MISSION ECONOMIC DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

September 30, 2022

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PAGE <u>EXHIBIT_NO.</u>

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INTRODUCTORY SECTION



Mission Economic Development Corporation Board Members As of September 30, 2022

<u>PRESIDENT</u>

Richard Hernandez

VICE PRESIDENT Pete Jaramillo

SECRETARY

Aissa I. Garza

TREASURER

Dr. Sonia Trevino

MEMBER

Norie Gonzalez Garza

<u>MEMBER</u>

Balde Morales

<u>MEMBER</u>

Jose G. Vargas

ALTERNATE FOR MAYOR POSITION

Alberto Vela

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Mission Economic Development Corporation Organization Chart As of September 30, 2022



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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 Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund of the Mission Economic Development Corporation, a component unit of the City of Mission, Texas, as of September 30, 2022, 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.

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, as of September 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Mission, Texas, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As described in Note 3 to the financial statements, in 2022 MEDC adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Mission Economic Development Corporation ability to continue as a going concern for twelve months beyond

the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Mission Economic Development Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Mission Economic Development Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 35–37, 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

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standard

In accordance with *Government Auditing Standards*, we have also issued our report March 24, 2023, 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 control over financial reporting and compliance.

Parr, Riggs & Ungram, L.L.C.

McAllen, Texas March 24, 2023

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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, 2022. 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 \$6,916,308 (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.

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 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 35-36 and 37, respectively. Budgetary comparison schedule for the Debt Service Fund and Capital Projects Fund are provided as other supplementary information on pages 39 and 40, 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 \$6,916,308 at the close of the fiscal year. Compared to the prior year, net position increased by \$5,078,344.

	Governmental Activities		
	Restated		
	2022	2021	
Current and other assets	\$11,931,876	\$ 7,945,408	
Capital assets	7,641,233	8,028,337	
Total assets	19,573,109	15,973,745	
Long-term liabilities Other liabilities Total liabilities	11,676,487 980,314 12,656,801	12,889,301 1,246,480 14,135,781	
Net position:			
Net investment in capital assets	910,976	(649,255)	
Restricted	1,726,736	1,143,348	
Unrestricted (deficit)	4,278,596	1,343,871	
Total net position	\$ 6,916,308	\$ 1,837,964	

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.

Mission Economic Development Corporation Management's Discussion and Analysis

	Governmental Activities		
	Restated		
	2022	2021	
Revenues:			
Program revenues:			
Charges for services	\$ 263,682	\$ 226,048	
Operating grants and contributions	351,403	76,128	
Capital grants and contributions	2,292,224	261,602	
General Revenues:			
Other taxes	6,103,050	5,306,710	
Issuance and filing fees	122,976	99 <i>,</i> 536	
Investment losses	(28,670) (1,211)	
Miscellaneous	6,500	6,551	
Total revenues	9,111,165	5,975,364	
Expenses:			
Economic development	3,541,917	3,312,803	
Interest on long-term debt	490,904	546,891	
Total expenses	4,032,821	3,859,694	
Changes in net position	5,078,344	2,115,670	
Beginning net position, as restated	1,837,964	(277,706)	
Ending net position	\$ 6,916,308		

Governmental activities. Governmental activities for the fiscal year increased MEDC's net position by \$5,078,344.

Total revenues reflect an increase of \$3,135,801, or 52.5% compared to last year. This is attributed to the increase in other taxes and the EDA Capital Grant that funded an infrastructure project which entered into the construction phase during FY 21-22. 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 financerelated 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 \$11,010,579 an increase of \$4,238,517 in comparison with the prior year. Unassigned fund balance for all governmental funds, which is available for spending at MEDC discretion, reflects a positive \$457,150 balance. The nonspendable fund balance of \$7,327,171 consists of redevelopment assets and land held for sale. In accordance with GASB No. 54, \$256,092 is restricted for capital purchases; \$1,529,661, is restricted for debt service; and \$1,440,505 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 positive \$457,150 and the total fund balance of the general fund was \$9,360,369. This was an increase of \$3,909,635 compared to the prior year.

During the current fiscal year, MEDC general revenues increased by \$3,225,261, partially due to an increase of \$796,340 from Sales Tax revenue and grants in the amount of \$1,902,090. Total expenses increased by \$306,649 due to higher grant related expenses.

