



# *Mission Economic Development Corporation*



## *Financial Statements and Independent Auditor's Report September 30, 2011*

*City of Mission, Texas*

# **MISSION ECONOMIC DEVELOPMENT CORPORATION**

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

*SEPTEMBER 30, 2011*

# *MEMBER BOARD OF DIRECTORS*

*YEAR ENDED SEPTEMBER 30, 2011*

President	Cathy Garcia
Vice President	Polo De Leon
Secretary	S. David Deanda, Jr.
Treasurer	Ricardo Martinez
Director	Mayor Norberto Salinas
Director	Linda Requenez
Director	Jody Tittle

# MISSION ECONOMIC DEVELOPMENT CORPORATION

Year Ended September 30, 2011

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# MISSION ECONOMIC DEVELOPMENT CORPORATION

Year Ended September 30, 2011

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## INDEPENDENT AUDITOR'S REPORT

Chairman and Members of the Board  
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, 2011, which collectively comprise Mission Economic Development Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Corporation's internal control over financial reporting. Accordingly we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2012, on our consideration of Mission Economic Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (MD&A) and the budgetary comparison information listed as required supplementary information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements. The other supplementary information section, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Long Chilton, LLP".

LONG CHILTON, LLP  
Certified Public Accountants

McAllen, Texas  
January 11, 2012

# Mission Economic Development Corporation

## Management's Discussion and Analysis

### September 30, 2011

As management of the Mission Economic Development Corporation (MEDC), we offer readers of the Mission Economic Development Corporation financial statements this narrative overview and analysis of the financial activities of the Mission Economic Development Corporation for the fiscal year ended September 30, 2011. We encourage readers to consider the information presented here in conjunction with the financial statements and disclosure following this section.

#### Financial Highlights

- The liabilities of MEDC exceeded assets at the close of the most recent fiscal year by \$3,465,761 (net assets).
- The net asset deficit is due to the fact that MEDC does not hold any capital assets such as infrastructure and improvements in its' name, but rather provides funding for City of Mission projects.

#### Overview of the Financial Statements

This discussion and analysis are 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 assets* presents information on all MEDC's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

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

The government-wide financial statements can be found on pages 13-14 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.

**New Fund Balance Reporting.** The Government Accounting Standard Board (GASB) released Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions” on March 11, 2009, which is effective for fiscal year ending June 30, 2011. This new statement is intended to improve the usefulness of the amount reported in fund balance by providing more structured classification.

Previously, fund balance was classified as “reserved” or “unreserved”. GASB 54 has changed how fund balance is reported. The hierarchy of five possible classifications is as follows:

- Nonspendable Fund Balance
- Restricted Fund Balance
- Committed Fund Balance
- Assigned Fund Balance
- Unassigned Fund Balance

The definitions of each classification can be found on the Notes to Financial Statements pages 22-23.

GASB Statement No. 54 has been implemented for the current fiscal year.

**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 three 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, and the capital projects 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 15-18 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 19 of this report.

**Other information.** A budgetary comparison schedule is included as Required Supplementary Information (RSI) for the General Fund on page 35. Budgetary comparison schedules for the Debt Service Fund and Capital Projects Fund are provided as other supplementary information on pages 38-39.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of MEDC, liabilities exceeded assets by \$3,465,760 at the close of the fiscal year. Compared to prior year, the net assets deficit increased by \$1,605,199 or 86 percent.

### Mission Economic Development Corporation Net Assets September 30, 2011

	Governmental Activities		
	2011	2010	2009*
Current and other assets	\$ 3,671,909	\$ 2,831,085	\$ 5,950,152
Capital Assets	13,432	2,770,195	189,422
Total assets	<u>3,685,341</u>	<u>5,601,280</u>	<u>6,139,574</u>
Long-term liabilities	6,681,860	6,986,270	7,680,000
Other liabilities	469,242	475,571	245,134
Total liabilities	<u>7,151,102</u>	<u>7,461,841</u>	<u>7,925,134</u>
Net Assets:			
Invested in capital assets,	13,432	-	-
Restricted	490,267	555,870	595,664
Unrestricted(deficit)	(3,969,460)	(2,416,431)	(2,381,224)
Total net assets	<u>\$ (3,465,761)</u>	<u>\$ (1,860,561)</u>	<u>\$ (1,785,560)</u>

\* Restated to correct classification of Net Assets.

At the end of the current fiscal year, MEDC is unable to report a positive balance in unrestricted net assets. The net asset deficit is due to the fact that MEDC, with the exception of furniture and equipment, does not hold any capital assets in its name; therefore, any long-term debt issued is to provide funding for City of Mission infrastructure projects. Restricted net assets are restricted for the purpose of debt service and construction projects.

