

March 24, 2021

Garza/Gonzalez and Associates CPAs

207 Arden Grove

San Antonio, Texas 78215

This representation letter is provided in connection with your audit(s) of the financial statements of the Brooks Development Authority (BDA), which comprise the respective financial position the business-type activities as of September 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of March 24, 2021, the following representations made to you during your audit.

**Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 5, 2020, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

- 7) Adjustments recommended by the auditors have been discussed and we have agreed to record them.
- 8) Events occurring subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements have been reflected in the financial statements.
- 9) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole.
- 10) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 11) Guarantees, whether written or oral, under which the Authority is contingently liable, if any, have been properly recorded or disclosed.

### Information Provided

- 12) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of the Authority or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 13) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 14) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 15) We have no knowledge of any fraud or suspected fraud that affects the Authority and involves—
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 16) We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority's financial statements communicated by employees, former employees, regulators, or others.
- 17) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 18) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 19) We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.

## Government-specific

- 20) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 21) We have provided our views on reported findings, conclusions, and recommendations.
- 22) The Authority has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 23) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 24) We have identified and disclosed to you that no instances have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 25) We have identified and disclosed to you that no instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 26) There are no violations or possible violations of provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 27) The Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as disclosed in the financial statements.
- 28) The Authority has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 29) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 30) Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
- 31) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 32) Provisions for uncollectible receivables have been properly identified and recorded.
- 33) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 34) Revenues are appropriately classified in the statement of activities.
- 35) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 36) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

- 37) We have appropriately disclosed the Authority's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 38) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

Signature: *[Handwritten Signature]*  
Title: *Chief Operating Officer*

Signature: *Tamara Alvarado*  
Title: *Senior Accounting Mgr.*

**BROOKS DEVELOPMENT AUTHORITY**

San Antonio, Texas

**REPORT ON CONDUCT OF AUDIT**

Year Ended September 30, 2020



# Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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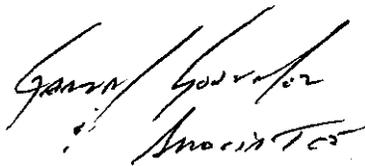
Board of Directors  
Brooks Development Authority  
San Antonio, Texas

We have audited the financial statements of the business-type activities of Brooks Development Authority (BDA) for the year ended September 30, 2020, and have issued our report dated March 24, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 24, 2021. Professional standards also require that we communicate to you the information contained in parts I through IX related to our audit.

We noted certain matters involving the internal control, compliance and operational matters that are presented for your consideration. Our comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies and are summarized in part X.

This report is intended solely for the use of the Board of Directors of BDA and management 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 BDA during the course of our audit.

A handwritten signature in black ink, appearing to read "Garza/Gonzalez & Associates". The signature is stylized and cursive, with the company name written below the main signature line.

March 24, 2021

BROOKS DEVELOPMENT AUTHORITY  
San Antonio, Texas

REPORT ON CONDUCT OF AUDIT

Year Ended September 30, 2020

TABLE OF CONTENTS

	PAGE
I. Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards .....	1
II. Planned Scope, Timing of the Audit, and Other .....	1
III. Qualitative Aspects of Accounting Practices .....	2
IV. Difficulties Encountered in Performing the Audit .....	2
V. Corrected and Uncorrected Misstatements .....	3
VI. Disagreements with Management .....	3
VII. Management Representations .....	3
VIII. Management Consultation with Other Independent Accountants .....	3
IX. Other Issues.....	3-4
X. Other Comments and Recommendations.....	4-5

## **I. Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards**

As stated in our engagement letter dated June 5, 2020, our responsibility, as described by professional standards, is to express opinions 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 BDA. Such considerations are solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the BDA's financial statements are free of material misstatement, we performed tests of BDA's compliance with certain provisions of laws, regulations, contracts and grants. However, providing an opinion on compliance with those provisions was not an objective of our audit.

