MISSION ECONOMIC DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

September 30, 2021



Table of Contents

	PAGE
<u>EXHIBI</u>	<u>Г NO.</u>
INTRODUCTORY SECTION	
Board Members	ii
Organization Chart	iii
FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Reconciliation of the Governmental Funds	
Balance Sheet to the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in	
Fund Balances – Governmental Funds	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,	
and Changes in Fund Balances to the Statement of Activities	16
Notes to Financial Statements	17
Required Supplementary Information:	
Budgetary Comparison Schedule – General FundB-1	33
Budgetary Comparison Schedule – Special Revenue FundB-2	35
Budgetary Notes to Required Supplementary InformationB-3	36
Other Supplementary Information:	
Budgetary Comparison Schedule – Debt Service Fund	37
Budgetary Comparison Schedule – Capital Projects Fund	38
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	39
Schedule of Findings and Responses	41
Status of Prior Voar Eindings	12



INTRODUCTORY SECTION

Mission Economic Development Corporation Board Members As of September 30, 2021

PRESIDENT

S. David Deanda, Jr.

VICE PRESIDENT

Pete Jaramillo

SECRETARY

Aissa I. Garza

TREASURER

Dr. Sonia Trevino

<u>MEMBER</u>

Mayor Armando O'Caña

MEMBER

Balde Morales

MEMBER

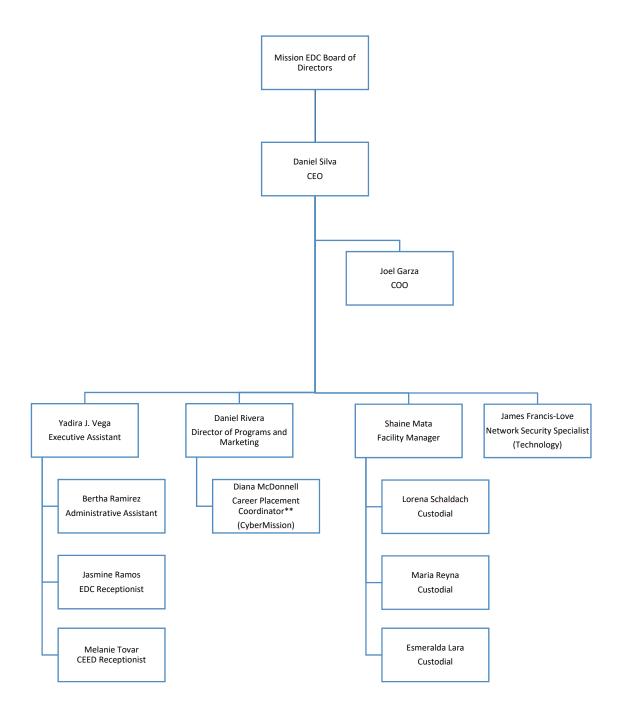
Mario Garza

ALTERNATE FOR MAYOR POSITION

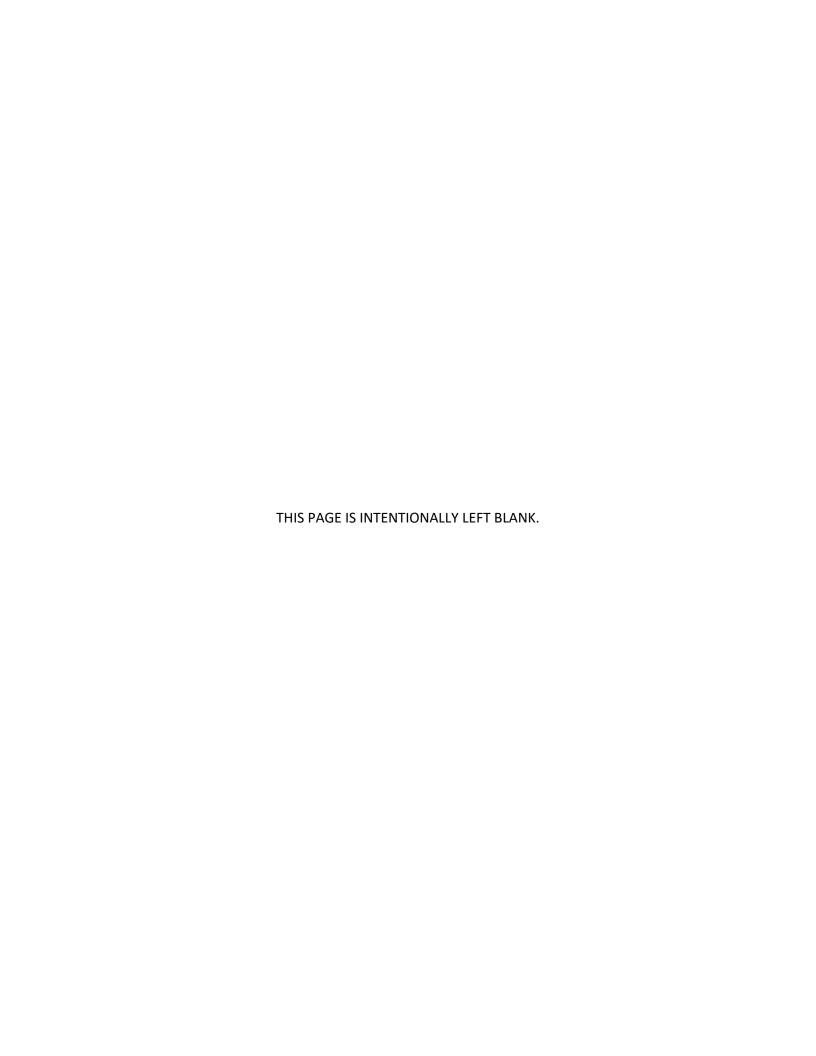
Alberto Vela



Mission Economic Development Corporation Organization Chart As of September 30, 2021