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

**Mission Economic Development Corporation  
Changes in Net Assets  
September 30, 2011**

	2011	Governmental Activities 2010	2009
Revenues:			
Program Revenues:			
Operating grants and contributions	\$ 163,460	\$ 107,204	\$ 85,288
Capital grants and contributions	198	3,272	491
General revenues:			
Other taxes	3,411,495	3,271,555	3,184,243
Interest	4,789	5,251	23,405
Total revenues	<u>3,579,942</u>	<u>3,387,282</u>	<u>3,293,427</u>
Expenses:			
Economic Development	1,933,636	3,113,940	3,455,069
Culture and Recreation	2,859,344	8,275	-
Interest on long-term debt	392,162	340,068	257,538
Total expenses	<u>5,185,142</u>	<u>3,462,283</u>	<u>3,712,607</u>
Changes in net assets	<u>(1,605,200)</u>	<u>(75,001)</u>	<u>(419,180)</u>
Net assets-beginning	<u>(1,860,561)</u>	<u>(1,785,560)</u>	<u>(1,366,380)</u>
Net assets-ending	<u>\$ (3,465,761)</u>	<u>\$ (1,860,561)</u>	<u>\$ (1,785,560)</u>

**Governmental activities.** Governmental activities for the fiscal year decreased MEDC's net assets by \$1,605,199 increasing the deficit net assets from prior year. MEDC conveyed capital assets of \$2,859,185 to the City of Mission. MEDC funded the installation of an irrigation system for the City's Golf Course and also funded the renovation of the Golf Course Club House and Cart Barn.

## Financial Analysis of Government's Funds

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

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

At the end of the current fiscal year, MEDC's governmental funds reported combined ending fund balances of \$3,567,438 an increase of \$820,899 in comparison with the prior year. \$3,038,148 constitutes unassigned fund balance for all governmental funds, which is available for spending at MEDC discretion. Of the current fund balances, the following categories are recorded and primary uses noted in accordance with implementing GASB No. 54.

- \$4,495 is recorded as Nonspendable for prepaid items.
- \$524,795 is recorded as Restricted for Debt Service

The General Fund is the chief operating fund of MEDC. At the end of the current fiscal year, unassigned fund balance was \$3,038,148 and total fund balance of the general fund was \$3,042,643. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance as well as total fund balance, exceed expenditures by 51 percent.

During the current fiscal year, the MEDC fund balance of the general fund increased by \$1,118,379 or 58%. The key components and factors in the increase are as follows:

- Sales tax revenues reflected an increase of \$139,940 or 4 percent compared to prior year. The sales tax revenue increase is a result of the Mission's Chamber of Commerce "Shop Mission First" campaign. In addition, many Mexican residents are moving into the Mission/McAllen area due to the increasing violence in the Mexican border towns.
- Transfers-out to Debt service decreased by \$241,850 or 35 percent compared to prior year. The 1995 and 1999 Tax Revenue Bonds were refunded on December 2010. The amount transferred to the Debt Service Fund was therefore sufficient to cover payments for the principal and interest of the Refunding Bond and the 2009 Bank Note.

The Debt Service Fund has a total fund balance of \$524,795, all of which is reserved for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$72,188. Principal and interest payments increased by \$4,348,021, which includes the final principal and interest payment for the 1995 and 1999 bonds which were refunded.



The Capital Projects Fund has a total fund balance of zero. During Fiscal Year 2009, the Board authorized a bank loan from First National Bank for \$3 million. The proceeds were used for improvements to the Shary Golf Course irrigation system and the remodeling of the Shary Golf Course Club House. The project was completed and conveyed to the City of Mission during FY 2011. Remaining funds of \$136,341 were transferred to the Debt Service Fund.

## General Fund Budgetary Highlights

There were no changes between the original budget and the final budget at the end of September 30, 2011; however, there were several reclassifications between line items.

- Actual expenditures were \$1,263,063 less than final budget. Since the creation of MEDC, the Mission Economic Development Authority (MEDA), managed and directed all development duties and responsibilities for MEDC; however, the agreement was terminated during FY 2011. Funds previously forwarded to MEDA were retained by MEDC, which entered into a lease agreement with the City to lease certain employees to oversee the development functions for MEDC. This change resulted in a reduction of expenditures for FY 2011.

The original revenue budget was not amended in FY 2011.

- Actual revenues exceed final budget by \$330,152. The majority of the increase is attributed to a 4 percent increase in sales tax and closing fees of \$95,300 received from Conduit Debt issued.

## Capital Asset and Debt Administration

**Long-term debt.** At the end of the current fiscal year, MEDC had total long-term debt outstanding of 7,075,974.

### Mission Economic Development Corporation Outstanding Sales Tax Revenue Bonds September 30, 2011

	Governmental Activities		
	2011	2010	2009
Subordinate Lien Sales Tax			
Revenue Bonds 1995 & 1999 Issues	\$ -	\$ 4,445,000	\$ 4,680,000
Sales Tax Refunding Bonds Series 2010	4,290,000	-	-
2009 FNB Loan	2,785,974	2,891,183	3,000,000
Total	<u>\$ 7,075,974</u>	<u>\$ 7,336,183</u>	<u>\$ 7,680,000</u>

The Sales Tax Revenue Bonds for 1995 & 1999 Issues were refunded on December 30, 2011 and purchased by a sole buyer; thus no ratings were issued on the bond.