Starting in the prior 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 the current fiscal year the redevelopment asset was \$2,620,977.

The Debt Service Fund has a total fund balance of \$1,529,661, 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 2022.

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 amendments for expenditures totaling \$70,000 during the year were for small business incentives and one infrastructure project.

Capital Asset and Debt Administration

Long-term debt. At the end of the current fiscal year, MEDC had total long-term debt outstanding of \$11,676,486.

Mission Economic Development Corporation Outstanding Sales Tax Revenue Bonds and Lease Liabilities September 30, 2022

	Governmental Activities		
	Restated		
	2022	2021	
Sales Tax Refunding Bonds Series 2010	\$ 640,000	\$ 945,000	
2016 Lone Star National Bank	941,688	1,145,286	
2016 Frost Loan	3,739,409	4,039,409	
2018 BBVA Compass Loan	6,335,305 6,731,261		
	11,656,402	12,860,956	
Lease Liabilities	20,085	28,345	
Total	\$11,676,487	\$12,889,301	

Additional information on MEDC's long-term debt can be found on pages 32-34 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, 2022 was 5.5 percent, which represents a decrease compared to 7.7 percent from prior year. The state average rate is reported at 3.8 percent and the national average rate is at 3.6 percent.
- The 2022 General Fund operating budget was prepared using \$5,094,607 as the estimated restricted fund balance at September 30, 2022. The actual total fund balance for the general fund was \$9,360,369. A \$9,328,286 fund balance is projected at September 30, 2023.

Requests for Information

This financial report is designed to provide a general overview of MEDC's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 1201 East 8th Street, City of Mission, Texas, 78572.

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BASIC FINANCIAL STATEMENTS



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

September 30, 2022	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,185,868
Receivables	1,658,194
Due from primary government	260,243
Prepaid expenses	1,000
Land held for resale	4,734,945
Redevelopment assets	2,620,977
Restricted assets	1,470,649
Capital assets	
Land	2,100,959
Leases, net of amortization	20,109
Capital assets, net of accumulated depreciation	5,520,165
Total assets	19,573,109
Liabilities	
Accounts payable	496,910
Accrued interest payable	60,017
Retainage payable	112,341
Due to primary government	68,823
Unearned revenue	242,223
Noncurrent liabilities	
Due within one year	1,213,599
Due in more than one year	10,462,888
Total liabilities	12,656,801
Net Position	
Net investment in capital assets	910,976
Restricted for	
Construction	256,092
Debt service	1,470,644
Unrestricted	4,278,596
Total net position	\$ 6,916,308

Mission Economic Development Corporation Statement of Activities Exhibit A-2

For the year ended September 3	20, 2022		Program		enues Operating	Capital	Re C	t (Expenses) evenue and changes in let Assets
Functions (Drograms	Evnoncoc		harges for		rants and	Grants and		vernmental
Functions/Programs	Expenses	5	Services	COI	ntributions	Contributions		Activities
Component unit: Governmental activities							4	()
Economic development Interest and fiscal charges on long-term debt	\$ 3,541,917 490,904	\$	263,682 -	\$	351,403	\$ 2,292,224 -	\$	(634,608) (490,904)
Total governmental activities	\$ 4,032,821	\$	263,682	\$	351,403	\$ 2,292,224		(1,125,512)
	General rever	nues						
	Sales taxes							6,103,050
	Issuance an	nd fil	ing fees					122,976
	Investment	loss	ses					(28,670)
	Miscellaneo	ous						6,500
	Total general	reve	enues					6,203,856
	Change in net	ass	ets					5,078,344
Net position, beginning of year						1,836,781		
Prior period adjustment (Note 4)							1,183	
Net position, beginning of year as restated							1,837,964	
	Net position,	end	of year				\$	6,916,308