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





FINANCIAL SECTION



Carr, Riggs & Ingram, LLC 4100 N. 23rd St. McAllen, TX 78504

(956) 686-3701 (956) 686-6830 (fax) CRIcpa.com

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, 2021, 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, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information on pages 4-10 and 33–36, 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.

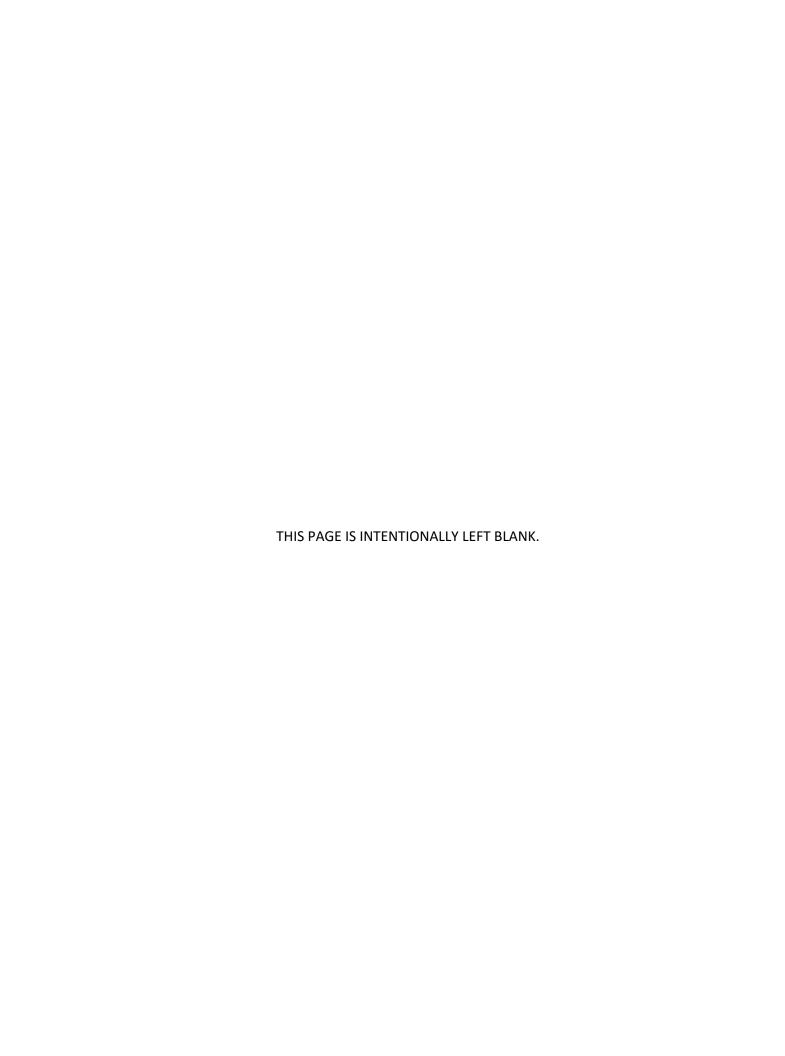
Other Reporting Required by Government Auditing Standard

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2022, 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.

McAllen, Texas

February 11, 2022

Carr, Riggs & Ungram, L.L.C.



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, 2021. We encourage readers to consider the information presented here in conjunction with the financial statement and disclosures following this section.

Financial Highlights

• The assets of MEDC exceeded liabilities at the close of the most recent fiscal year by \$1,836,781 (net position).

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 11-12 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or 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 focus on nearterm 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 13-16 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 17 of this report.

Other information. A budgetary comparison schedule is included as Required Supplementary Information (RSI) for the General Fund and Special Revenue Fund on pages 33-34 and 35, respectively. Budgetary comparison schedule for the Debt Service Fund and Capital Projects Fund are provided as other supplementary information on pages 37 and 38, respectively.

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 \$1,836,781 at the close of the fiscal year. Compared to the prior year, net position increased by \$2,114,487, eliminating prior year's deficit.