As of September 30, 2011, MEDC had no authorized but unissued bonds. Additional information on MEDC's long-term debt can be found on pages 28-30 of this report.

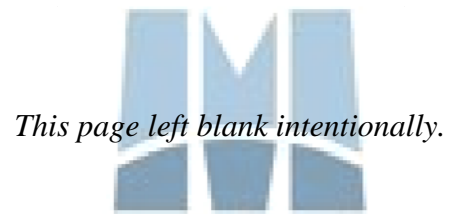
## **Economic Factors and Next Year's Budget**

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.

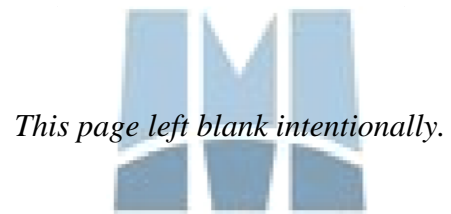
- According to the Texas Labor Market Review, the unemployment rate for the City of Mission as of October 30, 2011 was 10.2 percent, which represents a slight increase compared to 9.60 percent from prior year. The state and national average unemployment rates are at 8.4 percent and 8.8 percent respectively.
- The 2012 General Fund operating budget was prepared using \$2,697,148 as the estimated unassigned fund balance at September 30, 2011. The actual fund balance for the general fund was \$3,042,643; nevertheless, a \$3,722,707 fund balance is projected at September 30, 2012.

## **Requests for Information**

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



# *BASIC FINANCIAL STATEMENTS*



## MISSION ECONOMIC DEVELOPMENT CORPORATION

## STATEMENT OF NET ASSETS

September 30, 2011

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 1,780,134
Investments	697,674
Prepaid	4,495
Deferred charges	63,871
Receivables, net	600,939
Restricted Assets	524,796
Capital assets:	
Other capital assets, net of accumulated depreciation	13,432
Total Assets	<u>3,685,341</u>
LIABILITIES	
Accounts payable	27,634
Accrued interest payable from restricted assets	34,529
Due to primary government	12,965
Noncurrent liabilities	
Due within one year	394,114
Due in more than one year	6,681,860
Total Liabilities	<u>7,151,102</u>
NET ASSETS	
Investment in Capital Assets	13,432
Restricted For:	
Debt Service	490,267
Unrestricted	<u>(3,969,460)</u>
Total Net Assets	<u>\$ (3,465,761)</u>

The accompanying notes are an integral part of this statement.

## MISSION ECONOMIC DEVELOPMENT CORPORATION

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2011

		Program Revenues		Net (Expenses)
		Operating	Capital Grants	Revenue and
	Expenses	Grants and	and	Changes in
		Contributions	Contributions	Net Assets
				Governmental
				Activities
Functions/Programs				
COMPONENT UNIT:				
Governmental activities:				
Economic development	\$ 1,933,636	\$ 162,119	\$ -	\$ (1,771,517)
Culture and recreation	2,859,344	-	-	(2,859,344)
Interest and fiscal charges on long-term debt	392,162	1,341	198	(390,623)
Total Governmental Activities	<u>5,185,142</u>	<u>163,460</u>	<u>198</u>	<u>(5,021,484)</u>
Total Component Unit	<u>\$ 5,185,142</u>	<u>\$ 163,460</u>	<u>\$ 198</u>	<u>(5,021,484)</u>
Revenues:				
Sales taxes				3,411,495
Interest earned				<u>4,789</u>
Total General Revenues				<u>3,416,284</u>
Change in Net Assets				(1,605,200)
Net assets - 10/01/10				<u>(1,860,561)</u>
Net assets - 09/30/11				<u>\$ (3,465,761)</u>

The accompanying notes are an integral part of this statement.

**MISSION ECONOMIC DEVELOPMENT CORPORATION**  
**BALANCE SHEET-GOVERNMENTAL FUNDS**  
September 30, 2011

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,780,134	\$ 408,263	\$ 2,188,397
Investments	697,674	116,532	814,206
Prepaid	4,495	-	4,495
Receivables:			
Sales Tax	567,439	-	567,439
Accounts-other	33,500	-	33,500
Total Assets	<u>\$ 3,083,242</u>	<u>\$ 524,795</u>	<u>\$ 3,608,037</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 27,634	\$ -	\$ 27,634
Due to primary government	12,965	-	12,965
Total Liabilities	<u>40,599</u>	<u>-</u>	<u>40,599</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid	4,495	-	4,495
Restricted for debt	-	524,795	524,795
Unassigned	3,038,148	-	3,038,148
Total Fund Balances	<u>3,042,643</u>	<u>524,795</u>	<u>3,567,438</u>
 Total Liabilities and Fund Balances	 <u>\$ 3,083,242</u>	 <u>\$ 524,795</u>	 <u>\$ 3,608,037</u>

The accompanying notes are an integral part of this statement.



