

# Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

---

**CITY OF WINDCREST  
ECONOMIC DEVELOPMENT CORPORATION**  
(A Component Unit of City of Windcrest, Texas)

**ANNUAL FINANCIAL REPORT**

For The Year Ended September 30, 2013

CITY OF WINDCREST  
ECONOMIC DEVELOPMENT CORPORATION  
(A Component Unit of City of Windcrest, Texas)

ANNUAL FINANCIAL REPORT

For The Year Ended September 30, 2013

TABLE OF CONTENTS

	<u>PAGE</u>
Principal Officers .....	1
Independent Auditors' Report.....	2-3
Management's Discussion and Analysis .....	4-9
Basic Financial Statements	
<i>Government-Wide Financial Statements</i>	
Statement of Net Position .....	10
Statement of Activities.....	11
<i>Governmental Fund Financial Statements</i>	
Balance Sheet .....	12
Reconciliation of the Balance Sheet to the Statement of Net Position.....	13
Statement of Revenues, Expenditures, and Change in Fund Balance.....	14
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance to the Statement of Activities .....	15
Notes to Financial Statements.....	16-24
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual .....	25

CITY OF WINDCREST  
ECONOMIC DEVELOPMENT CORPORATION  
(A Component Unit of the City of Windcrest, Texas)

PRINCIPAL OFFICERS

SEPTEMBER 30, 2013

President	Tim Maloney
Vice President	Roy E. Wratishaw
Directors	Rebekah Gergen Sue Alexander Leonard A. Neeper Irv Gerrow Lisa Pepi
Executive Director	Robert Colunga

# Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
City of Windcrest Economic Development Corporation  
Windcrest, Texas

We have audited the accompanying financial statements of the governmental activities, and the general fund of the City of Windcrest Economic Development Corporation (the Corporation), a component unit of the City of Windcrest, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

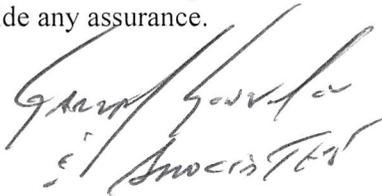
## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the City of Windcrest Economic Development Corporation, as of September 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information for the general fund on pages 4-9 and 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Grant Goodwin  
CPA

April 16, 2014

**CITY OF WINDCREST  
ECONOMIC DEVELOPMENT CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the financial performance of the City of Windcrest Economic Development Corporation (Corporation), a component unit of the City of Windcrest (City), provides an overview of the Corporation's financial activity for the fiscal year ended September 30, 2013. It should be read in conjunction with the financial statements.

**FINANCIAL HIGHLIGHTS**

- The Corporation's assets exceeded its liabilities by \$2,748,734 (net position) at September 30, 2013. Of this amount, \$385,967 is restricted for economic development projects.
- The Corporation's total revenues were \$525,698, while total expenses were \$306,978, thereby increasing the Corporation's net position by \$218,720.
- The Corporation reported an ending fund balance of \$385,965, a decrease of \$1,485,636 as a result of the increase in Sales Tax Revenue.

**USING THIS ANNUAL REPORT**

This discussion and analysis is intended to serve as the introduction to the Corporation's basic financial statements which are comprised of three parts: government-wide financial statements, fund financial statements, and notes to financial statements. In addition to the basic financial statements, required supplementary information is also presented.

**Government-Wide Financial Statements** – The government-wide financial statements are designed to provide readers with a broad overview of the Corporation's finances in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the Corporation's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

**CITY OF WINDCREST  
ECONOMIC DEVELOPMENT CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Both of the government-wide financial statements include functions of the Corporation that are principally supported by sales and use tax revenues (governmental activities).

The government-wide financial statements can be found on pages 10-11.

**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. The Corporation, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. The only fund of the Corporation is considered a governmental fund.

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 available for current spending, as well as on balances of resources available for spending 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 the government-wide financial statements, it is useful to compare the information presented for the 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 change in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

As mentioned above, the Corporation maintains one governmental fund, i.e. the general fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and change in fund balance. The Corporation 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 12-15 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 can be found on pages 16-24 of this report.

