

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

FINANCIAL STATEMENTS

For the Fiscal Year Ended  
September 30, 2017

PREPARED BY:  
THE FINANCE DEPARTMENT

**abip**

CPAs | ADVISORS

CLIENT **FOCUSED**. RELATIONSHIP **DRIVEN**.

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

**TABLE OF CONTENTS**

**September 30, 2017**

	<u>PAGE</u>
<b>Independent Auditors' Report.....</b>	<b>1-2</b>
<b>Management's Discussion and Analysis.....</b>	<b>3-7</b>
<b>Basic Financial Statements:</b>	
<b>Government-Wide Financial Statements:</b>	
<b>Statement of Net Position .....</b>	<b>11</b>
<b>Statement of Activities.....</b>	<b>12</b>
<b>Fund Financial Statements:</b>	
<b>Balance Sheet .....</b>	<b>13</b>
<b>Reconciliation of the Balance Sheet of Governmental Funds     to the Statement of Net Position.....</b>	<b>14</b>
<b>Statement of Revenues, Expenditures and Changes in Fund Balances .....</b>	<b>15</b>
<b>Reconciliation of the Statement of Revenues, Expenditures,     and Changes in Fund Balances of Governmental Funds     to the Statement of Activities.....</b>	<b>16</b>
<b>Notes to the Financial Statements .....</b>	<b>17-27</b>
<b>Required Supplementary Information:</b>	
<b>Schedule of Revenues, Expenditures, and Changes in Fund Balance -     Budget and Actual.....</b>	<b>31</b>
<b>Schedule of Changes in Net Pension Liability and Related Ratios .....</b>	<b>32</b>
<b>Schedule of Contributions.....</b>	<b>33</b>
<b>Notes to Required Supplementary Information.....</b>	<b>34</b>
<b>Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....</b>	<b>35-36</b>

(This page is intentionally left blank)

INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of  
City of Windcrest Economic Development Corporation  
Windcrest, Texas

**Report on the Financial Statements**

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, Texas, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

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

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

**Auditors' Responsibility**

Our responsibility is to express an opinion 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 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, 2017, 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 3 through 7 and 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2018, on our consideration of the 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* in considering the Corporation's internal control over financial reporting and compliance.

ABIP, PC

San Antonio, Texas  
May 10, 2018

**CITY OF WINDCREST, TEXAS  
ECONOMIC DEVELOPMENT CORPORATION**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the financial performance of the City of Windcrest Economic Development Corporation (the "Corporation"), a component unit of the City of Windcrest, Texas (the "City"), provides an overview of the Corporation's financial activity for the fiscal year ended September 30, 2017. It should be read in conjunction with the accompanying financial statements.

**FINANCIAL HIGHLIGHTS**

- The Corporation's assets exceeded its liabilities by \$217,214 (net position) at September 30, 2017. The Corporation commonly constructs capital assets that are transferred to the City upon completion. The deficit net position will eventually be eliminated by sales taxes collected in future years.
- The Corporation's total revenues were \$523,204, while total expenses were \$244,326, thereby increasing the Corporation's net position by \$278,878.
- The Corporation reported an ending fund balance of \$218,774 an increase of \$192,977 after the restatement of prior fund balance.

**USING THIS ANNUAL FINANCIAL REPORT**

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

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

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 position may serve as a useful indicator of whether the Corporation's financial condition 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 sales taxes).

Both the government-wide financial statements include functions of the Corporation that are principally supported by sales tax revenues (governmental activities). The government-wide financial statements can be found on pages 11-12.

**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 governmental fund statement of revenues, expenditures, and changes 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, 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 basic governmental fund financial statements can be found on pages 13-16 of this report.

**Notes to the Financial Statements** – The notes provide additional information that is essential to the 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 17-27 of this report.

**Required Supplementary Information** – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The Corporation adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. Required supplementary information can be found on pages 31-34 of this report.

**Statement of Net Position**

Table 1 shows all assets and liabilities of the Corporation and is presented on the accrual basis of accounting.

