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Financial Statements and
Independent Auditor's Report: September 30, 2015

Mission Economic Development Corporation

City of Mission, Texas

MISSION ECONOMIC DEVELOPMENT CORPORATION

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

SEPTEMBER 30, 2015

MEMBER BOARD OF DIRECTORS

YEAR ENDED SEPTEMBER 30, 2015

President	S. David Deanda, Jr.
Vice President	Jody Tittle
Secretary	Richard Hernandez
Treasurer	Linda Requénez
Director	Mayor Norberto Salinas
Director	Catherine Garcia
Director	Pete Jaramillo

MISSION ECONOMIC DEVELOPMENT CORPORATION

Year Ended September 30, 2015

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MISSION ECONOMIC DEVELOPMENT CORPORATION

Year Ended September 30, 2015

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INDEPENDENT AUDITOR'S REPORT

Chairman and Members of the Board
Mission Economic Development Corporation
Mission, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund of Mission Economic Development Corporation, a component unit of the City of Mission, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Mission Economic Development 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

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, each major fund, of MEDC, a component of the City of Mission, Texas as of September 30, 2015, and the respective changes in financial position, and, where applicable, 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 and budgetary comparison information as listed in the table of contents 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 of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements. The other supplementary information section, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information section as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2016, on our consideration of the Mission Economic Development Corporation's internal control over financial reporting and on 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 an opinion on 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 Mission Economic Development Corporation's internal control over financial reporting and compliance.

Long Chilton, LLP

LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
January 15, 2016

Mission Economic Development Corporation

Management's Discussion and Analysis

September 30, 2015

As management of the Mission Economic Development Corporation (MEDC), we offer readers of the Mission Economic Development Corporation financial statements this narrative overview and analysis of the financial activities of the Mission Economic Development Corporation for the fiscal year ended September 30, 2015. We encourage readers to consider the information presented here in conjunction with the financial statements and disclosures following this section.

Financial Highlights

- The assets of MEDC exceeded liabilities at the close of the most recent fiscal year by \$67,644 (net position).
- The positive net position is due to the reduction of MEDC's long-term debt and the redirection of use of resources for other economic purposes other than infrastructure and capital improvements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to MEDC's basic financial statements. MEDC'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 MEDC's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all MEDC'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 MEDC is improving or deteriorating.

The statement of activities presents information showing how the government's net position is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Both of the government-wide financial statements present governmental activities of the Corporation that are principally supported by sales taxes and operating grants and contributions.

The government-wide financial statements can be found on pages 15-16 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 objectives. MEDC, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of MEDC are governmental.

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 balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

MEDC maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the debt service fund.

MEDC adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17-20 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 begin on page 21 of this report.

Other information. A budgetary comparison schedule is included as Required Supplementary Information (RSI) for the General Fund on page 39. Budgetary comparison schedule for the Debt Service Fund is provided as other supplementary information on page 45.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of MEDC, assets exceeded liabilities by \$67,644 at the close of the fiscal year. Compared to the prior year, the net position deficit decreased by \$364,459.

Mission Economic Development Corporation

Net Position

September 30, 2015

	Governmental Activities	
	2015	2014
Current and other assets	\$ 4,258,704	\$ 4,599,504
Capital Assets	14,083	14,111
Total assets	<u>4,272,787</u>	<u>4,613,615</u>
Long-term liabilities	2,730,000	3,766,535
Other liabilities	1,475,144	1,143,896
Total liabilities	<u>4,205,144</u>	<u>4,910,431</u>
Net Position:		
Net investment in capital assets	14,084	14,111
Restricted	231,481	223,617
Unrestricted (deficit)	(177,921)	(534,543)
Total net positions	<u>\$ 67,644</u>	<u>\$ (296,815)</u>

At the end of the current fiscal year, MEDC is unable to report a positive balance in unrestricted net position. The positive total net position is due to the reduction of MEDC's long-term debt issued to provide funding for City of Mission infrastructure projects. Restricted net position is restricted for the purpose of debt service and net investment in capital assets.

The following table presents detail on revenues and expenses for the governmental activities that affected net position.

Mission Economic Development Corporation
Changes in Net Position
September 30, 2015

	Governmental Activities	
	2015	2014
Revenues:		
Program Revenues:		
Operating grants and contributions	\$ 81,284	\$ 91,244
General revenues:		
Other taxes	3,826,488	3,832,232
Interest	20,644	19,617
Miscellaneous	5,005	5,117
Total revenues	<u>3,933,421</u>	<u>3,948,210</u>
Expenses:		
Economic development	3,400,473	2,764,332
Interest on long-term debt	168,489	206,584
Total expenses	<u>3,568,962</u>	<u>2,970,916</u>
Changes in net position	364,459	977,294
Adjusted net position 10/01/14	<u>(296,815)</u>	<u>(1,274,109)</u>
Net position 09/30/15	<u>\$ 67,644</u>	<u>\$ (296,815)</u>

Governmental activities. Governmental activities for the fiscal year increased MEDC's net position by \$364,459, decreasing the deficit net position from prior year and reflecting a positive net position at 9/30/15.

Total revenues reflect a decrease of \$14,789 compared to last year. Operating grants and contributions reflect a 10.9% decrease compared to prior year, while sales tax decreased by \$5,744.

Expenses reflected an increase of 20.12% compared to prior year. The increase is attributed to more projects and incentives in fiscal year 2015.

