

MISSION ECONOMIC DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

Year Ended September 30, 2019



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RIGGS &
INGRAM

CPAs and Advisors

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Mission Economic Development Corporation
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September 30, 2019

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**Mission Economic Development Corporation
Board Members
As of September 30, 2019**

PRESIDENT

S. David Deanda, Jr.

VICE PRESIDENT

Pete Jaramillo

SECRETARY

Aissa I. Garza

TREASURER

Dr. Sonia Trevino

DIRECTOR

Mayor Armando O’Cana

DIRECTOR

Balde Morales

DIRECTOR

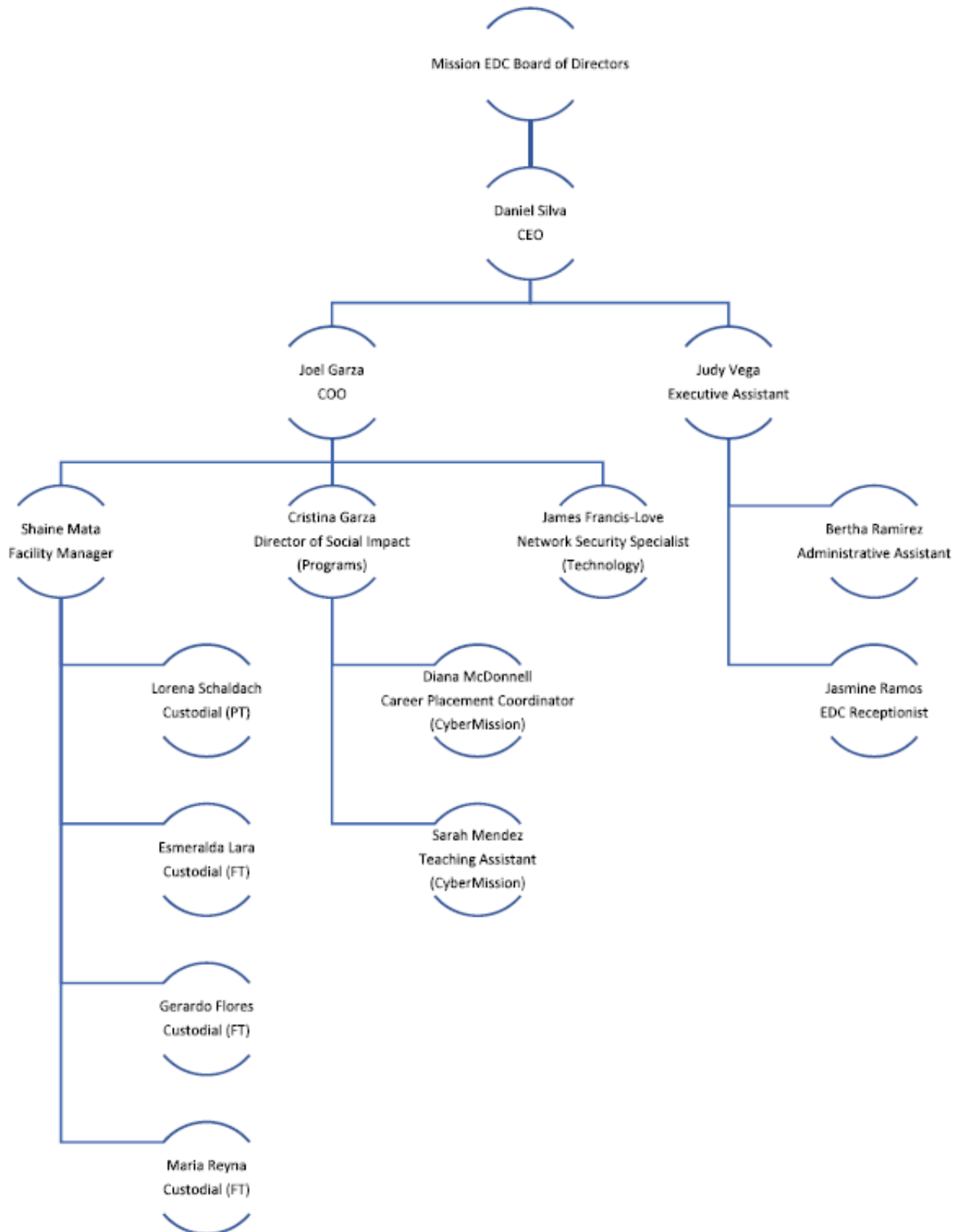
Mario Garza

ALTERNATE FOR MAYOR POSITION

Jose Alberto Vela

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Mission Economic Development Corporation Organization Chart As of September 30, 2019



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INDEPENDENT AUDITORS' REPORT

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

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, 2019, and the related notes to the financial statements, which collectively comprise the Mission Economic Development Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2019, 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, Budgetary comparison schedule-General Fund, and Budgetary notes to required supplementary information on pages 4–9, 37–38, and 39, 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 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 introductory section and other supplementary information as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standard

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2020, 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 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 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 the Mission Economic Development Corporation's internal control over financial reporting and compliance.

