit of City of Brownwood, Texas, 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.



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## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-5 and 19-20 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.



Krischke CPA, PC  
January 12, 2015

## **BROWNWOOD ECONOMIC DEVELOPMENT CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Brownwood Economic Development Corporation, a corporate instrumentality of the City of Brownwood, financial performance provides an overview of the Corporation's financial activity for the fiscal year ended September 30, 2014. It should be read in conjunction with the financial statements.

### **Financial Highlights**

- The Corporation's net position was \$4,844,092 at September 30, 2014.
- The Corporation's total revenues were \$1,715,167 while total expenses were \$ 862,041.
- The Corporation's net position increased by \$853,126.

### **Corporation Highlights**

The Brownwood Economic Development Corporation was formed on July 3, 1990 under the Development Corporation Act of 1979, as amended, Texas Revised Civil Statutes Annotated, Article 5190.6, Section A. It receives revenue from the 1/2 cent sales tax adopted in 1990 for economic development in Brownwood. It also receives revenue from lease income from property management, interest income from investments and outstanding loans, and from the sale of land acquired for development.

During the past year, the City of Brownwood's average unemployment rate was 4.9%, proving better than national (6.5%) and state (5.5%) averages. Sales tax revenues increased 6.6% over the previous year. The Corporation maintained eight existing loans (Barr, City of Brownwood, KJD, Superior Essex, Ratliff Steel, VRC Technology, Big Country Water Works and Brent Stroeble), had one loan pay off early (Fenton), had one loan pay off as scheduled (Wall Moulding ) and issued three new loans (Wright Asphalt, Loadcraft, and Ingram Concrete). The BEDC continued three existing incentives (two with 3M and Willie's T's), and added three new incentives (Ron Jackson, Stripes, and the Lyric). The BEDC maintained two leases (Heritage Helicopters and Casey Barker). The BEDC provided funds to Ranger College and TSTC to continue to expand training programs and services in the Brownwood area. Funding was also provided to the West Central Texas Council of Governments for a satellite Council Finance Office, and the Brownwood Area Chamber of Commerce for Marketing, Resource and Business Support services. The Corporation continues to execute the plan of work as directed by the 2012 Five Year Strategic Plan. BEDC participated in a retail development trade show with the City of Brownwood and the Chamber of Commerce, and serves as a local contact for developers. BEDC continues to be a resource to local business and industry to facilitate job creation and economic growth.

### **Using This Annual Report**

This annual report consists of three parts: Management's Discussion and Analysis, Financial Statements and Required Supplementary Information. The Statement of Net Position and Activities provide information for the Corporation as a whole. The corporation's net position – the difference between assets and liabilities- is a way to measure financial health or financial position.

## Statement of Net Assets

Table 1 shows all of the assets and liabilities of the Corporation and is presented on an accrual basis. The total net position is \$4,844,092. This includes \$2,668,345 of notes receivable and \$1,562,469 of notes payable. The notes payable are described in more detail in Note 4 in the Notes to the Financial Statements.

**Table 1**  
**Brownwood Economic Development Corporation**  
**Net Position**

	<u>2014</u>	<u>2013</u>
Current Assets	\$ 3,215,726	\$ 2,564,535
Notes Receivable	2,668,345	2,748,907
Other Assets	<u>571,585</u>	<u>577,210</u>
Total Assets	<u>\$ 6,455,656</u>	<u>\$ 5,890,652</u>
Current Liabilities	\$ 295,595	\$ 337,561
Non-Current Liabilities	<u>1,315,969</u>	<u>1,562,125</u>
Total Liabilities	<u>\$ 1,611,564</u>	<u>\$ 1,899,686</u>
Invested in Capital Assets, Net of related debt Unrestricted	 \$ <u>4,844,092</u>	 \$ <u>3,990,966</u>
Total Net Position	<u>\$ 4,844,092</u>	<u>\$ 3,990,966</u>

## Statement of Activities

Table 2 shows all of the expenses and revenues of the Corporation and is also presented on the accrual basis. General Revenues consists of Governmental type income including the 1/2 cent sales tax the corporation received for economic development and interest from investment and receivables.