Mission Economic Development Corporation Net Position September 30, 2021

	Governmental		
	Activities		
	2021	2020	
Current and other assets	\$ 7,944,225	\$ 6,268,123	
Capital assets	7,999,992	8,416,023	
Total assets	15,944,217	14,684,146	
Long-term liabilities	12,860,956	14,080,688	
Other liabilities	1,246,480	881,164	
Total liabilities	14,107,436	14,961,852	
Net position:			
Net investment in capital assets	(649,255)	(633,071)	
Restricted	1,143,348	391,289	
Unrestricted (deficit)	1,342,688	(35,924)	
Total net position	\$ 1,836,781	\$ (277,706)	

At the end of the current fiscal year, MEDC reported a positive balance in unrestricted net position. 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 Change in Net Position September 30, 2021

	Governmental Activities			
				2020
Revenues:				
Program revenues:				
Charges for services	\$	226,048	\$	129,675
Operating grants and contributions		76,128		463,124
Capital grants and contributions		225,802		-
General Revenues:				
Other taxes		5,306,710		4,279,297
Issuance and filing fees		99,536		-
Investment losses		(1,211)		-
Miscellaneous		6,551		448,460
Total revenues		5,939,564		5,320,556
Expenses:				
Economic development		3,278,186		3,725,092
Interest on long-term debt		546,891		595,118
Total expenses		3,825,077		4,320,210
Changes in net position		2,114,487		1,000,346
Beginning net position		(277,706)		(1,278,052)
Ending net position	\$	1,836,781	\$	(277,706)

Governmental activities. Governmental activities for the fiscal year increased MEDC's net position by \$2,114,487, increasing net position from prior year.

Total revenues reflect an increase of \$619,008, or 10.4% compared to last year. This is attributed to the increase in other taxes. In addition, MEDC continued steps to reduce expenditures. As a result, MEDC experienced an increase in net position.

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 nearterm 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 \$6,770,879 an increase of \$1,344,786 in comparison with the prior year. Unassigned fund balance for all governmental funds, which is available for spending at MEDC discretion, reflects a negative \$1,213,521 balance. The nonspendable fund balance of \$4,960,747 consists of redevelopment assets and land held for sale. In accordance with GASB No. 54, \$15,869 is restricted for capital purchases; \$1,200,613, is restricted for debt service; and \$1,807,171 is committed, the majority, 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 \$1,213,521 and the total fund balance of the general fund was \$5,449,551.

During the current fiscal year, the MEDC general fund balance increased by \$589,034. Also, in current year, MEDC did not participate in a grant program which reduced expenditures from prior year by \$441,514. MEDC general revenues also increased by \$608,655. While revenues from fees of conduit obligations decreased by \$286,707 it was offset by an increase of \$1,027,413 from Sales Tax revenue.

Also occurring this fiscal year, MEDC undertook a grant which allowed for redevelopment of property as a private-sector investment. This investment will fund a capital project which will benefit the City. Once completed, this project is conveyed to the City and becomes part of the City's capital assets. During the construction phase, these assets are considered redevelopment assets of MEDC. At end of fiscal year the redevelopment asset was \$225,802.

The Debt Service Fund has a total fund balance of \$1,200,613, 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 2021.

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.

Two budget amendment were for revenues and expenditures in the amount of \$4,275,475 during the year for two grants (EDA Grant and Texas Workforce Conmission Wagner Peyser).

The other two amendments were for \$173,775 in expenditures for facility improvements, increase in economic support for a local organization (Texas Citrus Fiesta) and an incentive project for economic development.

Capital Asset and Debt Administration

Long-term debt. At the end of the current fiscal year, MEDC had total long-term debt outstanding of \$12,860,956.

Mission Economic Development Corporation Outstanding Sales Tax Revenue Bonds and Notes September 30, 2021

	Governmental				
	Activities				
	2021			2020	
Sales Tax Refunding Bonds Series 2010	\$	945,000	\$	1,240,000	
2016 Lone Star National Bank		1,145,286		1,339,581	
2016 Frost Loan		4,039,409		4,339,409	
2018 BBVA Compass Loan		6,731,261		7,127,218	
		12,860,956		14,046,208	
Sales Tax Note				34,480	
Total	\$	12,860,956	\$	14,080,688	

As of September 30, 2021, 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 28-29 of this report.