Case, Riggs & Ingram, L.L.C.

McAllen, Texas
March 23, 2020

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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, 2019. We encourage readers to consider the information presented here in conjunction with the financial statement and disclosures following this section.

Financial Highlights

- The liabilities of MEDC exceeded assets at the close of the most recent fiscal year by \$1,278,052 (net position).
- The negative net position is a continuation of debt obligations for capital assets which have yet to result in a return on investment.

Overview of the Financial Statements

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

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

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

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

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

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

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. MEDC, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of MEDC are governmental.

Mission Economic Development Corporation Management's Discussion and Analysis

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

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

MEDC maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Debt Service Fund, the Capital Projects Fund and the Special Revenue Fund.

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

The basic governmental fund financial statements can be found on pages 14-17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 18 of this report.

Other information. A budgetary comparison schedule is included as Required Supplementary Information (RSI) for the General Fund on page 37-38. Budgetary comparison schedule for the Debt Service Fund, Capital Projects Fund, and Special Revenue Fund are provided as other supplementary information on page 42-44, respectively.

Mission Economic Development Corporation Management's Discussion and Analysis

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of MEDC, liabilities exceeded assets by \$1,278,052 at the close of the fiscal year. Compared to the prior year, the net position deficit decreased by \$752,050.

Mission Economic Development Corporation Net Position September 30, 2019

	Governmental Activities	
	2019	2018
Current and other assets	\$ 1,491,537	\$ 1,249,368
Capital assets	13,591,347	15,401,651
Total assets	<u>15,082,884</u>	<u>16,651,019</u>
Long-term liabilities	14,079,248	15,955,780
Other liabilities	2,281,688	2,725,341
Total liabilities	<u>16,360,936</u>	<u>18,681,121</u>
Net position:		
Net investment in capital assets	287,536	598,492
Restricted	375,369	296,036
Unrestricted (deficit)	<u>(1,940,957)</u>	<u>(2,924,630)</u>
Total net position	<u>\$ (1,278,052)</u>	<u>\$ (2,030,102)</u>

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

Mission Economic Development Corporation Management's Discussion and Analysis

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

Mission Economic Development Corporation		
Change in Net Position		
September 30, 2019		
	Governmental Activities	
	2019	2018
	<u> </u>	<u> </u>
Revenues:		
Program revenues:		
Charges for services	\$ 136,820	\$ 286,009
Operating grants and contributions	284,738	478,477
General Revenues:		
Other taxes	4,234,711	3,863,926
Interest	-	8,196
Miscellaneous	537,481	41,931
Total revenues	<u>5,193,750</u>	<u>4,678,539</u>
 Expenses:		
Economic development	3,741,801	5,136,502
Interest on long-term debt	616,741	670,454
Total expenses	<u>4,358,542</u>	<u>5,806,956</u>
Changes in net position	<u>835,208</u>	<u>(1,128,417)</u>
 Net position, beginning of year previously	(2,030,102)	(901,685)
Prior period adjustment (Note 8)	(83,158)	-
Net position, beginning of year restated	<u>(2,113,260)</u>	<u>(901,685)</u>
 Ending net position	<u>\$ (1,278,052)</u>	<u>\$ (2,030,102)</u>

Governmental activities. Governmental activities for the fiscal year increased MEDC's net position by \$835,208, decreasing the deficit net position from prior year.

Total revenues reflect an increase of \$515,211, or 11.01% compared to last year. In current fiscal year steps were taken to reduce expenditures in order to improve net position, which attributed to a decrease in expenses of \$1,448,414, or 24.94% compared to prior year.

Financial Analysis of Government's Funds

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

Mission Economic Development Corporation Management's Discussion and Analysis

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

At the end of the current fiscal year, MEDC's governmental funds reported combined ending fund balances of \$591,067 an increase of \$800,316 in comparison with the prior year. Unassigned fund balance for all governmental funds, which is available for spending at MEDC discretion, reflects a negative \$1,723,300. In accordance with GASB No. 54, \$22,028 is restricted for capital purchases; \$433,544, is restricted for debt service; and \$1,858,795 is committed for various economic development projects, which will be funded over a period of five to 10 years; however, funds are considered committed at the end of the fiscal year.