**Required Supplementary Information** – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Corporation's general fund budgetary comparisons. Required supplementary information can be found on page 25 of this report.

**CITY OF WINDCREST  
ECONOMIC DEVELOPMENT CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FINANCIAL ANALYSIS OF GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Statement of Net Position**

Table 1 shows all assets and liabilities of the Corporation and is presented on the accrual basis of accounting. The total net position is \$2,748,734. Of the total net position \$2,362,767, (85.96%) represents its investment in capital assets. Capital assets include buildings and improvements, furniture and equipment, other improvements and construction in progress. The remaining \$385,967 represents resources restricted to fund the Corporation's economic development projects. Noncurrent liabilities represent the amount payable on the loan obtained in the prior year in the original issue amount of \$1,600,000 from the Texas Leverage Fund, to fund economic development projects.

**TABLE 1  
CITY OF WINDCREST ECONOMIC DEVELOPMENT CORPORATION  
NET POSITION**

	2013	2012
<b>ASSETS</b>		
Cash and cash equivalents	\$ 665,621	\$ 2,107,103
Accounts receivable	96,668	92,561
Prepaid Items	13,875	-
Capital assets (net of accumulated Depreciation)	3,314,666	1,954,786
Total Assets	<u>\$ 4,090,830</u>	<u>\$ 4,154,450</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 350,197	\$ 328,063
Interest payable	-	3,385
Due to City of Windcrest	40,000	-
Noncurrent liabilities		
Due within one year	96,657	94,335
Due in more than one year	855,242	1,198,653
Total liabilities	<u>1,342,096</u>	<u>1,624,436</u>
<b>NET POSITION</b>		
Net investment in capital assets	2,362,767	661,798
Restricted for economic development projects	385,967	1,868,216
Total net position	<u>\$ 2,748,734</u>	<u>\$ 2,530,014</u>

**CITY OF WINDCREST  
ECONOMIC DEVELOPMENT CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Statement of Activities**

Table 2 shows all revenues and expenses of the Corporation and is also presented on the accrual basis of accounting. General revenues consist of the ¼ cent sales tax the Corporation receives for economic development. The total cost of all projects and services was \$306,978. The Corporation was able to increase the net position of its governmental activities by \$218,720 by a transfer of the funds from the City to the Corporation.

**TABLE 2  
CITY OF WINDCREST ECONOMIC DEVELOPMENT CORPORATION  
CHANGES IN NET POSITION**

	2013	2012
<b>REVENUES</b>		
Sales and use taxes	\$ 443,534	\$ 392,242
Interest income	117	187
Other local revenues	7,047	-
Total revenues	<u>450,698</u>	<u>392,429</u>
<b>EXPENSES</b>		
Administrative	230,300	221,336
Economic development projects	24,055	2,145
Depreciation	12,136	9,908
Interest and fees	40,487	53,171
Total expenses	<u>306,978</u>	<u>286,590</u>
<b>CHANGES IN NET POSITION BEFORE TRANSFERS AND SPECIAL ITEM</b>	136,673	105,839
Transfers from City of Windcrest	75,000	219,186
Special item-transfer of escrow funds	-	1,875,953
<b>CHANGES IN NET POSITION</b>	<u>218,720</u>	<u>2,200,978</u>
<b>NET POSITION – BEGINNING</b>	<u>2,530,014</u>	<u>329,036</u>
<b>NET POSITION – ENDING</b>	<u>\$ 2,748,734</u>	<u>\$ 2,530,014</u>

**CITY OF WINDCREST  
ECONOMIC DEVELOPMENT CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUND**

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

**Governmental fund** – The focus of the Corporation’s governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Corporation’s 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.

As of the close of the current fiscal year, the Corporation’s governmental fund reported an ending fund balance of \$385,965, a decrease of \$1,485,636 from the prior year. This decrease is due to the expenditure of funds restricted for the building of Racker Road.