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

September 30, 2022	General Fund	Debt Capital Service Projects Fund Fund		Special Revenue Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,015,685	\$ 814,357	\$ 16,264	\$ 104,680	\$ 1,950,986
Restricted cash and cash equivalents	240,223	-	-	-	240,223
Investments	-	465,308	-	-	465,308
Prepaid expenses	1,000	-	-	-	1,000
Receivables					
Sales tax	984,331	-	-	-	984,331
Accounts-other	673,306	-	-	-	673,306
Accrued interest receivable	-	557	-	-	557
Due from primary government	9,804	250,439	-	-	260,243
Land held for resale	4,734,945	-	-	-	4,734,945
Redevelopment assets	2,620,977	-	-	-	2,620,977
Total assets	\$10,280,271	\$1,530,661	\$ 16,264	\$ 104,680	\$ 11,931,876
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 496,910	\$-	\$-	\$-	\$ 496,910
Accrued interest payable	-	1,000	-	-	1,000
Retainage payable	112,341	-	-	-	112,341
Due to primary government	68,428	-	395	-	68,823
Unearned revenue	242,223	-	-	-	242,223
Total liabilities	919,902	1,000	395	-	921,297
Fund balances					
Nonspendable	7,327,171	-	-	-	7,327,171
Restricted for					
Capital projects	240,223	-	15,869	-	256,092
Debt	-	1,529,661	-	-	1,529,661
Committed	1,335,825	-	-	104,680	1,440,505
Unassigned	457,150	-	-	-	457,150
Total fund balances	9,360,369	1,529,661	15,869	104,680	11,010,579
Total liabilities and fund balances	\$10,280,271	\$1,530,661	\$ 16,264	\$ 104,680	\$ 11,931,876

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	\$ 11,010,579
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.	7,641,233
Payables for bond principal which are not due in the current period are not reported in the funds.	(11,676,487)
Interest payable on bonds is not accrued in the governmental funds, but rather recognized as an expenditure when due.	(59,017)
Net position of governmental activities	\$ 6,916,308

September 30, 2022

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

For the year ended September 30, 2022	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Fund	Total Governmental Funds
Revenues					
Taxes	\$ 6,103,050	\$-	\$-	\$-	\$ 6,103,050
Intergovernmental	2,157,230	-	-	-	2,157,230
Charges for services	263,682	-	-	-	263,682
Interest	-	3,204	-	262	3,466
Investment losses	-	(32,136)	-	-	(32,136)
Miscellaneous	615,873	-	-	-	615,873
Total revenues	9,139,835	(28,932)	-	262	9,111,165
Expenditures					
Current					
General government					
Economic development	2,811,242	-	-	428	2,811,670
Texas workforce commission grant	351,403	-	-	-	351,403
Debt service	,				,
Principal	-	1,204,555	-	-	1,204,555
Interest and fiscal charges	-	505,020	-	-	505,020
Total expenditures	3,162,645	1,709,575	-	428	4,872,648
Excess (deficiency) of revenue					
over (under) expenditures	5,977,190	(1,738,507)	-	(166)	4,238,517
Other Financing Sources (Uses)					
Operating transfers	(2,067,555)	2,067,555	-	-	-
Net other financing sources (uses)	(2,067,555)	2,067,555	-	-	
Net change in fund balances	3,909,635	329,048	-	(166)	4,238,517
Fund balances, beginning of year	5,449,551	1,200,613	15,869	104,846	6,770,879
Prior period adjustment (Note 4)	1,183	-	-	-	1,183
Fund balances, end of year	\$ 9,360,369	\$ 1,529,661	\$ 15,869	\$ 104,680	\$ 11,010,579

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,	2022
Net change in fund balances - total governmental funds	\$ 4,238,517
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.	3,014
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.	(390,118)
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.	1,212,815
Decrease in accrued interest payable from beginning of period to end of period.	14,116
Change in net position of governmental activities	\$ 5,078,344

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 $\frac{1}{2}$ 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, 2022, 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, 2022, 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 defined by the MEDC as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. All 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. The MEDC records deferred inflows of resources related to leases. For additional information, see Note 5 H & I.

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. Leases

Lease contracts that provide the MEDC with control of a non-financial asset, such as land, buildings, or equipment, for a period of time in excess of twelve months are reported as a leased asset with a related lease liability. The lease liability is recorded at the present value of future lease payments, including fixed payments, variable payments based on an index or fixed rate and reasonably certain residual guarantees. The leased asset is recorded for the same amount as the related lease liability plus prepayments and initial direct costs to place the asset in service. Leased assets are amortized over the shorter of the useful life of the asset or the lease term. The lease liability is reduced for lease payments made, less the interest portion of the lease payment.