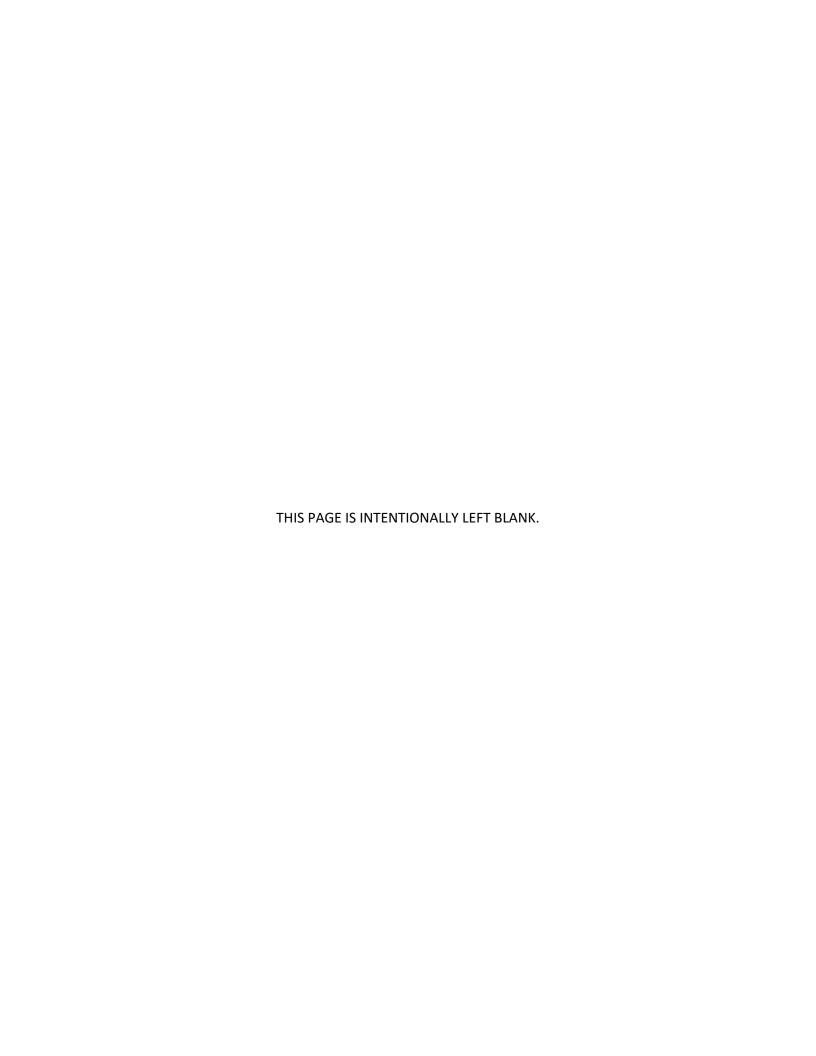
Economic Factors and Next Year's Budget

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, 2021 was 7.7 percent, which represents a decrease compared to 10.7 percent from prior year. The state average rate is reported at 4.5 percent and the national average rate is at 3.9 percent.
- The 2021 General Fund operating budget was prepared using \$4,537,214 as the estimated restricted fund balance at September 30, 2021. The actual total fund balance for the general fund was \$5,449,551. A \$5,150,607 fund balance is projected at September 30, 2022.

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.





BASIC FINANCIAL STATEMENTS

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

September 30, 2021	Governmental Activities
Assets	
Cash and cash equivalents	\$ 652,778
Receivables	1,110,640
Due from primary government	3,825
Land held for resale	4,734,945
Redevelopment assets	225,802
Restricted assets	1,216,235
Capital assets:	
Land	2,100,959
Capital assets, net of accumulated depreciation	5,899,033
Total assets	15,944,217
Liabilities	
Accounts payable	104,467
Accrued interest payable	73,134
Due to primary government	1,067,729
Unearned revenue	1,150
Noncurrent liabilities:	
Due within one year	1,201,668
Due in more than one year	11,659,288
Total liabilities	14,107,436
Net Position	
Net investment in capital assets	(649,255)
Restricted for:	
Construction	15,869
Debt service	1,127,479
Unrestricted	1,342,688
Total net position	\$ 1,836,781

Mission Economic Development Corporation Statement of Activities Exhibit A-2

								Net (Expenses) Revenue and
								Changes in
For the year ended September 3	30, 2021		Program	Reve	enues			Net Assets
,	•				perating		Capital	
		Ch	arges for		ants and	G	rants and	Governmental
Functions/Programs	Expenses	S	ervices	Con	tributions	Cor	ntributions	Activities
Component unit:								
Governmental activities								
Economic development	\$3,278,186	\$	226,048	\$	76,128	\$	225,802	\$ (2,750,208)
Interest and fiscal charges on	F 4 C 9 O 1							(FAC 901)
long-term debt	546,891							(546,891)
Total governmental activities	\$3,825,077	\$	226,048	\$	76,128	\$	225,802	(3,297,099)
	General reve	nue	S					
	Sales taxes							5,306,710
	Issuance ar	nd fil	ling fees					99,536
	Investment	t los	ses					(1,211)
	Miscellane	ous						6,551
Total general revenues							5,411,586	
	Change in net assets					2,114,487		
	Net position, beginning of year					(277,706)		
	Net position,	end	of year					\$ 1,836,781

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

September 30, 2021	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Fund	Go	Total overnmental Funds
Assets	A 547.000	6 052 207	d 46 264	6404046		4 624 242
Cash and cash equivalents	\$ 547,932	\$ 952,307	\$ 16,264	\$ 104,846	\$	1,621,349
Investments	205	247,444	-	-		247,444
Due from other funds	395	-	-	-		395
Receivables	0.46,000					0.46,000
Sales tax	946,093	-	-	-		946,093
Accounts-other	164,547	-	-	-		164,547
Accrued interest receivable	- 2.402	220	-	-		220
Due from primary government	3,183	642	-	-		3,825
Land held for resale	4,734,945	-	-	-		4,734,945
Redevelopment assets	225,802	-	-	-		225,802
Total assets	\$6,622,897	\$1,200,613	\$ 16,264	\$ 104,846	\$	7,944,620
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 104,467	\$ -	\$ -	\$ -	\$	104,467
Due to other funds	-	-	395	-		395
Due to primary government	1,067,729	-	-	-		1,067,729
Unearned revenue	1,150	-	-	-		1,150
Total liabilities	1,173,346	-	395	-		1,173,741
Fund balances						
Nonspendable	4,960,747	_	-	_		4,960,747
Restricted for	, = = = ,					, ,
Capital projects	_	_	15,869	_		15,869
Debt	-	1,200,613	-	-		1,200,613
Committed	1,702,325	-	-	104,846		1,807,171
Unassigned	(1,213,521)	-	-	-		(1,213,521)
Total fund balances	5,449,551	1,200,613	15,869	104,846		6,770,879
Total liabilities and fund balances	\$6,622,897	\$1,200,613	\$ 16,264	\$ 104,846	\$	7,944,620