The General Fund is the chief operating fund of MEDC. At the end of the current fiscal year, unassigned fund balance was a deficit of \$1,723,300 and the total fund balance of the general fund was \$76,700.

During the current fiscal year, the MEDC general fund balance increased by \$679,512. Also in current year, MEDC did not participate in a grant program which reduced expenditures from prior year by \$1,990,437. MEDC general revenues also increased by \$590,291, of which \$370,785 was from Sales Tax revenue received.

The Debt Service Fund has a total fund balance of \$433,544, 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 2019.

General Fund Budgetary Highlights

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

The budget for revenues was amended by an increase of \$275,000 in revenues during the year. The increase was for a transfer of funds from the Mission Economic Development Authority for support of economic development projects.

Also in FY 2019 the expenditures were amended by the same amount. An operating decision was undertaken by MEDC to have custodial services brought in house versus being outsourced. An amount of \$103,080 was reclassified from professional services to salary & benefits.

Mission Economic Development Corporation Management's Discussion and Analysis

Capital Asset and Debt Administration

Long-term debt. At the end of the current fiscal year, MEDC had total long-term debt outstanding of \$15,380,262, including \$58,819 in repayment of sales tax.

Mission Economic Development Corporation Outstanding Sales Tax Revenue Bonds and Notes September 30, 2019

	Governmental Activities	
	2019	2018
Sales Tax Refunding Bonds Series 2010	\$ 1,635,000	\$ 2,015,000
2016 Lone Star National Bank	1,523,859	1,702,875
2016 Frost Loan	4,639,409	4,939,410
2018 BBVA Compass Loan	7,523,175	-
Total	\$ 15,321,443	\$ 8,657,285

As of September 30, 2019, 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 28-30 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, 2019 was 6.1 percent, which represents a slight increase compared to 5.8 percent from prior year. The state and national average unemployment rates are both reported at 3.3 percent.
- The 2019 General Fund operating budget was prepared using \$104,962 as the estimated restricted fund balance at September 30, 2019. The actual total fund balance for the general fund was \$76,700. A \$108,608 fund balance is projected at September 30, 2020.

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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MISSION ECONOMIC DEVELOPMENT CORPORATION
Basic Financial Statements

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

<i>September 30, 2019</i>	Governmental Activities
Assets	
Cash and cash equivalents	\$ 292,347
Due from primary government	5,343
Receivables	740,143
Restricted assets	453,704
Capital assets:	
Land and construction-in-progress	6,835,904
Capital assets, net of accumulated depreciation	6,755,443
Total assets	15,082,884
Liabilities	
Accounts payable	46,909
Accrued interest payable	80,202
Due to primary government	853,563
Noncurrent liabilities:	
Due within one year	1,301,014
Due in more than one year	14,079,248
Total liabilities	16,360,936
Net Position	
Net investment in capital assets	287,536
Restricted for:	
Construction	22,028
Debt service	353,341
Unrestricted	(1,940,957)
Total net position	\$ (1,278,052)

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

Mission Economic Development Corporation
Statement of Activities
Exhibit A-2

<i>For the year ended September 30, 2019</i>	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities				
Economic development	\$ 3,741,801	\$ 122,980	\$ 284,738	\$ (3,334,083)
Interest and fiscal charges on long-term debt	616,741	13,840	-	(602,901)
Total governmental activities	4,358,542	136,820	284,738	(3,936,984)
Total governmental activities	\$ 4,358,542	\$ 136,820	\$ 284,738	(3,936,984)
	General revenues			
				4,234,711
				537,481
				4,772,192
				835,208
				(2,030,102)
				(83,158)
				(2,113,260)
				\$ (1,278,052)

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

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

<i>September 30, 2019</i>	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 231,686	\$ 178,895	\$ 22,028	\$ 58,795	\$ 491,404
Investments	-	254,649	-	-	254,649
Receivables					
Sales tax	705,861	-	-	-	705,861
Accounts-other	34,282	-	-	-	34,282
Due from primary government	5,343	-	-	-	5,343
Total assets	\$ 977,172	\$ 433,544	\$ 22,028	\$ 58,795	\$ 1,491,539
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 46,909	\$ -	\$ -	\$ -	\$ 46,909
Due to primary government	853,563	-	-	-	853,563
Total liabilities	900,472	-	-	-	900,472
Fund balances					
Restricted for capital projects	-	-	22,028	-	22,028
Restricted for debt	-	433,544	-	-	433,544
Committed	1,800,000	-	-	58,795	1,858,795
Unassigned	(1,723,300)	-	-	-	(1,723,300)
Total fund balances	76,700	433,544	22,028	58,795	591,067
Total liabilities and fund balances	\$ 977,172	\$ 433,544	\$ 22,028	\$ 58,795	\$ 1,491,539

