

**MISSION ECONOMIC  
DEVELOPMENT CORPORATION**

**FINANCIAL STATEMENTS**

**September 30, 2020**

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**Mission Economic Development Corporation**  
**Board Members**  
**As of September 30, 2020**

**PRESIDENT**

*S. David Deanda, Jr.*

**VICE PRESIDENT**

*Pete Jaramillo*

**SECRETARY**

*Aissa I. Garza*

**TREASURER**

*Dr. Sonia Trevino*

**MEMBER**

*Mayor Armando O'Caña*

**MEMBER**

*Balde Morales*

**MEMBER**

*Mario Garza*

**ALTERNATE FOR MAYOR POSITION**

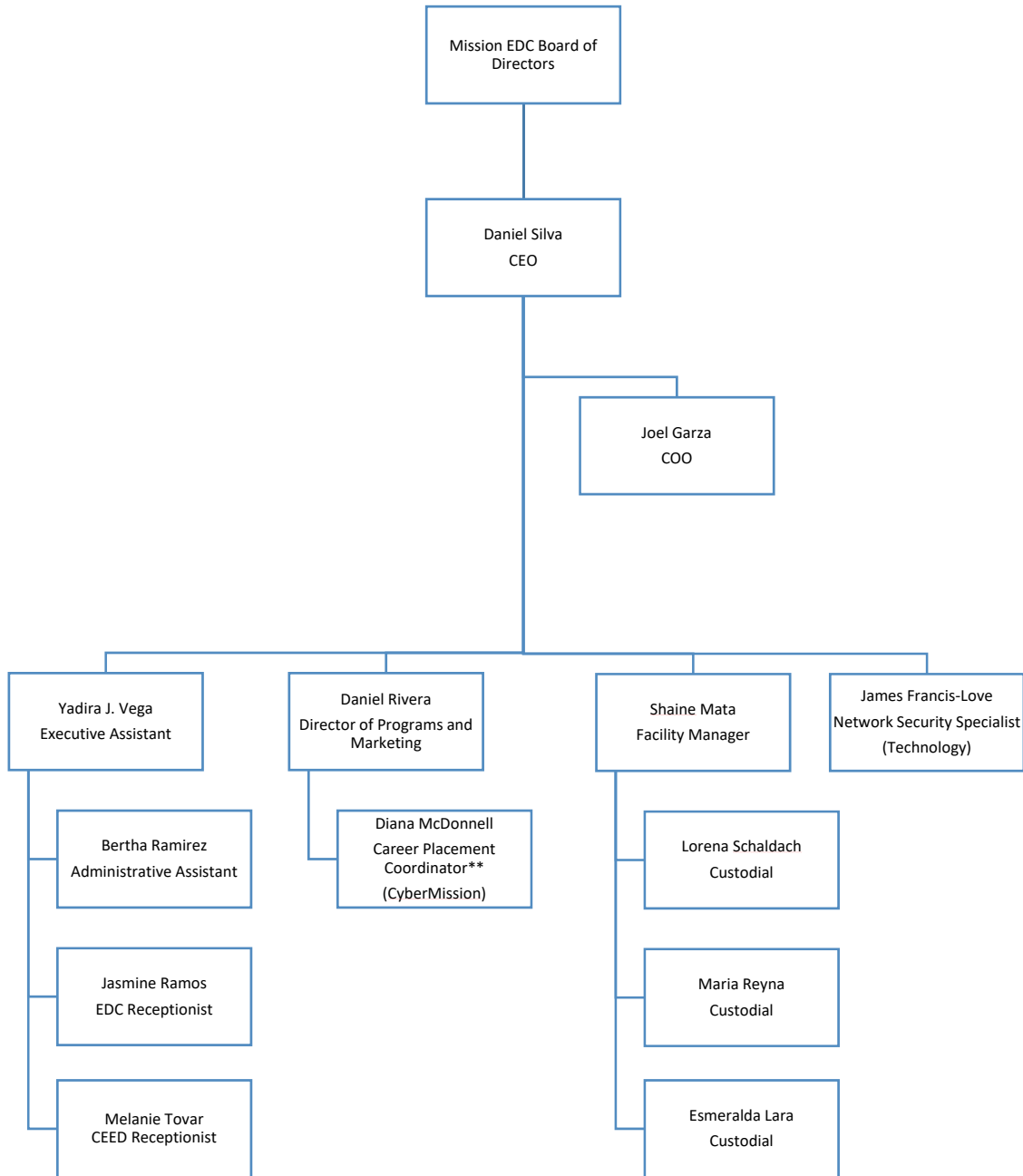
*Alberto Vela*

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# Mission Economic Development Corporation

## Organization Chart

As of September 30, 2020



\*\*Career Placement Coordinator is a grant-funded position for the duration of the grant period for the Cyber Mission program.

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and 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, 2020, and the related notes to the financial statements, which collectively comprise 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.

### ***Auditors' 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 auditors' 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 each major fund of Mission Economic Development Corporation, a component unit of the City of Mission, Texas, as of September 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter******Restatement of Fund Balance***

As discussed in note 3 to the basic financial statements, the prior year statements have been restated in the net amount of \$4,676,126 in the governmental funds. Our opinion is not modified with respect to this matter.

***Other Matters******Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information on pages 5-10 and 38-41, respectively, 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 Mission Economic Development Corporation's basic financial statements. The introductory section and other supplementary information, 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory 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 it.

**Other Reporting Required by *Government Auditing Standard***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2021, on our consideration of Mission Economic Development Corporation's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of Mission Economic Development Corporation's 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.

*Carr, Riggs & Ingram, L.L.C.*

McAllen, Texas  
March 12, 2021

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## Mission Economic Development Corporation Management's Discussion and Analysis

As management of the Mission Economic Development Corporation (MEDC), we offer readers of MEDC's financial statements this narrative overview of the financial activities of MEDC for the fiscal year ended September 30, 2020. We encourage readers to consider the information presented here in conjunction with the financial statement and disclosures following this section.