13. 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.

14. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 24, 2023. See Note 9 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. 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.

Current Accounting Standards

In 2022, the MEDC implemented Statement No. 87, *Leases*, which improves the 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 provision 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. Additional information about the changes to the financial statements related to the implantation of this Statement can be found in Note 3.

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 Statement is being applied prospectively, therefore, there were no significant impacts of implementing this Statement.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*, enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement was adopted in the current year, resulting in no material effect.

Future Accounting Standards

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

- Statement No. 91, Conduit Debt Obligations
- Statement No. 96, Subscription-Based Information Technology Arrangements
- Statement No. 99, Omnibus 2022
- Statement No. 100, Accounting Changes and Error Corrections-an Amendment
NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. Recently issued and implemented accounting pronouncements (Continued)

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. The requirements 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 May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*, enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Clarification of provisions in statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives. Clarification of provisions in Statement No. 96, *Subscription-Based Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In June 2022, GASB Statement No. 100, Accounting Changes and Error Corrections, This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. Recently issued and implemented accounting pronouncements (Continued)

each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

NOTE 3: CHANGE IN ACCOUNTING PRINCIPLE

MEDC adopted GASB No. 87, Leases, as of October 1, 2021. MEDC reevaluated contracts that were formerly accounted for as operating leases to determine whether they met the definition of a lease as defined in GASB No. 87. The contracts to lease copier equipment met the definition of a lease and MEDC calculated and recognized lease assets of \$28,345 and lease liabilities of \$28,345 as of October 1, 2021. There were no impacts to the beginning net position related to the adoption of GASB No. 87.

NOTE 4: PRIOR PERIOD ADJUSTMENT

Contribution received by MEDC to be used for the Shary Business Park project was not recorded on the books in the prior year. As a result, there was an increase to fund balance/net position in the amount of \$1,183 which represents the net of a reduction in revenue receivables of \$35,800 and expenditures of grant administrative services of \$34,617 related to the grant.

NOTE 5: DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits – At September 30, 2022, the carrying value was \$2,190,708 and the bank balance of MEDC's deposits was \$2,522,472. Deposits include demand accounts and certificate of deposits with an initial maturity of three months or less. At September 30, 2022, all deposits were fully insured or collateralized. See custodial credit risk below.

Investments – At September 30, 2022, MEDC had investments comprised of certificates of deposit.

NOTE 5: DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

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, 2022:

Investments

Certificate of deposit (fair value - level 2)	\$ 232,098
Government bonds (fair value - level 2)	 233,210
Total investments	\$ 465,308

At September 30, 2022, MEDC had deposits collateralized by pledged securities of \$2,440,453; 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 Restricted assets (Note 3-E)*	\$ 1,185,868 1,470,649
Cash and cash equivalents and restricted assets (Exh. A-1)	\$ 2,656,517
Cash on hand	\$ 500
Carrying amount of deposits	2,190,709
Investments	465,308
Cash and cash equivalents and investments	\$ 2,656,517

*\$250,000 in due from primary government is also restricted. However, for presentation purposes it is not included in the restricted amount shown above.

B. Interfund Transfers

Transfers out of the general fund in the amount of \$2,067,555 to the debt service fund were sales tax collections to cover debt service requirements that came due within the fiscal year.

NOTE 5: DETAILED NOTES ON ALL FUNDS (Continued)

C. Land Held for Resale

MEDC holds commercial real estate lots available for sale within an economically depressed area. At September 30, 2022 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 \$2,620,976. This project will be conveyed to the City of Mission or other governmental entities upon completion.

Water and Sewer Improvements	\$ 2,394,663
Streets	197,564
Right-of-Way	28,750
Total Revelopment Assets	\$ 2,620,977

E. Restricted Assets

Restricted assets held by Mission Economic Development Corporation at September 30, 2022 consisted of the following:

	Cash and Cash Equivalents	Investments	Total Restricted Assets		
General fund	\$ 240,223	\$-	\$ 240,223		
Debt service fund	749,249	465,308	1,214,557		
Capital projects fund	15,869	-	15,869		
Total	\$ 1,005,341	\$ 465,308	\$ 1,470,649		

NOTE 5: DETAILED NOTES ON ALL FUNDS (Continued)

