

**Development Corporation of Mercedes, Inc.**

**Agenda**

**September 8, 2021 at 11:30AM**

**320 S. Ohio**

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**Agenda**  
**September 8, 2021 11:30AM**  
**320 S Ohio**

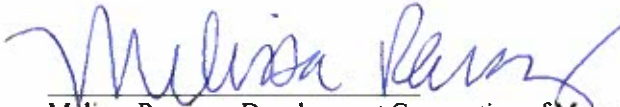
NOTICE, is hereby given that the Development Corporation of Mercedes, Inc. will be holding a **VIRTUAL Special Called Meeting on Wednesday, September 8, 2021 at 11:30AM** at <https://global.gotomeeting.com/join/683221053/> / **PHONE: 1-877-309-2073 / ACCESS CODE: 683-221-053** for the purpose of considering and taking formal action regarding the following items:

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1. Call meeting to order
2. Executive Session: Section 551.072: relating to the sale of real estate for VF1 Lot 1 and Section 551.071: pending legal issues with delinquent notes and on any regular agenda item requiring confidential, attorney-client advice necessitated by the deliberation or discussion of said item as needed.
3. Discussion and Action: item #2
4. Discussion and Action: TXCLASS Quarterly Report
5. Discussion and Action: FY 20-21 Audit, Burton, McCumber & Longoria, LLP
6. Adjournment

The Board of Directors reserves the right to go into Executive Session at any time during the meeting to consult with its attorney in accordance with Section 551.071, deliberate the purchase or sale of real property in accordance with Section 551.072, deliberate personnel matters in accordance with Section 551.074, and/or deliberate economic development negotiations in accordance with Section 551.097. This notice is given in accordance with Vernon's Texas Code Annotated, Texas Government Code, Section 551.001 et. seq. I hereby certify this Notice of a Meeting of the Development Corporation of Mercedes was posted in accordance with the Open Meetings Act on the outside bulletin board at City Hall of the City of Mercedes, located at 400 S Ohio, visible and accessible to the general public during and after working hours. This notice was posted on the 4<sup>th</sup> day of September 2021 at 4:00PM and will remain so posted continuously for at least 72-hours preceding the scheduled time of this meeting in accordance with Chapter 551 of the Texas Government Code.

ATTEST:

  
Melissa Ramirez, Development Corporation of Mercedes

## **1. Call meeting to order**

**2. Executive Session: Section 551.072: relating to the sale of real estate for VF1 Lot 1, and Section 551.071: pending legal issues with delinquent notes and on any regular agenda item requiring confidential, attorney-client advice necessitated by the deliberation or discussion of said item as needed.**

### **3. Discussion and Action: item #2**

## **4. Discussion and Action: TXCLASS Quarterly Report**



Summary Statement

August 31, 2021

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Investor ID: TX-01-0607

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Development Corporation of Mercedes Inc.  
320 S Ohio  
Mercedes, TX 78570