### **Financial Highlights**

- The liabilities of MEDC exceeded assets at the close of the most recent fiscal year by \$277,706 (net position).
- The negative net position is a continuation of debt obligations for capital assets which have yet to result in a return on investment.

### **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 MEDC that are principally supported by sales taxes and operating grants and contributions.

The government-wide financial statements can be found on pages 12-13 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.

## Mission Economic Development Corporation Management's Discussion and Analysis

**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 four 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, the Debt Service Fund, the Capital Projects Fund and the Special Revenue 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 14-17 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 18 of this report.

**Other information.** A budgetary comparison schedule is included as Required Supplementary Information (RSI) for the General Fund on pages 38-40. Budgetary comparison schedule for the Debt Service Fund, Capital Projects Fund, and Special Revenue Fund are provided as other supplementary information on pages 42-44, respectively.

## Mission Economic Development Corporation Management's Discussion and Analysis

### 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, liabilities exceeded assets by \$277,706 at the close of the fiscal year. Compared to the prior year, the net position deficit decreased by \$1,000,346.

### Mission Economic Development Corporation Net Position September 30, 2020

	Governmental Activities	
	2020	Restated 2019
Current and other assets	\$ 1,533,178	\$ 1,491,537
Capital assets	8,416,023	8,856,402
Non-Current and other assets	4,734,945	4,734,945
Total assets	<u>14,684,146</u>	<u>15,082,884</u>
Long-term liabilities	14,080,688	14,079,248
Other liabilities	881,164	2,281,688
Total liabilities	<u>14,961,852</u>	<u>16,360,936</u>
Net position:		
Net investment in capital assets	(633,071)	-
Restricted	391,289	375,369
Unrestricted (deficit)	(35,924)	(1,653,421)
Total net position	<u>\$ (277,706)</u>	<u>\$ (1,278,052)</u>

At the end of the current fiscal year, MEDC is unable to report a positive balance in unrestricted net position. Net position is reported as restricted for debt services and net investment in capital assets.

## Mission Economic Development Corporation Management's Discussion and Analysis

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

### Mission Economic Development Corporation Change in Net Position September 30, 2020

	Governmental Activities	
	2020	Restated 2019
Revenues:		
Program revenues:		
Charges for services	\$ 129,675	\$ 136,820
Operating grants and contributions	463,124	284,738
General Revenues:		
Other taxes	4,279,297	4,234,711
Miscellaneous	448,460	537,481
Total revenues	<u>5,320,556</u>	<u>5,193,750</u>
Expenses:		
Economic development	3,725,092	3,741,801
Interest on long-term debt	595,118	616,741
Total expenses	<u>4,320,210</u>	<u>4,358,542</u>
Changes in net position	1,000,346	835,208
Beginning net position	(1,278,052)	(2,113,260)
Ending net position	<u>\$ (277,706)</u>	<u>\$ (1,278,052)</u>

**Governmental activities.** Governmental activities for the fiscal year increased MEDC's net position by \$1,000,346, decreasing the deficit net position from prior year.

Total revenues reflect an increase of \$126,806, or 2.4% compared to last year. In current fiscal year steps were taken to reduce expenditures in order to improve net position, which attributed to a decrease in expenses of \$38,332, or 0.9% compared to prior year.

## Mission Economic Development Corporation Management's Discussion and Analysis

### 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 \$5,426,092 an increase of \$158,899 in comparison with the prior year's restated ending fund balance. Unassigned fund balance for all governmental funds, which is available for spending at MEDC discretion, reflects a negative \$1,800,189 balance. In accordance with GASB No. 54, \$4,760,706 is recorded as nonspendable for prepaid and land held for resale, \$22,028 is restricted for capital purchases; \$464,900, is restricted for debt service; and \$1,978,647 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 negative \$1,800,189 and the total fund balance of the general fund was \$4,860,517.

During the current fiscal year, the MEDC general fund balance increased by \$107,691. Also in current year, MEDC participated in a grant program which reduced expenditures from prior year by \$118,140. MEDC general revenues also increased by \$94,590, of which \$44,586 was from sales tax revenue received.

The Debt Service Fund has a total fund balance of \$464,900, 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 2020.

### General Fund Budgetary Highlights

During the year, the MEDC Board amended the budget twice. All budget amendments must be approved by both the MEDC Board and City Council.

The first budget amendment was for revenues and expenditures in the amount of \$547,754 during the year for two grants (CSforAll Project and Texas Workforce Commission Wagner Peyser) and an unexpected insurance claim.

The second amendment was for \$50,000 in expenditures only for an approved incentive project for economic development.



## Mission Economic Development Corporation Management's Discussion and Analysis

### Capital Asset and Debt Administration

**Long-term debt.** At the end of the current fiscal year, MEDC had total long-term debt outstanding of \$14,080,688, including \$34,480 in repayment of sales tax.

### Mission Economic Development Corporation Outstanding Sales Tax Revenue Bonds and Notes September 30, 2020

	Governmental Activities	
	2020	2019
Sales Tax Refunding Bonds Series 2010	\$ 1,240,000	\$ 1,635,000
2016 Lone Star National Bank	1,339,581	1,523,859
2016 Frost Loan	4,339,409	4,639,409
2018 BBVA Compass Loan	7,127,218	7,523,174
	14,046,208	15,321,442
Sales Tax Note	34,480	58,819
Total	<u>\$ 14,080,688</u>	<u>\$ 15,380,261</u>

As of September 30, 2020, MEDC authorized staff to issue a loan for the acquisition of the property which was under capital lease in the prior year. Additional information on MEDC's long-term debt can be found on pages 30-32 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 McAllen-Edinburg-Mission MSA as of November 30, 2020 was 12.5 percent, which represents an increase compared to 6.1 percent from prior year. The state and national average unemployment rates are both reported at 8.00 percent.
- The 2020 General Fund operating budget was prepared using (\$79,826) as the estimated restricted fund balance at September 30, 2020. The actual total fund balance for the general fund was \$4,860,517. An \$8,142 fund balance is projected at September 30, 2021.