TABLE 1  
CITY OF WINDCREST  
ECONOMIC DEVELOPMENT CORPORATION  
STATEMENT OF NET POSITION  
SEPTEMBER 30,

	2017	2016
<b>ASSETS</b>		
Cash	\$ 301,636	\$ 480,538
Taxes receivable	121,775	91,933
Capital assets (net of accumulated depreciation)	614	1,284
Total assets	424,025	573,755
 <b>DEFERRED OUTFLOW OF RESOURCES</b>		
Deferred outflows related to pensions	904	-
 <b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	-	1,252
Interest payable	-	2,613
Accrued Liabilities	626	-
Due to City of Windcrest	145,000	145,000
Due to other governments	59,011	14,468
 Noncurrent liabilities:		
Due within one year	-	132,406
Due in more than one year	-	312,009
Net pension liability	3,076	-
Total liabilities	207,713	607,748
 <b>DEFERRED OUTFLOW OF RESOURCES</b>		
Deferred inflows related to pensions	2	-
 <b>NET POSITION</b>		
Investment in capital assets	614	1,284
Restricted for economic development	216,600	(35,277)
Total net position	\$ 217,214	\$ (33,993)

The Corporation's assets exceeded its liabilities by \$217,214 (net position) at September 30, 2017. The Corporation regularly constructs capital assets that are transferred to the City upon completion.

**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 primarily of the ¼ cent sales tax the Corporation receives for economic development. The total cost of all projects and services was \$231,104.

TABLE 2  
CITY OF WINDCREST  
ECONOMIC DEVELOPMENT CORPORATION  
CHANGE IN NET POSITION  
SEPTEMBER 30,

	2017	2016
<b>REVENUES</b>		
Sales taxes	\$ 522,103	\$ 571,747
Interest income	1,101	386
Other	-	30,000
Total revenues	523,204	602,133
<b>EXPENSES</b>		
Economic development	231,104	176,492
Interest	13,122	17,964
Total expenses	244,226	194,456
<b>CHANGES IN NET POSITION</b>	278,978	407,677
<b>NET POSITION - BEGINNING</b>	(33,993)	(441,670)
<b>RESTATEMENT OF NET POSITION</b>	(27,771)	-
<b>NET POSITION - BEGINNING, AS RESTATED</b>	(61,764)	(441,670)
<b>NET POSITION - ENDING</b>	\$ 217,214	\$ (33,993)

Total revenues decreased \$78,929 from the prior year, primarily due to a \$49,644 decrease in sales taxes. Expenses increased \$49,870 from the prior year. This resulted in an increase of \$251,207 in net position.

**FINANCIAL ANALYSIS OF THE GENERAL FUND**

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

**General fund** – The focus of the Corporation’s general 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 year, the Corporation’s general fund reported an ending fund balance of \$218,774, a decrease of \$192,977 from the prior year after the restatement of fund balance.

## **BUDGETARY HIGHLIGHTS**

At the end of the current fiscal year, actual revenues were \$12,954 more than budgetary estimates and actual expenditures were less than budgetary estimates by \$128,772. As a result, fund balance increased \$141,726 more than the final amended budgeted increase.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets** – The Corporation’s net investment in capital assets for its governmental activities as of September 30, 2017 amounted to \$614 (net of accumulated depreciation). Please refer to Note 3 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 paid-off its outstanding note payable. More detailed information about the Corporation’s long-term liabilities is presented in Note 3 of the notes to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR’S BUDGET**

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’s finance office.

(This page is intentionally left blank)

**BASIC FINANCIAL STATEMENTS**

(This page is intentionally left blank)

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

**STATEMENT OF NET POSITION  
For the year ended September 30, 2017**

	Governmental Activities
<b>ASSETS</b>	
Cash	\$ 301,636
Taxes receivable	121,775
Capital assets:	
Buildings and improvements	3,350
Less: accumulated depreciation	(2,736)
Total assets	424,025
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	904
 <b>LIABILITIES</b>	
Accrued Liabilities	626
Due to the City of Windcrest	145,000
Due to other governments	59,011
Noncurrent liabilities:	
Net Pension Liability	3,076
Total liabilities	207,713
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	2
 <b>NET POSITION</b>	
Investments in capital assets	614
Restricted	216,600
Total net position	\$ 217,214

(The accompanying notes are an integral part of these statements)