**BUDGETARY HIGHLIGHTS**

There were no budget amendments that occurred during the year; therefore, there were no differences between the original budget and the final amended budget presented.

At the end of the current fiscal year, actual revenues were more than budgetary estimates by \$67,877 and actual expenditures were less than budgetary estimates by \$53,260. Below is a brief summary of the major differences between the final amended budget and actual results for both revenues and expenditures.

- Sales tax revenue exceeded the budget by \$60,963; however, interest earned was \$113 less than the budget.
- As a result of the rain days and other time delays on a construction project, capital expenditures were \$442,354 less than the budget. These expenditures will be appropriated for in next year’s budget.
- Debt service payments exceeded budgets by \$384,961.

**CITY OF WINDCREST  
ECONOMIC DEVELOPMENT CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets** – The Corporation’s investment in capital assets for its governmental activities as of September 30, 2013 amounted to \$3,314,666 (net of accumulated depreciation). This investment in capital assets includes buildings, improvements, furniture and equipment, and construction in progress. The total increase in the Corporation’s investment in capital assets for the current fiscal year was \$1,359,882, which represents a 69.57% increase.

Please refer to Note III C (page 21) as presented in the notes to the financial statements for more detailed information on the Corporation’s capital asset activity.

**Long-Term Debt** – At the end of the current fiscal year, the Corporation had total debt outstanding of \$951,899. The loan has a first lien on the Corporation’s sales and use-tax revenue.

More detailed information about the Corporation’s long-term liabilities is presented in the Note III D (page 22) of the notes to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS**

**Description of Current and Expected Conditions**

Presently, the Board of Directors is not aware of any significant changes in conditions that would have a significant effect on the financial position or activities of the Corporation in the near future.

**CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Corporation's finances and to show the Corporation's accountability to its taxpayers. If you have any questions about this report or need additional financial information, contact the City of Windcrest Municipal Finance Officer.

## **Basic Financial Statements**

***Government-Wide Financial Statements***

CITY OF WINDCREST  
 ECONOMIC DEVELOPMENT CORPORATION  
 (A Component Unit of City of Windcrest, Texas)

STATEMENT OF NET POSITION

SEPTEMBER 30, 2013

	Primary Government
	Governmental Activities
<b>ASSETS</b>	
Cash Held by City of Windcrest	\$ 665,621
Accounts Receivable	96,668
Prepaid Items	13,875
Capital Assets	
Construction in Progress	3,303,116
Buildings and Improvements, Net	10,726
Furniture and Equipment, Net	824
	\$ 4,090,830
Total Assets	\$ 4,090,830
<b>LIABILITIES</b>	
Accounts Payable	\$ 40,803
Retainage Payable	309,394
Due to City of Windcrest	40,000
Noncurrent Liabilities:	
Due Within One Year	96,657
Due in More Than One Year	855,242
	1,342,096
Total Liabilities	1,342,096
<b>NET POSITION</b>	
Net Investment in Capital Assets	2,362,767
Restricted for Economic Development Projects	385,967
	\$ 2,748,734
Total Net Position	\$ 2,748,734

The notes to the financial statements are an integral part of this statement.

CITY OF WINDCREST  
 ECONOMIC DEVELOPMENT CORPORATION  
 (A Component Unit of City of Windcrest, Texas)

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2013

Functions/Programs	Expenses	Program Revenue	Net (Expense) Revenue and Changes in Net Position <u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<b>Primary Government:</b>			
Governmental Activities:			
Salaries and Benefits	\$ 61,363	\$ -	\$ (61,363)
Economic Development Projects	24,055	-	(24,055)
Contracted Services	100,750	-	(100,750)
Other	68,187	-	(68,187)
Depreciation on Capital Assets	12,136	-	(12,136)
Debt Service - Interest and Fees	40,487	-	(40,487)
<b>Total Governmental Activities</b>	<b>\$ 306,978</b>	<b>\$ -</b>	<b>(306,978)</b>
General Revenues:			
Sales and Use Taxes			443,534
Interest Income			117
Other Local Revenues			7,047
Transfer from City of Windcrest			75,000
Total General Revenues and Transfer			525,698
Change in Net Position			218,720
Net Position—Beginning			2,530,014
Net Position—Ending			\$ 2,748,734

The notes to the financial statements are an integral part of this statement.