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. Planned Scope, Timing of the Audit, and Other**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

### **III. Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by BDA are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended September 30, 2020. We noted no transactions entered into by BDA during the year 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 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 following represents the most sensitive estimates affecting the financial statements:

- Depreciation expense based on a straight-line basis on the useful lives of the asset.
- Accrued liabilities based on management's current judgments.
- Accounts Receivable and the related allowance for doubtful accounts based on historical collections
- Accrued employee earned paid time off based on current pay rates but earned at prior rates
- The value of hedged derivative instruments and the related liability based on 3<sup>rd</sup> party valuations

We evaluated the key factors and assumptions used to develop the accounting estimate in determining that the estimates are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users.

The most significant disclosures are as follows:

- Cash and Cash Equivalents
- Accounts receivable
- Capital Assets
- Notes payable and Long-Term Liabilities
- Operating Leases

The financial statement disclosures are neutral, consistent, and clear.

### **IV. Difficulties Encountered in Performing the Audit**

We encountered some difficulties in obtaining financial statements and supporting data from various enterprise entities that delayed the completion of our audit. In addition, two key employees left BDA during audit fieldwork requiring additional audit effort, correspondence, and reconciliation of the financial data provided by BDA.

## **V. 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. The audit adjustments necessary to correct misstatements were as follows:

- Increase Property Owners Association expense and increase due to/from in the amount of \$2,232,110 for property owners' assessments, this entry is eliminated in the combining financial statements.
- Decrease in beginning net assets and due to/from in the amount of \$4,255,923 for the prior year Property Owners Association activity. This entry was not adopted as a beginning entry although proposed and adopted as of September 30, 2019.

## **VI. Disagreements with Management**

For purposes of this letter, a disagreement with management is 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.

## **VII. Management Representations**

We have requested certain representations from management that are included in the management representation letter dated March 24, 2021.

## **VIII. Management Consultation 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 governmental unit'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 to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## **IX. Other Issues**

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

### *Required Supplementary Information*

We applied certain limited procedures to the management's discussion and analysis, which is a required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

*Other Information in Documents Containing Audited Financial Statements*

We are not aware of any other documents that contain the audited financial statements and the auditor's report thereon. If we become aware that such documents were published, we would have a responsibility to read such information, in order to identify material inconsistencies, if any, with the audited financial statements.

**X. Other Comments and Recommendations**

**Internal Control and Financial Management of Enterprises**

The enterprise activity of the BDA enterprises was not provided on a complete and timely basis to perform our planned audit procedures. This resulted in various corrections to the enterprise financial statements proposed during the audit process. During the year management reviews the financial activity of the enterprises for immediate needs such as cash and facility improvements and remediation; however, review and approval of the accounting and reporting processes are limited and do not include review of the enterprise general ledger.

We recommend management review the enterprise activity in detail on a quarterly basis. This review should ensure that all transactions are properly recorded in their accounting system and that:

- Cash is properly reconciled,
- That capitalized items meet Brooks Development Authority policies, and
- That beginning net assets agree to prior year financials.

BDA management should ensure financial statements are correctly presented and reconciled during each quarter period and at year-end.

**Management Response**

Based on the recommendation, we will review with greater frequency and in more detail all enterprise activity on a quarterly basis. We will also take steps to shift more enterprise audit activity earlier in the process. This will not only help accommodate the operators that have additional responsibilities to calendar year-end clients, but will provide more time to address any questions from BDA or the auditors.

## **New Governmental Accounting Standards**

The management of BDA should review the following new GASB standards and prepare for implementation. The following standards may impact BDA's accounting and presentation of the financial statements:

GASBS 87 Leases was originally expected to be effective for the fiscal year 2020, however GASBS 95 extended the effective date to fiscal year 2022. The significant authoritative guidance included in GASBS 87 affects the accounting and reporting of lease agreements currently considered to be operating leases. For fiscal year 2022 GASBS 87 will be requiring the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources based on the payment provisions of the contract. GASBS 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASBS 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASBS 94 Public-Private and Public-Public Partnerships and Availability Payment Arrangements A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. GASBS 94 effective date was not extended by GASBS 95, therefore the County will be expected to implement GASBS 94 upon the original effective date for the fiscal year 2023.