**Table 2**  
**Brownwood Economic Development Corporation**  
**Changes in Net Position**

	<u>2014</u>	<u>2013</u>
General Revenues	\$ 1,715,167	\$ 1,651,471
Total Revenues	<u>\$ 1,715,167</u>	<u>\$ 1,651,471</u>
Total Operating Expenses	\$ 827,440	\$ 1,027,632
Total Non-Operating Expenses	34,601	39,482
Transfers to Primary Government		
Total Expenses	<u>\$ 862,041</u>	<u>\$ 1,067,114</u>
Change in Net Position	<u>\$ 853,126</u>	<u>\$ 584,357</u>

## Balance Sheet

The Balance Sheet of the Corporation shows the assets, liabilities and fund equity for the Governmental Fund.

## Income Statement

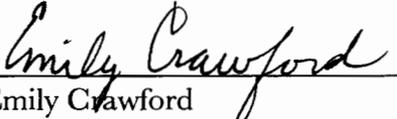
The Statement of Revenues, Expenditures and Changes in Fund Balance shows the revenues and expenditures for the Governmental Fund.

## Budgetary Highlights

Revenues came in very close to the amount budgeted with a positive variance of 4.8%. Expenditures were under budget by 21.6%, primarily because budgeting for incentives is imprecise since there is no way to know what incentives will be awarded at the time a budget is established.

## Contacting the Corporation's Financial Management

This financial report is designed to provide a general overview of the Corporation's finances and to show the Corporation's accountability to its taxpayers. If you have any questions about this report or need additional financial information, contact Emily Crawford, Executive Director, at Brownwood Economic Development Corporation, P.O. Box 1389, 501 Center Avenue, Brownwood, Texas 76804, (325) 646-6751.

  
Emily Crawford  
Executive Director

  
Walter Middleton, CPA, CGFO  
Director of Finance

BASIC FINANCIAL STATEMENTS

BROWNWOOD ECONOMIC DEVELOPMENT CORPORATION  
A Component Unit of the City of Brownwood, Texas  
Brownwood, Texas

STATEMENT OF NET POSITION

September 30, 2014

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Pooled cash and cash equivalents	\$ 46,255
Non pooled cash and cash equivalents	5
Investments	3,169,466
Receivables, net	2,668,345
Land held for development	507,366
Other assets	<u>64,219</u>
<b>TOTAL ASSETS</b>	<u>\$ 6,455,656</u>
<b>LIABILITIES:</b>	
Accounts payable	\$ 40,594
Accrued salaries	4,454
Compensated absences:	
Portion due or payable within one year	3,518
Portion due or payable after one year	529
Note payable:	
Portion due or payable within one year	247,029
Portion due or payable after one year	<u>1,315,440</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 1,611,564</u>
<b>NET POSITION</b>	
Unrestricted	<u>\$ 4,844,092</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 4,844,092</u></u>

See accompanying notes to basic financial statements

**BROWNWOOD ECONOMIC DEVELOPMENT CORPORATION**  
A Component Unit of the City of Brownwood, Texas  
Brownwood, Texas

**STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2014

	Program Revenues			Net Revenue (Expense) and Changes in Net Position
Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
<b>GOVERNMENTAL:</b>				
Economic development administration	\$ 202,494	\$	\$	\$ (202,494)
Property development	27,976			(27,976)
New business development	200,966			(200,966)
Existing industry	337,508			(337,508)
Marketing and promotion	58,496			(58,496)
Interest on long-term debt	34,601			(34,601)
Total Governmental Activities	\$ 862,041	\$ -	\$ -	\$ (862,041)
 <b>TOTAL BROWNWOOD ECONOMIC DEVELOPMENT CORPORATION</b>	 <b>\$ 862,041</b>	 <b>\$ -</b>	 <b>\$ -</b>	 <b>\$ (862,041)</b>
<b>General Revenue:</b>				
Taxes:				
Sales taxes				\$ 1,623,376
Earnings on investments				73,918
Other				17,873
Total General Revenue				\$ 1,715,167
<b>CHANGE IN NET POSITION</b>				<b>\$ 853,126</b>
Net Position - Beginning				3,990,966
<b>NET POSITION - ENDING</b>				<b>\$ 4,844,092</b>

See accompanying notes to basic financial statements

BROWNWOOD ECONOMIC DEVELOPMENT CORPORATION  
A Component Unit of the City of Brownwood, Texas  
Brownwood, Texas

BALANCE SHEET  
GOVERNMENTAL FUND

September 30, 2014

ASSETS

ASSETS:

Pooled cash and cash equivalents	\$	46,255
Non pooled cash and cash equivalents		5
Investments		3,169,466
Receivable, net		2,668,345
Land held for development		507,366
Other assets		64,219

TOTAL ASSETS

\$ 6,455,656

LIABILITIES AND FUND BALANCE

LIABILITIES:

Accounts payable	\$	40,594
Accrued payroll		4,454
Compensated absences		3,518

Total Liabilities

\$ 48,566

FUND BALANCE

Nonspendable:		
Prepaid expenses	\$	64,219
Unassigned		6,342,871

Total Fund Balance

\$ 6,407,090

TOTAL LIABILITIES AND FUND BALANCE

\$ 6,455,656

See accompanying notes to basic financial statements

BROWNWOOD ECONOMIC DEVELOPMENT CORPORATION  
A Component Unit of the City of Brownwood, Texas  
Brownwood, Texas

RECONCILIATION OF THE GOVERNMENTAL FUND  
BALANCE SHEET TO STATEMENT OF NET POSITION

September 30, 2014

TOTAL FUND BALANCE - GOVERNMENTAL FUND	\$ 6,407,090
Amounts reported for governmental activities in the statement of net position are different because:	
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds balance sheet	<u>(1,562,998)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 4,844,092</u>

See accompanying notes to basic financial statements

BROWNWOOD ECONOMIC DEVELOPMENT CORPORATION  
A Component Unit of the City of Brownwood, Texas  
Brownwood, Texas

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE – GOVERNMENTAL FUND

For the Year Ended September 30, 2014

	General
<b>REVENUES:</b>	
Sales tax revenue	\$ 1,623,376
Earnings on investments	73,918
Other	17,873
Total Revenues	\$ 1,715,167
<b>EXPENDITURES:</b>	
Economic development administration	\$ 202,097
Property development	35,117
New business development	200,966
Existing industry	337,508
Marketing and promotion	58,496
Debt service:	
Principal	241,639
Interest	34,601
Total Expenditures	\$ 1,110,424
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>\$ 604,743</b>
<b>OTHER FINANCING SOURCES:</b>	
Sale of land	\$ 7,141
Total Other Financing Sources	\$ 7,141
<b>NET CHANGES IN FUND BALANCE</b>	<b>\$ 611,884</b>
Fund Balance at Beginning of Year	5,795,206
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 6,407,090</b>

See accompanying notes to basic financial statements

BROWNWOOD ECONOMIC DEVELOPMENT CORPORATION  
A Component Unit of the City of Brownwood, Texas  
Brownwood, Texas

RECONCILIATION OF THE GOVERNMENTAL STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2014

NET CHANGES IN FUND BALANCE - TOTAL GOVERNMENTAL FUND	\$	611,884
Amounts reported for governmental activities in the statement of activities are different because:		
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. Accrued expenses increased by this amount this year.		
		(397)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position		
Principal payments on long-term debt		<u>241,639</u>
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>853,126</u>

See accompanying notes to basic financial statements

BROWNWOOD ECONOMIC DEVELOPMENT CORPORATION

A Component Unit of the City of Brownwood, Texas  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Corporation's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and interpretations). The more significant accounting policies established by GAAP and used by the Corporation are discussed below

Reporting Entity

The Brownwood Economic Development Corporation was incorporated in the State of Texas on July 6, 1990. The Corporation is organized exclusively for the purpose of benefiting and accomplishing public purposes of the City of Brownwood, Texas, by promoting, assisting and enhancing economic development activities for the City as provided by the Development Corporation Act of 1979 as amended. The Corporation has and exercises all of the rights, powers, privileges, authority and functions given by the Texas Non-Profit Corporation Act, Texas Civil Statute Annotated Article 1396-1.01 et.seq., and the additional powers as provided in Article 5190.6, Section 23, including the issuance of bonds. The Corporation receives its primary funding from a local sales tax approved by the voters. The affairs of the Corporation are managed by a Board of Directors. The Board has five members appointed by the City of Brownwood City Council.

Because the directors of the Corporation are appointed by the City of Brownwood City Council, the Corporation is included in the City of Brownwood annual financial statements as a component unit of the City.

The Corporation has contracted with the City of Brownwood (City) whereby the City provides administrative support and legal services to the Corporation as requested by the Corporation's Board of Directors. Services provided by the City include providing all accounting services, administering contracts, budget preparation and providing all personnel necessary for the operation of the Corporation's programs. The City is responsible for the hiring and evaluation of Corporation personnel, who are to be City of Brownwood employees and subject to all personnel policies of the City.

Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of changes in net position) report information on all of the activities of the Corporation. 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. The Corporation has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of the governmental funds is on the sources, uses and balances of current financial resources.

BROWNWOOD ECONOMIC DEVELOPMENT CORPORATION  
A Component Unit of the City of Brownwood, Texas  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

The Corporation has presented the following major governmental fund:

General Fund - This is the Corporation's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Measurement Focus, Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Corporation considers taxes available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

Sales taxes collected and held by the State at year end on behalf of the government are recognized as revenue. All other governmental fund revenues are recognized when received.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Corporation's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Corporation's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.

Cash and Cash Equivalents

For the purpose of the Statement of Net Position "pooled cash and cash equivalents" includes all demand, savings accounts and certificates of deposit of the Corporation. Investments consist of investments in public funds investment pools and are stated at cost which approximates fair market value. Cash of all funds, including restricted cash, is pooled into common pooled accounts with the City of Brownwood in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled account has an equity therein. An individual fund's pooled cash and cash investments are available upon demand and are considered to be cash equivalents.

BROWNWOOD ECONOMIC DEVELOPMENT CORPORATION  
A Component Unit of the City of Brownwood, Texas  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Compensated Absences

The liability for compensated absences reported in the government-wide and governmental fund statements consists of unpaid accumulated vacation and sick leave. Only employees who are currently eligible to receive payments upon termination are included in the calculation of the liability.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Government-wide Net Position

Government-wide net position is divided into three components:

- Net investment in capital assets – consist of historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted net position – consist of assets that are restricted by the Corporation's creditors, by enabling legislation, by grantors and by other contributors.
- Unrestricted – all other net position is reported in this category.

Governmental Fund Balance

The Corporation has implemented GASB No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, which provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form or are required to be maintained intact;
- Restricted fund balance – amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

BROWNWOOD ECONOMIC DEVELOPMENT CORPORATION  
A Component Unit of the City of Brownwood, Texas  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

The Board establishes fund balance commitments by passage of a resolution. Assigned fund balance is established by the Board through adoption or amendment of the budget as intended for specific purposes.

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The Corporation did not have any items that qualified for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Corporation did not have any items that qualified for reporting in this category.

Deferred outflows of resources are used to report consumptions of net position by the Corporation that are applicable to a future reporting period. Deferred inflows of resources are used to report acquisitions of net position by the Corporation that are applicable to future reporting periods.

NOTE 2: DEPOSITS AND INVESTMENTS

Cash balances are pooled with the City of Brownwood funds and invested by the City for the purpose of increasing earnings through investment activities and efficiencies in operations and in maintaining minimum balances. Excess funds are moved to investments on a regular basis.

The Corporation places its investable funds in investments authorized by Texas law (The Public Funds Investment Act- Government Code Chapter 2256) in accordance with investment policies approved by the City Council of the City of Brownwood, Texas. Both state law and the City's investment policies are subject to change. Under Texas law and City policy, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity and the quality and capability of investment management. All City funds must be invested in a manner that provides the highest investment return with the maximum security while meeting the daily cash flow demands of the City. The objectives of the City's investment policy are safety, availability, diversification and highest rate of return. The Public Funds Investment Act requires the City to have independent auditors perform test procedures related to investment practices approved by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Legal Investments

The City is authorized by statute to invest in (a) U.S. Treasury Bill and Notes with a maximum remaining maturity at time of purchase of one year, (b) Repurchase Agreements with a maximum maturity at purchase of 90 days and an average maturity at any point in time not exceeding 30 days, (c) Certificates of Deposit with a maturity of one year or less insured by the Federal Deposit Insurance Corporation or collateralized by pledged securities, (d) Government/Private Sponsored Investment Funds and (e) Notes of the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Student Loan Marketing Association, Federal

BROWNWOOD ECONOMIC DEVELOPMENT CORPORATION  
A Component Unit of the City of Brownwood, Texas  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2014

NOTE 2: DEPOSITS AND INVESTMENTS (CONT.)

Farm Credit Bank and Federal Home Loan Bank with a maximum maturity of 2 years and average maturity not exceeding 1 year.