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

**STATEMENT OF ACTIVITIES  
For the year ended September 30, 2017**

Functions / Programs	Expenses	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			Governmental Activities
<b>Governmental Activities:</b>			
Economic development	\$ 231,104	\$ -	\$ (231,104)
Interest	<u>13,122</u>	<u>-</u>	<u>(13,122)</u>
Total governmental activities	<u>\$ 244,226</u>	<u>\$ -</u>	<u>(244,226)</u>
<b>General revenues:</b>			
			522,103
			<u>1,101</u>
			<u>523,204</u>
			278,978
			<u>(33,993)</u>
			<u>(27,771)</u>
			<u>(61,764)</u>
			<u>\$ 217,214</u>

(The accompanying notes are an integral part of these statements)

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

**BALANCE SHEET  
For the year ended September 30, 2017**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash	\$ 301,636
Taxes receivable	121,775
Total assets	<u>\$ 423,411</u>
<b>LIABILITIES</b>	
Accrued liabilities	\$ 626
Due to the City of Windcrest	145,000
Due to other governments	59,011
Total liabilities	<u>204,637</u>
<b>FUND BALANCES</b>	
Restricted:	
Economic development	<u>218,774</u>
Total liabilities and fund balances	<u>\$ 423,411</u>

(The accompanying notes are an integral part of these statements)

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

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
For the year ended September 30, 2017**

Total fund balances - governmental funds balance sheet	\$ 218,774
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets (net of accumulated depreciation) used in governmental funds are not financial resources and, therefore, are not reported in the funds.	614
Long-term liabilities, including net pension liability, are not due and payable in the current period and, therefore, are not reported in the funds.	(3,078)
Deferred outflows of resources and deferred inflows of resources related to pensions are not reported in the funds.	<u>904</u>
Net position of governmental activities - statement of net position	<u>\$ 217,214</u>

(The accompanying notes are an integral part of these statements)

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

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
For the year ended September 30, 2017**

REVENUES	
Sales taxes	\$ 522,103
Investment earnings	<u>1,101</u>
Total revenues	<u>523,204</u>
EXPENDITURES	
Current:	
Economic development	228,260
Debt service:	
Principal	444,415
Interest	<u>15,735</u>
Total expenditures	<u>688,410</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(165,206)</u>
Fund balance - October 1 (beginning)	<u>411,751</u>
Restatement of fund balance	<u>(27,771)</u>
Fund balance - beginning, as restated	<u>383,980</u>
Fund balance - September 30 (ending)	<u>\$ 218,774</u>

(The accompanying notes are an integral part of these statements)

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

**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, 2017**

Net change in fund balances - total governmental funds	\$ (165,206)
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation of capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation is not reported as expenditures in the governmental funds.	(670)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This reconciling item reflects the net of such expenses.	(2,174)
The issuance of long-term debt (e.g., bonds and notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the net effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This reconciling item represents the net effect of these differences in the treatment of long-term debt and related items.	
Repayment of principal of long-term debt	444,415
Payment of interest payable	<u>2,613</u>
Change in net position of governmental activities - statement of activities	<u>\$ 278,978</u>

(The accompanying notes are an integral part of these statements)

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

**NOTES TO THE FINANCIAL STATEMENTS  
For the year ended September 30, 2017**

**(1) 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 (V.T.C.S.), 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 Governmental Accounting Standards Board (GASB).

**Reporting entity**

The Corporation is a component unit of the City. Accordingly, it is included in the City's financial statements as a discretely presented component unit. The reasons for meeting this criteria follow:

- 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 itself does not have any component units.

**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 taxes.

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

The Statement of Activities demonstrates 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 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.

**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 the expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

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

**NOTES TO THE FINANCIAL STATEMENTS  
For the year ended September 30, 2017**

**(1) Summary of significant accounting policies (continued)**

**Measurement focus, basis of accounting, and financial statement presentation (continued)**

Governmental-wide 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 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 measurable until actually received. Interest income is recorded as earned, since it is both measurable and available.

**Fund accounting**

The Corporation reports the general fund as its only fund and is considered to be a 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 taxes. Expenditures include all costs associated with the daily operations of the Corporation.

**Other accounting policies**

**1. Cash**

The Corporation's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**2. Capital assets**

Capital assets, which include construction in progress, buildings and improvements, vehicles, furniture and equipment, and improvements other than buildings, are reported in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$2,500 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed.