F. Capital Assets

The following is a summary of changes in capital assets during the year ended September 30, 2022:

	Restated Balance at 9/30/2021		Increases		Decreases			Balance at 9/30/2022
Governmental Activities								
Capital assets, not being depreciated								
Land	Ś	2,100,959	Ś	-	\$	_	\$	2,100,959
Capital assets, not being depreciated	`	2,100,959	<u> </u>	-	Ŷ	-	<u> </u>	2,100,959
Capital assets, being depreciated								
Machinery and equipment		1,272,878		3,014		-		1,275,892
Building		6,368,101		-		-		6,368,101
Capital assets, being depreciated		7,640,979		3,014		-		7,643,993
Less accumulated depreciation for								
Machinery and equipment		(973,941)		(135,483)		-		(1,109,424)
Building		(768,004)		(246,400)		-		(1,014,404)
Total accumulated depreciation		(1,741,945)		(381,883)		-		(2,123,828)
Total capital assets being								
depreciated, net		5,899,034		(378,869)		-		5,520,165
Capital assets, being amortized								
Leased Assets		28,345		-		-		28,345
Less accumulated amortization		-		(8,236)		-		(8,236)
Total capital assets, being amortized, net		28,345		(8,236)		-		20,109
Governmental activities capital assets, net	\$	8,028,338	\$	(387,105)	\$		\$	7,641,233

Depreciation & amortization expense charged to governmental activities totaled \$381,883 for the year ended September 30, 2022.

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, 2022 for MEDC is comprised of the following:

NOTE 5: DETAILED NOTES ON ALL FUNDS (Continued)

G. Long – Term Debt Payable (Continued)

\$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.	\$ 640,000

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

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

Sales tax revenue notes payable at September 30, 2022 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.	\$ 3,739,409
\$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.	941,687
\$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.	 6,335,305
	\$ 11,016,401

NOTE 5: 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
2023	\$	890,198	\$	437,026	\$ 1,327,224
2024		915,912		401,356	1,317,268
2025		924,596		364,645	1,289,241
2026		933,550		327,937	1,261,487
2027		757,213		293,252	1,050,465
2028-2032		3,479,783		1,048,237	4,528,020
2033-2037		2,719,192		376,120	3,095,312
2038		395,957		9,543	405,500
Total		11,016,401		3,258,116	14,274,517
Current portion		(890,198)		(437,026)	(1,327,224)
Payable after one year	\$	10,126,203	\$	2,821,090	\$ 12,947,293

The following is a summary of changes in long-term debt obligations for MEDC for the year ended September 30, 2022:

	Se	Restated ptember 30, 2021	Obli	dditional gations and et Increase	etirements and Net Decreases	Se	ptember 30, 2022	-	oue Within One Year
Bonds and notes:									
Sales Tax Refunding Bond	\$	945,000	\$	-	\$ (305,000)	\$	640,000	\$	315,000
Sales Tax Revenue Note - LSNB		1,145,286		-	(203,599)		941,688		194,355
Sales Tax Revenue Note - Frost		4,039,409		-	(300,000)		3,739,409		300,000
Sales Tax Revenue Note - BBVA		6,731,261		-	(395,956)		6,335,305		395,957
Total bonds and notes	_	12,860,956		-	(1,204,555)		11,656,402		1,205,312
Other Liabilities:									
Lease Liabilities		28,345		-	(8,260)		20,085		8,287
Total other liabilites		28,345		-	(8,260)		20,085		8,287
Total long-term debt obligations	\$	12,889,301	\$	-	\$ (1,212,815)	\$	11,676,487	\$	1,213,599

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 5: DETAILED NOTES ON ALL FUNDS (Continued)

H. Lessee Obligations

The MEDC has entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB 87 Leases and therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

MEDC has a lease agreement with Kyocera Document Solutions Southwest, LLC. for multifunction printers with a fixed monthly payment of \$696. The lease has an interest rate of 0.408% which is the stated rate in the lease agreement. The lease liability as of September 30, 2022 is \$20,085.

Year ending September 30,	Principal		Interest	Total		
2023	\$	8,287	\$ 66	\$	8,354	
2024		8,321	33		8,354	
2025		3 <i>,</i> 477	4		3,481	
Total		20,085	103		20,188	
Current portion		(8,287)	(66)		(8,354)	
Total Payments	\$	11,798	\$ 36	\$	11,834	

I. 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 are not reported as liabilities in the accompanying financial statements.