### **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 8<sup>th</sup> Street, City of Mission, Texas, 78572.

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# MISSION ECONOMIC DEVELOPMENT CORPORATION

## Basic Financial Statements



**Mission Economic Development Corporation**  
**Statement of Net Position**  
**Exhibit A-1**

<i>September 30, 2020</i>	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 187,406
Receivables	816,173
Due from primary government	16,911
Prepaid expenses	25,760
Restricted assets	486,928
Capital assets:	
Land	2,100,959
Capital assets, net of accumulated depreciation	6,315,064
Land held for resale	4,734,945
<b>Total assets</b>	<b>14,684,146</b>
<b>Liabilities</b>	
Accounts payable	57,191
Accrued interest payable	73,613
Due to primary government	750,360
Noncurrent liabilities:	
Due within one year	1,208,443
Due in more than one year	12,872,245
<b>Total liabilities</b>	<b>14,961,852</b>
<b>Net Position</b>	
Net investment in capital assets	(633,071)
Restricted for:	
Debt service	391,289
Unrestricted	(35,924)
<b>Total net position</b>	<b>\$ (277,706)</b>

*The accompanying notes are an integral part of this financial statement.*

**Mission Economic Development Corporation**  
**Statement of Activities**  
**Exhibit A-2**

<i>For the year ended September 30, 2020</i>				Net (Expenses) Revenue and Changes in Net Assets
		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Component unit:				
Governmental activities				
Economic development	\$ 3,725,092	\$ 122,093	\$ 463,124	\$ (3,139,875)
Interest and fiscal charges on long-term debt	595,118	7,582	-	(587,536)
Total governmental activities	\$ 4,320,210	\$ 129,675	\$ 463,124	(3,727,411)
General revenues				
Sales taxes				4,279,297
Issuance and filing fees				386,243
Miscellaneous				62,217
Total general revenues				4,727,757
Change in net assets				1,000,346
Net position, beginning of year				(1,278,052)
Net position, end of year				\$ (277,706)

*The accompanying notes are an integral part of this financial statement.*

**Mission Economic Development Corporation**  
**Balance Sheet - Governmental Funds**  
**Exhibit A-3**

<i>September 30, 2020</i>	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Fund	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 108,759	\$ 211,367	\$ 22,028	\$ 78,647	\$ 420,801
Investments	-	253,201	-	-	253,201
Prepaid expenses	25,761	-	-	-	25,761
Receivables					
Sales tax	781,858	-	-	-	781,858
Accounts-other	34,314	-	-	-	34,314
Accrued interest receivable	-	332	-	-	332
Due from primary government	16,911	-	-	-	16,911
Land held for resale	4,734,945	-	-	-	4,734,945
<b>Total assets</b>	<b>\$ 5,702,548</b>	<b>\$ 464,900</b>	<b>\$ 22,028</b>	<b>\$ 78,647</b>	<b>\$ 6,268,123</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 81,530	\$ -	\$ -	\$ -	\$ 81,530
Due to primary government	750,360	-	-	-	750,360
Long-term payable	10,141	-	-	-	10,141
<b>Total liabilities</b>	<b>842,031</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>842,031</b>
<b>Fund balances</b>					
Nonspendable	4,760,706	-	-	-	4,760,706
Restricted for capital projects	-	-	22,028	-	22,028
Restricted for debt	-	464,900	-	-	464,900
Committed	1,900,000	-	-	78,647	1,978,647
Unassigned	(1,800,189)	-	-	-	(1,800,189)
<b>Total fund balances</b>	<b>4,860,517</b>	<b>464,900</b>	<b>22,028</b>	<b>78,647</b>	<b>5,426,092</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,702,548</b>	<b>\$ 464,900</b>	<b>\$ 22,028</b>	<b>\$ 78,647</b>	<b>\$ 6,268,123</b>

*The accompanying notes are an integral part of this financial statement.*

**Mission Economic Development Corporation**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**Exhibit A-4**

Total fund balances - governmental funds	\$ 5,426,092
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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.	8,416,023
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Payables for bond principal which are not due in the current period are not reported in the funds.	(14,046,208)
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Interest payable on bonds is not accrued in the governmental funds, but rather recognized as an expenditure when due.	(73,613)
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Net position of governmental activities	\$ (277,706)
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*The accompanying notes are an integral part of this financial statement.*

**Mission Economic Development Corporation**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Governmental Funds**  
**Exhibit A-5**

<i>For the year ended September 30, 2020</i>	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Fund	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 4,279,297	\$ -	\$ -	\$ -	\$ 4,279,297
Intergovernmental	463,124	-	-	-	463,124
Charges for services	122,093	-	-	-	122,093
Interest	-	7,581	-	-	7,581
Miscellaneous	441,405	-	-	19,980	461,385
Total revenues	5,305,919	7,581	-	19,980	5,333,480
<b>Expenditures</b>					
Current					
General government					
Economic development	2,849,386	-	-	128	2,849,514
Texas workforce commission grant	448,124	-	-	-	448,124
Capital projects					
Economic development	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Debt service					
Principal	-	1,275,234	-	-	1,275,234
Interest and fiscal charges	-	601,709	-	-	601,709
Total expenditures	3,297,510	1,876,943	-	128	5,174,581
Excess (deficiency) of revenue over (under) expenditures	2,008,409	(1,869,362)	-	19,852	158,899
<b>Other Financing Sources (Uses)</b>					
Operating transfers	(1,900,718)	1,900,718	-	-	-
Net other financing sources (uses)	(1,900,718)	1,900,718	-	-	-
Net change in fund balances	107,691	31,356	-	19,852	158,899
Fund balances, beginning of year	76,700	433,544	22,028	58,795	591,067
Prior period adjustment (Note 3)	4,676,126	-	-	-	4,676,126
Fund balances, as restated	\$ 4,860,517	\$ 464,900	\$ 22,028	\$ 78,647	\$ 5,426,092

*The accompanying notes are an integral part of this financial statement.*



**Mission Economic Development Corporation**  
**Reconciliation of the Governmental Funds Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances to the Statement of Activities**  
**Exhibit A-6**