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

**NOTES TO THE FINANCIAL STATEMENTS  
For the year ended September 30, 2017**

(1) Summary of significant accounting policies (continued)

Other accounting policies (continued)

2. Capital assets (continued)

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:

<u>Assets</u>	<u>Years</u>
Building improvements	5 – 50
Improvements other than buildings	20 – 50
Vehicles	3 – 10
Furniture and equipment	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 Net Position.

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

4. Fund balance

The Corporation uses the following criteria when classifying fund balance amounts:

*Nonspendable* – amounts that are not in spendable form or are required to be maintained intact.

*Restricted* – amounts that can be spent only for specific purposes stipulated by external resource providers either constitutionally or through enabling legislation. At September 30, 2017, the Corporation had \$218,774 in restricted fund balance.

*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.

*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.

*Unassigned* – residual amount of the general fund that is available to finance operating expenditures.

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

**NOTES TO THE FINANCIAL STATEMENTS  
For the year ended September 30, 2017**

(1) Summary of significant accounting policies (continued)

Other accounting policies (continued)

5. Net position flow assumptions

Sometimes the Corporation will fund outlays for a particular purpose from both restricted and unrestricted sources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Corporation’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

6. Fund balance flow assumptions

Sometimes the Corporation will fund outlays for a particular purpose from both restricted and unrestricted sources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Corporation’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

7. Sales tax

The City’s sales tax is currently levied at 2.00% of which .25% is allocated to the Corporation. The sales tax is used for the promotion and development of new and expanded business enterprises. During the year, the Corporation recognized \$522,103 in sales taxes.

8. 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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
For the year ended September 30, 2017**

**(2) 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 as required supplementary information. The budget can be amended by the Board of Directors, subject to City Council approval. During the year ended September 30, 2017, total expenditures were \$128,772 less than budgeted expenditures.

**(3) Detailed notes**

**Cash**

At September 30, 2017, cash is comprised of \$301,636 in demand accounts.

Custodial credit risk – deposits. This is the risk that, in the event of a bank failure, the Corporation may not be able to recover deposits. At September 30, 2017, the deposits of \$301,636 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.

**Taxes receivable**

At September 30, 2017, \$121,775 is due from the Texas Comptroller of Public Accounts for collected but unremitted sales taxes.

**Capital assets**

Capital asset activity for the governmental activities for the year ended September 30, 2017, was as follows:

	<u>Balance 10/1/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/17</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 3,350	\$ -	\$ -	\$ 3,350
Total capital assets being depreciated	3,350	-	-	3,350
Less: accumulated depreciation for:				
Buildings and improvements	(2,066)	(670)	-	(2,736)
Total accumulated depreciation	(2,066)	(670)	-	(2,736)
Total capital assets being depreciated, net	<u>1,284</u>	<u>(670)</u>	<u>-</u>	<u>614</u>
Governmental activities capital assets, net	<u>\$ 1,284</u>	<u>\$ (670)</u>	<u>\$ -</u>	<u>\$ 614</u>

Depreciation expense of governmental activities for the current year totaled \$670.

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

**NOTES TO THE FINANCIAL STATEMENTS  
For the year ended September 30, 2017**

**(3) Detailed notes (continued)**

**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 tax receipts.

A summary of changes in the loan payable for the year ended September 30, 2017 follows:

Description	Final Maturity	Interest Rate Payable	Amount Outstanding 10/1/16	Issued / Additions	Retired / Payments	Amount Outstanding 9/30/17	Due Within One Year
		Federal Fund's					
TLF Loan Payable	1/1/2020	rate plus 3%	\$ 444,415	\$ -	\$ (444,415)	\$ -	\$ -

Interest expense for the current year totaled \$15,735.

**Employee Retirement System**

**Plan Description**

The employees of the Corporation participate in the City's retirement plan. The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

All eligible employees of the City are required to participate in TMRS.