Financial Analysis of Government's Funds

As noted earlier, MEDC uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of MEDC governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing MEDC financing requirements. In particular, unassigned fund balance may serve

as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, MEDC's governmental funds reported combined ending fund balances of \$3,838,341 a decrease of \$649,874 in comparison with the prior year. Unassigned fund balance for all governmental funds, which is available for spending at MEDC discretion, reflects a negative \$1,258,881. In accordance with GASB No. 54, \$77,271 of total fund balance is considered nonspendable for prepaid and redevelopment assets; \$249,727, is restricted for debt service; and \$4,770,224 is committed for various economic development projects, which will be funded over a period of five to 10 years; however, funds are considered committed at the end of the fiscal year.

The General Fund is the chief operating fund of MEDC. At the end of the current fiscal year, unassigned fund balance was a deficit of \$1,258,881; however the total fund balance of the general fund was \$3,588,614. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Expenditures exceeded both the unassigned fund balance and total fund balance for fiscal year 2015.

During the current fiscal year, the MEDC general fund balance decreased by \$652,764 or 15%. The key components and factors in the decrease are as follows:

- Operating expenditures increased by \$635,710. The increase was attributed to more funding of projects and incentives in fiscal year 2015.
- Total revenues also reflected a decrease of \$15,433. Sales tax revenue reflects a reduction of \$5,744 and Miscellaneous revenue has a reduction of \$10,716 due to less conduit debt applications filed during fiscal year 2015.

The Debt Service Fund has a total fund balance of \$249,727, all of which is reserved for the payment of debt service. Sufficient funds were available in the Debt Service Fund to meet principal and interest due for fiscal year 2015.

General Fund Budgetary Highlights

During the year, the MEDC Board amended the budget several times. The MEDC budget is amended when a new economic development project is undertaken by the Board. MEDC must follow state guidelines when amending the annual budget for economic development projects. All budget amendments must be approved by both the MEDC Board and City Council. The budget was amended by \$1,220,000 during the year.

The original revenue budget was not amended in FY 2015.

- Actual revenues exceeded final budget by \$48,332. The majority of the increase is attributed to sales tax and interest earned on investments.

There were several changes in the original to final budget on the expenditures.

- The Development Department had the most significant increase from original to final budget due to several projects undertaken including the Food Manufacturing Expansion Project in the amount of \$300,000 for FY 2015. The total commitment is \$3 million over a period of 10 years for this project. A second commitment was made to Southwest Steel Coil Project in the amount of \$450,000. Other amendments include \$50,000 for a feasibility study; \$75,000 for infrastructure improvements off Conway St. and Kika De La Garza Loop; \$70,000 for infrastructure improvements off 3 Mile Rd and Schueback Rd.
- The Economic Development Department was amended by \$250,000 professional fees.

Capital Asset and Debt Administration

Long-term debt. At the end of the current fiscal year, MEDC had total long-term debt outstanding of \$3,766,535

Mission Economic Development Corporation
 Outstanding Sales Tax Revenue Bonds
 September 30, 2015

	Governmental Activities	
	2015	2014
Sales Tax Refunding Bonds Series 2010	\$ 3,065,000	\$ 3,390,000
2009 FNB Loan	701,535	1,385,920
Total	\$ 3,766,535	\$ 4,775,920

As of September 30, 2015, MEDC had no authorized but unissued bonds. Additional information on MEDC's long-term debt can be found on pages 31-32 of this report.

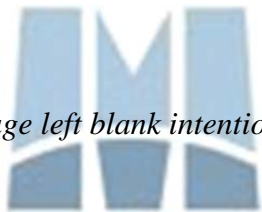
Economic Factors and Next Year's Budget

Sales tax is the major revenue source for MEDC and changes in the economy for the City of Mission will have an impact on MEDC's financial situation. Another major economic factor that can affect MEDC's financial situation is the unemployment rate.

- According to the Texas Labor Market Review, the unemployment rate for the City of Mission as of November 30, 2015 was 6.2 percent, which represents a slight decrease compared to 6.5 percent from prior year. The state and national average unemployment rates are at 4.5 percent and 4.8 percent respectively.
- The 2015 General Fund operating budget was prepared using \$3,796,212 as the estimated restricted fund balance at September 30, 2015. The actual total fund balance for the general fund was \$3,588,614; nevertheless, a \$2,172,447 fund balance is projected at September 30, 2016.

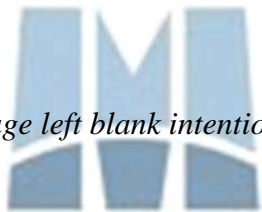
Requests for Information

This financial report is designed to provide a general overview of MEDC'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 Office of the Finance Director, 1201 East 8th Street, City of Mission, Texas, 78572.



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*BASIC FINANCIAL
STATEMENTS*



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MISSION ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF NET POSITION
September 30, 2015

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,124,821
Investments	1,102,643
Due from primary government	2,602
Prepaid	360
Redevelopment assets	76,911
Receivables, net	701,640
Restricted assets	249,727
Capital assets:	
Capital assets, net of accumulated depreciation	14,083
Total Assets	4,272,787
LIABILITIES	
Accounts payable	402,676
Accrued interest payable from restricted assets	18,246
Accrued wages payable	2,321
Due to primary government	15,366
Noncurrent liabilities	
Due within one year	1,036,535
Due in more than one year	2,730,000
Total Liabilities	4,205,144
NET POSITION	
Net investment in capital assets	14,084
Restricted for:	
Debt Service	231,481
Unrestricted	(177,921)
Total Net Position	\$ 67,644

The accompanying notes are an integral part of this statement.