Texas CLASS

Texas CLASS

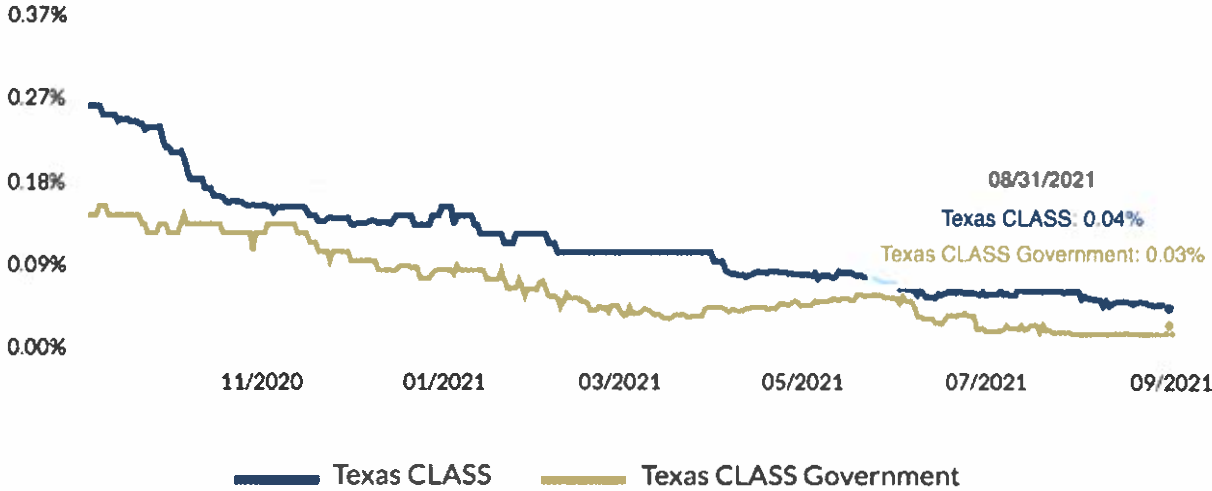
Average Monthly Yield: 0.0606%

		Beginning Balance	Contributions	Withdrawals	Income Earned	Income Earned YTD	Average Daily Balance	Month End Balance
TX-01-0607-0001	DEVELOPMENT CORPORATION OF MERCEDES	127,783.51	0.00	0.00	5.48	72.28	127,786.50	127,788.99
TX-01-0607-0002	EDC 2008 RESERVE	272,776.02	0.00	0.00	11.72	154.34	272,782.40	272,787.74
TX-01-0607-0003	EDC RBEG FUND	41,729.57	0.00	0.00	1.78	23.51	41,730.54	41,731.35
TX-01-0607-0004	IRP FUND OPERATING RESERVE	68,568.91	0.00	0.00	2.95	38.79	68,570.52	68,571.86
<b>TOTAL</b>		<b>610,668.01</b>	<b>0.00</b>	<b>0.00</b>	<b>21.93</b>	<b>288.92</b>	<b>610,669.96</b>	<b>610,670.94</b>

Rates as of September 2, 2021

	Texas CLASS	Texas CLASS Government
Daily Yield (%)	0.0464	0.0151
YTD Yield (%)	0.0846	0.0417
7-Day Yield (%)	0.0464	0.0165
30-Day Yield (%)	0.0496	0.0156
Weighted Average Maturity (To Reset)	54	22
Weighted Average Maturity (To Final)	88	38
Daily Dividend	0.000001270	0.000000414
Net Asset Value (NAV)	1.00002454	1.00001286

# Texas CLASS Daily Yields



Type of Account: Texas CLASS

Maturity Date: NONE

Interest Rate: Variable/ Average August rate .0506%

Presented before the Board: September 8, 2021

Affirm: \_\_\_\_\_ Date: \_\_\_\_\_



**5. Discussion and Action: FY 20-21 Audit, Burton,  
McCumber & Longoria, LLP**

*The Right Choice.*

**BML**

Burton  
McCumber  
& Longoria, LLP  
*CPAs & Advisors*

McAllen • Brownsville

August 9, 2021

Board of Directors of the  
Development Corporation of Mercedes  
Mercedes, Texas 78570

We are pleased to confirm our understanding of the services we are to provide the Development Corporation of Mercedes (Corporation) for the year ended September 30, 2021. We will audit the financial statements of the governmental activities, and each major fund, including the related notes to the financial statements, which collectively comprise the basic financial statements of the Corporation as of and for the year ended September 30, 2021. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the Corporation's 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. As part of our engagement, we will apply certain limited procedures to the Corporation's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding 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 will 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. The following RSI is required by U.S. generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis
- 2) Budgetary Comparison Schedules
- 3) Required Supplementary Pension Information
- 4) Required Supplementary OPEB Information
- 5) Notes to Required Supplementary Information

We have also been engaged to report on supplementary information other than RSI that accompanies the Corporation's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole, in a report combined with our auditor's report on the financial statements:

- 1) Comparative Balance Sheets
- 2) Comparative Statement of Revenues, Expenditures, and Changes in Fund Balances

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that other information.

