

BROWNWOOD MUNICIPAL DEVELOPMENT DISTRICT
A Component Unit of the City of Brownwood, Texas
Brownwood, Texas

ANNUAL REPORT

September 30, 2020

BROWNWOOD MUNICIPAL DEVELOPMENT DISTRICT
A Component Unit of the City of Brownwood, Texas
Brownwood, Texas

CONTENTS

September 30, 2020

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government - Wide Financial Statements:	
Statement of Net Position	6
Statement of Activities	7
Fund Financial Statements:	
Governmental Fund:	
Balance Sheet	8
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	9
Statement of Revenues, Expenditures and Changes in Fund Balance	10
Reconciliation of the Governmental Statement of Revenues, Expenditures And Changes in Fund Balance to the Statement of Activities	11
Notes to Basic Financial Statements	12
Required Supplementary Information	
Budgetary Comparison Schedule - Governmental Fund	19
Notes to Budgetary Comparison Schedule	20

Krischke CPA, PC

201 CENTER AVENUE
P. O. BOX 1645
BROWNWOOD, TEXAS 76804
325-646-6576
325-646-3476 FAX

D. A. "Tony" Krischke, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Brownwood Municipal Development District
Brownwood, Texas

I have audited the accompanying financial statements of the governmental activities and each major fund of Brownwood Municipal Development District, a component unit of City of Brownwood, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District'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 Municipal Development District, a component unit of City of Brownwood, Texas, as of September 30, 2020, 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.



America Counts on CPAs[®]

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
August 31, 2021

BROWNWOOD MUNICIPAL DEVELOPMENT DISTRICT MANAGEMENTS DISCUSSION AND ANALYSIS

Our discussion and analysis of the Brownwood Municipal Development District, a political subdivision of the State of Texas and of the City of Brownwood, Texas, financial performance provides an overview of the District's financial activity for the fiscal year ended September 30, 2020. It should be read in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- The District's net position was \$7,473,025.
- The District's total revenues were \$2,014,052 while total expenses were \$1,712,821
- The District's net position increased by \$301,231.

DISTRICT HIGHLIGHTS

The Brownwood Municipal Development District (BMDD) a political subdivision of the State of Texas and of the City of Brownwood, Texas is funded by a 1/2-cent sales tax for the purpose of financing economic development, diversifying the economic base of the community, and improving quality of life. The BMDD was created under Local Government Code Chapter 377, Municipal Development Districts.

Sales tax revenues performed above the previous year and budget projections.

The BMDD continues the maintenance of several loans assumed from the former Brownwood Economic Development Corporation (BEDC) as well the continued administration of incentives assumed from BEDC related to Brownwood's strong industrial base. The BMDD has experienced continued success with the Sports Coordinator position and the Building Improvement Incentive Program. The BMDD also completed an infrastructure incentive for Chick-fil-A, an improvement project for Lednicky Rest Stop, and development of plans for a new multi-purpose event & convention center. The BMDD is continuing to budget for and anticipate support for major employers, workforce training in the community and park improvements.

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 District as a whole. The District'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 District and is presented on an accrual basis. The total net position is \$7,473,025.

Table 1
Brownwood Municipal Development District
Net Position

	2020	2019
Current Assets	\$ 6,320,512	\$ 5,800,556
Notes Receivable	783,642	1,064,108
Other Assets	397,295	397,295
Total Assets	\$ 7,501,449	\$ 7,261,959
Current Liabilities	\$ 21,124	\$ 87,768
Non-Current Liabilities	7,300	2,397
Total Liabilities	\$ 28,424	\$ 90,165
Invested in Capital Assets, Net of related debt	\$ -	\$ -
Unrestricted	7,473,025	7,171,794
Total Net Position	\$ 7,473,025	\$ 7,171,794

STATEMENT OF ACTIVITIES

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

Table 2
Brownwood Municipal Development District
Changes in Net Position

	2020	2019
General Revenues	\$ 2,014,052	\$ 2,022,091
Contribution Revenue	-	-
Total Revenues	\$ 2,014,052	\$ 2,022,091
Total Operating Expenses	\$ 1,712,821	\$ 2,525,511
Total Non-Operating Expenses	-	-
Transfers to Primary Government	-	-
Total Expenses	\$ 1,712,821	\$ 2,525,511
Change in Net Position	\$ 301,231	\$ (503,420)

Balance Sheet

The Balance Sheet of the District 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.