Custodial Credit Risk

City funds are required to be deposited and invested under the terms of a depository contract and investment policy pursuant to state statute. The depository bank deposits for safekeeping and trust with its agent approved pledged securities authorized by Government Code Chapter 2257 Collateral for Public Funds in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. The Corporation's bank balances at September 30, 2014 were entirely secured by FDIC insurance. The Corporation had no investments exposed to custodial credit risk at the end of the period.

Interest Rate Risk

For short term liquidity requirements, the Corporation utilized two local government investment pools. TexPool is managed by Federated Investors for the Texas Comptroller of Public Accounts and was created to invest funds on behalf of Texas political subdivisions. The pool operates on a \$1 net asset value basis and allows same day or next day redemptions and deposits. At September 30, 2014, TexPool's portfolio maintained a weighted average maturity of approximately 48 days. The other local government investment pool utilized by the Corporation is TexStar which is managed by First Southwest Asset Management, Inc. and JP Morgan Chase. At September 30, 2014, TexStar's portfolio maintained a weighted average maturity of approximately 51 days. TexPool and TexStar's investment policies limit the weighted average maturity to 60 days. The pools do not invest in derivatives. In order to maintain a stable \$1 price of the funds, the pools will sell portfolio holdings if the ratio of the market value of the portfolio divided by the book value of the portfolio is less than .995 or greater than 1.005. The \$1 price is not guaranteed or insured by the State of Texas, the Comptroller of Public Accounts, the pools or their administrators.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law and City policy limit investments in local government investment pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating agency. At September 30, 2014, The Corporation's investments in TexPool and TexStar were both rated AAAM by Standard and Poor's.

NOTE 3: RECEIVABLES

A summary of the net receivables at September 30, 2014 is as follows:

Sales taxes	\$ 278,246
Notes receivable	2,420,099
	<hr/>
	\$ 2,698,345
Less allowance for uncollectable accounts	(30,000)
Receivables, net	<hr/>
	\$ 2,668,345

**BROWNWOOD ECONOMIC DEVELOPMENT CORPORATION**

A Component Unit of the City of Brownwood, Texas

Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2014

**NOTE 4: LONG-TERM OBLIGATIONS**

The following is a summary of changes in long-term obligations for the year ended September 30, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Note payable	\$ 1,804,108	\$	\$ (241,639)	\$ 1,562,469	\$ 247,029
Compensated absences	1,141	17,273	(14,367)	4,047	3,518
	<u>\$ 1,805,249</u>	<u>\$ 17,273</u>	<u>\$ (256,006)</u>	<u>\$ 1,566,516</u>	<u>\$ 250,547</u>

BEDC has a note payable to Citizens National Bank of Brownwood dated December 30, 2011 with a September 30, 2014 balance of \$1,562,469. The note bears interest at 65% of Wall Street Journal prime rate which was 2.015% at September 30, 2014 and is payable in monthly payments of \$23,020 through September 30, 2020. The note is secured by a pledge of sales tax revenues and the assignment of a promissory note from Superior Essex Communications LP to BEDC.

The following represents the future maturities on this note:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 247,029	\$ 29,210	\$ 276,239
2016	252,053	24,187	276,240
2017	257,179	19,061	276,240
2018	262,410	13,830	276,240
2019	267,746	8,494	276,240
2020	276,052	189	276,241
Total	<u>\$ 1,562,469</u>	<u>\$ 94,971</u>	<u>\$ 1,657,440</u>

**NOTE 5: COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS**

The City of Brownwood contracted with BEDC to manage the City's industrial park for five years. The contract is dated September 22, 1997 and has automatic extensions for successive periods of five years, subject to termination by the City Council. BEDC markets and manages the industrial park and the gross sales proceeds from sale of industrial sites in the park inure to BEDC for projects meeting the criteria as defined by the Development Corporation Act of 1979 as amended. BEDC has no property interest in the industrial park.

In November 2009, the BEDC board approved a five year incentive to 3M Company of \$400,000. At September 30, 2014 there is \$80,000 remaining to be paid on this incentive. In September 2012, the BEDC board approved a four year incentive to 3M Company of \$200,000. At September 30, 2014 there is \$50,000 remaining to be paid on this incentive. In June 2013, the BEDC board approved a six year incentive to B & W Carrier, Inc. dba Willie's T's of up to \$100,000. At September 30, 2014 there is \$75,000 remaining to be paid on this incentive. In May 2014, the BEDC board approved an incentive to Lyric Performing Arts Company, Inc. of up to \$21,000. At September 30, 2014 there is \$9,489 remaining to be paid on this incentive.