Net change in fund balances - total governmental funds	\$ 158,899
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in governmental activities on the statement of net position.	4,546
The depreciation of capital assets used in governmental activities is not reported in the fund financial statements, but should be shown as a decrease in governmental activities on the statement of net position.	(431,997)
The gain or loss on the disposition of capital assets is not reported in the fund financial statements, but should be shown as decreases in capital assets in governmental activities on the statement of net position.	(12,926)
Repayment of bond principal is an expenditure in the fund financial statements, but is not an expense in the Statement of Activities. The net effect of these debt principal repayments is to increase net position.	1,275,234
(Increase) decrease in accrued interest payable from beginning of period to end of period.	6,590
<b>Change in net position of governmental activities</b>	<b>\$ 1,000,346</b>

*The accompanying notes are an integral part of this financial statement.*

**Mission Economic Development Corporation**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 1: THE REPORTING ENTITY**

The accompanying financial statements include Mission Economic Development Corporation and its blended component unit, Mission Education Development Council, Inc., collectively referred to as "the financial reporting entity." The component unit has been included in the MEDC's reporting entity because of the nature and significance of its operational relationship with MEDC.

On September 12, 1994, the Mission Economic Development Corporation 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 Mission Economic Development Corporation 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 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.

The authority to enact the sales and use tax for economic development is outlined in the Development Corporation Act of 1979, including subsequent amendments. Under Section 4B of the Act, 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 Mission Economic Development 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.

**Mission Economic Development Corporation**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Mission Economic Development Corporation (MEDC), a component unit of City of Mission, Texas, 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.

***Blended Component Unit***

Mission Education Development Council, Inc. is a non-profit corporation developed to assist and support MEDC by promoting MEDC's education initiatives and Center for Education and Economic Development in order to create a 21st century ready workforce. The Board of Directors consist of seven directors, one of whom is the Mayor of the City of Mission, Texas. The remaining six are appointed by the Mayor and City Council of the City of Mission, Texas. At September 30, 2020, the board of directors and chief executive for Mission Education Development Council, Inc. were the same as those for MEDC.

**A. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net position and the statement of activities) 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 charges to customers or applicants who benefit from privileges provided by a given function or segment such as issuance fees and annual fees assessed on conduit debt.

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.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)**

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

Capital Projects Fund – The Capital Project Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets.

Special Revenue Fund – The Special Revenue Fund is used to account for resources restricted to, or committed for, a specific purpose by the Corporation or a grantor. Most federal and some state financial award programs are accounted for in these funds and sometimes unused balances must be returned to the grantor at the close of specified project periods.

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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 are also recognized as revenue.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)**

**C. Budgetary Information**

***Budgetary basis of accounting***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, debt service fund, capital projects fund, and special revenue fund. The capital projects fund is appropriated on a project-length basis.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Board of Directors as well as the City of Mission, Texas' City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget.

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position**

**1. Cash and Cash Equivalents**

The government's 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.

**2. Investments**

At September 30, 2020, MEDC had investments comprised of certificates of deposit which are reported at amortized 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 MEDC to invest in certificates of deposit, repurchase agreements, obligations of the U.S. Government and its Agencies or instrumentalities and State obligations.

**Mission Economic Development Corporation**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Receivables**

Receivables consist of uncollected sales tax revenue. No allowance is recorded since MEDC expects to collect 100% from the state comptroller's office.

**4. Interfund Activities and Transactions**

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.

**5. Order of Expenditure of Funds**

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

**6. Capital Assets**

Capital assets are reported in the government-wide Statement of Net Position. Capital assets are recorded at historical cost and depreciated using the straight line method 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.

<b>Assets</b>	<b>Estimated useful lives</b>
Buildings and improvements	9-46
Furniture and equipment	3-20
Vehicles	3-20

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**7. Deferred Outflows/Inflows of Resources**

In addition to assets and liabilities, the statement of net position will sometimes report a separate section for deferred outflows and inflows of resources. *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. *Deferred inflows of 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. At September 30, 2020 there were no deferred inflows or outflows.

**Fund balance policies** – Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, specifies the following classifications:

*Nonspendable Fund Balance* – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

*Restricted Fund Balance* – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed Fund Balance* – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

*Assigned Fund Balance* – Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

*Unassigned Fund Balance* – Unassigned fund balance is the residual classification for the General Fund.

**8. Land Held for Resale**

MEDC holds commercial real estate lots available for sale within an economically depressed area. These lots will be sold to attract development to further benefit the City of Mission.

**9. 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 statement of net position 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.

**10. 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.

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.

**11. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

**12. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 12, 2021. See Note 9 for relevant disclosure(s). No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.



**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)**

**13. Recently issued and implemented accounting pronouncements**

The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The GASB has issued the following statements that may be applicable to MEDC.

*New Accounting Standards Adopted*

In May 2020, the GASB issued Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for the periods beginning after June 15, 2018 and later.

*Future Accounting Standards*

Future accounting standards possibly applicable to the MEDC that have been issued by the Governmental Accounting Standards Board are as follows:

- Statement No. 87, *Leases*
- Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. However, this has been postponed by 18 months per GASB Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance* and is now effective for reporting periods beginning after June 15, 2021.

**Mission Economic Development Corporation**  
**Notes to Financial Statements**  
**September 30, 2020**

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objective of this Statement is to (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. However, this has been postponed by 12 months per GASB Statement No. 95 – Postponement of the Effective Dates of Certain Authoritative Guidance and is now effective for reporting periods beginning after December 15, 2020.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. However, this has been postponed by 12 months per GASB Statement No. 95 – Postponement of the Effective Dates of Certain Authoritative Guidance.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objective of this statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement has been postponed by 12 months per GASB Statement No. 95 – Postponement of the Effective Dates of Certain Authoritative Guidance and is now effective for reporting periods beginning after December 15, 2021.

**Mission Economic Development Corporation**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)**

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The primary objective of this statement is to enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement has been postponed by 12 months per GASB Statement No. 95 – Postponement of the Effective Dates of Certain Authoritative Guidance and is now effective for reporting periods beginning after June 15, 2021.