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

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

Total fund balances - governmental funds	\$	591,067
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.		13,591,347
Payables for bond principal which are not due in the current period are not reported in the funds.		(15,380,262)
Interest payable on bonds is not accrued in the governmental funds, but rather recognized as an expenditure when due.		(80,202)
Rounding		(2)
<hr/>		
Net position of governmental activities	\$	(1,278,052)
<hr/>		

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

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

<i>For the year ended September 30, 2019</i>	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Fund	Total Governmental Funds
Revenues					
Taxes	\$ 4,234,711	\$ -	\$ -	\$ -	\$ 4,234,711
Intergovernmental	284,738	-	-	-	284,738
Charges for services	122,981	-	-	-	122,981
Interest	-	13,841	-	-	13,841
Miscellaneous	568,899	-	-	43,660	612,559
Total revenues	5,211,329	13,841	-	43,660	5,268,830
Expenditures					
Current					
General government					
Economic development	3,326,573	-	-	17,866	3,344,439
Texas workforce commission grant	9,738	-	-	-	9,738
Capital projects					
Economic development	-	-	7,124,974	-	7,124,974
Debt service					
Principal	52,456	1,254,973	-	-	1,307,429
Interest and fiscal charges	26,883	574,182	-	-	601,065
Total expenditures	3,415,650	1,829,155	7,124,974	17,866	12,387,645
Excess (deficiency) of revenue over (under) expenditures	1,795,679	(1,815,314)	(7,124,974)	25,794	(7,118,815)
Other Financing Sources (Uses)					
Operating transfers	(1,116,167)	1,912,272	(796,105)	-	-
Debt issuance proceeds	-	-	7,919,131	-	7,919,131
Net other financing sources (uses)	(1,116,167)	1,912,272	7,123,026	-	7,919,131
Net change in fund balances	679,512	96,958	(1,948)	25,794	800,316
Fund balances, beginning of year	(602,812)	336,586	23,976	33,001	(209,249)
Fund balances, end of year	\$ 76,700	\$ 433,544	\$ 22,028	\$ 58,795	\$ 591,067

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

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

Net change in fund balances - total governmental funds	\$	800,316
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:		
Capital assets used in governmental activities are not reported in the funds.		7,176,818
The depreciation of capital assets used in governmental activities is not reported in the funds.		(439,468)
Loss on removal of an asset during the fiscal year but not fully depreciated.		(75,079)
Debt proceeds provided current financial resources in the funds but are not reported as revenues in the SOA.		(7,919,131)
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.		28,116
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		1,279,312
(Increase) decrease in accrued interest payable from beginning of period to end of period		(15,676)
Change in net position of governmental activities	\$	835,208

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

Mission Economic Development Corporation
Notes to Financial Statements
September 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. 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.

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

These purposes include:

- Purchasing land, building and equipment;
- Facilities including public safety facilities;

Mission Economic Development Corporation
Notes to Financial Statements
September 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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. (Refer to Vernon's An. Civ.St.Art. 5160.6(10), 4B (1).

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, 2019, the board of directors and chief executive for Mission Education Development Council, Inc. were the same as those for MEDC.

B. 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.

Mission Economic Development Corporation
Notes to Financial Statements
September 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Projects Fund - Capital Project Funds are used to account 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- Special Revenue Funds are used to account for resources restricted to, or committed for, a specific purpose by the Corporation or a grantor in a special revenue fund. Most federal and some state financial award programs are accounted for in these funds and sometimes used balances must be returned to the grantor at the close of specified project periods.

C. 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.

D. 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.

Mission Economic Development Corporation
Notes to Financial Statements
September 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 pursuant to state regulations.

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity

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

Investments are reported at fair value. At September 30, 2019, MEDC had investments comprised of certificates of deposit.

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 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.

Mission Economic Development Corporation
Notes to Financial Statements
September 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Assets	Estimated useful lives
Buildings and improvements	30
Furniture and equipment	5-15
Vehicles	2-20

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, 2019 there were no deferred charges or revenues.

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

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

Mission Economic Development Corporation
Notes to Financial Statements
September 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

8. 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.

9. 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.

Mission Economic Development Corporation
Notes to Financial Statements
September 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Rounding Adjustments

Throughout this annual financial report, dollar amounts are rounded thereby creating differences between the details and the totals.

11. Use of Estimates

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

12. Subsequent Events

See Note 9 for relevant disclosure(s). No subsequent events occurring after March 23, 2020 have been evaluated for inclusion in these consolidated financial statements.