**MISSION ECONOMIC DEVELOPMENT CORPORATION**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
September 30, 2011

Total fund balances - governmental funds balance sheet	\$ 3,567,438
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	13,432
Payables for bond principal which are not due in the current period are not reported in funds.	(7,075,974)
Payables for bond interest which are not due in the current period are not reported in funds.	(34,529)
Unamortized issuance cost unavailable for current-period expenditures and are deferred in the SNA.	63,871
Net assets of governmental activities - statements of net assets	<hr/> \$ (3,465,762) <hr/>

The accompanying notes are an integral part of this statement.

**MISSION ECONOMIC DEVELOPMENT CORPORATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended September 30, 2011

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenues:				
Taxes	\$ 3,411,495	\$ -	\$ -	\$ 3,411,495
Interest	4,788	1,341	198	6,327
Miscellaneous	162,119	-	-	162,119
Total Revenues	<u>3,578,402</u>	<u>1,341</u>	<u>198</u>	<u>3,579,941</u>
Expenditures:				
Current:				
General Government:				
Economic development	2,010,937	-	-	2,010,937
Culture and Recreation	-	-	89,149	89,149
Debt service:				-
Principal	-	4,640,209	-	4,640,209
Interest and fiscal charges	-	398,747	-	398,747
Total expenditures	<u>2,010,937</u>	<u>5,038,956</u>	<u>89,149</u>	<u>7,139,042</u>
Excess (Deficiency) of Revenue over Expenditures	<u>1,567,465</u>	<u>(5,037,615)</u>	<u>(88,951)</u>	<u>(3,559,101)</u>
Other Financing Sources (Uses):				
Operating transfers	(449,086)	585,427	(136,341)	-
Debt issuance proceeds	-	4,380,000	-	4,380,000
Total Other Financing Sources (Uses)	<u>(449,086)</u>	<u>4,965,427</u>	<u>(136,341)</u>	<u>4,380,000</u>
Net change in fund balances	<u>1,118,379</u>	<u>(72,188)</u>	<u>(225,292)</u>	<u>820,899</u>
Fund Balances at Beginning of Year	<u>1,924,264</u>	<u>596,983</u>	<u>225,292</u>	<u>2,746,539</u>
Fund Balances at End of Year	<u>\$ 3,042,643</u>	<u>\$ 524,795</u>	<u>\$ -</u>	<u>\$ 3,567,438</u>

The accompanying notes are an integral part of this statement.

**MISSION ECONOMIC DEVELOPMENT CORPORATION**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
For the Year Ended September 30, 2011

Net change in fund balances - total governmental funds	\$ 820,899
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.	103,040
The depreciation of capital assets used in governmental activities is not reported in the funds.	(618)
Capital asset contributed to City of Mission as a capital contribution not reported as an expenditure in the funds.	(2,859,185)
Debt proceeds provided current financial resources in the funds but are not reported as revenues in the SOA.	(4,380,000)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	4,640,209
Bond issuance costs and similar items are amortized in the SOA but not in the f	63,871
(Increase)decrease in accrued interest payable from beginning of period to end of period	<u>6,585</u>
Change in net assets of governmental activities - statement of activities	<u><u>\$ (1,605,199)</u></u>

The accompanying notes are an integral part of this statement.

MISSION ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

*A. Reporting Entity*

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

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

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

- Purchasing land, building and equipment
- Facilities including public safety facilities
- Targeted infrastructure and improvements for the creation or retention of primary jobs and that the corporation's board deems suitable for manufacturing and industrial facilities, research and development facilities, transportation facilities, sewage or solid waste disposal facilities

MISSION ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

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

- Funding other projects found in the Act that are in the best interest of the City. (Refer to Vernon's An. Civ.St.Art. 5160.6(10), 4B (1).)

*B. Government-wide and fund financial statements*

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

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

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

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

MEDC reports the following major governmental funds:

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

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

Capital Projects Fund - Capital Projects Funds are used to account for the acquisition of capital assets or the construction of capital facilities

*C. Measurement focus and basis of accounting*

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized

MISSION ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

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

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

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

**D. *Cash and Investments***

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

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

The Mission Economic Development Corporation is authorized to invest in certificates of deposit, obligations of the U.S. Government and its agencies, or instrumentalities and state obligations. Investments are reported at amortized cost, except for certificates of deposit which are stated at cost.

**E. *Interfund Activity***

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

**F. *Restricted Assets***

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

MISSION ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

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

*G. Long-Term Obligations*

In government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred charges and 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.

*H. Fund Balance Reporting*

Mission Economic Development Corporation has adopted GASB 54 as part of its 2010-11 fiscal year reporting. Implementation of GASB 54 is required for the Corporation for its fiscal year ending in 2011. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Corporation's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources. GASB 54 provides for two major types of fund balances, which are nonspendable and spendable.