MISSION ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2015

	Expenses	Program Revenues Operating Grants and and Contributions	Net (Expenses) Revenue and Changes in Net Assets
			Governmental Activities
Functions/Programs			
COMPONENT UNIT:			
Governmental activities:			
Economic development	\$ 3,400,473	\$ 80,353	\$ (3,320,120)
Interest and fiscal charges on long-term debt	168,488	931	(167,557)
Total Governmental Activities	3,568,961	81,284	(3,487,677)
Total Component Unit	\$ 3,568,961	\$ 81,284	\$ (3,487,678)
General Revenues:			
Sales taxes			3,826,488
Interest earned			20,644
Miscellaneous			5,005
Total General Revenues			3,852,137
Change in Net Position			364,459
Net Position - 10/01/14			(296,815)
Net Position - 09/30/15			\$ 67,644

The accompanying notes are an integral part of this statement.

MISSION ECONOMIC DEVELOPMENT CORPORATION
BALANCE SHEET-GOVERNMENTAL FUNDS
September 30, 2015

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 2,124,821	\$ 249,727	\$ 2,374,548
Investments	1,102,643	-	1,102,643
Prepaid	360	-	360
Redevelopment assets	76,911	-	76,911
Receivables:			
Sales tax	647,481	-	647,481
Accounts-other	54,159	-	54,159
Due from primary government	2,602	-	2,602
Total Assets	<u>\$ 4,008,977</u>	<u>\$ 249,727</u>	<u>\$ 4,258,704</u>
LIABILITIES			
Accounts payable	\$ 402,676	\$ -	\$ 402,676
Accrued wages payable	2,321	-	2,321
Due to primary government	15,366	-	15,366
Total Liabilities	<u>420,363</u>	<u>-</u>	<u>420,363</u>
FUND BALANCES			
Nonspendable	77,271	-	77,271
Restricted for debt	-	249,727	249,727
Committed	4,770,224	-	4,770,224
Unassigned	(1,258,881)	-	(1,258,881)
Total Fund Balances	<u>3,588,614</u>	<u>249,727</u>	<u>3,838,341</u>
Total Liabilities and Fund Balances	<u>\$ 4,008,977</u>	<u>\$ 249,727</u>	<u>\$ 4,258,704</u>

The accompanying notes are an integral part of this statement.

MISSION ECONOMIC DEVELOPMENT CORPORATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2015

Total fund balances - governmental funds balance sheet	\$	3,838,341
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not reported in the funds.		14,083
Payables for bond principal which are not due in the current period are not reported in funds.		(3,766,535)
Payables for bond interest which are not due in the current period are not reported in funds.		(18,246)
		<hr/>
Net position of governmental activities - statement of net position	\$	<u><u>67,644</u></u>

The accompanying notes are an integral part of this statement.

MISSION ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended September 30, 2015

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	\$ 3,826,488	\$ -	\$ 3,826,488
Interest	20,644	931	21,575
Miscellaneous	85,200	-	85,200
Total Revenues	<u>3,932,332</u>	<u>931</u>	<u>3,933,263</u>
Expenditures:			
Current:			
General Government:			
Economic development	3,401,071	-	3,401,071
Debt service:			
Principal	-	1,009,385	1,009,385
Interest and fiscal charges	-	173,463	173,463
Total expenditures	<u>3,401,071</u>	<u>1,182,848</u>	<u>4,583,919</u>
Excess (Deficiency) of Revenue over Expenditures	<u>531,261</u>	<u>(1,181,917)</u>	<u>(650,656)</u>
Other Financing Sources (Uses):			
Sale of capital assets	782	-	782
Operating transfers	(1,184,807)	1,184,807	-
Total Other Financing Sources (Uses)	<u>(1,184,025)</u>	<u>1,184,807</u>	<u>782</u>
Net change in fund balances	<u>(652,764)</u>	<u>2,890</u>	<u>(649,874)</u>
Fund Balances at Beginning of Year	<u>4,241,378</u>	<u>246,837</u>	<u>4,488,215</u>
Fund Balances at End of Year	<u>\$ 3,588,614</u>	<u>\$ 249,727</u>	<u>\$ 3,838,341</u>

The accompanying notes are an integral part of this statement.

MISSION ECONOMIC DEVELOPMENT CORPORATION
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2015

Net change in fund balances - total governmental funds	\$	(649,874)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:		
Capital assets used in governmental activities are not reported in the funds.		4,626
The depreciation of capital assets used in governmental activities is not reported in the funds.		(4,030)
The gain or loss on the sale of capital assets is not reported in the funds.		(625)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		1,009,385
(Increase) decrease in accrued interest payable from beginning of period to end of period		<u>4,975</u>
Change in net position of governmental activities - statement of activities	<u>\$</u>	<u>364,459</u>

The accompanying notes are an integral part of this statement.

MISSION ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Mission Economic Development Corporation (MEDC), have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

The accounting policies of the MEDC as reflected in the accompanying financial statements conform to generally accepted accounting principles for local governmental units as prescribed by the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

The Mission Economic Development Corporation (MEDC) was organized on behalf of the City of Mission, Texas for the specific public purpose of the promotion and development of commercial, industrial and manufacturing enterprises to promote and encourage employment and the public welfare. Funding for MEDC comes from an additional ½ of 1% sales tax approved by the voters of the City of Mission. MEDC is a discretely presented component unit of the City and is operated and governed by a seven member board of directors, six of whom are appointed by the City Council. The seventh member is the mayor of the City of Mission, Texas. The City Council also appoints an alternate board member to serve in instances when the mayor is unable to serve. Any director may be removed from office by the City Council for cause or at will. In addition, the City approves the programs and expenditures of MEDC and must approve amendments to MEDC's bylaws and Articles of Incorporation. Therefore, these accompanying financial statements are not intended to present fairly the financial position, results of operations and cash flows, where appropriate, for the City of Mission, Texas. These financial statements are included in the comprehensive annual financial report for the City of Mission, Texas as a discretely presented component unit.