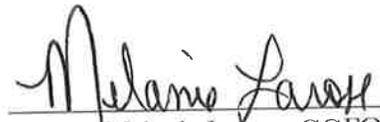
Budgetary Highlights for year ended September 30, 2021

A formal Annual Plan of Work and Budget was adopted by the BMDD Board of Directors and was ratified by City Council. This budget takes into consideration that the BMDD is responsible for both economic development and community development (quality of life). The budget provides funding for our traditional efforts in economic development in promoting industry, but also allocates a significant amount of dollars to building improvements, downtown revitalization, parks improvements, and housing. Funds have also been allocated for the design and development of a convention/event center project. Inclusion of the Sports Coordinator budget also reflects the BMDD's continued efforts in recruiting teams to utilize the Sports Complex and other sports venues throughout the community.

Contacting the District's Financial Management

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


Ray Tipton
Executive Director


Melanie Larose, CGFO
Director of Finance

BASIC FINANCIAL STATEMENTS

BROWNWOOD MUNICIPAL DEVELOPMENT DISTRICT
A Component Unit of the City of Brownwood, Texas
Brownwood, Texas ,

STATEMENT OF NET POSITION

September 30, 2020

	<u>Governmental Activities</u>
ASSETS:	
Pooled cash and cash equivalents	\$ 134,355
Investments	6,186,157
Receivables	783,642
Land held for development	<u>397,295</u>
TOTAL ASSETS	<u>\$ 7,501,449</u>
LIABILITIES:	
Accounts payable	\$ 7,899
Accrued salaries	3,738
Compensated absences:	
Portion due or payable within one year	9,487
Portion due or payable after one year	<u>7,300</u>
TOTAL LIABILITIES	<u>\$ 28,424</u>
NET POSITION	
Unrestricted	<u>\$ 7,473,025</u>
TOTAL NET POSITION	<u><u>\$ 7,473,025</u></u>

See accompanying notes to basic financial statements

BROWNWOOD MUNICIPAL DEVELOPMENT DISTRICT
A Component Unit of the City of Brownwood, Texas
Brownwood, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2020

	Program Revenues			Net	
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue (Expense) and Changes in Net Position
					Total
GOVERNMENTAL:					
Administration	\$ 288,838	\$	\$	\$	(288,838)
Property development	22,052				(22,052)
New commercial development	391,197				(391,197)
Existing industry	335,456				(335,456)
Marketing and promotion	63,825				(63,825)
Sports coordination	67,832				(67,832)
Community development projects	543,621				(543,621)
Total Governmental Activities	<u>\$ 1,712,821</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,712,821)</u>
TOTAL	<u>\$ 1,712,821</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,712,821)</u>

General Revenue:	
Taxes:	
Sales taxes	\$ 1,893,614
Earnings on investments	72,688
Lease income	47,750
Total Revenue	<u>\$ 2,014,052</u>
CHANGE IN NET POSITION	\$ 301,231
Net Position - Beginning	<u>7,171,794</u>
NET POSITION - ENDING	<u>\$ 7,473,025</u>

See accompanying notes to basic financial statements

BROWNWOOD MUNICIPAL DEVELOPMENT DISTRICT
A Component Unit of the City of Brownwood, Texas
Brownwood, Texas

BALANCE SHEET
GOVERNMENTAL FUND

September 30, 2020

ASSETS

ASSETS:

Pooled cash and cash equivalents	\$	134,355
Investments		6,186,157
Receivables		783,642
Land held for development		397,295
		397,295

TOTAL ASSETS

\$ 7,501,449

LIABILITIES AND FUND BALANCE

LIABILITIES:

Accounts payable	\$	7,899
Accrued payroll		3,738
Compensated absences		9,487
		9,487

Total Liabilities

\$ 21,124

FUND BALANCE

Nonspendable:		
Long-term notes receivable	\$	465,654
Land held for development		397,295
Assigned to project financial obligations		1,267,772
Unassigned		5,349,604
		5,349,604

Total Fund Balance

\$ 7,480,325

TOTAL LIABILITIES AND FUND BALANCE

\$ 7,501,449

BROWNWOOD MUNICIPAL DEVELOPMENT DISTRICT
A Component Unit of the City of Brownwood, Texas
Brownwood, Texas

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

September 30, 2020

TOTAL FUND BALANCE - GOVERNMENTAL FUND	\$ 7,480,325
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>(7,300)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 7,473,025</u>

See accompanying notes to basic financial statements

BROWNWOOD MUNICIPAL DEVELOPMENT DISTRICT
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, 2020

	General
REVENUES:	
Sales tax revenue	\$ 1,893,614
Earnings on investments	72,688
Lease income	47,750
Total Revenues	\$ 2,014,052
EXPENDITURES:	
Administration	\$ 284,982
Property development	22,052
New commercial development	391,197
Existing industry	335,456
Marketing and promotion	63,825
Sports coordination	66,785
Community development projects	543,621
Total Expenditures	\$ 1,707,918
NET CHANGES IN FUND BALANCE	\$ 306,134
Fund Balance at Beginning of Year	7,174,191
FUND BALANCE AT END OF YEAR	\$ 7,480,325

See accompanying notes to basic financial statements

BROWNWOOD MUNICIPAL DEVELOPMENT DISTRICT
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, 2020

NET CHANGES IN FUND BALANCE - TOTAL GOVERNMENTAL FUND \$ 306,134

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.