We recommend that the BDA assess the effect, if any, to the accounting and reporting requirements of newly issued GASB authoritative guidance that will become effective in subsequent years including the pronouncements included above, that are expected to have a significant effect on the BDA's accounting and reporting requirements. Additional information on GASB authoritative guidance is publicly available at <https://www.gasb.org>.

# Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

June 5, 2020

Ms. Samantha Carneiro  
Chief Financial Officer  
Brooks Development Authority  
3201 Sidney Brooks  
San Antonio, Texas 78235

Dear Ms. Carneiro:

We are pleased to confirm our understanding of the services we are to provide the Brooks Development Authority (BDA) for the year ended September 30, 2020. We will audit the financial statements and the related notes to the financial statements, which collectively comprise the basic financial statements, of the BDA as of and for the year ended September 30, 2020.

Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement BDA's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to BDA's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The Management's Discussion and Analysis is required by U.S. generally accepted accounting principles and will be subjected to certain limited procedures but will not be audited.

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

- 1) Combining Statement of Net Position
- 2) Combining Statement of Revenue, Expenses, and Net Position
- 3) Combining Statement of Cash Flows

Ms. Samantha Carneiro  
Chief Financial Officer  
June 5, 2020  
Page 2

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

- 1) Transmittal Letter
- 2) Statistical Section

### **Audit Objectives**

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

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

### **Audit Procedures—General**

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

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, an unavoidable risk exists that some material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

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

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

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

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

### **Audit Procedures—Compliance**

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

### **Management Responsibilities**

Management is responsible for designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with U.S. generally accepted accounting principles, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

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

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

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

Ms. Samantha Carneiro  
Chief Financial Officer  
June 5, 2020  
Page 5

You are responsible for the preparation of the supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to [include the audited financial statements with any presentation of the supplementary information that includes our report thereon OR make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon]. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

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

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

You may request that we perform additional services not addressed in this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

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

Ms. Samantha Carneiro  
Chief Financial Officer  
June 5, 2020  
Page 6

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

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

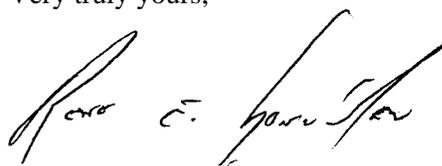
We expect to begin our audit when "Prepared By Client" schedules have been substantially completed and to issue our reports no later than January 31, 2020. René E. Gonzalez is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our fee for these services will be at our standard hourly rates. We estimate that we will invest approximately 850 hours performing the various tasks outlined in this engagement letter to include BDA's related entities. Thus, our fee estimate is \$115,800. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report(s). You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We are providing you with a copy of our most recent external peer review report and any subsequent reports received during the contract period. Accordingly, our 2018 peer review report accompanies this letter.

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

Very truly yours,

A handwritten signature in black ink, appearing to read "René E. Gonzalez". The signature is fluid and cursive, with a long horizontal stroke at the end.

René E. Gonzalez, CPA  
Senior Partner

Ms. Samantha Carneiro  
Chief Financial Officer  
June 5, 2020  
Page 7

**RESPONSE:**

This letter correctly sets forth the understanding of the Brooks Development Authority.

By: \_\_\_\_\_

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

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



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Report on the Firm's System of Quality Control

To the Owners of Garza Gonzalez & Associates  
And the Peer Review Committee of the Texas Society of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Garza Gonzalez & Associates (the firm) in effect for the year ended May 31, 2018. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary). The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

**Firm's Responsibility**

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

**Peer Reviewer's Responsibility**

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

**Required Selections and Considerations**

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act, and an audit of an employee benefit plan.

As part of our review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

**Opinion**

In our opinion, the system of quality control for the accounting and auditing practice of Garza Gonzalez & Associates in effect for the year ended May 31, 2018, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Garza Gonzalez & Associates has received a peer review rating of *pass*.