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

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

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



MISSION ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

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

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

**Order of Expenditure of Funds**

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

**I. *Prepaid Items***

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

**J. *Capital Assets***

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

In the prior year, Mission Economic Development Corporation had recorded construction in progress related to various improvements being made at the City of Mission – Shary Municipal Golf Course. These improvements were completed and transferred to the City of Mission during the current year.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

*Deposits* - At September 30, 2011, the carrying value of the Mission Economic Development Corporation's deposits was \$2,188,148 and the bank balance was \$2,191,174. All deposits were fully insured or collateralized.

*Investments* - During the year, MEDC's investments consisted of obligations of the U.S. Government or its Agencies and instrumentalities. Investments are categorized to give an indication of the level of risk assumed by MEDC at September 30, 2011. Such investments are categorized as either (1) insured or registered in MEDC's name, or securities held by MEDC or its agent in MEDC's name, (2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in MEDC's name, or (3) uninsured and unregistered, with securities held by the counterparty's trust department or agent but not in MEDC's name.



MISSION ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

**NOTE 2 - DEPOSITS AND INVESTMENTS *(Continued)***

Investments

The primary objective of MEDC's investment activity is the preservation of capital in the overall portfolio. Each investment transaction shall be conducted in a manner to avoid capital losses, whether they are from security defaults or erosion of market value.

MEDC's policy authorizes the following investment instruments:

1. Obligations of the United States of America, its agencies and instrumentalities, which have a liquid market with a readily determinable market value.
2. Direct obligations of the State of Texas and agencies thereof.
3. Other obligations, the principal of and interest on which are unconditionally guaranteed by the State of Texas or United States of America.
4. Obligations of the States, agencies thereof, Counties, Cities, and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm, and having received a rating of not less than "A" or its equivalent.
5. Certificates of Deposit of state and national banks domiciled in Texas, guaranteed or insured by the Federal Deposit Insurance or its successor or secured by obligations described in 1 through 4 above, which are intended to include all direct agency or instrumentality issued mortgage backed securities rated AAA by nationally recognized rating agency, or by Article 2529b-1, V.T.C.S., and that have a market value of not less than the principal amount of the certificates.
6. Fully collateralized direct repurchase agreements with a defined termination date secured by obligations of the United States or its agencies and instrumentalities pledged with a third party, selected by the Finance Director, other than an agency for the pledgor. Repurchase agreements must be purchased through a primary government securities dealer, as defined by the Federal Reserve, or a bank domiciled in Texas. A master repurchase agreement must be signed by the bank/dealer prior to investment in a repurchase agreement.
7. Joint pools of political subdivisions in the State of Texas which invest in instruments and follow practices allowed by current law. A pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

MISSION ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

Interest Rate Risk—

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

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

The following is the Interest Rate Risk using Specific Identification, as of September 30, 2011:

Investment Type	Amortized Cost	Maturity Period		
		3 Months or Less	4-12 Months	
Texpool	\$ 697,674	\$ 697,674	\$ -	-
Texpool	116,532	116,532	-	-
	<u>\$ 814,206</u>	<u>\$ 814,206</u>	<u>\$ -</u>	<u>-</u>

Credit Risk—

MEDC's investment policy authorizes the following pools:

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

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

MISSION ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

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

MEDC's investment policies and types of investments are governed by the Public Funds Investments Act (PFIA). The Corporation's management believes that it complied with the requirements of the PFIA and the Corporation's Investment policies.

As of September 30, 2011, the following was the composition of MEDC's credit rating by investment:

Credit Quality Distribution of Securities With Credit Exposure as a Percentage of Total Investments		
Investment Type	Rating	Exposure
Texpool	AAA	86%
Texpool	AAA	14%

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

Petty Cash	\$ 250
Carrying amount deposit	\$ 2,188,148
Investments	814,205
Cash and Investments Statement of Net Assets	<u>\$ 3,002,604</u>
Cash and cash equivalents	\$ 1,780,134
Investments	697,674
Restricted Assets	524,796
Cash and Investments Statement of Net Assets	<u>\$ 3,002,604</u>

Custodial Credit Risk –

For an investment, custodial credit risk is the risk that MEDC will not be able to recover the value of investments or collateral securities that are in the possession of an outside party if the counterparty to an investment will not fulfill its obligation.

MISSION ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

MEDC's investments are categorized as a level one custodial credit risk, meaning that its investments are insured or registered or securities held by MEDC or its' agent in MEDC's name.