(4,903)

CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 301,231

BROWNWOOD MUNICIPAL DEVELOPMENT DISTRICT
A Component Unit of the City of Brownwood, Texas
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District'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 District are discussed below.

Reporting Entity

Brownwood Municipal Development District is a political subdivision of the State of Texas and the City of Brownwood created in accordance with Chapter 377 of the Texas Local Government Code, as amended (the Act), and other applicable laws. The District was created for the purpose of developing and financing all development projects as that term is defined in Section 377.001(3) of the Act. The District receives its primary funding from a local sales tax approved by the voters. The affairs of the District are managed by a Board of Directors. The Board has five members appointed by the Mayor of the City of Brownwood with the approval of the Brownwood City Council.

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

The City of Brownwood provides the District with administrative support and legal services as requested by the District'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 District's programs. The City is responsible for the hiring and evaluation of District personnel, who are 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 District. 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 District 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 MUNICIPAL DEVELOPMENT DISTRICT
A Component Unit of the City of Brownwood, Texas
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2020

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

The District has presented the following major governmental fund:

General Fund - This is the District'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 District 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 District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District'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 District. 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 MUNICIPAL DEVELOPMENT DISTRICT
A Component Unit of the City of Brownwood, Texas
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2020

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 District'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 District 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.

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.

BROWNWOOD MUNICIPAL DEVELOPMENT DISTRICT
A Component Unit of the City of Brownwood, Texas
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2020

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

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 District 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 District 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 District that are applicable to a future reporting period. Deferred inflows of resources are used to report acquisitions of net position by the District 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 District 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 Bills and Notes, (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, (e) Notes of the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Student Loan Marketing Association, Federal Farm Credit Bank and Federal Home Loan Bank with a maximum maturity of 2 years and average maturity not exceeding 1 year, (f) no load Money Market Mutual Funds with dollar weighted average maturity of 90 days or less and maintenance of a stable net asset value of \$1 per share and no load Mutual Funds with an average weighted maturity of less than 2 years rated no less than AAA, (g) Commercial Paper with a maturity of less than 270 days and rates not less than A-1 or P-1, (h) Bankers Acceptances with an maturity of 270 days or less, (i) GNMA Securities with a stated final maturity of 10 years or less and (j) Direct Obligations of the State of Texas or its agencies.

BROWNWOOD MUNICIPAL DEVELOPMENT DISTRICT
A Component Unit of the City of Brownwood, Texas
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2020

NOTE 2: DEPOSITS AND INVESTMENTS (CONT.)

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 District's bank balances at September 30, 2020 were entirely secured by FDIC insurance.

Interest Rate Risk

For short term liquidity requirements, the District utilized two local government investment pools. TexPool is managed by Federated Hermes, Inc. 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, 2020, TexPool's portfolio maintained a weighted average maturity of approximately 38 days. The other local government investment pool utilized by the District is TexStar which is managed by HilltopSecurities and JP Investment Management, Inc. At September 30, 2020, TexStar's portfolio maintained a weighted average maturity of approximately 44 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, 2020, the District's investments in TexPool and TexStar were both rated AAAM by Standard and Poor's.

NOTE 3: RECEIVABLES, NET

A summary of the receivables at September 30, 2020 is as follows:

Sales tax receivable	\$	317,988
Notes receivable		465,654
Total	\$	<u>783,642</u>

BROWNWOOD MUNICIPAL DEVELOPMENT DISTRICT
A Component Unit of the City of Brownwood, Texas
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2020

NOTE 4: LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended September 30, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 9,976	\$ 10,333	\$ (3,522)	\$ 16,787	\$ 9,487

NOTE 5: COMMITMENTS AND CONTINGENCIES

Brownwood Municipal Development District (BMDD) assumed several project financial obligations from Brownwood Economic Development Corporation (BEDC) with only one that has not yet been fully funded. BEDC approved a five-year incentive up to \$300,000 to 3M Company to support a product line. At September 30, 2020 there is \$60,000 remaining to be paid on this incentive.