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

September 30, 2021	
Total fund balances - governmental funds	\$ 6,770,879
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.	7,999,992
Payables for bond principal which are not due in the current period are not reported in the funds.	(12,860,956)
Interest payable on bonds is not accrued in the governmental funds, but rather recognized as an expenditure when due.	(73,134)
Net position of governmental activities	\$ 1,836,781

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

For the year ended September 30, 2021	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Fund	Total Governmental Funds
Revenues					
Taxes	\$ 5,306,710	\$ -	\$ -	\$ -	\$ 5,306,710
Intergovernmental	255,140	-	-	-	255,140
Charges for services	226,048	-	-	-	226,048
Interest	-	5,546	-	-	5,546
Investment losses	-	(6,757)	-	-	(6,757)
Miscellaneous	126,676	-	-	26,200	152,876
Total revenues	5,914,574	(1,211)	-	26,200	5,939,563
Expenditures					
Current					
General government					
Economic development	2,806,069	-	-	-	2,806,069
Texas workforce commission grant	49,927	-	-	-	49,927
Capital projects	•				
Economic development	-	-	6,159	-	6,159
Debt service			·		•
Principal	-	1,185,252	-	-	1,185,252
Interest and fiscal charges	-	547,370	-	-	547,370
Total expenditures	2,855,996	1,732,622	6,159	-	4,594,777
Excess (deficiency) of revenue					
over (under) expenditures	3,058,578	(1,733,833)	(6,159)	26,200	1,344,786
Other Financing Sources (Uses)					
Operating transfers	(2,469,544)	2,469,544	-	-	-
Net other financing sources (uses)	(2,469,544)	2,469,544	-	-	-
Net change in fund balances	589,034	735,711	(6,159)	26,200	1,344,786
Fund balances, beginning of year	4,860,517	464,902	22,028	78,646	5,426,093
, 5 5-1	,,-	- ,	,	-,	, -,
Fund balances, end of year	\$ 5,449,551	\$ 1,200,613	\$ 15,869	\$ 104,846	\$ 6,770,879

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

For the year ended September 30,	 2021
Net change in fund balances - total governmental funds	\$ 1,344,786
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.	10,768
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.	(426,799)
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.	1,185,252
Decrease in accrued interest payable from beginning of period to end of period.	 480
Change in net position of governmental activities	\$ 2,114,487

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.

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2021, 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.

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Government-Wide and Fund Financial Statements (Continued)

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.

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Information (Continued)

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, 2021, 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.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Interfund Activities and Transactions (Continued)

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.

		Estimated
	Assets	useful lives
Buildings and improvements		9-46
Furniture and equipment		3-20
Vehicles		3-20

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, 2021 there were no deferred inflows or outflows.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Fund Balance Reporting

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 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.

9. 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. 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.

11. 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.

12. 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.

13. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 11, 2022 and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

14. 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

14. Recently issued and implemented accounting pronouncements (Continued)

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. 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.

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 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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

14. Recently issued and implemented accounting pronouncements (Continued)

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.

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: DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits – At September 30, 2021, the carrying value was \$1,620,849 and the bank balance of MEDC's deposits was \$1,890,581. Deposits include demand accounts and certificate of deposits with an initial maturity of three months or less. At September 30, 2021, all deposits were fully insured or collateralized. See custodial credit risk below.

Investments – At September 30, 2021, 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.

MEDC's investments reported at fair value, in restricted assets, are as follows at September 30, 2021:

Investments

Certificate of deposit (fair value - level 2)

247,444

At September 30, 2021, MEDC had deposits collateralized by pledged securities of \$1,292,683; all deposits were insured by the FDIC or were fully collateralized.

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

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	\$ 652,778
Restricted assets (Note 3-E)	1,216,235
Cash and cash equivalents and restricted assets (Exh. A-1)	\$ 1,869,013
Cash on hand	\$ 500
Carrying amount of deposits	1,620,849
Investments	247,444
Accrued interest receivable	220
Cash and cash equivalents, investments, and accrued interest receivable (Exh. A-3)	\$ 1,869,013

B. Interfund Transfers

Transfers out of the general fund in the amount of \$2,469,544 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, 2021 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.

D. Redevelopment assets

Redevelopment assets had a year-end balance of \$225,802. This project will be conveyed to the City of Mission or other governmental entities upon completion.

Water and Sewer Repairs	\$ 225,802
Total Revelopment Assets	\$ 225,802

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

E. Restricted Assets

Restricted assets held by Mission Economic Development Corporation at September 30, 2021 consisted of the following:

	Cash and Cash Equivalents		vestments	Int	crued erest eivable	ı	Total Restricted Assets
Debt service fund	\$ 952,307	\$	247,444	\$	220	\$	1,199,971
Capital projects fund	16,264		-		-		16,264
Total	\$ 968,571	\$	247,444	\$	220	\$	1,216,235

F. Capital Assets

The following is a summary of changes in capital assets during the year ended September 30, 2021:

	Balance at				_			Balance at
	9/30/2020		Increases		Decreases		٢	9/30/2021
Governmental Activities								
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		1,265,470		7,407		-		1,272,877
Building		6,364,740		3,361		-		6,368,101
Total capital assets, being depreciated		7,630,210		10,768		-		7,640,978
								_
Less accumulated depreciation for								
Machinery and equipment		(793,430)		(180,511)		-		(973,941)
Building		(521,716)		(246,288)		-		(768,004)
Total accumulated depreciation		(1,315,146)		(426,799)		-		(1,741,945)
Total capital assets being								
depreciated, net		6,315,064		(416,031)		-		5,899,033
Governmental activities capital assets, net	\$	8,416,023	\$	(416,031)	\$ -		\$	7,999,992

Depreciation expense charged to governmental activities totaled \$426,799 for the year ended September 30, 2021.