**Benefits Provided**

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes

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

**NOTES TO THE FINANCIAL STATEMENTS  
For the year ended September 30, 2017**

**(3) Detailed notes (continued)**

**Employee Retirement System (continued)**

**Benefits Provided (continued)**

governing TMRS. Members are eligible to retire at age sixty (60) and above with five (5) or more years of service or with twenty (20) years of service regardless of age. A member is vested after five (5) years. The contribution rate for the employees is 6%, and the City matching percent is currently 1.5 to 1.

**Employees Covered by Benefit Terms**

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	-
Active employees	1

**Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the Corporation were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 7.25% and 7.77% for calendar years 2016 and 2017 respectively. The Corporation's contributions to TMRS for the year ended September 30, 2017 and 2016 were \$1,110 and \$-, and were equal to the required contributions.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**Actuarial assumptions:**

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall Payroll Growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

**NOTES TO THE FINANCIAL STATEMENTS  
For the year ended September 30, 2017**

**(3) Detailed notes (continued)**

Employee Retirement System (continued)

Net Pension Liability (continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

<u>ASSET CLASS</u>	<u>TARGET ALLOCATION</u>	<u>LONG-TERM EXPECTED REAL RATE OF RETURN (ARITHMETIC)</u>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	<u>5.0%</u>	7.75%
Total	100.0%	

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

**NOTES TO THE FINANCIAL STATEMENTS  
For the year ended September 30, 2017**

**(3) Detailed notes (continued)**

**Employee Retirement System (continued)**

**Net Pension Liability (continued)**

**Discount Rate**

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**Changes in the Net Pension Liability**

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2015	\$ 36,243	\$ 33,447	\$ 2,796
Changes for the year:			
Service Cost	1,654	-	1,654
Interest	2,459	-	2,459
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	110	-	110
Changes of Assumptions	-	-	-
Contributions - Employer	-	935	(935)
Contributions - Employee	-	774	(774)
Net Investment Income	-	2,261	(2,261)
Benefit Payments, Including Refunds			
of Employee Contributions	(1,288)	(1,288)	-
Administrative Expense	-	(26)	26
Other Changes	-	(1)	1
Net Changes	<u>2,935</u>	<u>2,655</u>	<u>280</u>
Balance at December 31, 2016	<u>\$ 39,178</u>	<u>\$ 36,102</u>	<u>\$ 3,076</u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
For the year ended September 30, 2017**

**(3) Detailed notes (continued)**

Employee Retirement System (continued)

Net Pension Liability (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Corporation, calculated using the discount rate of 6.75%, as well as what the Corporation's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
\$ 9,172	\$ 3,076	\$ (1,824)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmr.com](http://www.tmr.com).

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2017, the Corporation recognized pension expense of \$1,764.

At September 30, 2017, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Economic Experience	\$ 73	\$ -
Changes in Actuarial Assumptions	-	-
Difference Between Projected and Actual Investment Earnings	-	2
Contributions Subsequent to the Measurement Date	831	-
Total	\$ 904	\$ 2

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

**NOTES TO THE FINANCIAL STATEMENTS  
For the year ended September 30, 2017**

**(3) Detailed notes (continued)**

**Employee Retirement System (continued)**

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

\$831 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended September 30,</u>		
2018	\$	35
2019		35
2020		2
2021		(1)
2022		-
Thereafter		-
Total	<u>\$</u>	<u>71</u>

**Commitments**

In 2007, the City of Windcrest and the Corporation entered into an agreement with the City of San Antonio, Texas, under which the City of San Antonio released an area from its jurisdiction and allowed for the City of Windcrest to accept and annex the area into the municipal limits of the City of Windcrest. The boundary change agreement provides for the sharing of future tax revenues on the annexed area for the next 30 years. Under the terms of the agreement, the City of San Antonio and the City of Windcrest each receive 50% of the local sales taxes due to the City of Windcrest and distributed by the State Comptroller for taxable business activity conducted on the annexed area. During the fiscal year ended September 30, 2017 the Corporation received \$191,232 in sales tax revenue from the annexed area.

**Restatement of Fund Balance and Net Position**

During the fiscal year ended September 30, 2017 the Corporation restated its general fund balance by reducing it \$27,771 for sales tax overpaid in previous years by a business in the Corporation's taxing jurisdiction. The restatement also reduced the net position by the same amount on the statement of activities.