***Governmental Fund Financial Statements***

CITY OF WINDCREST  
 ECONOMIC DEVELOPMENT CORPORATION  
 (A Component Unit of City of Windcrest, Texas)

BALANCE SHEET

SEPTEMBER 30, 2013

	General Fund
<b>ASSETS</b>	
Cash Held by City of Windcrest	\$ 665,621
Accounts Receivable	96,668
Prepaid Items	13,875
Total Assets	\$ 776,164
 <b>LIABILITIES AND FUND BALANCE</b>	
Liabilities	
Accounts Payable	\$ 40,805
Retainage Payable	309,394
Due to City of Windcrest	40,000
Total Liabilities	390,199
Fund Balance	
Restricted for Economic Development Projects	385,965
Total Fund Balance	385,965
Total Liabilities and Fund Balance	\$ 776,164

The notes to the financial statements are an integral part of this statement.

CITY OF WINDCREST  
 ECONOMIC DEVELOPMENT CORPORATION  
 (A Component Unit of City of Windcrest, Texas)

RECONCILIATION OF THE BALANCE SHEET TO THE  
 STATEMENT OF NET POSITION

SEPTEMBER 30, 2013

<b>Total Fund Balance--Governmental Funds</b>	\$	385,965
<p>Capital assets used in governmental activities are not current financial resources and are therefore not reported in governmental funds. At the beginning of the year, the cost of these assets was \$2,011,244 and the accumulated depreciation was (\$56,458). In addition, long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. At the beginning of the year, loan payable was (\$1,292,988) and accrued interest payable was (\$3,385). The net effect of including the beginning balances for capital assets (net of depreciation) and long-term liabilities in the governmental activities is to increase net position.</p>		
		658,413
<p>Transactions related to current year capital outlays and long-term debt are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting, as follows:</p> <ul style="list-style-type: none"> <li>- Capital asset additions totaled \$1,372,018</li> <li>- Principal payments on the loan payable totaled \$341,089</li> <li>- Change in interest payable was \$3,385</li> </ul>		
The net effect is to increase net position.		1,716,492
<p>Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to (decrease) net position.</p>		(12,136)
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>2,748,734</u></b>

The notes to the financial statements are an integral part of this statement.

CITY OF WINDCREST  
 ECONOMIC DEVELOPMENT CORPORATION  
 (A Component Unit of City of Windcrest, Texas)

STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGE IN FUND BALANCE

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	General Fund
<b>REVENUES</b>	
Sales and Use Taxes	\$ 443,534
Interest	117
Miscellaneous	7,047
Total Revenues	450,698
<b>EXPENDITURES</b>	
Current	
Salaries and Benefits	61,363
Economic Development Projects	24,055
Contracted Services	100,750
Other	69,018
Capital Outlay	1,371,187
Debt Service:	
Principal	341,089
Interest	43,872
Total Expenditures	2,011,334
Excess (Deficit) of Revenues Over Expenditures	(1,560,636)
<b>OTHER FINANCING SOURCES</b>	
Transfer from City of Windcrest	75,000
Total Other Financing Sources	75,000
Net Change in Fund Balance	(1,485,636)
Fund Balance - Beginning	1,871,601
Fund Balance - Ending	\$ 385,965

The notes to the financial statements are an integral part of this statement.