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

G. 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, 2021 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.

945,000

\$

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

Year ending September 30,		Principal		nterest	Total		
2022	\$	305,000	\$	30,512		335,512	
2023		315,000		18,577		333,577	
2024		325,000		6,256		331,256	
Total		945,000		55,345		1,000,345	
Current portion	(305,000)		(30,512)			(335,512)	
Payable after one year	\$	640,000	\$	24,833	\$	664,833	

Sales tax revenue notes payable at September 30, 2021 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.

4,039,409

\$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, 2026. Note is collateralized by sales tax revenues collected.

1,145,286

\$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.

\$ 11,915,956

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

G. Long – Term Debt Payable (Continued)

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

Year ending September 30,	Principal	Interest		Total
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	930,003	327,820		1,257,823
2027-2031	3,539,843	1,187,310		4,727,153
2032-2036	3,019,192	501,662		3,520,854
2037-2038	791,913	38,170		830,083
Total	11,915,956	3,729,057		15,645,013
Current portion	(896,668)	(472,170)		(1,368,838)
Payable after one year	\$ 11,019,288	\$ 3,256,887	\$	14,276,175

The following is a summary of changes in long-term debt obligations for MEDC for the year ended September 30, 2021:

			Α	dditional						
			0	bligations	Re	etirements				
	S	eptember		and Net		and Net	S	eptember	Dι	ue Within
		30, 2020		Increase		Decreases	30, 2021		(One Year
Bonds and notes:										_
Sales tax refunding bond	\$	1,240,000	\$	-	\$	(295,000)	\$	945,000	\$	305,000
Sales tax revenue note - LSNB		1,339,581		-		(194,295)		1,145,286		200,711
Sales tax revenue note - Frost		4,339,409		-		(300,000)		4,039,409		300,000
Sales tax revenue note - BBVA		7,127,218		-		(395,957)		6,731,261		395,957
Total bonds and notes		14,046,208		-		(1,185,252)		12,860,956		1,201,668
Other Liabilities:										
Repayment of sales tax		34,480		-		(34,480)		-		
Total other liabilites		34,480		-		(34,480)		-		-
Total long-term debt obligations	\$	14,080,688	\$	-	\$	(1,219,732)	\$	12,860,956	\$	1,201,668

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

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

H. 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, 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, 2021 there were twelve series of Industrial Development Bonds outstanding. There were no issuances in the current fiscal year. The aggregate principal amount payable for the nine series issued prior to October 1, 2020 was \$645 million. Issuance dates for the nine series range from May 2007 to July 2020 and interest rates range from 0.650% to 12%. Maturity dates range from December 2024 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, 2021, there were four 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, 2021, MEDC received \$199,073 of which \$99,536 was paid to the advisor for local access fees.

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

I. Net Position

Net position as of September 30, 2021 consists of :

	vernmental Activities
Net investment in capital assets:	
Capital assets, net of accumulated depreciation	\$ 7,999,992
Less related liabilities	(8,665,511)
Restricted cash (capital projects)	16,264
Total net investment in capital assets	(649,255)
Restricted net position consists of the following:	
Construction	15,869
Debt service	1,127,479
Restricted net position - total	1,143,348
Unrestricted net position	1,342,688
Total net position	\$ 1,836,781

NOTE 4: 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 5: 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.

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, 2021, the balance outstanding on the note was \$1,145,286.

NOTE 6: COMMITMENTS AND CONTINGENCIES

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

		Expended to	Remaining		
Incentives	Committed	Committed Date			
Wonderful Citrus	\$ 3,000,000	\$ 1,800,000	\$ 1,200,000		
Cantu Bungalows	500,000	150,000	350,000		
Other Infrastructure Projects	152,325	-	152,325		
	\$ 3,652,325	\$ 1,950,000	\$ 1,702,325		