MEDC is prohibited from investing in the following types of investments:

- a. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal.
- b. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest.
- c. Collateralized mortgage obligations that have a stated final maturity date of greater than ten years.
- d. Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

**NOTE 3 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

A. Due to/from the primary government and component unit at September 30, 2011 were as follows:

Receivable Entity	Payable Entity	Amount
Primary Government-City of Mission	MEDC-General Fund	\$ 12,965

B. Interfund Transfers:

	Debt Service Fund	Total
Transfer Out:		
General Fund	\$ 449,086	\$ 449,086
Capital Projects Fund	136,341	136,341
Total Transfer Out	<u>\$ 585,427</u>	<u>\$ 585,427</u>

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

**NOTE 4 - RESTRICTED ASSETS**

Restricted assets held by Mission Economic Development Corporation at September 30, 2011 consist of the following:

	Cash and Cash Equivalents	Investments	Total
Debt Service Fund	<u>\$ 408,263</u>	<u>\$ 116,532</u>	<u>\$ 524,795</u>

MISSION ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

**NOTE 5 – CAPITAL ASSETS**

Capital Asset activity for the year ended September 30, 2011, was as follows:

	Balance at October 1, 2010	Increases	Decreases	Balance at September 30, 2011
Capital assets, not being depreciated:				
Construction in progress	\$ 2,770,195	\$ 88,990	\$ (2,859,185)	\$ -
Total capital assets, not being depreciated	<u>2,770,195</u>	<u>88,990</u>	<u>(2,859,185)</u>	<u>-</u>
Capital assets, being depreciated:				
Machinery and equipment	-	14,050	-	14,050
Total capital assets, being depreciated	<u>-</u>	<u>14,050</u>	<u>-</u>	<u>14,050</u>
Less accumulated depreciation for:				
Machinery and equipment	-	(618)	-	(618)
Total accumulated depreciation	<u>-</u>	<u>(618)</u>	<u>-</u>	<u>(618)</u>
Total capital assets, being depreciated, net	<u>-</u>	<u>13,432</u>	<u>-</u>	<u>13,432</u>
Capital Assets, Net	<u>\$ 2,770,195</u>	<u>\$ 102,422</u>	<u>\$ (2,859,185)</u>	<u>\$ 13,432</u>

Construction was completed during the year and assets were transferred to the City of Mission.

**NOTE 6 - LONG-TERM DEBT PAYABLE**

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

Sales tax revenue bond payable at September 30, 2011 for the MEDC is comprised of the following:

\$4,380,000 Sales Tax Revenue Refunding Bonds, Series 2010  
due in annual installments ranging from \$90,000 to \$325,000  
from February 15, 2011 through 2024; Interest at 3.85%. \$ 4,290,000

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

Year Ending September 30,	Principal	Interest
2012	\$ 285,000	\$ 159,679
2013	300,000	148,418
2014	315,000	136,579
2015	325,000	124,259
2016	335,000	111,554
2017-2021	1,785,000	350,639
2022-2024	<u>945,000</u>	<u>55,344</u>
Total	<u>\$ 4,290,000</u>	<u>\$ 1,086,470</u>

MISSION ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

**NOTE 6 - LONG-TERM DEBT PAYABLE (Continued)**

Sales tax revenue notes payable at September 30, 2011 for the MEDC is comprised of the following:

\$3,000,000 Sales Tax Revenue Note due in semi-annual  
Installments ranging from \$109,259 to \$366,273 including  
Interest at 3.9%. Note matures August 15, 2015. Collateralized  
by first priority perfected security interest in sales tax  
revenues collected pursuant to Section 4B of the  
Development Corporation Act of 1979. \$ 2,785,974

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

Year Ending September 30,	Principal	Interest
2012	\$ 109,114	\$ 109,405
2013	632,835	99,712
2014	658,105	74,441
2015	684,385	48,161
2016	701,535	20,870
Total	<u>\$ 2,785,974</u>	<u>\$ 352,589</u>

During the year ending September 30, 2011, MEDC issued Sales Tax Revenue Refunding Bonds Series 2010 for the purpose of redeeming its Sales Tax Revenue Bonds Series 1995 in the outstanding principal balance of \$780,000; and its Subordinate Lien Sales Tax Revenue Bonds, Series 1999 in the outstanding principal balance of \$3,420,000. The aggregate debt service savings realized as the result of this redemption and refunding is \$311,265. The economic gain on the refunding of the old debt issues is \$247,643.

The following is a summary of changes in long-term debt obligations for MEDC for the year ended September 30, 2011:

	September 30, 2010	Additional Obligations and Net Increases	Retirements and Net Decreases	September 30, 2011	Due within One Year
Sales Tax Revenue Bonds	\$ 4,445,000	\$ -	\$4,445,000	\$ -	\$ -
Sales Tax Refunding Bond	-	4,380,000	90,000	4,290,000	285,000
Sales Tax Revenue Note	2,891,183	-	105,209	2,785,974	109,114
	<u>\$ 7,336,183</u>	<u>\$ 4,380,000</u>	<u>\$4,640,209</u>	<u>\$ 7,075,974</u>	<u>\$ 394,114</u>