## 1) Introductory Section

### **Audit Objectives**

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the Corporation and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of the Corporation's financial statements. Our report will be addressed to the Board of Directors of the Corporation. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of 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 on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that the Corporation is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

### **Audit Procedures—General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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 will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of waste and abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, an unavoidable risk exists that some material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements.

However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

#### **Audit Procedures—Internal Control**

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

#### **Audit Procedures—Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Corporation's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

## **Other Services**

We will also assist in preparing the financial statements and related notes of the Corporation in conformity with U.S. generally accepted accounting principles based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

## **Management Responsibilities**

Management is responsible for designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported.

Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with U.S. generally accepted accounting principles, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, including identification of all related parties and all related-party relationships and transactions, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, or contracts or grant agreements that we report.

You are responsible for the preparation of the supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon OR make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon.

Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter.

This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide.

You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

#### **Engagement Administration, Fees, and Other**

We understand that your employees will prepare all cash, accounts receivable, or other confirmations and schedules we request and will locate any documents selected by us for testing. We understand that reconciliations and supporting details will also be provided.

We will provide 10 copies of our reports to the Board of directors of the Development Corporation of Mercedes; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Burton McCumber & Longoria, LLP and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to the Development Corporation of Mercedes' or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Burton McCumber & Longoria, LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to issue our audit report and present to the board of directors no later than December 31, 2021. Our ability to meet the required deadline is subject to the Development Corporation of Mercedes' ability to provide us complete and auditable final trial balances to mean that the trial balances will not need to be adjusted further by us. We will provide the District a list of schedules and information we will need prior to commencement of the audit. All items on the list must be completed and submitted to us prior to commencement of fieldwork. Any delays by the Development Corporation of Mercedes in providing the information requested by us will only delay the completion of audit fieldwork procedures. We anticipate the Development Corporation of Mercedes will address any and all questions and prepare any additional schedules during the course of the audit without delay.

Ricky Longoria is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

The estimated fees for completion of this engagement are described below:

Audit of the Development Corporation of Mercedes      \$ 19,000

Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

In accordance with our firm policies, work may be suspended if your account becomes 45 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

In the unlikely event that any differences concerning our services or fees should arise that are not resolved by mutual agreement, you and we agree that any controversy, dispute or claim (whether in tort, contract, statutory or otherwise) and/or disagreements concerning the breach hereof, or any other dispute or disagreement between the parties hereto, shall first be submitted to non-binding mediation administered by the American Arbitration Association under the Dispute Resolution Rules of Professional Accounting Services Dispute Resolution Rules before resorting to arbitration, litigation, or some other dispute resolution procedure. If not resolved in such mediation, thereafter settled by binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association by an arbitrator(s) sitting in McAllen, Hidalgo County, Texas. Any award by an arbitrator(s) shall be binding in all parties to this Agreement. The cost of any mediation or arbitration proceedings shall be shared equally by both parties. **Any liability resulting from any award as a result of mediation or arbitration shall be limited to a return of the fees paid for the services included in this engagement letter.**

You agree to hold us harmless and to release, indemnify, and defend us from any liability or costs, including attorney's fees, resulting from management's knowing misrepresentations to us.

If any portion of this letter is held invalid, it is agreed that such invalidity shall not affect any of the remaining portion.

We appreciate the opportunity to be of service to the Development Corporation of Mercedes and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Burton McCumber & Longoria, LLP



Ricky Longoria, CPA  
Partner

RL/II

**RESPONSE:**

This letter correctly sets forth the understanding of the Development Corporation of Mercedes.

Management Signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_



## **6. Adjournment**