**BUMGARDNER, MORRISON & COMPANY, LLP**  
November 16, 2018

Bumgardner, Morrison & Company, LLP  
Certified Public Accountants

Members: American Institute of Certified Public Accountants  
Texas Society of Certified Public Accountants  
AICPA Private Companies Practice Section  
AICPA Employee Benefit Plan Audit Quality Center  
AICPA Government Audit Quality Center

1501 E Mockingbird Lane, Suite 300  
PO Box 3750  
Victoria, Texas 77903-3750  
Phone: 361.575.0271  
Fax: 361.578.0880  
Website: BMCcpa.com

# Garza/Gonzalez & Associates

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CERTIFIED PUBLIC ACCOUNTANTS

## **BROOKS DEVELOPMENT AUTHORITY**

San Antonio, Texas

### **REPORT ON CONDUCT OF AUDIT**

Year Ended September 30, 2019

# Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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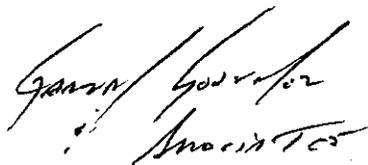
Board of Directors  
Brooks Development Authority  
San Antonio, Texas

We have audited the financial statements of the business-type activities of Brooks Development Authority (BDA) for the year ended September 30, 2019, and have issued our report dated January 31, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 31, 2020. Professional standards also require that we communicate to you the information contained in parts I through IX related to our audit.

We noted certain matters involving the internal control, compliance and operational matters that are presented for your consideration. Our comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies and are summarized in part X.

This report is intended solely for the use of the Board of Directors of BDA and management 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 BDA during the course of our audit.



Garza/Gonzalez  
Associates

January 31, 2020

BROOKS DEVELOPMENT AUTHORITY  
San Antonio, Texas

REPORT ON CONDUCT OF AUDIT

Year Ended September 30, 2019

TABLE OF CONTENTS

	PAGE
I. Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards .....	1
II. Planned Scope, Timing of the Audit, and Other .....	1
III. Qualitative Aspects of Accounting Practices .....	2
IV. Difficulties Encountered in Performing the Audit .....	2
V. Corrected and Uncorrected Misstatements .....	2
VI. Disagreements with Management .....	3
VII. Management Representations .....	3
VIII. Management Consultation with Other Independent Accountants .....	3
IX. Other Issues.....	3-4
X. Other Comments and Recommendations.....	4-5

## **I. Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards**

As stated in our engagement letter dated May 9, 2019, our responsibility, as described by professional standards, is to express opinions 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 BDA. Such considerations are solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the BDA's financial statements are free of material misstatement, we performed tests of BDA's compliance with certain provisions of laws, regulations, contracts and grants. However, providing an opinion on compliance with those provisions was not an objective of our audit.

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. Planned Scope, Timing of the Audit, and Other**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

### **III. Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by BDA are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended September 30, 2019. We noted no transactions entered into by BDA during the year 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 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 following represents the most sensitive estimates affecting the financial statements:

- Depreciation expense based on a straight-line basis on the useful lives of the asset.
- Accrued liabilities based on management's current judgments.
- Accounts Receivable and the related allowance for doubtful accounts based on historical collections
- Accrued employee earned paid time off based on current pay rates but earned at prior rates
- The value of hedged derivative instruments and the related liability based on 3<sup>rd</sup> party valuations

We evaluated the key factors and assumptions used to develop the accounting estimate in determining that the estimates are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users.

The most significant disclosures are as follows:

- Cash and Cash Equivalents
- Accounts receivable
- Capital Assets
- Notes payable and Long-Term Liabilities
- Operating Leases

The financial statement disclosures are neutral, consistent, and clear.

### **IV. Difficulties Encountered in Performing the Audit**

We encountered some difficulties in obtaining data from an enterprise entity that delayed the completion of our audit.

### **V. 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. The audit adjustments necessary to correct misstatements were as follows:

- Increase Property Owners Association expense and increase due to/from in the amount of \$4,255,923 for property owners' assessments, this entry is eliminated in the combining financial statements.