13. Recently issued and implemented accounting pronouncements

The MEDC has implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The implementation of this statement did not result in any change in the MEDC's financial statements. GASB Statement No. 88 requires that additional essential information related to debt be disclosed in the notes to the financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to the financial statements related to debt, this statement also requires that existing and additional information be provided for direct borrowings and direct placement of debt separately from other debt.

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

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.

Mission Economic Development Corporation
Notes to Financial Statements
September 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (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.

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

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. . The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. MEDC is evaluating the requirements of the above statements and the impact on reporting.

NOTE 2: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits - At September 30, 2019, the carrying value and bank balance of MEDC's deposits was \$505,998. Deposits include demand accounts and certificate of deposits with an initial maturity of three months or less. At September 30, 2019, all deposits were fully insured or collateralized. See custodial credit risk below.

Mission Economic Development Corporation
Notes to Financial Statements
September 30, 2019

NOTE 2: DETAILED NOTES ON ALL FUNDS (Continued)

Investments - At September 30, 2019, 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.

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

MEDC's investments' fair value measurements, in restricted assets, are as follows at September 30, 2019:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Measurement Using</u>			<u>Standard & Poor's Rating</u>
		<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	
Certificate of deposit	\$ 254,649	\$ 254,649	\$ -	\$ -	NR
	<u>\$ 254,649</u>	<u>\$ 254,649</u>	<u>\$ -</u>	<u>\$ -</u>	

At September 30, 2019, MEDC had deposits collateralized by pledged securities of \$299,282; 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	\$ 292,347
Restricted assets (Note 2-C)	453,704
Cash and cash equivalents and restricted assets (Exh. A-1)	<u>\$ 746,051</u>
Petty cash	\$ 500
Cash and cash equivalents	490,902
Investments	254,649
Cash and cash equivalents and investments (Exh. A-3)	<u>\$ 746,051</u>

Mission Economic Development Corporation
Notes to Financial Statements
September 30, 2019

NOTE 2: DETAILED NOTES ON ALL FUNDS (Continued)

B. Interfund Transfers

	Transfers In	
	Debt Service Fund	Total
Transfers out		
General fund	\$ 1,116,167	\$ 1,116,167
Capital project fund	796,105	796,105
Total transfer out	\$ 1,912,272	\$ 1,912,272

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

C. Restricted Assets

Restricted assets held by Mission Economic Development Corporation at September 30, 2019 consisted of the following:

	Cash and Cash Equivalents		Investments	Total Restricted Assets
	Debt service fund	\$ 177,028	\$ 254,649	\$ 431,677
Capital projects fund	22,028	-	22,028	
Total	\$ 199,056	\$ 254,649	\$ 453,705	

Mission Economic Development Corporation
Notes to Financial Statements
September 30, 2019

NOTE 2: DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

The following is a summary of changes in capital assets during the year ended September 30, 2019:

	Balance at 9/30/2018	Increases	Decreases	Balance at 9/30/2019
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 5,523,909	\$ 1,311,995	\$ -	\$ 6,835,904
Total capital assets, not being depreciated	5,523,909	1,311,995	-	6,835,904
Capital assets, being depreciated				
Machinery and equipment	1,278,341	8,670	-	1,287,011
Building	9,777,127	5,856,153	(9,268,541)	6,364,739
Total capital assets being depreciated	11,055,468	5,864,823	(9,268,541)	7,651,750
Less accumulated depreciation for				
Machinery and equipment	(346,151)	(274,504)	-	(620,655)
Building	(831,575)	(164,964)	720,887	(275,652)
Total accumulated depreciation	(1,177,726)	(439,468)	720,887	(896,307)
Total capital assets being depreciated, net	9,877,742	5,425,355	(8,547,654)	6,755,443
Governmental activities capital assets, net	\$ 15,401,650	\$ 6,737,351	\$ (8,547,654)	\$ 13,591,347

Depreciation expense charged to governmental activities totaled \$439,468 for the year ended September 30, 2019.

Land held at September 30, 2019 consisted of 9 parcels of land. MEDC intends to sell and is currently marketing these 9 parcels of land.

E. 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, 2019 for the MEDC is comprised of the following:

\$4,380,000 - Sales Tax Revenue Refunding Bonds, Series 2010 due in annual principal installments ranging from \$90,000 to \$395,000 from January 15, 2011 through 2024; interest at 3.85%; plus \$1,000 annual fee.