On September 12, 1994 the Mission Economic Development Corporation (MEDC) was issued a Certificate of Incorporation by the State of Texas as a nonprofit corporation under the Development Corporation Act of 1979 Vernon's Ann Civ. St. Art. 5190.6 as amended.

The authority to enact the sales and use tax for economic development is Vernon's Ann. Civ.St.Art. 5190.6 4B of the Development Corporation Act of 1979, including subsequent amendments. Under Section 4B, cities may use the funds raised by this sales tax for purposes related to economic development. These purposes include:

- Purchasing land, building and equipment;
- Facilities including public safety facilities;
- Targeted infrastructure and improvements for the creation or retention of primary jobs that the corporation's board deems suitable for manufacturing and industrial facilities, research and development facilities, transportation facilities, sewage or solid waste disposal facilities;
- Funding other projects found in the Act that are in the best interests of the City. (Refer to Vernon's An. Civ.St.Art. 5160.6(10), 4B (1).)

MISSION ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

B. Government-wide and fund financial statements

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the reporting entity. The effect of interfund activity has been removed from these statements. Governmental activities generally are supported by taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds.

MEDC reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the MEDC. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

C. Measurement focus and basis of accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, MEDC considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as claims and judgments, are recorded only when payment is due.

Sales taxes collected and held by the intermediary collecting governments at year end on behalf of the MEDC also are recognized as revenue.

MISSION ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

D. Cash and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments consist of money market investments and certificates of deposit.

Money market investments which are short-term, highly liquid debt instruments including commercial paper, bankers acceptance and U.S. Treasury and agency obligations are reported at amortized cost. All other investments are reported at fair value except for certificates of deposit which are stated at cost.

The Mission Economic Development Corporation can legally invest in adequately secured investments in accordance with the Public Funds Investment Act. In general, MEDC's investment policy allows the MEDC to invest in certificates of deposit, repurchase agreements, obligations of the U. S. Government and its Agencies or instrumentalities and State obligations.

E. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

F. Restricted Assets

Certain proceeds of long-term debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable debt covenants. The "interest and sinking fund" account is used to segregate resources accumulated for debt service payments over the next twelve months.

G. Redevelopment Assets

Governments usually acquire redevelopment property to attract private-sector investment in an economically depressed area. MEDC undertakes and funds various capital projects which will benefit the City. These capital projects, once completed, are conveyed to the City and become part of the City's capital assets. During the construction phase, these assets are considered redevelopment assets of MEDC.

H. Long-Term Obligations

In government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities net of any related premiums or discounts. Bond premiums and discounts are amortized over the term of the related debt.

MISSION ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received and discounts incurred on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from debt proceeds, are reported as debt service expenditures.

I. Outflows and Inflows

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflow of resources*, represents a consumption of net position that applies to a future period(s) and will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the previous deferred amounts amortization period of the life of the new debt resulting from the new refunding transactions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows or resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

J. Fund Balance Reporting

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable.

Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories which include redevelopment assets, and long term portions of receivables. The Corporation has prepaid expenses that are considered nonspendable.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority. The responsibility to commit funds rests with the Board of Directors in consultation with the City of Mission City Council. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. The MEDC Board has the authority to commit fund balance by board action. The decision is then taken to the City of Mission City Council for final approval.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The responsibility to assign funds rests with the Board of Directors in consultation with the City of Mission City Council, or their designee, such as the City Manager.

MISSION ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Board of Directors in consultation with the City of Mission City Council retains the right to change or remove the assignment with majority vote.

- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

K. Order of Expenditure of Funds

- When expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the Corporation considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Corporation considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds.

L. Prepaid Items

In the governmental fund types, payments made for services that benefit periods beyond the current year are recorded as prepaid in the current year.

M. Capital Assets

Capital Assets are reported in the government-wide Statement of Net Position. Capital assets are recorded at historical cost and depreciated over their estimated useful lives unless they are inexhaustible, such as land. Depreciation is not recorded on items classified as construction in progress. Depreciation expense is recorded in the government-wide Statement of Activities. Depreciation is recorded using the straight-line method over the estimated useful lives of the capital assets.

The estimated useful lives are as follows:

<u>Assets</u>	<u>Useful Lives</u>
Buildings and improvements	30 years
Furniture and equipment	5-15 years
Vehicles	3-20 years

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits - At September 30, 2015, the carrying value and bank balance of the Mission Economic Development Corporation's deposits was \$2,374,298. Deposits include demand accounts, money market and certificate of deposits. All deposits were fully insured or collateralized.

Investments - During the year, MEDC's investments consisted of obligations of the U.S. Government or its Agencies and instrumentalities and public funds investment pools.

MEDC is required by Government Code Chapter 2256, The Public Funds Investment Act (the "Act"), to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowed stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on

MISSION ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS *(Continued)*

the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (Trust Company) to provide a safe environment for the placement of local government funds in authorized short-term, fully-collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies, federally insured certificates of deposit issued by Texas banks or saving and loans and fully collateralized direct repurchase agreements secured by United States Government agency securities and placed through a primary government securities dealer. The Trust Company was incorporated by the State Treasurer by authority of the Texas Legislature as a special purpose trust company with direct access to the services of the Federal Reserve Bank to manage, disburse, transfer, safekeep, and invest public funds and securities more efficiently and economically.

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. TexPool operates in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net position to compute share prices. The fair value of the position in TexPool is the same as the value of TexPool shares. Accordingly, MEDC's investments in TexPool are stated at cost, which approximates fair value. TexPool is currently rated AAA by Standard and Poor's. This rating indicates excellent safety and a superior capacity to maintain principal value and limit exposure to loss.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies; MEDC reports its information to the City of Mission Council. Additionally, investment practices of MEDC were in accordance with local policies. The MEDC's management believes that it complied with the requirements of the PFIA and its adopted investment policies.