CITY OF WINDCREST  
ECONOMIC DEVELOPMENT CORPORATION  
(A Component Unit of City of Windcrest, Texas)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGE IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2013

<b>Total Net Change in Fund Balance--Governmental Funds</b>	\$ (1,485,636)
Transactions related to current year capital outlays and long-term debt are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting, as follows:	
- Capital asset additions totaled \$1,372,018	
- Principal payments on the loan payable totaled \$341,089	
- Change in interest payable was \$3,385	
The net effect is to increase net position.	1,716,492
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to (decrease) net position.	<u>(12,136)</u>
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ 218,720</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF WINDCREST  
ECONOMIC DEVELOPMENT CORPORATION  
(A Component Unit of City of Windcrest, Texas)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Windcrest Economic Development Corporation (the Corporation) is a nonprofit industrial corporation, with powers of taxation, created pursuant to Section 4B Article 5190.6 of Vernon's Texas Civil Statutes as amended. The Corporation was created on September 25, 1998, to act on behalf of the City of Windcrest (the City) for the promotion, development and enhancement of economic development within the City.

The Corporation is considered to be a governmental entity for the purpose of applying accounting and financial reporting standards. Therefore, its basic financial statements are prepared in conformity with generally accepted accounting principles (GAAP) promulgated by the Government Accounting Standards Board (GASB).

**A. Reporting Entity**

The Corporation is a component unit of the City within the meaning of GASB Statement No. 14, *The Financial Reporting Entity* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14 and GASB No. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34* and is included in the City's financial statements as a blended component unit since:

- The Board of Directors is comprised of seven (7) members, appointed by City Council.
- The Board has control over and management supervision of all affairs of the Corporation under the guidance and direction of City Council.
- The City Council approves the Corporation's programs and expenditures.
- A financial benefit/burden exists.

The Corporation does not have any component units.

**B. Government-Wide and Fund Financial Statements**

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Corporation's activities. Governmental activities include programs primarily supported by sales and use taxes.

Net position can be segregated into net investment in capital assets; restricted net position; and, unrestricted net position.

CITY OF WINDCREST  
ECONOMIC DEVELOPMENT CORPORATION  
(A Component Unit of City of Windcrest, Texas)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Statement of Activities demonstrates how other parties or entities that participate in programs the Corporation operates have shared in the payment of the direct costs. Thus, the purpose is to show the degree to which the direct expenses of a given function are offset by program revenues, if any. Direct expenses are those that are clearly identifiable with a specific function. However, all of the Corporation's activities and programs are funded by general revenues (i.e. sales and use taxes).

The governmental fund financial statements provide reports on the financial condition and results of operations for the Corporation's general fund, which is its only fund.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements use 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 the related cash flows.

Governmental fund financial statements use the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, only current assets, current liabilities, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e. revenues and expenditures).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the Corporation considers all revenues available if they are collectible within sixty (60) days after year end. Expenditures generally are recorded in the accounting period in which the fund liability is incurred, if measurable. However, debt service expenditures are recorded only when payment is due.

Sales and use tax revenue is recognized under the susceptible to accrual concept since it is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measureable until actually received. Interest income is recorded as earned, since it is both measureable and available.

**D. Fund Accounting**

The Corporation reports the general fund as the only governmental fund and it is therefore reported as the major fund. The general fund is the Corporation's primary operating fund that is used to account for all financial resources. Major revenue sources include sales and use tax. Expenditures include all costs associated with the daily operations of the Corporation.

CITY OF WINDCREST  
ECONOMIC DEVELOPMENT CORPORATION  
(A Component Unit of City of Windcrest, Texas)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Other Accounting Policies**

1. Cash Held by City of Windcrest

Cash held by the City of Windcrest represents demand deposits and savings accounts, which are controlled jointly by the City and the Corporation.

2. Capital Assets

Capital assets, which include construction in progress and public improvements, are reported in the governmental activities column in the government-wide financial statements. All costs associated with public improvement projects are capitalized. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Capital assets, which include construction in progress, buildings and improvements, vehicles furniture and equipment, and improvements other than buildings, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$2,500 or more or an estimated useful life in excess of three (3) years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Building Improvements	5 – 50
Improvements Other than Buildings	20 – 50
Vehicles	3 – 10
Furniture and Fixtures	3 – 10

3. Long-Term Obligations

In the government-wide financial statements, long-term debt is reported as non-current liabilities in the statement of position.