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

MISSION ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

**NOTE 7 – CONDUIT DEBT OBLIGATIONS**

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

	Balance at <u>September 30, 2011</u>
\$41,750,000 Solid Waste Disposal Revenue Bonds (Waste Management, Inc. Project) Series 2006 dated December 1, 2006	\$ 41,750,000
\$24,000,000 Variable Rate Demand Solid Waste Disposal Revenue Bonds (IESI Texas Corporation Project) Series 2007 dated March 1, 2007	24,000,000
\$56,800,000 Solid Waste Disposal Revenue Bonds (Allied Waste North America, Inc. Project) Series 2007 A dated April 1, 2007	56,800,000
\$6,000,000 Variable Rate Demand Industrial Development Revenue Bonds (CMI Project) Series 2007 dated May 1, 2007	5,440,000
\$56,200,000 Solid Waste Disposal Variable Rate Demand Revenue Bond (Allied Waste North America, Inc. Project) Series 2008A dated May 1, 2008	56,200,000
\$10,000,000 Industrial Development Revenue Bond (AmeriTex Pipe & Products LLC) Series 2008 dated August 1, 2008	7,107,924
\$67,000,000 Solid Waste Disposal Revenue Bond (Waste Management Inc, Project), Series 2008 dated August 1, 2008	67,000,000
\$1,341,250 Industrial Development Revenue Bond (4 Over, Inc. Project) Series 2009A dated February 1, 2009	916,248



MISSION ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

**NOTE 7 – CONDUIT DEBT OBLIGATIONS (*Continued*)**

\$1,702,000 Industrial Development Revenue Bond (4 Over, Inc. Project) Series 2009B dated February 1, 2009	1,181,626
\$40,200,000 Solid Waste Disposal Revenue Bonds (Dallas Clean Energy McCommas Bluff, LLC Project) Series 2011 dated January 1, 2011	<u>40,200,000</u>
	\$ <u>300,595,798</u>

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

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

In connection with the process which ultimately may lead to the issuance of conduit debt, MEDC charges an application fee of \$2,500 per application. During the year ended September 30, 2011, MEDC did not receive any application fees.

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, 2011, MEDC received a net \$162,119 in annual fees (net of \$162,119 in advisor and local access fees).

**NOTE 8 – 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; no negative statements or jury awards have exceeded insurance coverage in any of the past three years.



MISSION ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011

**NOTE 9 – FUND BALANCE CLASSIFICATION**

As mentioned in Note 1 (H) MEDC was required to implement GASB 54 for the current fiscal year. The following table summarizes the fund balance classification at year-end:

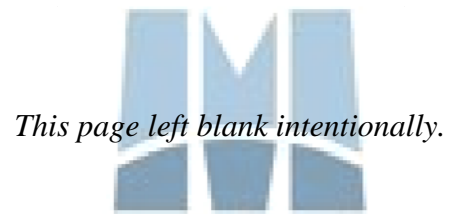
	General Fund	Debt Service Fund	Total Governmental Funds
Fund balance:			
Nonspendable			
Prepaid	\$ 4,495	\$ -	\$ 4,495
Restricted			
Debt service	-	524,795	524,795
Unassigned	<u>3,038,148</u>	<u>-</u>	<u>3,038,148</u>
Total Fund Balances	<u>\$ 3,042,643</u>	<u>\$ 524,795</u>	<u>\$ 3,567,438</u>

**NOTE 10 – RELATED PARTY TRANSACTIONS**

The City of Mission terminated its agreement with Mission Economic Development Authority (MEDA) to perform the City's development and delegated all functions of MEDA to MEDC.

MEDC entered into a lease agreement with the City of Mission to lease certain employees to perform the development functions for MEDC.

*REQUIRED  
SUPPLEMENTARY  
INFORMATION*



**MISSION ECONOMIC DEVELOPMENT CORPORATION**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
For the Year Ended September 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final Budget		
Revenues:				
Taxes:				
Sales tax	\$ 3,175,000	\$ 3,175,000	\$ 3,411,495	\$ 236,495
Total Taxes	3,175,000	3,175,000	3,411,495	236,495
Interest:				
Interest earned on investments	3,000	3,000	2,896	(104)
Interest earned on demand deposit	250	250	1,892	1,642
Total Interest	3,250	3,250	4,788	1,538
Miscellaneous:				
Annual Filing Fee-Ind. Dev. Bonds	70,000	70,000	162,119	92,119
Total Miscellaneous	70,000	70,000	162,119	92,119
Total Revenues	3,248,250	3,248,250	3,578,402	330,152
Expenditures:				
Current:				
Administration	1,174,000	1,057,000	766,483	290,517
Purchased Property Services	-	9,000	-	9,000
Other Purchased Services	-	66,000	15,959	50,041
Supplies	-	2,000	-	2,000
Miscellaneous	-	40,000	49,637	(9,637)
Projects	1,000,000	1,000,000	1,000,000	-
Incentives	1,100,000	1,100,000	178,858	921,142
Total Expenditures	3,274,000	3,274,000	2,010,937	1,263,063
Excess (Deficiency) of Revenues Over Expenditures	(25,750)	(25,750)	1,567,465	1,593,215
Other Financing Sources (Uses):				
Operating transfers out	(689,143)	(689,143)	(449,086)	240,057
Total Other Financing Sources (Uses)	(689,143)	(689,143)	(449,086)	240,057
Net Change in Fund Balance	(714,893)	(714,893)	1,118,379	1,833,272
Fund Balance at Beginning of Year	1,924,264	1,924,264	1,924,264	-
Fund Balance at End of Year	\$ 1,209,371	\$ 1,209,371	\$ 3,042,643	\$ 1,833,272

MISSION ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
September 30, 2011

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

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

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

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year end do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. For the current year, there were no significant outstanding encumbrances.