Interest Rate Risk –

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

MEDC's investment policy limits average maturities of all investments to one year or less. The maximum final stated maturity of any investment shall not exceed five years. Portfolio diversification is employed as a way to control the risk. MEDC's investment portfolio is required to have sufficient liquidity to meet anticipated cash flow requirements.

MISSION ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

The following is the Interest Rate Risk using Specific Identification, as of September 30, 2015:

Investment Type	Amortized Cost	3 Months or Less	4-12 Months	Over One Year
Texpool	\$ 198,341	\$ 198,341	\$ -	\$ -
Federal Natl Mtg Assn Medium Term NTS	502,603	-	-	502,603
Federal Home Ln Mtg Corp Medium Term NTS	302,480	-	-	302,480
Federal Farm CR Bks Cons Systemwide BDS	99,219	-	-	99,219
	<u>\$ 1,102,643</u>	<u>\$ 198,341</u>	<u>\$ -</u>	<u>\$ 904,302</u>

Credit Risk –

Credit risk is the risk that the counterparty will not fulfill its obligations.

MEDC’s investment policy authorizes the following investment pools:

Public funds investment pools in Texas (“Pools”) are established under the authority of the Inter-local Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provision of the Public Funds Investment Act (the “Act”). Chapter 2258 of the Texas Government Code, in addition to other provisions of the Act designed to promote liquidity and safety of principal, requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

Statutes authorize MEDC to invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposit, certain municipal securities, repurchase agreements, and other investments specifically allowed by the Public Funds Investment Act of 1995 (Chapter 2256, Texas Government Code).

As of September 30, 2015, the following was the composition of MEDC’s credit rating by investment:

Credit Quality Distribution of Securities
With Credit Exposure as a Percentage of Total Investments

Investment Type	Rating	Exposure
Texpool	AAA	18%
Federal Natl Mtg Assn Medium Term Nts	AAA	46%
Federal Home Ln Mtg Corp Medium Term NTS	AAA	27%
Federal Farm CR Bks Cons System BDS	AAA	9%

MISSION ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Concentrations of Credit Risk –

Risk is controlled through portfolio diversification, which shall be achieved limiting investments to those instruments allowed by the Act, avoiding over-concentration of assets in a specific maturity sector, limitation of average maturity of operating funds investments to one year, and avoidance of over-concentration of assets in specific instruments other than U.S. Treasury Securities and Insured or Collateralized Certificates of Deposits. Risk of liquidity due to technical complications shall be controlled by the selection of securities dealers.

As of September 30, 2015, the following was the composition MEDC’s investment portfolio:

<u>Investment Type</u>	<u>Rating</u>
Texpool	AAA
Federal Natl Mtg Assn Medium Term NTS	AAA
Federal Home Ln Mtg Corp Medium Term NTS	AAA
Federal Farm CR Bks Cons Systemwide BDS	AAA

Custodial Credit Risk –

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. Broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act, the MEDC’s investment policy, and Government Code Chapter 2257 “Collateral For Public Funds” contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments.

MEDC’s investments are categorized as a level one custodial credit risk, meaning that its investments are insured or registered or securities held by MEDC or its’ agent in MEDC’s name. Therefore MEDC is not exposed to custodial credit risk.

MISSION ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

A reconciliation of cash and investments as shown on the statement of net position for MEDC follows:

Petty Cash	\$ 250
Carrying amount deposit	2,374,298
Investments	<u>1,102,643</u>
Cash and Investments Statement of Net Position	<u>\$ 3,477,191</u>
Cash and cash equivalents	\$ 2,124,821
Investment	1,102,643
Restricted Assets	<u>249,727</u>
Cash and Investments Statement of Net Position	<u>\$ 3,477,191</u>

NOTE 3 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. Interfund Transfers:

	Transfers In	
	Debt Service Fund	Total
Transfer Out:		
General Fund	<u>\$ 1,184,807</u>	<u>\$ 1,184,807</u>
Total Transfer Out	<u>\$ 1,184,807</u>	<u>\$ 1,184,807</u>

Transfers out of the general fund to the debt service fund were sales tax collections to cover debt service requirements that came due within the fiscal year.

NOTE 4 - RESTRICTED ASSETS

Restricted assets held by Mission Economic Development Corporation at September 30, 2015 consist of the following:

	Cash and Cash Equivalents	Investments	Accrued Interest	Total
Debt Service Fund	<u>\$ 249,727</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 249,727</u>

MISSION ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 5 – CAPITAL ASSETS

Capital Asset activity for the year ended September 30, 2015, was as follows:

	Balance at October 1, 2014	Increases	Decreases	Balance at September 30, 2015
Capital assets, being depreciated:				
Machinery and equipment	\$ 23,387	\$ 4,626	\$ (949)	\$ 27,063
Total capital assets, being depreciated	<u>23,387</u>	<u>4,626</u>	<u>(949)</u>	<u>27,063</u>
Less accumulated depreciation for:				
Machinery and equipment	(9,275)	(3,705)	-	(12,980)
Total accumulated depreciation	<u>(9,275)</u>	<u>(3,705)</u>	<u>-</u>	<u>(12,980)</u>
Total capital assets, being depreciated, net	<u>\$ 14,112</u>	<u>\$ 921</u>	<u>\$ (949)</u>	<u>\$ 14,083</u>

NOTE 6 – REDEVELOPMENT ASSETS

In accordance with its Strategic Plan, the Corporation has established the Mission Corridors Fund which allows MEDC to set aside \$1 million to be used specifically on the Shary Road and Anzalduas International Corridor (Bryan Road). In the current year, \$56,769 was expended for these projects. MEDC also funded other infrastructure projects including sanitary sewer and paving projects throughout the City.