In the governmental fund financial statements, the face amount of debt issued, if any, is reported as other financing sources.

CITY OF WINDCREST  
ECONOMIC DEVELOPMENT CORPORATION  
(A Component Unit of City of Windcrest, Texas)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

4. Fund Balance

In accordance with GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," the Corporation uses the following criteria when classifying fund balance amounts:

Nonspendable – amounts not in spendable form or that are legally or contractually required to be maintained intact. The Corporation does not have any amounts in this category at September 30, 2013.

Restricted – amounts that can be spent only for the specific purposes stipulated by external resource providers either constitutionally or through enabling legislation. At September 30, 2013, all of the Corporation's fund balance is classified as restricted, in the amount of \$385,965.

Committed – amounts that require Board action to be used for a specific purpose. Formal action to commit funds must occur prior to fiscal year end and can only be modified or removed by the same formal action. The Corporation does not have any amounts in this category at September 30, 2013.

Assigned – amounts that do not require Board approval but are intended to be used for a specific purpose, as determined by an official or body to which the Board has delegated authority. These amounts do not meet the criteria to be classified as restricted or committed. The Corporation does not have any amounts in this category at September 30, 2013.

Unassigned – residual amount in the general fund that is available to finance operating expenditures. The Corporation does not have any amounts in this category at September 30, 2013.

5. Spending Order

Fund balance amounts that are restricted, committed, or assigned are considered to have been spent when an expenditure is incurred for the respective purpose. If an expenditure is incurred that meets the criteria for more than one fund balance category, the Corporation relieves fund balance in the following order: restricted, committed, assigned, and then unassigned.

6. Sales and Use Tax

The City's sales and use tax is currently levied at 2.00% of which .25% is allocated to the Corporation. The sales and use tax is used for the promotion and development of new and expanded business enterprises. During the year, the Corporation recognized \$443,534 in sales and use taxes.

CITY OF WINDCREST  
ECONOMIC DEVELOPMENT CORPORATION  
(A Component Unit of City of Windcrest, Texas)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

7. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

**II. BUDGETARY INFORMATION**

The Board of Directors adopts an annual operating budget for the Corporation, which is approved by the City Council. Formal budgetary accounting is employed as a management control. The original adopted and final amended budget for revenues and expenditures and a comparison of the actual revenues and expenditures in the accompanying financial statements to the final amended budgeted amount is presented. The budget can be amended by the Board of Directors, subject to City Council approval. At September 30, 2013, although the total budgeted expenditures were not exceeded, four (4) individual line items exceeded their budget.

A. Cash Held by City of Windcrest

At September 30, 2013, cash held by the City is comprised of \$665,621 in demand accounts.

These deposits at September 30, 2013 and during the year then ended were entirely covered by FDIC insurance or by pledged collateral held in the name of the City.

*Custodial Credit Risk – Deposits.* The risk that in the event of a bank failure, the Corporation may not be able to recover deposits. At September 30, 2013, the deposits of \$665,621 were held in the City's name and collateralized with pledged securities held in the name of the City. The Federal Reserve Bank is the safekeeping agent.

B. Accounts Receivable

At September 30, 2013, \$96,668 is due from the Texas Comptroller of Public Accounts for collected but unremitted sales and use taxes. This amount is expected to be collected within one (1) year.