BMDD has a building improvement incentive program that provides matching funds of up to \$20,000 upon completion of an approved project. Four projects totaling \$62,912 were approved and not yet funded at September 30, 2020.

During the prior year, BMDD approved a financial incentive to Hendricks Health System for construction of a medical office building in the amount of \$350,000 payable over five years. At September 30, 2020, there is \$200,000 remaining to be paid on this incentive. Other BMDD approved financial incentives that were not yet funded at September 30, 2020 are as follows:

- Steve Browder in the amount of \$15,924 for Duckhorn Town Ranch Phase III
- Jeff Tucker in the amount of \$3,936 for water taps
- AJA Development LLC up to \$675,000 for infrastructure
- Sawyer Industries up to \$250,000 for expansion

The above project financial obligations total \$1,267,772 and are assigned fund balance on the governmental fund balance sheet.

On August 22, 2019, BMDD committed to a lease of office space for \$15,600 annually for five years with the intention of subleasing the property as a financial incentive. At September 30, 2020, BMDD has outstanding contracts as follows: \$267,469 for demolition and \$167,000 for asbestos abatement.

NOTE 6: RISK MANAGEMENT

The District 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 District's liability, professional liability, and worker's compensation insurance coverage is provided through the purchase of commercial insurance. The District 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 District's employee health care is also provided by commercial insurance with no risk retained by the District. The management of the District has not been notified and is not aware of any significant claims against the District not covered by insurance.

BROWNWOOD MUNICIPAL DEVELOPMENT DISTRICT
A Component Unit of the City of Brownwood, Texas
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2020

NOTE 7: SUBSEQUENT EVENTS

Subsequent to year end, the Board approved funding to the City of Brownwood for design, procurement and construction of an Event Center at an estimated cost of \$7,900,000 including property acquisition, demolition and parking at an estimated cost of \$1,000,000. In July 2021, the City Council of the City of Brownwood approved transferring \$487,251 of economic development funds from the City to BMDD under a 380 agreement.

REQUIRED SUPPLEMENTARY INFORMATION

BROWNWOOD MUNICIPAL DEVELOPMENT DISTRICT
A Component Unit of the City of Brownwood, Texas
Brownwood, Texas

BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL FUND

For the Year Ended September 30, 2020

	Original and Final Budget	Actual Amounts Budgetary Basis (See Note A)	Variance with Final Budget Positive (Negative)
RESOURCES (INFLOWS):			
Sales tax revenue	\$ 1,840,000	\$ 1,893,614	\$ 53,614
License and fees	38,000	47,750	9,750
Miscellaneous	102,707	72,688	(30,019)
Total Resources	<u>\$ 1,980,707</u>	<u>\$ 2,014,052</u>	<u>\$ 33,345</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):			
Administration	\$ 327,611	\$ 282,996	\$ (44,615)
Property development	62,100	22,052	(40,048)
New industry development	150,000		(150,000)
New commercial development	200,000	391,197	191,197
Existing industry	347,100	335,456	(11,644)
Marketing and promotion	103,000	63,825	(39,175)
Sports coordination	75,896	65,585	(10,311)
Community development projects	715,000	543,621	(171,379)
Total Charges to Appropriations	<u>\$ 1,980,707</u>	<u>\$ 1,704,732</u>	<u>\$ (275,975)</u>
EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS	\$	\$ 309,320	\$ 309,320
UNRESERVED FUND BALANCE AT BEGINNING OF YEAR	<u>7,174,191</u>	<u>7,174,191</u>	
UNRESERVED FUND BALANCE AT END OF YEAR	<u><u>\$ 7,174,191</u></u>	<u><u>\$ 7,483,511</u></u>	<u><u>\$ 309,320</u></u>

See accompanying notes to budgetary comparison schedule

BROWNWOOD MUNICIPAL DEVELOPMENT DISTRICT
A Component Unit of the City of Brownwood, Texas
Brownwood, Texas

NOTES TO BUDGETARY COMPARISON SCHEDULE

For the Year Ended September 30, 2020

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. \$ 2,014,052

Total revenues as reported on the statement of revenues, expenditures and
changes in fund balances - governmental fund. \$ 2,014,052

Uses/outflows of Resources:

Actual amounts (budgetary basis) of total charges to appropriations from the
budgetary comparison schedule. \$ 1,704,732

The District budgets for salaries and compensated absences on the cash
basis rather than the modified accrual basis 3,186

Total expenditures as reported on the statement of revenues, expenditures
and changes in fund balances - governmental fund. \$ 1,707,918