The amount expended in the current year was \$37,500 for the Conway and KiKa Loop Paving Project.

When these construction projects are completed, the redeveloped assets will be transferred to the City of Mission. During FY 2015, \$231,914 in completed projects was conveyed to City of Mission or Texas Department of Transportation.

	October 1, 2014	Increases	Decreases	September 30, 2015
Redevelopment Assets	<u>\$ 214,555</u>	<u>\$ 94,269</u>	<u>\$ 231,914</u>	<u>\$ 76,910</u>

NOTE 7 - LONG-TERM DEBT PAYABLE

MEDC has issued sales tax revenue bonds to finance various construction projects to enhance economic development in the Mission area. These bonds are to be repaid with sales tax revenue.

Sales tax revenue bond payable at September 30, 2015 for the MEDC is comprised of the following:

\$4,380,000 Sales Tax Revenue Refunding Bonds, Series 2010 due in annual principal installments ranging from \$90,000 to \$325,000, from February 15, 2011 through 2024; Interest at 3.85%.	<u>\$ 3,065,000</u>
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MISSION ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 7 - LONG-TERM DEBT PAYABLE (Continued)

The annual requirements to retire the sales tax revenue bond including interest are as follows:

Year Ending September 30,	Principal	Interest
2016	335,000	111,554
2017	350,000	98,368
2018	365,000	84,603
2019	380,000	70,263
2020-2024	1,635,000	152,749
Total	<u>\$ 3,065,000</u>	<u>\$ 517,536</u>

Sales tax revenue notes payable at September 30, 2015 for the MEDC is comprised of the following:

\$3,000,000-- 2009 Sales Tax Revenue Note due in semi-annual principal
Installments ranging from \$109,259 to \$366,273 including
Interest at 3.9%. Note matures August 15, 2016. Collateralized
by first priority perfected security interest in sales tax
revenues collected pursuant to Section 4B of the
Development Corporation Act of 1979. \$ 701,535

The annual requirements to retire the sales tax revenue note payable including interest are as follows:

Year Ending September 30,	Principal	Interest
2016	701,535	20,870
Total	<u>\$ 701,535</u>	<u>\$ 20,870</u>

The following is a summary of changes in long-term debt obligations for MEDC for the year ended September 30, 2015:

	September 30, 2014	Additional Obligations and Net Increases	Retirements and Net Decreases	September 30, 2015	Due within One Year
Sales Tax Refunding Bond	\$ 1,385,920	\$ -	\$ 684,385	\$ 701,535	\$ 701,535
Sales Tax Revenue Note	3,390,000	-	325,000	3,065,000	335,000
	<u>\$ 4,775,920</u>	<u>\$ -</u>	<u>\$ 1,009,385</u>	<u>\$ 3,766,535</u>	<u>\$ 1,036,535</u>

The above listed refunding bond issue is to be repaid from the 1/2 cent sales tax levied under the Section 4B referred to in Note 1(A).

MISSION ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 8 – CONDUIT DEBT OBLIGATIONS

Mission Economic Development Corporation (the "Issuer") pursuant to Texas Civil Statutes Article 5190.6(the "Act"), and the Industrial Revenue Bond Program (the "Rules"), Title 10 Texas Administrative Code Chapter 180, promulgated by the Office of the Governor, Economic Development and Tourism Division (the "Division") has issued the following Industrial Development Bonds to finance various projects in the State of Texas:

	<u>Balance at September 30, 2015</u>
\$1,702,000 Industrial Development Revenue Bond (4 Over, Inc. Project) Series 2009A dated February 1, 2009	\$ 162,635
\$1,341,250 Industrial Development Revenue Bond (4 Over, Inc. Project) Series 2009B dated August 1, 2013	113,252
\$56,200,000 Solid Waste Disposal Variable Rate Demand Revenue Bond (Allied Waste North America, Inc. Project) Series 2008A dated May 1, 2008	56,200,000
\$40,200,000 Solid Waste Disposal Revenue Bonds (Dallas Clean Energy McCommas Bluff, LLC Project) Series 2011 dated March 1, 2011	32,815,000
\$24,000,000 Variable Rate Demand Solid Waste Disposal Revenue Bonds (IESI Texas Corporation Project) Series 2007 dated March 1, 2007	24,000,000
\$9,000,000 Taxable Power Purchase Agreement Revenue Bonds (Nelson Garden Energy, LLC) Series 2015 dated September 30, 2015	9,000,000
\$56,800,000 Solid Waste Disposal Revenue Bonds (Republic Service, Inc) Series 2013 A dated August 1, 2013	56,800,000
\$6,000,000 Variable Rate Demand Industrial Development Revenue Bonds (CMI Project) Series 2007 dated May 1, 2007	4,770,000
\$41,750,000 Solid Waste Disposal Revenue Bonds (Waste Management, Inc. Project) Series 2006 dated December 1, 2006	41,750,000
\$67,000,000 Solid Waste Disposal Revenue Bond (Waste Management Inc, Project), Series 2008 dated August 1, 2008	67,000,000
\$3,650,000 Western Emulsions, Series 2015 dated February 7, 2015	<u>2,896,764</u>
	<u>\$295,507,651</u>

MISSION ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 8 – CONDUIT DEBT OBLIGATIONS (Continued)

All of the bonds listed above are payable solely from, and secured solely by a pledge of payments made under loan agreements between the borrowers and MEDC which are assigned under separate Trust Indentures with various banks. The payments required under the loan agreement are further guaranteed under either Guaranty Agreements or Irrevocable Letters of Credit issued in favor of the Trustee under the Trust Indenture.