CITY OF WINDCREST  
ECONOMIC DEVELOPMENT CORPORATION  
(A Component Unit of City of Windcrest, Texas)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

**III. DETAILED NOTES**

C. Capital Assets

Capital asset activity for the governmental activities for the year ended September 30, 2013, was as follows:

	Balance 10/01/12	Additions	Retirements	Balance 09/30/13
<b>Capital Assets Not Being Depreciated:</b>				
Construction in Progress	\$ 1,934,448	\$ 1,368,668	\$ -	\$ 3,303,116
Total Capital Assets, Not Being Depreciated	<u>1,934,451</u>	<u>1,368,665</u>	<u>-</u>	<u>3,303,116</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings and Improvements	57,430	3,350	-	60,780
Furniture and Equipment	19,364	-	-	19,364
Total Capital Assets, Being Depreciated	<u>76,794</u>	<u>3,350</u>	<u>-</u>	<u>80,144</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings and Improvements	(40,090)	(9,964)	-	(50,054)
Furniture and Equipment	(16,368)	(2172)	-	(18,540)
	<u>(56,458)</u>	<u>(12,136)</u>	<u>-</u>	<u>(68,594)</u>
Total Capital Assets Being Depreciated, Net	<u>20,336</u>	<u>(8,786)</u>	<u>-</u>	<u>11,550</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,954,784</u>	<u>\$ 1,359,882</u>	<u>\$ -</u>	<u>\$ 3,314,666</u>

Depreciation expense of the governmental activities for the current year totaled \$12,136.

CITY OF WINDCREST  
ECONOMIC DEVELOPMENT CORPORATION  
(A Component Unit of City of Windcrest, Texas)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

**III. DETAILED NOTES (Continued)**

D. Loan Payable

During 2011, the Corporation obtained a Texas Leverage Fund (TLF) loan from the Office of the Governor Economic Development and Tourism Division in the amount of \$1,600,000 for the purpose of building a road for handling the increased employment traffic to the Rackspace location in the City. The interest rate is variable based on the federal fund's rate plus 3%; the federal fund's rate ranged from 0.00%-0.25%. The loan has a first lien on economic development sales and use tax receipts.

A summary of changes in the loan payable for the year ended September 30, 2013 follows:

Description	Final Maturity	Interest Rate Payable	Amount Original Issue	Amount Outstanding 10/01/12	Issued	Retired	Amount Outstanding 09/30/13	Amounts Due within One Year
TLF Loan Payable	11/1/2021	Federal Fund's Rate plus 3%	\$1,600,000	\$ 1,292,988	\$ -	\$ 341,089	\$ 951,899	\$ 96,657

Annual debt service requirements to maturity for the loan payable follows:

Year Ending September 30,	Principal	Interest	Total Requirements
2014	\$ 96,657	\$ 27,057	\$ 123,714
2015	108,776	26,184	134,960
2016	112,364	22,596	134,960
2017	116,070	18,890	134,960
2018	119,900	15,060	134,960
2019-2022	398,132	20,970	419,102
Total	\$ 951,899	\$ 130,757	\$ 1,082,656

Interest expense of the governmental activities for the current year totaled \$40,487.

E. Retirement Plan

The Corporation provides pension benefits for all of its fulltime employees through the City's non-traditional, joint contributory, hybrid defined benefit plan in the Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing statutes of TMRS.

CITY OF WINDCREST  
ECONOMIC DEVELOPMENT CORPORATION  
(A Component Unit of City of Windcrest, Texas)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

**III. DETAILED NOTES (Continued)**

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplemental information for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by TMRS. The report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at [www.tMrs.com](http://www.tMrs.com).

The disclosures for plan provisions and contributions to the plan; the required actuarial valuation information; and, required schedule of funding progress are included in the City's Annual Financial Report. The Annual Financial Report can be obtained from the City's Finance Department, 8601 Midcrown, Windcrest, Texas 78239 or from the City's website at [www.ci.windcrest.tx.us](http://www.ci.windcrest.tx.us).

**F. Other Post-Employment Benefits**

The Corporation also participates in the City's cost sharing multiple-employer defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The disclosures for plan provisions and contributions to the plan are included in the City's Annual Financial Report. The Annual Financial Report can be obtained from the City's Finance Department, 8601 Midcrown, Windcrest, Texas 78239 or from the City's website at [www.ci.windcrest.tx.us](http://www.ci.windcrest.tx.us).