**(This page is intentionally left blank)**

**REQUIRED SUPPLEMENTARY INFORMATION**

(This page is intentionally left blank)

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

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
For the year ended September 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Sales taxes	\$ 510,000	\$ 510,000	\$ 522,103	\$ 12,103
Investment earnings	250	250	1,101	851
Total revenues	<u>510,250</u>	<u>510,250</u>	<u>523,204</u>	<u>12,954</u>
<b>EXPENDITURES</b>				
Current:				
Salaries and benefits	156,243	156,243	81,394	74,849
Economic development projects	123,000	123,000	74,120	48,880
Other	80,320	80,320	72,746	7,574
Debt service:				
Principal retirement	138,180	444,415	444,415	-
Interest	13,204	13,204	15,735	(2,531)
Total expenditures	<u>510,947</u>	<u>817,182</u>	<u>688,410</u>	<u>128,772</u>
Excess (deficiency) of revenues over (under) expenditures	(697)	(306,932)	(165,206)	141,726
Fund balance, beginning	<u>411,751</u>	<u>411,751</u>	<u>411,751</u>	<u>-</u>
Restatement of fund balance	<u>(27,771)</u>	<u>(27,771)</u>	<u>(27,771)</u>	<u>-</u>
Fund balance - beginning, as restated	<u>383,980</u>	<u>383,980</u>	<u>383,980</u>	<u>-</u>
Fund balance, ending	<u>\$ 383,283</u>	<u>\$ 77,048</u>	<u>\$ 218,774</u>	<u>\$ 141,726</u>

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

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
For the measurement period ended December 31,**

	2016
<b>Total Pension Liability</b>	
Service Cost	\$ 1,654
Interest (on the Total Pension Liability)	2,459
Changes of Benefit Terms	-
Difference Between Expected and Actual Experience	110
Change of Assumptions	-
Benefit Payments, Including Refunds of Employee Contributions	(1,288)
Net Change in Total Pension Liability	2,935
Total Pension Liability - Beginning	36,243
Total Pension Liability - Ending (a)	\$ 39,178
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 935
Contributions - Employee	774
Net Investment Income	2,261
Benefit Payments, Including Refunds of Employee Contributions	(1,288)
Administrative Expense	(26)
Other	(1)
Net Change in Plan Fiduciary Net Position	2,655
Plan Fiduciary Net Position - Beginning	33,447
Plan Fiduciary Net Position - Ending (b)	\$ 36,102
Net Pension Liability (a) - (b)	\$ 3,076
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	92.15%
Covered Employee Payroll	12,894
Net Pension Liability as a Percentage of Total Covered Employee Payroll	23.86%

\*GASB 68 requires 10 fiscal years of data to be provided in this schedule. This is the first year of implementation of GASB 68. The City will develop the schedule prospectively.

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

**SCHEDULE OF CONTRIBUTIONS  
For the year ended September 30, 2017**

	<u>2017</u>
Actuarially Determined Contributions	\$ 1,082
Contributions in Relation to the Actuarially Determined Contributions	<u>1,082</u>
Contribution Deficiency (Excess)	-
Covered Employee Payroll	12,894
Contributions as a Percentage of Covered Employee Payroll	8.39%

\*GASB 68 requires 10 fiscal years of data to be provided in this schedule. This is the first year of implementation of GASB 68. The City will develop the schedule prospectively.

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
For the year ended September 30, 2017**

Budgets

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 as required supplementary information. The budget can be amended by the Board of Directors, subject to City Council approval. During the year ended September 30, 2017, total expenditures were \$177,463 more than budgeted expenditures.

Schedule of Contributions

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 Years
Asset Valuation Method	10 Year Smoothed Market, 15% Soft Corridor
Inflation	2.50%
Salary Increases	3.5% to 10.50% Including Inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information

There were no benefit changes during the year.

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

To: The Board of Directors of  
City of Windcrest Economic Development Corporation  
Windcrest, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the City of Windcrest Economic Development Corporation (the "Corporation"), a component unit of the City of Windcrest, Texas, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated May 10, 2018.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ABIP, PC

San Antonio, Texas  
May 10, 2018

[WWW.ABIPCPA.COM](http://WWW.ABIPCPA.COM)

CLIENT **FOCUSED.** RELATIONSHIP **DRIVEN.**