Neither the State of Texas, Mission, Texas nor any political corporation, subdivision or agency of the State of Texas shall be obligated to pay the principal of, premium, if any, the interest on, or the purchase price of the bonds, and neither the faith and credit nor the taxing power of the State of Texas, Mission, Texas or any other political corporation, subdivision, or agency thereof is pledged to the payment of the principal of, premium, if any, interest on, or the purchase price of the bonds.

In connection with the process which ultimately may lead to the issuance of conduit debt, MEDC charges an application fee of \$2,500 per application. During the year ended September 30, 2015, MEDC received \$7,500 of which \$3,750 was paid to the advisors.

After conduit debt has been issued, MEDC charges an annual fee based upon the original par value of the bonds, which ranges from 2 basis points to 5 basis points depending on the type of project and the rating of the bonds being issued. For the year ended September 30, 2015, MEDC received \$153,207 of which \$76,603 was paid to the advisor for local access fees.

In total, MEDC collected \$160,707 in fees related to conduit debt of which \$80,353 was paid to its advisors for application, issuance, advisor and local access fees.

NOTE 9 – RISK MANAGEMENT

MEDC is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which it obtains commercial insurance through the City of Mission, Texas, of which it is a component unit. There have been no significant reductions in insurance coverage from the previous year and there were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

NOTE 10 – OPERATING LEASE COMMITMENT

MEDC leased office space under an operating lease. Total cost for such lease was \$ 16,479 for the year ended September 30, 2015. The future minimum lease payments for the lease are as follows:

<u>September 30,</u>	
2015	\$ 5,493
2016 and beyond	\$ 5,493
Total	<u>\$ 10,986</u>

MISSION ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 11 – FUND BALANCE CLASSIFICATION

The following table summarizes the fund balance classification at year-end:

	General Fund	Debt Service Fund	Total Governmental Funds
Fund balance:			
Nonspendable			
Prepaid	\$ 360	\$ -	\$ 360
Redevelopment Assets	76,911	-	76,911
Restricted			
Debt service	-	249,727	249,727
Committed	4,770,224	-	4,770,224
Unassigned	(1,258,881)	-	(1,258,881)
Total Fund Balances	<u>\$ 3,588,614</u>	<u>\$ 249,727</u>	<u>\$ 3,838,341</u>

NOTE 12 – RELATED PARTY TRANSACTIONS

The City’s economic development activities via City Council Resolution has delegated all economic development activities to MEDC.

City of Mission provides personnel services to carry out the daily operating activities of MEDC. MEDC reimburses the City of Mission for the services provided as well as accounting and overhead costs.

NOTE 13 – COMMITMENTS

The Corporation has published notices of intent and its Board of Directors has committed funds for the following projects:

	Committed	Expended to Date	Remaining Commitment
Incentives:			
Colimar International	\$ 110,000	\$ 99,409	\$ 10,591
Royal Technology	1,300,000	600,000	700,000
Southwest Steel Coil	450,000	-	450,000
Wonderful Citrus	3,000,000	300,000	2,700,000
Other Infrastructure projects	360,000	69,410	290,590
Infrastructure projects ***	<u>1,000,000</u>	<u>380,958</u>	<u>619,042</u>
	<u>\$ 6,220,000</u>	<u>\$ 1,449,776</u>	<u>\$ 4,770,224</u>

***\$1,000,000 is for Shary Road and Anzalduas International Corridor (Bryan Road) projects only.

*REQUIRED
SUPPLEMENTARY
INFORMATION*



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MISSION ECONOMIC DEVELOPMENT CORPORATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended September 30, 2015

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Sales tax	\$ 3,800,000	\$ 3,800,000	\$ 3,826,488	\$ 26,488
Total Taxes	<u>3,800,000</u>	<u>3,800,000</u>	<u>3,826,488</u>	<u>26,488</u>
Interest:				
Interest earned on investments	8,000	8,000	19,790	11,790
Interest earned on demand deposit	1,000	1,000	855	(145)
Total Interest	<u>9,000</u>	<u>9,000</u>	<u>20,645</u>	<u>11,645</u>
Miscellaneous:				
Application fees-ind. dev. bonds	-	-	3,750	3,750
Annual filing fee-ind. dev. bonds	75,000	75,000	76,603	1,603
Rent-MRA	-	-	4,841	4,841
Miscellaneous income	-	-	5	5
Total Miscellaneous	<u>75,000</u>	<u>75,000</u>	<u>85,199</u>	<u>10,199</u>
Total Revenues	<u>3,884,000</u>	<u>3,884,000</u>	<u>3,932,332</u>	<u>48,332</u>
Expenditures:				
Current:				
Administration:				
Personal services	341,238	341,238	342,541	(1,303)
Employee benefits	90,256	90,256	84,889	5,367
Professional and technical services	97,500	347,500	215,386	132,114
Purchased property services	33,000	33,000	27,460	5,540
Other purchased services	42,100	42,100	32,766	9,334
Supplies	4,000	4,072	3,048	1,024
Capital outlays	5,000	5,000	4,825	175
Community promotions	70,000	100,000	90,768	9,232
Miscellaneous	116,500	86,428	10,189	76,239
	<u>799,594</u>	<u>1,049,594</u>	<u>811,872</u>	<u>237,722</u>
Development:				
Professional and technical services	50,000	121,500	118,568	2,932
Purchased property services	-	3,500	492	3,008
Other purchased services	165,000	165,000	156,421	8,579
Supplies	10,000	10,000	9,403	597
Miscellaneous	82,000	82,000	38,755	43,245
Projects	1,986,621	2,131,621	1,374,907	756,714
Incentives	675,000	1,425,000	928,153	496,847
	<u>2,968,621</u>	<u>3,938,621</u>	<u>2,626,699</u>	<u>1,311,922</u>
Total Expenditures	<u>3,768,215</u>	<u>4,988,215</u>	<u>3,438,571</u>	<u>1,549,644</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>115,785</u>	<u>(1,104,215)</u>	<u>493,761</u>	<u>1,597,976</u>
Other Financing Sources (Uses):				
Sale of capital assets	-	-	782	782
Operating transfers out	(1,184,807)	(1,184,807)	(1,184,807)	-
Total Other Financing Sources (Uses)	<u>(1,184,807)</u>	<u>(1,184,807)</u>	<u>(1,184,025)</u>	<u>782</u>
Net Change in Fund Balance	<u>(1,069,022)</u>	<u>(2,289,022)</u>	<u>(690,264)</u>	<u>1,598,758</u>
Fund Balance at Beginning of Year	<u>4,241,378</u>	<u>4,241,378</u>	<u>4,241,378</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 3,172,356</u>	<u>\$ 1,952,356</u>	<u>\$ 3,551,114</u>	<u>\$ 1,598,758</u>