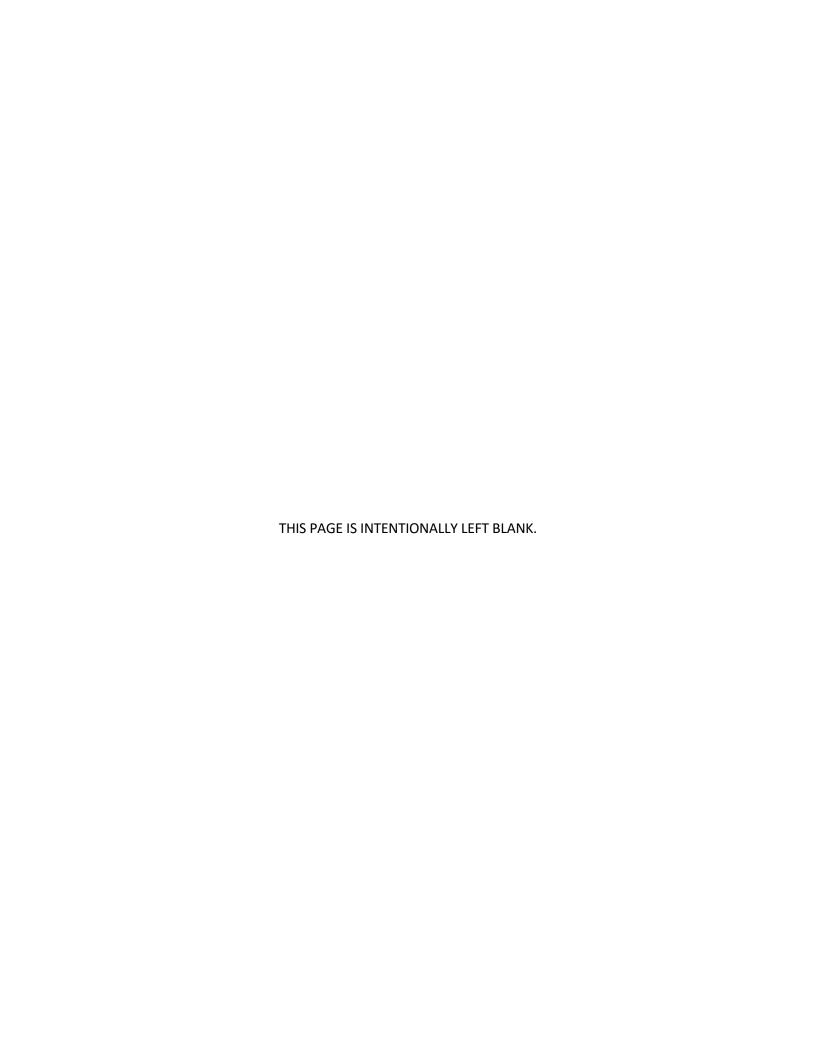
NOTE 7: UNCERTAINTIES

In March 2020, the World Health Organization made the assessment that the outbreak of the novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the ongoing operating activities and the future results of MEDC. The occurrence and extent of such an impact will depend on future developments, including (i) the 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.





REQUIRED SUPPLEMENTARY INFORMATION



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

				Variance with
	Budgeted	d Amounts		Final Budget
	Original	Final		Positive
For year ended September 30, 2021	Budget	Budget	Actual	(Negative)
Revenues				
Taxes				
Sales tax	\$ 4,200,000	\$ 4,200,000	\$ 5,306,710	\$ 1,106,710
Total taxes	4,200,000	4,200,000	5,306,710	1,106,710
Intergovernmental				
E.D.A. reimbursements	-	3,000,000	205,212	(2,794,788)
Texas workforce comm grant	-	525,475	49,928	(475,547)
Total intergovernmental	-	3,525,475	255,140	(3,270,335)
Charges for services				
CEED rental fees	130,000	130,000	212,604	82,604
CEED reservation fees	2,500	2,500	2,375	(125)
CEED membership fees	5,000	5,000	11,069	6,069
Total Charges for Services	137,500	137,500	226,048	88,548
Miscellaneous				
Application fees-ind. dev. bonds	100,000	100,000	5,000	(95,000)
Annual filing fee-ind. dev. bonds	395,000	395,000	94,536	(300,464)
Reimbursements - other	-	750,000	20,590	(729,410)
MRA rental fees	6,500	6,500	6,500	-
Misc. income	1,000	1,000	50	(950)
Total miscellaneous	502,500	1,252,500	126,676	(1,125,824)
Total revenues	4,840,000	9,115,475	5,914,574	(3,200,901)
Expenditures				
Current				
Economic Development				
Administration				
Personal services	707,919	707,919	677,930	29,989
Employee benefits	240,821	240,821	234,253	6,568
Professional and technical services	135,000	150,000	105,155	44,845
Purchased property services	155,000	162,380	116,382	45,998
Other purchased services	127,609	122,229	80,459	41,770
Supplies	42,000	42,000	18,032	23,968
Capital Outlays	24,000	37,000	7,973	29,027
Community promotions	5,000	5,000	3,000	2,000
Miscellaneous	49,000	49,000	52,807	(3,807)
	.5,000	.5,000	32,007	(3,007)

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

	Budgeted	Amounts		Variance with Final Budget
	Original	Final		Positive
For year ended September 30, 2021	Budget	Budget	Actual	(Negative)
Development				<u> </u>
Professional and technical services	5,000	5,000	7,261	(2,261)
Other purchased services	115,000	115,000	78,693	36,307
Supplies	5,000	5,000	2,577	2,423
Projects	1,035,000	1,178,775	1,053,000	125,775
Incentives	641,000	641,000	367,850	273,150
Texas workforce commission grant				
Personal services	-	90,813	36,315	54,498
Employee benefits	-	23,380	6,576	16,804
Professional and technical services	-	330,000	-	330,000
Supplies	-	15,500	-	15,500
Capital outlays	-	15,000	7,036	7,964
Miscellaneous	-	50,782	-	50,782
EDA infrastructure grant				
Professional and technical services	-	477,430	-	477,430
Capital outlays	-	3,272,570	-	3,272,570
Total expenditures	3,287,349	7,736,599	2,855,996	4,880,603
Excess of revenues over expenditures	1,552,651	1,378,876	3,058,578	1,679,702
Other Financing Sources (Uses)				
Sale of capital assets	800,000	800,000	-	(800,000)
Operating transfers out	(2,264,683)	(2,264,683)	(2,469,544)	(204,861)
Total other financing sources (uses)	(1,464,683)	(1,464,683)	(2,469,544)	(1,004,861)
Not also as in found by large	07.000	/OF 007\	E00.034	674.044
Net change in fund balance	87,968	(85,807)	589,034	674,841
Fund balance, beginning of year	4,860,517	4,860,517	4,860,517	
Fund balance, end of year	\$ 4,948,485	\$ 4,774,710	\$ 5,449,551	\$ 674,841