NOTE 5: DETAILED NOTES ON ALL FUNDS (Continued)

I. Conduit Debt Obligations (Continued)

As of September 30, 2022 there were seven series of Industrial Development Bonds outstanding. There were no issuances in the current fiscal year. The aggregate principal amount payable for the seven series issued prior to October 1, 2021 was \$642.65 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 May 2050.

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, 2022, there were two 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, 2022, MEDC received \$245,953 of which \$122,976 was paid to the advisor for local access fees.

J. Net Position

Net position as of September 30, 2022 consists of :

	Governmenta Activities		
Net investment in capital assets:			
Capital assets, net of accumulated depreciation/amortization	\$	7,641,233	
Less related liabilities		(6,746,521)	
Restricted cash (capital projects)		16,264	
Total net investment in capital assets		910,976	
Restricted net position consists of the following:			
Construction		256,092	
Debt service		1,470,644	
Restricted net position - total		1,726,736	
Unrestricted net position		4,278,596	
Total net position	\$	6,916,308	

NOTE 6: 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 7: 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.

NOTE 8: 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	Date	Commitment	
Wonderful Citrus	\$ 3,000,000	\$ 2,100,000	\$ 900,000	
Cantu Bungalows	500,000	200,000	300,000	
Other Infrastructure Projects	152,325	37,500	114,825	
	\$ 3,652,325	\$ 2,337,500	\$ 1,314,825	

NOTE 9: SUBSEQUENT EVENTS

For the purposes of reporting subsequent events ,management has considered events occurring up to March 24, 2023, the date the report was available to be issued.

In January and February 2023, MEDC sold land held for resale with a cost basis of \$1,016,706.

In February 2023, MEDC paid off debt from two lenders in the amount of \$1,526,815.

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REQUIRED SUPPLEMENTARY INFORMATION

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

				Variance with
	Budgeted Amounts			Final Budget
	Original	Final		Positive
For year ended September 30, 2022	Budget	Budget	Actual	(Negative)
Revenues				
Taxes				
Sales tax	\$ 5,100,000	\$ 5,100,000	\$ 6,103,050	\$ 1,003,050
Total taxes	5,100,000	5,100,000	6,103,050	1,003,050
Intergovernmental				
E.D.A. reimbursements	-	-	1,805,827	1,805,827
Texas workforce comm grant	-	-	351,403	351,403
Total intergovernmental	-	-	2,157,230	2,157,230
Charges for services				
CEED rental fees	130,000	130,000	235,765	105,765
CEED reservation fees	2,500	2,500	4,200	1,700
CEED membership fees	5,000	5,000	23,717	18,717
Total Charges for Services	137,500	137,500	263,682	126,182
Miscellaneous	100.000	100.000	2 500	
Application fees-ind. dev. bonds	100,000	100,000	2,500	(97,500)
Annual filing fee-ind. dev. bonds	395,000	395,000	120,476	(274,524)
Reimbursements - other MRA rental fees	-	-	457,457	457,457
	6,500	6,500	6,500	-
Misc. income	1,000	1,000	28,940	27,940
Total miscellaneous	502,500	502,500	615,873	113,373
Total revenues	5,740,000	5,740,000	9,139,835	3,399,835
Expenditures				
Current				
Economic Development				
Administration				
Personal services	790,876	790,876	569 <i>,</i> 888	220,988
Employee benefits	255,498	255,498	210,312	45,186
Professional and technical services	150,000	150,000	172,432	(22,432)
Purchased property services	187,000	187,000	123,127	63,873
Other purchased services	127,609	127,609	97,113	30,496
Supplies	56,000	56,000	26,325	29,675
Capital Outlays	77,000	77,000	3,014	73,986
Community promotions	5,000	5,000	4,810	190
Miscellaneous	49,000	49,000	50,644	(1,644)

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)