**G. Contingencies and Commitments**

Litigation

In previous years the City and the Corporation filed a lawsuit against a former City Manager alleging various causes of action in the nature of fraud and theft of public funds for which he had been indicted. The former City Manager has filed a counterclaim against the City alleging compensation and benefits. The City and Corporation are not considered to be subject to any further liability and have no reasonable expectation of any future recoveries related to the incident.

The City is involved in various legal proceedings and claims arising in the normal course of business. Management does not expect the ultimate resolution of these actions to have a material adverse effect on its financial position.

CITY OF WINDCREST  
ECONOMIC DEVELOPMENT CORPORATION  
(A Component Unit of City of Windcrest, Texas)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

**III. DETAILED NOTES (Continued)**

Commitments

The revitalization and redevelopment of the Walzem Road area includes the redevelopment of Windsor Park Mall (the Mall) for the purpose of providing corporate headquarters to Rackspace U.S., Inc., an internet storage company that plans to relocate a total of 4,500 full-time jobs to the City.

The terms of the agreement call for a long-term direct financing lease to purchase and transfer the Mall to Rackspace U.S., Inc. The Corporation served as a conduit to the transaction and holds title to the Mall in trust for the parties to the transaction, consisting of City of Windcrest, Windcrest Economic Development Company, LLC, (the Developer) and Rackspace U.S., Inc. (the Lessee).

Pursuant to the lease agreement, Rackspace U.S., Inc., advanced \$5,000,000 to the Corporation for the purpose of providing funding to the Developer for infrastructure improvements. The Corporation holds the funds pending development of the planned infrastructure, at which time the funds will be reimbursed for such infrastructure. The Corporation and the City liability for infrastructure is limited to the amount of the original escrowed funds, including interest earned less other agreed upon costs.

The Corporation also serves as a conduit to facilitate the purchase of various tracts of land in the surrounding region commonly referred to as the "180 Acres", for the purpose of development of multi-family housing, retail, office, restaurant, entertainment facilities, and single-family neighborhoods. The Corporation holds the various tracts of land in trust for the Developer (beneficiary), Buddin Properties, LLC (Buddin). The tracts of land are secured by deeds of trust subject to various liens. The liens do not represent debt of the Corporation or the City, and accordingly, have not been reported in the accompanying financial statements.

## **Required Supplementary Information**

CITY OF WINDCREST  
ECONOMIC DEVELOPMENT CORPORATION  
(A Component Unit of City of Windcrest, Texas)

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES</b>				
Sales and Use Taxes	\$ 382,571	\$ 382,571	\$ 443,534	\$ 60,963
Interest	250	250	117	(133)
Miscellaneous	-	-	7,047	7,047
<b>Total Revenues</b>	<b>382,821</b>	<b>382,821</b>	<b>450,698</b>	<b>67,877</b>
<b>EXPENDITURES</b>				
Current				
Salaries and Benefits	83,899	85,837	61,363	24,474
Contracted Services	125,000	125,000	100,750	24,250
Economic Development Projects	-	-	24,055	(24,055)
Other	42,154	40,216	69,018	(28,802)
Capital Outlay	1,813,541	1,813,541	1,371,187	442,354
Debt Service				
Principal	-	-	341,089	(341,089)
Interest	-	-	43,872	(43,872)
<b>Total Expenditures</b>	<b>2,064,594</b>	<b>2,064,594</b>	<b>2,011,334</b>	<b>53,260</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,681,773)	(1,681,773)	(1,560,636)	121,137
<b>OTHER FINANCING SOURCES</b>				
Transfer from City of Windcrest	-	-	75,000	75,000
<b>Net Change in Fund Balance</b>	<b>(1,681,773)</b>	<b>(1,681,773)</b>	<b>(1,485,636)</b>	<b>196,137</b>
Fund Balance - Beginning	1,871,601	1,871,601	1,871,601	-
<b>Fund Balance - Ending</b>	<b>\$ 189,828</b>	<b>\$ 189,828</b>	<b>\$ 385,965</b>	<b>\$ 196,137</b>