*OTHER  
SUPPLEMENTARY  
INFORMATION*

## MISSION ECONOMIC DEVELOPMENT CORPORATION

## DEBT SERVICE FUND

## BUDGETARY COMPARISON SCHEDULE

For the Year Ended September 30, 2011

	Final Budget	Actual	Variance with Final budget Positive (Negative)
Revenues:			
Taxes:			
Interest earned on investments	\$ 5,000	\$ 341	\$ (4,659)
Interest earned on demand deposit	500	1,000	500
Total Revenues	<u>5,500</u>	<u>1,341</u>	<u>(4,159)</u>
Expenditures:			
Current:			
Debt Service:			
Principal retirement	4,639,888	4,640,209	(321)
Interest and fiscal agent charges	<u>512,247</u>	<u>398,747</u>	<u>113,500</u>
Total Debt Service	<u>5,152,135</u>	<u>5,038,956</u>	<u>113,179</u>
Total Expenditures	<u>5,152,135</u>	<u>5,038,956</u>	<u>113,179</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(5,146,635)</u>	<u>(5,037,615)</u>	<u>109,020</u>
Other Financing Sources (Uses):			
Issuance of Debt	4,380,000	4,380,000	-
Operating transfers	<u>825,487</u>	<u>585,427</u>	<u>(240,060)</u>
Total Other Financing Sources (Uses)	<u>5,205,487</u>	<u>4,965,427</u>	<u>(240,060)</u>
Net Change in Fund Balance	<u>58,852</u>	<u>(72,188)</u>	<u>(131,040)</u>
Fund Balance at Beginning of Year	<u>596,983</u>	<u>596,983</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 655,835</u>	<u>\$ 524,795</u>	<u>\$ (131,040)</u>

## MISSION ECONOMIC DEVELOPMENT CORPORATION

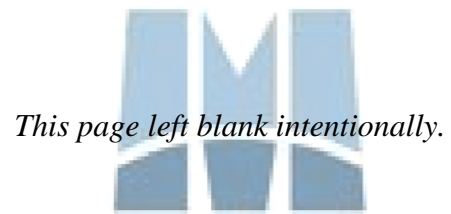
## CAPITAL PROJECTS FUND

## BUDGETARY COMPARISON SCHEDULE

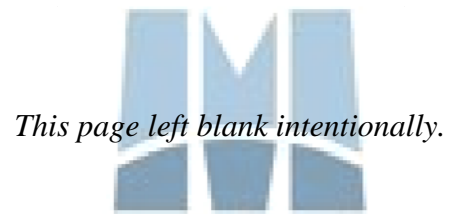
For the Year Ended September 30, 2011

	Final Budget	Actual	Variance with Final budget Positive (Negative)
Revenues:			
Interest earned on investments	\$ -	\$ 142	\$ 142
Interest earned on demand deposit	-	56	56
Total Revenues	-	198	198
Expenditures:			
Professional and Technical Services	15,000	-	15,000
Capital Outlays	100,194	88,990	11,204
Miscellaneous	100,000	159	99,841
Total Expenditures	215,194	89,149	126,045
Excess (Deficiency) of Revenues Over Expenditures	(215,194)	(88,951)	126,243
Other Financing Sources (Uses):			
Operating transfers	-	(136,341)	(136,341)
Total Other Financing Sources (Uses)	-	(136,341)	(136,341)
Net Change in Fund Balance	(215,194)	(225,292)	(10,098)
Fund Balance at Beginning of Year	225,292	225,292	-
Fund Balance at End of Year	\$ 10,098	\$ -	\$ (10,098)





# *COMPLIANCE*



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statements of the governmental activities, and each major fund of Mission Economic Development Corporation as of and for the year ended September 30, 2011, which collectively comprise Mission Economic Development Corporation's basic financial statements and have issued our report thereon dated January 11, 2012. 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.

**Internal Control Over Financial Reporting**

Management of Mission Economic Development Corporation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Mission Economic Development Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mission Economic Development Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Mission Economic Development Corporation's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Mission Economic Development Corporation's financial statements are free of 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*.

This report is intended solely for the information and use of management, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Long Chilton, LLP".

LONG CHILTON, LLP  
Certified Public Accountants

McAllen, Texas  
January 11, 2012