BROWNWOOD ECONOMIC DEVELOPMENT CORPORATION  
A Component Unit of the City of Brownwood, Texas  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2014

NOTE 5: COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS (CONT.)

Several commitments have been made that have not yet been funded at September 30, 2014. The following commitments are in this category. In January 2014, the BEDC board approved an incentive to United Supermarkets, LLC for infrastructure costs up to \$360,000. This incentive will be funded upon completion of construction. At the same meeting the BEDC board approved a loan to Ingram Concrete of \$300,000 to be funded upon completion of construction. In February 2014, the BEDC board approved an incentive to Wright Asphalt for \$250,000 dependent upon the completion of a production plant. In May 2014, the BEDC board approved an infrastructure incentive of up to \$30,000 to Stripes, LLC.

BEDC is the guarantor on the Texas Capital Fund contract between the City of Brownwood and the Texas Department of Agriculture for Barr Fabrication.

NOTE 6: RISK MANAGEMENT

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Corporation's liability, professional liability, and worker's compensation insurance coverage is provided through the purchase of commercial insurance. The Corporation retains risk on only a small deductible amount. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage. The Corporation's employee health care is also provided by commercial insurance with no risk retained by the Corporation. The management of the Corporation has not been notified and is not aware of any significant claims against the Corporation not covered by insurance.

REQUIRED SUPPLEMENTARY INFORMATION

BROWNWOOD ECONOMIC DEVELOPMENT CORPORATION  
A Component Unit of the City of Brownwood, Texas  
Brownwood, Texas

**BUDGETARY COMPARISON SCHEDULE**  
**GOVERNMENTAL FUND**

For the Year Ended September 30, 2014

	Budget Amounts Original and Final	Actual Amounts Budgetary Basis (See Note A)	Variance with Final Budget Positive (Negative)
<b>RESOURCES (INFLOWS):</b>			
Sales tax revenue	\$ 1,520,200	\$ 1,608,436	\$ 88,236
License and fees	59,200	73,918	14,718
Miscellaneous	76,400	52,098	(24,302)
Total Resources	<u>\$ 1,655,800</u>	<u>\$ 1,734,452</u>	<u>\$ 78,652</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>			
Economic development administration	\$ 193,465	\$ 198,880	\$ 5,415
Property development	334,140	311,357	(22,783)
New business development	334,356	200,966	(133,390)
Existing industry	484,595	337,508	(147,087)
Marketing and promotion	66,250	58,496	(7,754)
Total Charges to Appropriations	<u>\$ 1,412,806</u>	<u>\$ 1,107,207</u>	<u>\$ (305,599)</u>
<b>EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS</b>	<b>\$ 242,994</b>	<b>\$ 627,245</b>	<b>\$ 384,251</b>
<b>UNRESERVED FUND BALANCE AT BEGINNING OF YEAR</b>	<u>867,569</u>	<u>867,569</u>	
<b>UNRESERVED FUND BALANCE AT END OF YEAR</b>	<u><u>\$ 1,110,563</u></u>	<u><u>\$ 1,494,814</u></u>	<u><u>\$ 384,251</u></u>

See accompanying notes to budgetary comparison schedule

BROWNWOOD ECONOMIC DEVELOPMENT CORPORATION  
A Component Unit of the City of Brownwood, Texas  
Brownwood, Texas

NOTES TO BUDGETARY COMPARISON SCHEDULE

For the Year Ended September 30, 2014

NOTE A: EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND  
OUTFLOWS AND GAAP REVENUES AND EXPENDITURES

Sources/inflows of Resources:

Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule.	\$ 1,734,452
The Corporation budgets for sales tax based on the amount collected rather than on the modified accrual basis.	14,940
The Corporation budgets for principal collected on the Airport note receivable as revenue rather than reductions of the note balance	<u>(34,225)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental fund.	<u>\$ 1,715,167</u>

Uses/outflows of Resources:

Actual amounts (budgetary basis) of total charges to appropriations from the budgetary comparison schedule.	\$ 1,107,207
The Corporation budgets for salaries and compensated absences on the cash basis rather than the modified accrual basis	<u>3,217</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental fund.	<u>\$ 1,110,424</u>