

**BRECKENRIDGE ECONOMIC  
DEVELOPMENT CORPORATION**  
**(A Component Unit of the City of Breckenridge, Texas)**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2020**



**GMS** CERTIFIED PUBLIC  
ACCOUNTANTS  
GEORGE | MORGAN | SNEED

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**BRECKENRIDGE ECONOMIC DEVELOPMENT CORPORATION**  
**Annual Financial Report**  
**For the Year Ended September 30, 2020**

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**BRECKENRIDGE ECONOMIC DEVELOPMENT CORPORATION  
BRECKENRIDGE, TEXAS**

**OFFICERS AND BOARD OF DIRECTORS**

**MIKE PARRACK – PRESIDENT**

**NIC McCLYMOND – VICE PRESIDENT**

**MIKE GRIFFITH – SECRETARY**

**DAVID DUGGAN – TREASURER**

**RONNIE ANDERSON – DIRECTOR**

**KEVIN SIMMONS – DIRECTOR**

**KY KENNEDY – DIRECTOR**

**VIRGIL MOORE, III – EXECUTIVE DIRECTOR**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Breckenridge Economic Development Corporation  
Breckenridge, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and general fund of Breckenridge Economic Development Corporation ("BEDC, a component of the City of Breckenridge, Texas), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the BEDC' basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund of the Breckenridge Economic Development Corporation, 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.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and budgetary comparison information on pages 25 through 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries with management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statement, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2021, on our consideration of the BEDC' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide any opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering BEDC' internal control over financial reporting and compliance.

*George Morgan Frazier, P.C.*

Weatherford, Texas  
February 2, 2021



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Breckenridge Economic Development Corporation, we offer readers of BEDC's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2020. We encourage readers to consider the information presented here.

### FINANCIAL HIGHLIGHTS

- The assets of the Breckenridge Economic Development Corporation exceeded its liabilities by \$3,853,042 (net position) for the current year reported. Of this amount, \$3,165,168 (unrestricted net position) may be used to meet BEDC's ongoing obligations and operations. In the prior year, the assets exceeded its liabilities by \$3,691,472.
- The BEDC's total net position increased by \$161,570 compared to a \$220,265 increase in the prior year.
- As of the close of the current year, the BEDC's governmental fund reported ending fund balance of \$3,767,175, of which, \$1,708,878 is unassigned fund balance. In the prior year, the governmental fund reported ending fund balance of \$3,630,873.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Breckenridge Economic Development Corporation's basic financial statements. The BEDC's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the BEDC's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the BEDC's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the BEDC is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Both of the government-wide financial statements distinguish functions of the BEDC that are principally supported by sales taxes.

The government-wide financial statements can be found on pages 11 and 12 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objective. The BEDC uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The BEDC only has one governmental fund – the general fund.

The BEDC adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13 - 16 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 - 24 of this report.

**Other information.** In addition to the basic financial and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 25 - 26 of this report.

## **Government-wide Financial Analysis**

### **Governmental Activities**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the BEDC, assets exceeded liabilities by \$3,853,042 as of September 30, 2020.

A portion of the BEDC's net position (\$222,428) reflects its investment in capital assets (e.g. land, building and improvements, furniture and equipment); less any related debt used to acquire those assets that is still outstanding. The BEDC uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the BEDC's net position (\$465,446) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$3,165,168) may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities increased the BEDC's net position by \$161,570 compared with a \$220,265 increase in the prior year. BEDC's total revenues were \$526,556. Total revenues increased \$14,080 (3%) from the prior year. Sales tax revenue increased \$33,512 (8%), however, rental income decreased \$20,000.

The total cost of all programs and services was \$364,986. Of this amount, 61% was for economic and community development services, 37% for general administration, and 2% for interest payment. Total expenses increased \$72,775 (25%) primarily due to economic incentives provided to businesses.

Below are summaries of the BEDC's Statement of Net Position and Statement of Activities.

Condensed Statement of Net Position

	Governmental Activities	
	2020	2019
Current and other assets	\$ 2,176,607	\$ 1,802,987
Capital assets	222,428	229,292
Properties held for economic development	1,592,851	1,830,131
<b>Total Assets</b>	<b>3,991,886</b>	<b>3,862,410</b>
Current liabilities	2,283	2,245
Long-term liabilities	136,561	168,693
<b>Total Liabilities</b>	<b>138,844</b>	<b>170,938</b>
Net position		
Net investment in capital assets	222,428	229,292
Restricted	465,446	456,399
Unrestricted	3,165,168	3,005,781
<b>Total Net Position</b>	<b>\$ 3,853,042</b>	<b>\$ 3,691,472</b>

Changes in Net Position

	Governmental Activities	
	2020	2019
Revenues		
General revenues		
Sales tax	\$ 462,874	\$ 429,362
Rental income	40,000	60,000
Miscellaneous	-	100
Investment earnings	23,682	23,014
Total revenues	<u>526,556</u>	<u>512,476</u>
Expenses		
General administration	135,403	138,078
Economic development	199,279	69,998
Community development	24,352	73,782
Interest on long-term debt	5,952	10,353
Total expenses	<u>364,986</u>	<u>292,211</u>
Change in net position	161,570	220,265
Net position - beginning	3,691,472	3,471,207
	<u>\$ 3,853,042</u>	<u>\$ 3,691,472</u>

**Financial Analysis of the Government's Funds**

As noted earlier, Breckenridge Economic Development Corporation uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of BEDC's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the BEDC's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the current year.