				Variance with
	Budgeted	Amounts		Final Budget
	Original	Final		Positive
For year ended September 30, 2022	Budget	Budget	Actual	(Negative)
Development				
Professional and technical services	5,000	5,000	12,577	(7,577)
Other purchased services	115,000	115,000	89 <i>,</i> 196	25,804
Supplies	5,000	5,000	2,210	2,790
Projects	1,170,775	1,190,775	1,082,500	108,275
Incentives	691,000	741,000	367,094	373,906
Texas workforce commission grant				
Personal services	-	-	24,053	(24,053)
Employee benefits	-	-	1,990	(1,990)
Professional and technical services	-	-	325,000	(325,000)
Supplies	-	-	360	(360)
Total expenditures	3,684,758	3,754,758	3,162,645	592,113
Excess of revenues over expenditures	2,055,242	1,985,242	5,977,190	3,991,948
Other Financing Sources (Uses)				
Sale of capital assets	300,000	300,000	-	(300,000)
Operating transfers out	(1,797,849)	(1,797,849)	(2,067,555)	(269,706)
Total other financing sources (uses)	(1,497,849)	(1,497,849)	(2,067,555)	(569,706)
Net change in fund balance	557,393	487,393	3,909,635	3,422,242
Fund balance, beginning of year	4,537,214	5,449,551	5,449,551	-
Prior period adjustment (Note 3)	-	-	1,183	1,183
Fund balance, end of year	\$ 5,094,607	\$ 5,936,944	\$ 9,360,369	\$ 3,423,425

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

For year ended September 30, 2022	Budgeted Amounts Original Final Budget Budget			Actual	F	ariance with inal Budget Positive (Negative)	
Miscellaneous							
Corporate and business grants Contributions/donations Interest	\$	25,000 25,000 -	\$	25,000 25,000 -	\$ - - 262	\$	(25,000) (25,000) 262
Total revenues		50,000		50,000	262		(49,738)
Expenditures Current Economic development							
Meals & enterainment		500		500	-		500
Sponsorships/contributions		10,000		10,000	-		10,000
Business expense		250		250	78		172
Contract services		1,000		1,000	350		650
Special events expenses		10,000		10,000	-		10,000
Operations		250		250	-		250
Total expenditures		22,000		22,000	428		21,572
Net change in fund balance		28,000		28,000	(166)		(28,166)
Fund balance, beginning of year		104,846		104,846	104,846		
Fund balance, end of year	\$	132,846	\$	132,846	\$ 104,680	\$	(28,166)

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. THIS PAGE IS INTENTIONALLY LEFT BLANK.



OTHER SUPPLEMENTARY INFORMATION

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

	Budgetec Original	l Amounts Final		Variance with Final Budget Positive	
For year ended September 30, 2022	Budget	Budget	Actual	(Negative)	
Revenues					
Interest earned on investments	\$ 500	\$ 500	\$ 3,084	\$ 2,584	
Net decrease in investment fair value	-	-	(32,136)	(32,136)	
Total revenues	500	500	(28,932)	(29,432)	
Expenditures					
Current					
Debt service					
Principal retirement	1,201,668	1,201,668	1,204,555	(2 <i>,</i> 887)	
Interest and fiscal agent charges	505,681	505,681	505,020	661	
Total expenditures	1,707,349	1,707,349	1,709,575	(2,226)	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,706,849)	(1,706,849)	(1,738,507)	31,658	
Other Financing Sources (Uses)					
Operating transfers	1,797,849	1,797,849	2,067,555	269,706	
Total other financing sources (uses)	1,797,849	1,797,849	2,067,555	269,706	
Net change in fund balance	91,000	91,000	329,048	238,048	
Fund balance, beginning of year	1,215,000	1,200,613	1,200,613	-	
Fund balance, end of year	\$1,306,000	\$1,291,613	\$ 1,529,661	\$ 238,048	

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

						Vari	ance with
		Budgetec	l Am	ounts		Fina	al Budget
	C	Driginal		Final		F	Positive
For year ended September 30, 2022		Budget		Budget	Actual	(N	legative)
Expenditures							
Capital outlays	\$	-	\$	-	\$ -	\$	-
Total expenditures		-		-	-		-
Excess (Deficiency) of Revenues Over (Under) Expenditures		-		-	-		-
Net change in fund balance		-		-	-		-
Fund balance, beginning of year		22,028		-	15,869		15,869
Fund balance, end of year	\$	22,028	\$	-	\$ 15,869	\$	15,869