

Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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

REPORT ON THE CONDUCT OF AUDIT

For The Year Ended September 30, 2013

Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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

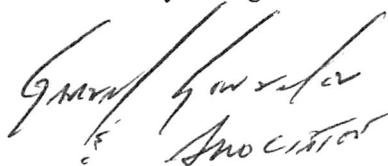
We have audited the financial statements of the City of Windcrest Economic Development Corporation (the Corporation), a component unit of the City of Windcrest, Texas (the City) as of and for the year ended September 30, 2013, and have issued our report thereon dated April 16, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

- the conduct of our audit (Parts I – VIII),
- internal control and other matters (Part IX),

This letter does not affect our report dated April 16, 2014, on the financial statements of the Corporation. Our comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve the internal control structure and ensure compliance with state requirements.

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

We would like to take this opportunity to acknowledge the courtesy and assistance extended by the personnel of the City during the course of our audit.



April 16, 2014

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

REPORT ON THE CONDUCT OF AUDIT

For the Year Ended September 30, 2013

	PAGE
I. The Auditors' Responsibility Under U.S. Generally Accepted Auditing Standards	1
II. Qualitative Aspects of Accounting Practices.....	1
III. Difficulties Encountered in Performing the Audit.....	1
IV. Corrected and Uncorrected Misstatements	2
V. Disagreements with Management.....	2
VI. Management Representations	2
VII. Management Consultations with Other Independent Accountants	2
VIII. Other Issues.....	2
IX. Internal Control and Other Matters.....	3-4

I. The Auditors' Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated October 16, 2013, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit we considered the internal control of the Corporation. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

II. Qualitative Aspects of Accounting Practices

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Corporation are described in Note I to the financial statements. We noted no transactions entered into by the Corporation during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Corporation's financial statements is depreciation, which is based on estimated useful lives of the respective capital asset class.

We evaluated the key factors and assumptions used to develop the above estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The financial statement disclosures are neutral, consistent, and clear.

III. Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

IV. Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. These audit adjustments had the net effect of decreasing expenditures and liabilities by \$86,836. The purpose of these adjustments was to reverse expenditures and accounts payable related to the prior year.

V. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

VI. Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 16, 2014.

VII. Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Corporation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us or determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

VIII. Other Issues

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management regarding the measurement and presentation to determine that the information complies with accounting principles generally accepted in the United States of America. However, we did not audit the information and express no opinion on it.

Matters Discussed with Management Prior to Appointment

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to appointment as the Corporation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our appointment.

IX. Internal Control and Other Matters

PRIOR YEAR COMMENTS

All comments from the prior year were satisfactorily resolved except for the following:

Capital Assets

Our review of internal controls over capital assets indicated the following:

- The capital asset policy does not identify the different types of capital asset classes (i.e. land, buildings, etc.) which are considered capital assets or their useful lives.
- A physical count of capital assets was not performed in the current year and staff is unaware of the date the latest one occurred. As a result, the capital asset subsidiary list may not include all capital assets and may include items that are no longer present.
- Useful lives for furniture and equipment, including vehicles, may not be reasonable since a significant portion of these assets are fully depreciated and yet are still in use.

We recommend the Corporation:

- Include the various capital asset classes and their descriptions and useful lives in the City's asset policy.
- Perform a complete physical inventory count of capital assets at least every two years and reconcile the subsidiary list to the control accounts.
- Review the useful lives of asset classes to ensure the useful lives are reasonable.

Management's Response

A capital asset policy was drafted and presented before City Council. The City Council tabled it until a future date.

Staff has completed a review of the capital assets and identified the items to be updated, or removed once an auction occurs.

Review of the useful lives in the INCODE software program will be reviewed against the capital asset policy once it is approved by City Council.

Depository Accounts/Investments

Section 4.4(b) of the Corporation's charter and bylaws state: "Subject to the requirements of contracts, loan agreements, indentures or other agreements securing obligations, all other money of the Corporation, if any, shall be deposited, secured, and/or invested in the manner consistent with, but separated from, the deposits, securities, financial accounts, depositories and/or investments of the public funds of the City." Currently, all Corporation's funds are held by and are in the name of the City of Windcrest, but are identified as belonging to the Corporation.

We recommend the Corporation establish depository/investments accounts in its own name, subject to City Council approval, to comply with its charter and by-laws.

Management's Response

The EDC Board of Directors has established a committee to review, investigate and recommend changes to its investment policies and procedures. These will be presented to the EDC Board and City Council.