At year end, BEDC's governmental fund reported ending fund balance of \$3,767,175. \$1,708,878 (45%) constitutes unassigned fund balance, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the BEDC. At the end of the current year, unassigned fund balance of the general fund was \$1,708,878. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents 438% percent of the total general fund expenditures. During the current year, the fund balance of the BEDC's general fund increased by \$136,302. Below is a comparison of the general fund's net change in fund balance for 2020 and 2019:

	2020	2019	Increase (Decrease)
<b>Revenues</b>			
<b>General revenues</b>			
Sales tax	\$ 462,874	\$ 429,362	\$ 33,512
Rental income	40,000	60,000	(20,000)
Miscellaneous	-	100	(100)
Investment earnings	23,682	23,014	668
<b>Total revenues</b>	<u>526,556</u>	<u>512,476</u>	<u>14,080</u>
<b>Expenditures</b>			
General administration	128,539	131,809	(3,270)
Economic development	199,279	69,998	129,281
Community development	24,352	73,782	(49,430)
Capital outlay	-	9,995	(9,995)
Debt service::			
Principal	32,132	28,679	3,453
Interest on long-term debt	5,952	10,353	(4,401)
<b>Total expenditures</b>	<u>390,254</u>	<u>324,616</u>	<u>65,638</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ 136,302</u>	<u>\$ 187,860</u>	<u>\$ (51,558)</u>

### General Fund Budgetary Highlights

The original and the final budget can be briefly summarized by the following:

	Budgeted Amounts		Increase (Decrease)
	Original	Final	in Budget
<b>Expenditures:</b>			
General administration	\$ 134,309	\$ 134,309	\$ -
Economic development	273,462	273,462	-
Community development	64,000	64,000	-
Debt service	39,143	39,143	-
	<u>\$ 510,914</u>	<u>\$ 510,914</u>	<u>\$ -</u>

Total actual expenditures was under budget by \$120,660.

## Capital Assets

At September 30, 2020, BEDC had invested \$222,428 (net of accumulated depreciation) in capital assets, including land, building and improvements and furniture and equipment.

### BEDC's Capital Assets (Net of Depreciation)

	Governmental Activities	
	2020	2019
Land	\$ 56,546	\$ 56,546
Building and improvements	165,882	172,746
	<u>\$ 222,428</u>	<u>\$ 229,292</u>

More detailed information about the capital assets is presented in Note 1H and Note 4 to the Financial Statements.

## Long-Term Debt

At year-end, Breckenridge Economic Development Corporation has outstanding notes in the amount of \$136,561 secured by sales tax revenues.

Additional information on the BEDC's debt is presented in Note 6 to the Financial Statements.

## Economic Factors and the Next Year's Budgets and Rates

Breckenridge has seen a decrease in the economy during the 2019-2020 fiscal year. Because of low oil and gas prices throughout most of the year, the oil industry, the primary economic driver for economic activity in Breckenridge and Stephens County was much less active, resulting in fewer jobs, fewer hours per employee, and less spending.

Also, COVID-19 had a substantial negative effect on employment sectors. One of our primary employers, New Vision Manufacturing, went out of business in the first half of 2020. Overall unemployment figures were twice the normal numbers for most of 2020.

An interesting positive from the COVID-19 pandemic for Breckenridge was that people stayed in town more, thus they went out of town to shop and eat less often. This resulted in an overall 8% increase in sales tax collections for fiscal year 2020.

Management expects performance for next year's sales tax collections to continue to increase if COVID-19 is controlled. At the time of this report, oil prices are on the rise again and resulting increased activity is visible. Additionally, two new primary employers had already open in November of 2020. RGN Manufacturing already employs about 75 full-time employees.

However, until a longer positive trend is evident, and until COVID is less impactful, the BEDC board chose to project flat sales tax collections for the coming year, and set their 2020-21 budget revenue projections approximately the same last year's actual collections.

## **Request for Information**

The financial report is designed to provide a general overview of the BEDC's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, 100 E. Elm St. PO Box 1466, Breckenridge, Texas 76424.

BRECKENRIDGE ECONOMIC DEVELOPMENT CORPORATION  
Statement of Net Position  
September 30, 2020

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,750,438
Sales tax receivable	78,533
Notes receivable, net of allowance	347,636
Capital assets (net of accumulated depreciation):	
Land	56,546
Buildings and improvements	165,882
Properties held for economic development, at cost	1,592,851
Total Assets	3,991,886
<b>LIABILITIES</b>	
Payroll liabilities	2,283
Noncurrent liabilities	
Due within one year	33,234
Due in more than one year	103,327
Total liabilities	138,844
<b>NET POSITION</b>	
Net investment in capital assets	222,428
Restricted for USDA loan program	465,446
Unrestricted	3,165,168
Total net position	\$ 3,853,042

The notes to the financial statements are an integral part of this statement.