**NOTE 3: PRIOR-PERIOD ADJUSTMENT**

Fund balance was restated for the General Fund in order to record a non-current liability for repayment of sales tax owed to the City of Mission, Texas in the amount of \$58,819 and to reclassify land held for resale to other assets in the amount of \$4,734,945 (Note 4C) for a net reclassification of \$4,676,126.

**NOTE 4: DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

*Deposits* – At September 30, 2020, the carrying value was \$420,801 and the bank balance of MEDC's deposits was \$668,049. Deposits include demand accounts and certificate of deposits with an initial maturity of three months or less. At September 30, 2020, all deposits were fully insured or collateralized. See custodial credit risk below.

*Investments* – At September 30, 2020, MEDC had investments comprised of certificates of deposit.

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

**Mission Economic Development Corporation**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)**

MEDC's investments reported at amortized cost, in restricted assets, are as follows at September 30, 2020:

**Investments**

Certificate of deposit (reported at amortized cost)	\$ 253,201
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At September 30, 2020, MEDC had deposits collateralized by pledged securities of \$515,534; all deposits were insured by the FDIC or were fully collateralized.

A reconciliation of cash and cash equivalents and restricted assets as shown on the statement of net position (Exh. A-1) for MEDC is as follows:

Cash and cash equivalents	\$ 188,688
Restricted assets (Note 4-D)	485,314
Cash and cash equivalents and restricted assets (Exh. A-1)	\$ 674,002

Cash on hand	\$ 500
Carrying amount of deposits	420,301
Investments	253,201
Cash and cash equivalents and investments (Exh. A-3)	\$ 674,002

**B. Interfund Transfers**

Transfers out of the general fund in the amount of 1,900,718 to the debt service fund were sales tax collections to cover debt service requirements that came due within the fiscal year.

**C. Land Held for Resale**

MEDC holds commercial real estate lots available for sale within an economically depressed area. At September 30, 2020 the remaining properties are stated at a cost of \$4,734,945, which is less than their estimated fair value. These lots will continue to be sold to attract development to further benefit the City of Mission.

**Mission Economic Development Corporation**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Restricted Assets**

Restricted assets held by Mission Economic Development Corporation at September 30, 2020 consisted of the following:

	Cash and Cash Equivalents	Investments	Accrued Interest Receivable	Total Restricted Assets
Debt service fund	\$ 211,367	\$ 253,201	\$ 332	\$ 464,900
Capital projects fund	22,028	-	-	22,028
Total	\$ 233,395	\$ 253,201	\$ 332	\$ 486,928

**E. Capital Assets**

The following is a summary of changes in capital assets during the year ended September 30, 2020:

	Restated Balance at 9/30/2019	Increases	Decreases	Balance at 9/30/2020
<b>Governmental Activities</b>				
Capital assets, not being depreciated				
Land	\$ 2,100,959	\$ -	\$ -	\$ 2,100,959
Total capital assets, not being depreciated	2,100,959	-	-	2,100,959
Capital assets, being depreciated				
Machinery and equipment	1,287,011	4,543	(26,084)	1,265,470
Building	6,364,740	-	-	6,364,740
Total capital assets, being depreciated	7,651,751	4,543	(26,084)	7,630,210
Less accumulated depreciation for				
Machinery and equipment	(620,655)	(185,933)	13,158	(793,430)
Building	(275,652)	(246,064)	-	(521,716)
Total accumulated depreciation	(896,307)	(431,997)	13,158	(1,315,146)
Total capital assets being depreciated, net	6,755,444	(427,454)	(12,926)	6,315,064
Governmental activities capital assets, net	\$ 8,856,403	\$ (427,454)	\$ (12,926)	\$ 8,416,023

**NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)**

**Mission Economic Development Corporation**  
**Notes to Financial Statements**  
**September 30, 2020**

Depreciation expense charged to governmental activities totaled \$431,997 for the year ended September 30, 2020.

**F. 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 refunding bond payable at September 30, 2020 for 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 \$395,000 from January 15, 2011 through 2024; interest at 3.85%; plus \$1,000 annual fee. \$ 1,240,000

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

<i>Year ending September 30,</i>	Principal	Interest	Total
2021	\$ 295,000	\$ 42,061	\$ 337,061
2022	305,000	30,511	335,511
2023	315,000	18,576	333,576
2024	325,000	6,256	331,256
Total	1,240,000	97,404	1,337,403
Current portion	(295,000)	(42,061)	(337,061)
Payable after one year	\$ 945,000	\$ 55,343	\$ 1,000,342

**Mission Economic Development Corporation**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)**

Sales tax revenue notes payable at September 30, 2020 for the MEDC is comprised of the following:

\$6,000,000 - Sales and Use Tax Revenue Note, Series 2016-A due in semi-annual installments of \$300,000 including interest at 2.85% payable to Frost Bank. Note matures August 1, 2036. Note is collateralized by sales tax revenues collected.

\$ 4,339,409

\$2,000,000 - Sales and Use Tax Revenue Note, due in monthly installments of \$20,105, including interest at 3.795% payable to Lone Star National Bank. Note matures on December 1, 2021. Note is collateralized by sales tax revenues collected.

1,339,581

\$7,919,131 - Sales and Use Tax Revenue Note, due in annual installments of \$395,957, including interest at 4.82% payable to BBVA Compass Bank. Note matures on February 15, 2038. Note is collateralized by sales tax revenues collected.