MISSION ECONOMIC DEVELOPMENT CORPORATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2015

The Board of Directors prepares a budget each year which is then submitted to the City Manager of the City of Mission, Texas. The budget of the MEDC is incorporated into the budget process for the City of Mission, Texas which is described below. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits a proposed operating budget for all funds, as mandated by the City Charter, to the City Council 60 to 90 days prior to the beginning of each fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. The City Council selects the time and place of a public hearing on the budget to obtain taxpayer comments.
3. The appropriated budget is adopted by a majority vote of the City Council, and signed into law by a budget ordinance.
4. The budget amounts used in this report are as amended by the City Council.
5. Budgetary appropriations lapse at the end of each fiscal year.
6. The total estimated expenditures of the General Fund and Debt Service Fund may not exceed the total estimated revenues plus cash on hand of each fund.
7. The current level of budgetary control is the department level within each fund.

The Board of Directors approves the MEDC budget through a resolution before it is presented to City Council for final approval. Any amendments to the budget must also be approved by the Board of Directors before the amendment goes to City Council for final approval.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year end do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. Significant outstanding encumbrances in the General Fund would be classified as assigned.

MISSION ECONOMIC DEVELOPMENT CORPORATION

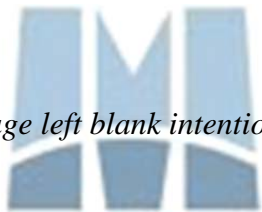
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2015

Budget to GAAP Reconciliation

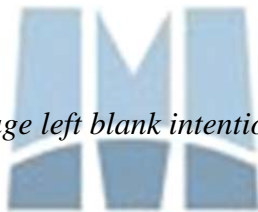
The following is an explanation of differences between budgetary basis and GAAP:

<u>Expenditures:</u>	<u>General Fund</u>
Actual expenditures (budgetary basis) from the budgetary comparison schedule (Exhibit B-1)	\$ 3,438,571
Amount budgeted as expense per budgeted basis, inventoried per GAAP basis	(37,500)
Total expenditures as reported on the statement of revenues expenditures, and changes in fund balances-governmental funds (Exhibit A-5)	<u>\$ 3,401,071</u>



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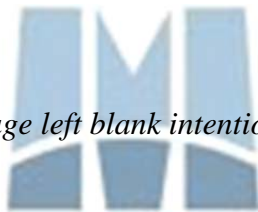
*OTHER
SUPPLEMENTARY
INFORMATION*



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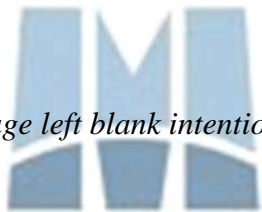
MISSION ECONOMIC DEVELOPMENT CORPORATION
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended September 30, 2015

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Interest earned on investments	\$ 40	\$ 40	\$ -	\$ (40)
Interest earned on demand deposit	300	300	931	631
Total Revenues	<u>340</u>	<u>340</u>	<u>931</u>	<u>591</u>
Expenditures:				
Current:				
Debt Service:				
Principal retirement	1,009,386	1,009,386	1,009,385	1
Interest and fiscal agent charges	175,421	175,421	173,463	1,958
Total Debt Service	<u>1,184,807</u>	<u>1,184,807</u>	<u>1,182,848</u>	<u>1,959</u>
Total Expenditures	<u>1,184,807</u>	<u>1,184,807</u>	<u>1,182,848</u>	<u>1,959</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,184,467)</u>	<u>(1,184,467)</u>	<u>(1,181,917)</u>	<u>2,550</u>
Other Financing Sources (Uses):				
Operating transfers	1,184,807	1,184,807	1,184,807	-
Total Other Financing Sources (Uses)	<u>1,184,807</u>	<u>1,184,807</u>	<u>1,184,807</u>	<u>-</u>
Net Change in Fund Balance	<u>340</u>	<u>340</u>	<u>2,890</u>	<u>2,550</u>
Fund Balance at Beginning of Year	<u>246,837</u>	<u>246,837</u>	<u>246,837</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 247,177</u>	<u>\$ 247,177</u>	<u>\$ 249,727</u>	<u>\$ 2,550</u>



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COMPLIANCE



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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*

Chairman and Members of the Board
Mission Economic Development Corporation
Mission, Texas

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, of Mission Economic Development Corporation, a component unit of the City of Mission, Texas as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise Mission Economic Development Corporation's basic financial statements, and have issued our report thereon dated January 15, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mission Economic Development Corporation'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 Mission Economic Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Mission Economic Development Corporation'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 a 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 Mission Economic Development Corporation'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 determination of financial statement amounts. 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.



LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
January 15, 2016