BRECKENRIDGE ECONOMIC DEVELOPMENT CORPORATION  
Statement of Activities  
For the Year Ended September 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Primary Government</b>				
Governmental activities:				
General administration	\$ 135,403	\$ -	\$ -	\$ 135,403
Economic development	199,279	-	-	199,279
Community development	24,352	-	-	24,352
Interest on long-term debt	5,952	-	-	5,952
<b>Total primary government</b>	<b><u>364,986</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>364,986</u></b>
General revenues:				
Sales tax				462,874
Rental income				40,000
Investment earnings				23,682
<b>Total general revenues</b>				<b><u>526,556</u></b>
			Change in net position	161,570
			Net position - beginning	<u>3,691,472</u>
			Net position - ending	<u><u>\$ 3,853,042</u></u>

The notes to the financial statements are an integral part of this statement.

BRECKENRIDGE ECONOMIC DEVELOPMENT CORPORATION

Balance Sheet  
Governmental Fund  
September 30, 2020

	General Fund
Assets	
Cash	\$ 1,750,438
Sales tax receivable	78,533
Notes receivable, net of allowance	347,636
Properties held for economic development, at cost	1,592,851
Total assets	\$ 3,769,458
Liabilities and Fund Balance	
Liabilities:	
Payroll liabilities	\$ 2,283
Fund balance	
Nonspendable	
Properties held for economic development	1,592,851
Restricted fund balance	
USDA loan program	465,446
Unassigned fund balance	1,708,878
Total fund balance	3,767,175
Total liabilities and fund balance	\$ 3,769,458

The notes to the financial statements are an integral part of this statement.

BRECKENRIDGE ECONOMIC DEVELOPMENT CORPORATION  
Reconciliation of the Governmental Fund Balance Sheet  
To the Statement of Net Position  
September 30, 2020

Total Fund Balance - Governmental Fund	\$ 3,767,175
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund. The cost of these assets was \$295,294 and accumulated depreciation was \$72,866. The net effect of including the ending balances for capital assets (net of depreciation) in the governmental activities is to increase net position.	222,428
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements. The net effect of including \$136,561 note payable is to decrease net position.	(136,561)
Net Position of Governmental Activities	<u>\$ 3,853,042</u>

The notes to the financial statements are an integral part of this statement.

BRECKENRIDGE ECONOMIC DEVELOPMENT CORPORATION  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
General Fund  
For the Year Ended September 30, 2020

	Budgeted		ACTUAL	VARIANCE WITH BUDGET POSITIVE (NEGATIVE)
	Original	Final		
<b>REVENUES:</b>				
Sales tax	\$ 426,000	\$ 426,000	\$ 462,874	\$ 36,874
Rental income	60,000	60,000	40,000	(20,000)
Investment income	24,914	24,914	23,682	(1,232)
Total revenues	<u>510,914</u>	<u>510,914</u>	<u>526,556</u>	<u>15,642</u>
<b>EXPENDITURES:</b>				
General administration	134,309	134,309	128,539	5,770
Economic development	273,462	273,462	199,279	74,183
Community development	64,000	64,000	24,352	39,648
Debt service				
Principal	32,381	32,381	32,132	249
Interest	6,762	6,762	5,952	810
Total expenditures	<u>510,914</u>	<u>510,914</u>	<u>390,254</u>	<u>120,660</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	136,302	136,302
Fund balance - beginning	<u>3,630,873</u>	<u>3,630,873</u>	<u>3,630,873</u>	-
Fund balance - ending	<u>\$ 3,630,873</u>	<u>\$ 3,630,873</u>	<u>\$ 3,767,175</u>	<u>\$ 136,302</u>

**BRECKENRIDGE ECONOMIC DEVELOPMENT CORPORATION**  
**Notes to the Required Supplementary Information**  
**For the Year Ended September 30, 2020**

**1. Budget Information**

The Board of Directors follow these procedures in establishing budgetary data reflected in the financial statements.

- a. Unencumbered appropriations for annually budgeted funds lapse at year end.
- b. Prior to the beginning of the fiscal year, proposed operating budget is submitted to the City Commission for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them for the general fund.
- c. The budget may be amended with the approval of the Board of Directors and the City Commission.
- d. Budgetary control is maintained at the line item level, subject to adjustments permitted as described above.





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

To the Board of Directors  
Breckenridge Economic Development Corporation

We have audited, in accordance with auditing standards general accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and general fund of Breckenridge Economic Development Corporation as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise BEDC's basic financial statements and have issued our report thereon dated February 2, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the BEDC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of BEDC's internal control. Accordingly, we do not express an opinion on the effectiveness of BEDC's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether BEDC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

*George Morgan Sneed, P.C.*

Weatherford, Texas  
February 2, 2021



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