\$ 1,635,000

Mission Economic Development Corporation
Notes to Financial Statements
September 30, 2019

NOTE 2: DETAILED NOTES ON ALL FUNDS (Continued)

E. Long- Term Debt Payable (Continued)

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

Year Ending September 30,	Principal	Interest	Total
2020	\$ 395,000	\$ 55,344	\$ 450,344
2021	295,000	42,061	337,061
2022	305,000	30,511	335,511
2023	315,000	18,576	333,576
2024	325,000	6,256	331,256
Total	1,635,000	152,748	1,787,748
Current portion	(395,000)	(55,344)	(450,344)
Payable after one year	\$ 1,240,000	\$ 97,404	\$ 1,337,404

Sales tax revenue notes payable at September 30, 2019 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. \$ 4,639,409

\$2,000,000 - Sales and Use Tax Revenue Note, due in monthly installments of \$20,105, including interest at 3.795% payable to Lone Star National Bank. Note matures on December 1, 2021. Note is collateralized by sales tax revenues collected. 1,523,859

\$7,919,131 - Sales and Use Tax Revenue Note, due in annual installments of \$395,957, including interest at 4.82% payable to BBVA Compass Bank. Note matures on February 15, 2038. Note is collateralized by sales tax revenues collected. 7,523,175

\$ 13,686,443

Mission Economic Development Corporation
Notes to Financial Statements
September 30, 2019

NOTE 2: DETAILED NOTES ON ALL FUNDS (Continued)

E. 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
2020	\$ 881,675	\$ 543,038	\$ 1,424,713
2021	889,104	507,488	1,396,592
2022	896,668	472,170	1,368,838
2023	904,528	436,556	1,341,084
2024	912,627	400,975	1,313,602
2025-2029	3,998,823	1,488,087	5,486,910
2030-2034	3,479,783	770,521	4,250,304
2035-2038	1,723,235	160,749	1,883,984
Total	13,686,443	4,779,584	18,466,027
Current portion	(881,675)	(543,038)	(1,424,713)
Payable after one year	\$ 12,804,768	\$ 4,236,546	\$ 17,041,314

The following is a summary of changes in long-term debt obligations for MEDC for the year ended September 30, 2019:

	September 30, 2018	Additional Obligations and Net Increase	Retirements and Net Decreases	September 30, 2019	Due Within One Year
Bonds and notes:					
Sales tax refunding bond	\$ 2,015,000	\$ -	\$ (380,000)	\$ 1,635,000	\$ 395,000
Sales tax revenue note - LSNB	1,702,876	-	(179,017)	1,523,859	185,718
Sales tax revenue note - Frost	4,939,409	-	(300,000)	4,639,409	300,000
Sales tax revenue note - BBVA	-	7,919,131	(395,956)	7,523,175	395,957
Total bonds and notes	8,657,285	7,919,131	(1,254,973)	15,321,443	1,276,675
Other Liabilities:					
Capital leases	8,831,258	-	(8,831,258)	-	-
Repayment of sales tax	83,158	-	(24,339)	58,819	24,339
Total other liabilities	8,914,416	-	(8,855,597)	58,819	24,339
Total long-term debt obligations	\$ 17,571,701	\$ 7,919,131	\$ (10,110,570)	\$ 15,380,262	\$ 1,301,014

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

Mission Economic Development Corporation
Notes to Financial Statements
September 30, 2019

NOTE 2: DETAILED NOTES ON ALL FUNDS (Continued)

F. 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, 2019, there were ten series of Industrial Development Bonds outstanding. The aggregate principal amount payable for the two series issued after October 1, 2018 was \$366 million. The aggregate principal amount payable for the eight series issued prior to October 1, 2018 was \$331 million. Issuance dates for the ten series range from December 2016 to October 2018 and interest rates ranging from 0.650% to 12%, and maturity dates ranging from July 2020 to November 2048.

In connection with the process which ultimately may lead to the issuance of conduit debt, MEDC charges an application fee of \$2,500 per application of which \$1,250 is paid to the financial advisor for local access fees. During the year ended September 30, 2019, there were 5 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 point to 5 basis points depending on the type of project and the rating of the bonds being issued. For the year ended September 30, 2019, MEDC received \$609,319 of which \$61,043 was paid to the advisor for local access fees.

NOTE 3: 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

Mission Economic Development Corporation
Notes to Financial Statements
September 30, 2019

NOTE 3: RISK MANAGEMENT (Continued)

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 4: CAPITAL LEASE COMMITMENT

On October 1, 2018 MEDC entered into a loan with BBVA Compass Bank to purchase the Center for Education and Economic Development (CEED) Building, which had been previously leased, in the amount of \$7,919,131. See Note 2E Long-Term Debt Payable.

NOTE 5: RELATED PARTY TRANSACTIONS

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

City of Mission provides personnel services to carry out the daily operating activities of MEDC. MEDC 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, 2019, the balance outstanding on the note was \$1,523,859.