7,127,218  
\$ 12,806,208

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

<i>Year ending September 30,</i>	Principal	Interest	Total
2021	\$ 889,104	\$ 507,488	\$ 1,396,592
2022	896,668	472,170	1,368,838
2023	904,528	436,556	1,341,084
2024	912,627	400,975	1,313,602
2025	921,182	364,394	1,285,576
2026-2030	3,775,037	1,333,288	5,108,326
2031-2035	3,179,783	631,752	3,811,535
2036-2038	1,327,279	89,922	1,417,201
Total	12,806,208	4,236,545	17,042,754
Current portion	(889,104)	(507,488)	(1,396,592)
Payable after one year	\$ 11,917,104	\$ 3,729,057	\$ 15,646,162

**Mission Economic Development Corporation**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)**

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

	September 30, 2019	Additional Obligations and Net Increase	Retirements and Net Decreases	September 30, 2020	Due Within One Year
<b>Bonds and notes:</b>					
Sales tax refunding bond	\$ 1,635,000	\$ -	\$ (395,000)	\$ 1,240,000	\$ 295,000
Sales tax revenue note - LSNB	1,523,859	-	(184,278)	1,339,581	193,147
Sales tax revenue note - Frost	4,639,409	-	(300,000)	4,339,409	300,000
Sales tax revenue note - BBVA	7,523,174	-	(395,956)	7,127,218	395,957
Total bonds and notes	15,321,442	-	(1,275,234)	14,046,208	1,184,104
<b>Other Liabilities:</b>					
Repayment of sales tax	58,819	-	(24,339)	34,480	24,339
Total other liabilities	58,819	-	(24,339)	34,480	24,339
Total long-term debt obligations	\$ 15,380,261	\$ -	\$ (1,299,573)	\$ 14,080,688	\$ 1,208,443

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

**G. 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 Industrial Development Bonds to finance various projects in the State of Texas.

To further economic development in the City, Mission Economic Development Corporation has issued Industrial Development Bonds to provide capital financing to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance.

Neither the City of Mission, Texas, the State of Texas, nor any political corporation, subdivision nor agency of the State of Texas is obligated in any manner to pay the principal of, premium, if any, 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



**Mission Economic Development Corporation**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 4: DETAILED NOTES ON ALL FUNDS (*Continued*)**

is pledged to the payment of the principal of, premium, if any, interest on, or the purchase price of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of September 30, 2020 there were twelve series of Industrial Development Bonds outstanding. The aggregate principal amount payable for the three series issued after October 1, 2019 was \$162 million. The aggregate principal amount payable for the nine series issued prior to October 1, 2019 was \$586 million. Issuance dates for the twelve series range from December 2016 to July 2020 and interest rates range from 0.650% to 12%. Maturity dates range from July 2020 to November 2048.

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 of which \$1,250 is paid to the financial advisor for local access fees. During the year ended September 30, 2020, there were three applications submitted.

Upon issuance of conduit debt, an issuance fee is assessed based on the terms of the agreements.

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, 2020, MEDC received \$724,385 of which \$341,893 was paid to the advisor for local access fees.

**NOTE 5: 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 6: RELATED PARTY TRANSACTIONS**

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

The City of Mission provides personnel services to carry out the daily operating activities of MEDC. MEDC does not reimburse the City of Mission for the services provided as well as accounting and overhead costs.

**Mission Economic Development Corporation**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 6: RELATED PARTY TRANSACTIONS (*Continued*)**

The President of the Board of Directors for MEDC is also the President of Lone Star National Bank. On May 31, 2016, MEDC obtained a loan from Lone Star National Bank. At September 30, 2020, the balance outstanding on the note was \$1,339,581.

**NOTE 7: COMMITMENTS AND CONTINGENCIES**

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

Incentives	Committed	Expended to Date	Remaining Commitment
Wonderful Citrus	\$ 3,000,000	\$ 1,500,000	\$ 1,500,000
Cantu Bungalows	500,000	100,000	400,000
	<u>\$ 3,500,000</u>	<u>\$ 1,600,000</u>	<u>\$ 1,900,000</u>

**NOTE 8: COMPLIANCE OF ACCOUNTABILITY**

In accordance with GASB Statement No.38, "Certain Financial Statement Note Disclosures," violations of finance related legal and contractual provisions, if any are reported below, along with actions taken to address such violations:

***A. Deficit Fund Balance or Net Position, of Individual Funds***

MEDC does not have funds with deficit fund balances at year end. MEDC has a negative net position in the Governmental Activities of \$277,706 at year end. The result of this negative balance is due to additional debt taken on by MEDC.

**NOTE 9: SUBSEQUENT EVENTS**

Management evaluated all events or transactions that occurred after September 30, 2020 through March 12, 2021, the date the current year's financial statements were available to be issued. The following events occurred:

Subsequent to September 30, 2020, MEDC acknowledged to accept a \$3,750,000 grant from the U.S. Department of Commerce, Economic Development Administration of which \$3,000,000 and \$750,000 is considered the Federal and recipient's share of the cost respectively. Funds will be used for drainage infrastructure.

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen

**NOTE 9: SUBSEQUENT EVENTS (*Continued*)**

that may have a significant negative impact on the operating activities and results of the Company. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

These uncertainties presented by the pandemic are continuing as of the issuance of this report.

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## **REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS**



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**Mission Economic Development Corporation**  
**Budgetary Comparison Schedule – General Fund**  
**Exhibit B-1**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
<i>For year ended September 30, 2020</i>	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Taxes				
Sales tax	\$ 4,100,000	\$ 4,100,000	\$ 4,279,297	\$ 179,297
Total taxes	4,100,000	4,100,000	4,279,297	179,297
Intergovernmental				
Texas workforce comm grant	-	490,268	448,124	(42,144)
CS for All Eco System Grant	-	15,000	15,000	-
Total intergovernmental	-	505,268	463,124	(42,144)
Charges for services				
CEED rental fees	130,000	130,000	111,544	(18,456)
CEED reservation fees	2,500	2,500	4,619	2,119
CEED membership fees	5,000	5,000	5,930	930
Total Charges for Services	137,500	137,500	122,093	(15,407)
Miscellaneous				
Application fees-ind. dev. bonds	-	-	3,750	3,750
Annual filing fee-ind. dev. bonds	395,000	395,000	110,093	(284,907)
Issuance fee-ind. dev. bonds	-	-	272,400	272,400
MRA rental fees	6,500	6,500	6,500	-
Misc. income	1,000	43,486	48,662	5,176
Total miscellaneous	402,500	444,986	441,405	(3,581)
Total revenues	4,640,000	5,187,754	5,305,919	118,165
<b>Expenditures</b>				
Current				
Economic Development				
Administration				
Personal services	706,319	706,319	586,652	119,667
Employee benefits	209,501	209,501	182,275	27,226
Professional and technical services	154,000	164,300	121,216	43,084
Purchased property services	155,000	197,486	122,559	74,927
Other purchased services	152,064	140,764	85,645	55,119
Supplies	30,500	40,500	32,817	7,683
Capital Outlays	39,000	39,000	4,543	34,457
Community promotions	5,000	5,000	2,931	2,069
Miscellaneous	39,000	45,000	47,935	(2,935)