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

		Budgete Original	d Am	ounts Final			riance with nal Budget Positive
For year ended September 30, 2021	`	Budget		Budget	Actual	(Negative)
Revenues				U		•	<u> </u>
Miscellaneous							
Corporate and business grants	\$	25,000	\$	25,000	\$ 26,200	\$	1,200
Contributions/donations		25,000		25,000	-		(25,000)
Social media summit		10,000		10,000	-		(10,000)
Total revenues		60,000		60,000	26,200		(33,800)
Expenditures							
Current							
Economic development							
Meals & enterainment		500		500	-		500
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	-		32,000
Net change in fund balance		28,000		28,000	26,200		(1,800)
Fund balance, beginning of year		78,646		78,646	78,646		<u> </u>
Fund balance, end of year	\$	106,646	\$	106,646	\$ 104,846	\$	(1,800)

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. Budetary 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 amendements 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 constitue expenditures or liabiliites because the commitments will be honored during the subsequent year. Significant outstanding encumbrances in the General Fund would be classified as assigned.





OTHER SUPPLEMENTARY INFORMATION

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

For year ended September 30, 2021	Budgeted Original Budget	I Amounts Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues	Dauget	Baager	7100001	(itegative)
Interest earned on investments	\$ 500	\$ 500	\$ 5,546	\$ 5,046
Net decrease in investment fair value	-	-	(6,757)	(6,757)
Total revenues	500	500	(1,211)	(1,711)
Expenditures				
Current				
Debt service				
Principal retirement	1,269,104	1,269,104	1,185,252	83,852
Interest and fiscal agent charges	581,032	581,032	547,370	33,662
Total expenditures	1,850,136	1,850,136	1,732,622	117,514
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,849,636)	(1,849,636)	(1,733,833)	(115,803)
Other Financing Sources (Uses)				
Operating transfers	2,264,683	2,264,683	2,469,544	204,861
Total other financing sources (uses)	2,264,683	2,264,683	2,469,544	204,861
Net change in fund balance	415,047	415,047	735,711	320,664
Fund balance, beginning of year	464,902	464,902	464,902	
Fund balance, end of year	\$ 879,949	\$ 879,949	\$ 1,200,613	\$ 320,664

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

							Vari	ance with
		Budgeted Amounts					Fina	al Budget
	Original		Final					Positive
For year ended September 30, 2021	1	Budget		Budget		Actual	(N	legative)
Expenditures								
Capital outlays	\$	-	\$	22,027	\$	6,159	\$	15,868
Total expenditures		-		22,027		6,159		15,868
Excess (Deficiency) of Revenues								
Over (Under) Expenditures		-		(22,027)		(6,159)		15,868
Net change in fund balance		-		(22,027)		(6,159)		15,868
Fund balance, beginning of year		22,028		22,028		22,028		-
Fund balance, end of year	\$	22,028	\$	1	\$	15,869	\$	15,868





REPORT ON INTERNAL CONTROL AND COMPLIANCE MATTERS





Carr, Riggs & Ingram, LLC 4100 N. 23rd St. McAllen, TX 78504

(956) 686-3701 (956) 686-6830 (fax) CRIcpa.com

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, 2021, 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 February 11, 2022.

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.

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 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 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.

McAllen, Texas

February 11, 2022

Carr, Riggs & Ungram, L.L.C.

Mission Economic Development Corporation Schedule of Findings and Responses For the Year Ended September 30, 2021

Section I - Summary of Auditors' Results								
Financial Statements Type of auditors' report issued:	Unmodified							
Internal control over financial reporting: • Material weakness (es) identified?	yes <u>X</u> no							
• Significant deficiency (ies) identified that are not considered to be material weaknesses?	yes <u>X</u> none reported							
Noncompliance material to financial statements noted?	yes <u>X</u> no							
Section II – Financial Statemer	nt Findings							

None noted.

Mission Economic Development Corporation Status of Prior Year Findings For the Year Ended September 30, 2021

Financial Statement Findings:

Finding 2020-001: Other Matters – Debt Covenants

Corrective Action Plan of Management: 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.

Current Status: Finding has been resolved as of September 30, 2021. No further corrective action deemed necessary.

Finding 2020-002: Material Weakness – Land Held For Sale

Corrective Action Plan of Management: The MEDC has established written controls for the approval of purchase agreements which will aid in determinations of proper financial reporting. The item in question is reflected correctly in the financial statements.

Current Status: Finding has been resolved as of September 30, 2021. No further corrective action deemed necessary.