NOTE 6: COMMITMENTS AND CONTINGENCIES

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

Incentives	Committed	Expended to Date	Remaining Commitment
Wonderful Citrus	\$ 3,000,000	\$ 1,200,000	\$ 1,800,000
	<u>\$ 3,000,000</u>	<u>\$ 1,200,000</u>	<u>\$ 1,800,000</u>

NOTE 7: COMPLIANCE OF ACCOUNTABILITY

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

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

MEDC does not have funds with deficit fund balances at year end. MEDC has a negative net position in the Governmental Activities of (\$1,278,052) at year end. The results of this negative balance is due to additional debt and loan payment taken on by MEDC.

Mission Economic Development Corporation
Notes to Financial Statements
September 30, 2019

NOTE 8: PRIOR-PERIOD ADJUSTMENT

Net Position was restated for Governmental Activities in order to record a non-current liability for the repayment of sales tax to the City of Mission, Texas in the amount of \$83,158.

NOTE 9: SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after September 30, 2019 through March 23, 2020, the date the current year's financial statements were available to be issued. The following events occurred:

Subsequent to September 30, 2019, MEDC has been awarded \$490,268 grant from Texas Workforce Commission for Project Cyber Mission. The grant comes from the State thru the Texas Workforce Commission to help participants develop new skills and hopefully master cyber security.

In March 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting supply chains and affecting population and sales across a range of industries. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

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

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

<i>For year ended September 30, 2019</i>	Budgeted Amounts		Actual	Variance with
	Original Budget	Final Budget		Final Budget Positive (Negative)
Revenues				
Taxes				
Sales tax	\$ 3,912,500	\$ 3,912,500	\$ 4,234,711	\$ 322,211
Total taxes	3,912,500	3,912,500	4,234,711	322,211
Intergovernmental				
E.D.A. reimbursements	17,643	292,643	275,000	(17,643)
Texas workforce comm grant	-	-	9,738	9,738
Total intergovernmental	17,643	292,643	284,738	(7,905)
Charges for services				
CEED rental fees	180,000	180,000	115,718	(64,282)
CEED reservation fees	5,000	5,000	1,624	(3,376)
CEED membership fees	55,000	55,000	5,639	(49,361)
Total Charges for Services	240,000	240,000	122,981	(117,019)
Interest				
Interest earned on investments	8,000	8,000	-	(8,000)
Interest earned on demand deposit	1,000	1,000	-	(1,000)
Total Interest	9,000	9,000	-	(9,000)
Miscellaneous				
Application fees-ind. dev. bonds	-	-	6,250	6,250
Annual filing fee-ind. dev. bonds	115,000	115,000	548,276	433,276
Issuance fee-ind. dev. bonds	-	-	-	-
MRA rental fees	-	-	6,500	6,500
Misc. income	1,000	1,000	7,873	6,873
Total miscellaneous	116,000	116,000	568,899	452,899
Total revenues	4,295,143	4,570,143	5,211,329	641,186
Expenditures				
Current				
Economic Development				
Administration				
Personal services	745,303	819,403	727,880	91,523
Employee benefits	199,727	228,707	207,071	21,636
Professional and technical services	349,920	246,840	111,152	135,688
Purchased property services	163,500	163,500	112,258	51,242
Other purchased services	184,700	177,530	150,962	26,568
Supplies	36,000	47,000	16,768	30,232
Capital Outlays	126,000	126,000	82,163	43,837
Community promotions	-	6,170	2,547	3,623
Miscellaneous	45,000	35,000	48,560	(13,560)

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)**

<i>For year ended September 30, 2019</i>	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Development				
Professional and technical services	75,000	75,000	54,121	20,879
Other purchased services	150,000	150,000	131,005	18,995
Supplies	10,000	10,000	3,991	6,009
Miscellaneous	7,000	7,000	-	7,000
Projects	1,075,000	1,075,000	1,110,000	(35,000)
Incentives	751,000	751,000	568,096	182,904
Texas workforce commission grant				
Personal services	7,441	7,441	7,443	(2)
Employee benefits	2,268	2,268	2,295	(27)
Capital outlays	7,934	7,934	-	7,934
Debt service				
Principal	343,330	343,330	52,455	290,875
Interest	316,670	316,670	26,883	289,787
Total expenditures	4,595,793	4,595,793	3,415,650	1,180,143
Excess (Deficiency) of Revenues Over (Under) Expenditures	(300,650)	(25,650)	1,795,679	1,821,329
Other Financing Sources (Uses)				
Sale of capital assets	2,000,000	2,000,000	-	(2,000,000)
Operating transfers out	(1,105,199)	(1,105,199)	(1,116,167)	(10,968)
Total other financing sources (uses)	894,801	894,801	(1,116,167)	(2,010,968)
Net change in fund balance	594,151	869,151	679,512	(189,639)
Fund balance, beginning of year	(602,812)	(602,812)	(602,812)	-
Fund balance, end of year	\$ (8,661)	\$ 266,339	\$ 76,700	\$ (189,639)