*The accompanying notes to required supplementary information are an integral part of this schedule.*

**Mission Economic Development Corporation**  
**Budgetary Comparison Schedule – General Fund**  
**Exhibit B-1 (Continued)**

	Budgeted Amounts			Variance with Final Budget
	Original Budget	Final Budget	Actual	Positive (Negative)
<i>For year ended September 30, 2020</i>				
Development				
Professional and technical services	60,000	60,000	360	59,640
Other purchased services	60,893	112,893	124,734	(11,841)
Supplies	7,500	5,500	4,291	1,209
Projects	1,035,000	1,035,000	1,035,000	-
Incentives	605,000	641,000	498,428	142,572
Texas workforce commission grant				
Personal services	-	68,545	67,948	597
Employee benefits	-	19,054	15,308	3,746
Professional and technical services	-	234,000	249,600	(15,600)
Supplies	-	115,268	115,268	-
Capital outlays	-	20,000	-	20,000
Miscellaneous	-	33,401	-	33,401
Total expenditures	3,258,777	3,892,531	3,297,510	595,021
<b>Excess (Deficiency) of Revenues</b>				
<b>Over (Under) Expenditures</b>	1,381,223	1,295,223	2,008,409	713,186
<b>Other Financing Sources (Uses)</b>				
Sale of capital assets	500,000	500,000	-	(500,000)
Operating transfers out	(1,877,577)	(1,877,577)	(1,900,718)	(23,141)
Total other financing sources (uses)	(1,377,577)	(1,377,577)	(1,900,718)	(523,141)
Net change in fund balance	3,646	(82,354)	107,691	190,045
Fund balance, beginning of year	76,700	76,700	76,700	-
Prior period adjustment	-	-	4,676,126	4,676,126
Fund balance, end of year	\$ 80,346	\$ (5,654)	\$ 4,860,517	\$ 4,866,171

Note that this schedule is prepared on a budgetary basis, but it is not different from Generally Accepted Accounting Principles (GAAP) in presentation.



**Mission Economic Development Corporation**  
**Budgetary Comparison Schedule – Special Revenue Fund**  
**Exhibit B-2**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
<i>For year ended September 30, 2020</i>	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Miscellaneous				
Corporate and business grants	\$ -	\$ -	\$ 4,980	\$ 4,980
Contributions/donations	50,000	50,000	15,000	(35,000)
Social media summit	10,000	10,000	-	(10,000)
Total revenues	60,000	60,000	19,980	(40,020)
<b>Expenditures</b>				
Current				
Economic development				
Meals & entertainment	500	500	128	372
Sponsorships/contributions	20,000	20,000	-	20,000
Business expense	250	250	-	250
Contract services	1,000	1,000	-	1,000
Special events expenses	10,000	10,000	-	10,000
Operations	250	250	-	250
Total expenditures	32,000	32,000	128	31,872
Net change in fund balance	28,000	28,000	19,852	(8,148)
Fund balance, beginning of year	46,640	58,795	58,795	-
Fund balance, end of year	\$ 74,640	\$ 86,795	\$ 78,647	\$ (8,148)

**Mission Economic Development Corporation**  
**Budgetary Notes to Required Supplementary Information**  
**Exhibit B-3**

**NOTE A – BUDGETARY INFORMATION**

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 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 appropriate budget is first adopted by the Board of Directors of Mission Economic Development Corporation, and then adopted by a majority of the City of Mission, Texas' 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.
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.

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## OTHER SUPPLEMENTARY INFORMATION



**Mission Economic Development Corporation**  
**Budgetary Comparison Schedule – Debt Service Fund**  
**Exhibit C-1**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
<i>For year ended September 30, 2020</i>	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Taxes				
Interest earned on investments	\$ 500	\$ 500	\$ 7,583	\$ 7,083
Net increase (decrease) in investment fair value	-	-	(2)	(2)
Total revenues	500	500	7,581	7,081
<b>Expenditures</b>				
Current				
Debt service				
Principal retirement	1,276,675	1,276,675	1,275,234	1,441
Interest and fiscal agent charges	600,882	600,882	601,709	(827)
Total expenditures	1,877,557	1,877,557	1,876,943	614
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(1,877,057)	(1,877,057)	(1,869,362)	(7,695)
<b>Other Financing Sources (Uses)</b>				
Operating transfers	1,878,077	1,878,077	1,900,718	22,641
Total other financing sources (uses)	1,878,077	1,878,077	1,900,718	22,641
Net change in fund balance	1,020	1,020	31,356	30,336
Fund balance, beginning of year	433,544	433,544	433,544	-
Fund balance, end of year	\$ 434,564	\$ 434,564	\$ 464,900	\$ 30,336

**Mission Economic Development Corporation**  
**Budgetary Comparison Schedule – Capital Projects Fund**  
**Exhibit C-2**

	Budgeted Amounts				Variance with Final Budget Positive (Negative)	
	Original Budget		Final Budget		Actual	
For year ended September 30, 2020						
Revenues						
Interest earned on investments	\$	-	\$	-	\$	-
Interest earned on demand deposit		-		-	-	-
Total revenues		-		-	-	-
Expenditures						
Professional and Technical Services		-		-	-	-
Purchased Property Services		-		-	-	-
Supplies		-		-	-	-
Capital outlays		-		-	-	-
Debt Service		-		-	-	-
Miscellaneous		-		-	-	-
Total expenditures		-		-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures						
		-		-	-	-
Other Financing Sources (Uses)						
Issuance of debt		-		-	-	-
Operating transfers		-		-	-	-
Total other financing sources (uses)		-		-	-	-
Net change in fund balance		-		-	-	-
Fund balance, beginning of year		22,028		22,028	22,028	-
Fund balance, end of year	\$	22,028	\$	22,028	\$	22,028

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# **REPORT ON INTERNAL CONTROL AND COMPLIANCE MATTERS**





**INDEPENDENT AUDITORS' 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  
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 and each major fund of the Mission Economic Development Corporation, a component unit of the City of Mission, Texas, as of and for the year ended September 30, 2020, 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 March 12, 2021.

**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) as the basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control,

described in the accompanying schedule of findings and questioned costs as item 2020-002 that we consider to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 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 an other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2020-001.

### **Mission Economic Development Corporation's Response to Findings**

Mission Economic Development Corporation's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Mission Economic Development Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.

*Carr, Riggs & Ingram, L.L.C.*

McAllen, Texas  
March 12, 2021

**Mission Economic Development Corporation**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2020**

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**Section I - Summary of Auditors' Results**

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***Financial Statements***

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- Material weakness (es) identified?

  X   yes        no

- Significant deficiency (ies) identified that are not considered to be material weaknesses?

       yes   X   none reported

Noncompliance material to financial statements noted?

       yes   X   no

**Mission Economic Development Corporation**  
**Schedule of Findings and Responses (Continued)**  
**For the Year Ended September 30, 2020**

**Section II – Financial Statement Findings**

	DESCRIPTION
Reference No.: 2020-001	Other Matters – Debt Covenants
Criteria:	Debt ordinances for several loans require a reserve fund. Sections of various loan ordinances state that the MEDC is required to accumulate and maintain a reserve equal to the average annual debt service requirements for the loans.
Condition:	The MEDC is underfunded on its loan reserve requirements.
Cause:	The MEDC did not monitor debt covenants pertaining to reserve requirements during the year.
Effect:	The MEDC is underfunded on its loan reserve requirement by \$494,687.
Identification of repeat finding:	N/A
Auditors' Recommendation:	The MEDC should implement a monitoring and review process at various intervals during the year to ensure reserve funds are maintained at levels specified in the ordinances.
Views of responsible officials:	Management concurs with auditors' finding and recommendation.

	DESCRIPTION
Reference No.: 2020-002	Material Weakness – Land Held For Sale
Criteria:	Per GASB 72, the determination of whether an asset is held primarily for the purpose of income or profit or whether its present service capacity is based solely on its ability to generate cash or to be sold to generate cash is based on actions by a government's management at acquisition.
Condition:	\$4,734,945 of land was misclassified as capital assets instead land held for sale.
Cause:	The MEDC made an error in classification for reporting purposes at the time of acquisition.
Effect:	Capital assets were overstated and land held for sale was understated. The resulted in a prior period adjustment and the fund financial statements level.

**Mission Economic Development Corporation  
Schedule of Findings and Responses (Continued)  
For the Year Ended September 30, 2020**

	DESCRIPTION
Reference No.: 2020-002 (Continued)	Material Weakness- Land Held For Sale
Identification of repeat finding:	N/A
Auditors' Recommendation:	The MEDC should establish controls during the approval of purchase agreements to determine how such transactions should be reflected for proper financial reporting.
Views of responsible officials:	Management concurs with auditors' finding and recommendation.

**Mission Economic Development Corporation  
Status of Prior Year Findings  
For the Year Ended September 30, 2020**

**Financial Statement Findings:**

None



Mission Economic Development Corporation

*Working outside the box*

**MISSION ECONOMIC DEVELOPMENT CORPORATION  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED SEPTEMBER 30, 2020**

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Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 States. “At the completion of the audit, the auditee must prepare, in a document separate from the auditor’s findings described in §200.516, a corrective action plan to address each audit finding included in the current year auditor’s reports.”

**Section II-Financial Statement Findings**

**Reference No.: 2020-001 Compliance – Debt Covenants**

Criteria- Debt ordinances for several loans require a reserve fund. Sections of various loan ordinances state that the MEDC is required to accumulate and maintain a reserve for the payment of the loans similarly secured equal to the average annual debt service requirements for the loans similarly secured.

Condition- The MEDC is underfunded on its bond reserve requirements.

Cause- The MEDC did not adequately monitor debt covenant pertaining to reserve requirements during the year to ensure compliance.

Effect- The MEDC is underfunded on its bond reserve requirement by \$494,687.

Identification of repeat- N/A

Auditors’ Recommendation: The MEDC should implement a monitoring and review process at various intervals during the year to ensure compliance with debt covenants such as bond reserves.

Views of responsible officials: Management concurs with auditors’ finding and recommendation.

**Current Status of Corrective Action Plan:**

The MEDC has updated and corrected its annual requirement calculations to ensure compliance with debt covenants. Staff will pursue continuing education that will strengthen the knowledge of key personnel with regards to existing and future debt obligations and requirements. MEDC has always ensured the required funds for bond payments are obtained and made in a timely manner and did not receive default/non-compliance notifications in FY19-20 from paying agents.

**Reference No.: 2020-002 Material Weakness- Land Held for Sale**

Criteria- Per GASB 72, the determination of whether an asset is held primarily for the purpose of income or profit or whether its present service capacity is based solely on its ability to generate cash or to be sold to generate cash is based on actions by a government's management at acquisition.

Condition- \$4,734,945 of land was misclassified as capital assets instead of land held for sale, resulting in a prior period adjustment.

Cause- The MEDC did not classify land purchased for resale correctly at time of acquisition.

Effect- Capital assets were overstated and land held for sale was understated.

Identification of repeat- N/A

Auditors' Recommendation: The MEDC should establish controls during the approval of purchase agreements to determine how such transactions should be reflected for proper financial reporting.

Views of responsible officials: Management concurs with auditors' finding and recommendation.

**Current Status of Corrective Action Plan:**

The MEDC will establish written controls for the approval of purchase agreements which will aid in determinations of proper financial reporting. The item in question has been adjusted and will be reflected correctly moving forward.