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 Notes to Required Supplementary Information
Exhibit B-2**

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 the MEDC is incorporated into the budget process for the City of Mission, Texas which is described below. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

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

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

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

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OTHER SUPPLEMENTARY INFORMATION

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

<i>For year ended September 30, 2019</i>	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Taxes				
Interest earned on investments	\$ 40	\$ 40	\$ 8,638	\$ 8,598
Interest earned on demand deposit	500	500	-	(500)
Net increase (decrease) in investment fair value	-	-	5,203	5,203
Total revenues	540	540	13,841	13,301
Expenditures				
Current				
Debt service				
Principal retirement	858,869	1,254,826	1,254,973	(147)
Interest and fiscal agent charges	288,549	588,049	574,182	13,867
Total expenditures	1,147,418	1,842,875	1,829,155	13,720
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,146,878)	(1,842,335)	(1,815,314)	(27,021)
Other Financing Sources (Uses)				
Operating transfers	1,105,199	2,024,330	1,912,272	(112,058)
Total other financing sources (uses)	1,105,199	2,024,330	1,912,272	(112,058)
Net change in fund balance	(41,679)	181,995	96,958	(85,037)
Fund balance, beginning of year	336,586	336,586	336,586	-
Fund balance, end of year	\$ 294,907	\$ 518,581	\$ 433,544	\$ (85,037)

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

<i>For year ended September 30, 2019</i>	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Interest earned on investments	\$ -	\$ -	\$ -	\$ -
Interest earned on demand deposit	-	-	-	-
Total revenues	-	-	-	-
Expenditures				
Capital outlays	-	7,023,976	7,124,974	(100,998)
Total expenditures	-	7,023,976	7,124,974	(100,998)
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	-	(7,023,976)	(7,124,974)	(100,998)
Other Financing Sources (Uses)				
Issuance of debt	-	7,919,131	7,919,131	-
Operating transfers	-	(919,131)	(796,105)	123,026
Total other financing sources (uses)	-	7,000,000	7,123,026	(123,026)
Net change in fund balance	-	(23,976)	(1,948)	(22,028)
Fund balance, beginning of year	23,976	23,976	23,976	-
Fund balance, end of year	\$ 23,976	\$ -	\$ 22,028	\$ (22,028)

Mission Economic Development Corporation
Budgetary Comparison Schedule – Special Revenue Fund
Exhibit C-3

<i>For year ended September 30, 2019</i>	Budgeted Amounts		Actual	Variance with
	Original Budget	Final Budget		Final Budget Positive (Negative)
Revenues				
Miscellaneous				
Corporate and business grants	\$ -	\$ -	\$ 12,500	\$ 12,500
Contributions/donations	50,000	50,000	15,930	(34,070)
Social media summit	10,000	10,000	15,230	5,230
Total revenues	60,000	60,000	43,660	(16,340)
Expenditures				
Current				
Economic development				
Meals & entertainment	500	500	-	500
Sponsorships/contributions	20,000	20,000	-	20,000
Business expense	250	250	17	233
Contract services	1,000	1,000	525	475
Special events expenses	10,000	10,000	17,222	(7,222)
Operations	250	250	102	148
Total expenditures	32,000	32,000	17,866	14,134
Net change in fund balance	28,000	28,000	25,794	(2,206)
Fund balance, beginning of year	33,001	33,001	33,001	-
Fund balance, end of year	\$ 61,001	\$ 61,001	\$ 58,795	\$ (2,206)

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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 Members of the Board
Mission Economic Development Corporation

City of 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 Mission Economic Development Corporation, a component unit of the City of Mission, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise Mission Economic Development Corporation's basic financial statements and have issued our report thereon dated March 23, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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.

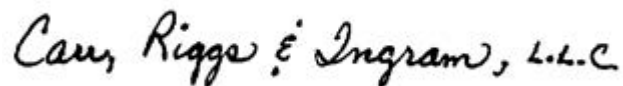
Compliance and Other Matters

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that were reported to management of Mission Economic Development Corporation in a separate letter dated March 23, 2020.

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.

Handwritten signature in cursive script: Cary Riggs & Ingram, L.L.C.

McAllen, Texas
March 23, 2020