## **VI. Disagreements with Management**

For purposes of this letter, a disagreement with management is 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.

## **VII. Management Representations**

We have requested certain representations from management that are included in the management representation letter dated January 31, 2020.

## **VIII. Management Consultation 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 governmental unit'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 to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## **IX. Other Issues**

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

### *Required Supplementary Information*

We applied certain limited procedures to the management's discussion and analysis, which is a required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### *Supplementary Information*

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

*Other Information in Documents Containing Audited Financial Statements*

We are not aware of any other documents that contain the audited financial statements and the auditor's report thereon. If we become aware that such documents were published, we would have a responsibility to read such information, in order to identify material inconsistencies, if any, with the audited financial statements.

**X. Other Comments and Recommendations**

**Internal Control and Financial Management of Enterprises**

The enterprise activity of one entity was not provided on a complete and timely basis to perform our planned audit procedures. This resulted in various corrections to the enterprise financial statements made by management late in the audit process. During the year management reviews the financial activity of the enterprises for immediate needs such as cash and facility improvements and remediation; however, review and approval of the accounting and reporting processes are limited.

We recommend that each enterprise provide the quarter ending bank statements; the accompanying bank reconciliation and a listing of capital asset additions to BDA with the financial statements for that period end, to ensure internal control activities and adequate financial management are performed.

**Management Response**

We have started to review with greater frequency and in more detail all enterprise activity on a quarterly basis. The specific enterprise noted in this comment and recommendation had delays due to a number of circumstances that occurred during final fieldwork including the first time through for our point of contact, the loss of a key employee, and a death in the family for our point of contact. We believe these circumstances to be non-recurring and unlikely to happen, at least all together, in the future. We will also take steps to shift more enterprise audit activity earlier in the audit process to better accommodate operators that have additional responsibilities to calendar year-end clients.

**Procurements between \$50,001 and \$100,000**

The Purchasing Policy I. Administration has not been updated to include a documented process for procurements which range from \$50,000 to \$100,000 other than a requirement to "obtain a minimum of three informal bids for such purchases".

We recommend that BDA develop a 'Procurement Procedures' manual as required by the procurement policy, specifically to document the process for the solicitation and retention of the 'informal bids' for purchases between \$50,000 and \$100,000.

**Management Response**

The formal Procurement Procedures have been in process during the year and have now been adopted.

**Loans to Local Businesses**

During our testing, we noted that a loan receivable was recorded for the purchase of salon equipment in the amount of \$60,712. The loan amount is to be paid over a 60-month period with an annual interest rate of 4%. This loan was made in the name of an individual to establish a salon within an enterprise for the purpose of enhancing available services.

We recommend that policy and procedures be implemented to aid in attracting and developing small business opportunities.

### **Management Response**

This particular loan was made to assist a small Southside business that was identified to provide an additional amenity to the Embassy Suites Hotel. With growing interest from small businesses to locate on campus, it is now time to create a small business development program that will help provide guidelines in identifying the needs of the community and growing the presence of small businesses on the campus. Brooks' staff will work with the Board to develop this program/policy in FY 2020.

### **Proposals for Professional Services**

In the procurement of the services for federal relations a request for proposals (RFP) was issued in March 2017. On May 9, 2017 the Board approved continuation of the existing contractor. However, the contract with the existing provider was not executed and a close-out letter was initiated on October 31, 2017. BDA then entered into an agreement on December 1, 2017 with an alternate contractor in an amount not to exceed \$80,000. This alternate contractor did not respond to the March 2017 RFP. The contract was subsequently assigned to a third contractor. The third contractor was issued a contract on August 1, 2018 that terminated on November 30, 2019 for an amount not to exceed \$160,000. Expenditures related to the third contract are estimated to be \$164,800. Even though the total services provided are below the spending authority of the President, compliance with the applicable procurement policies and procedures in regards to an award to an entity that did not respond to the RFP are not documented.

We recommend that a new request for proposal process be initiated when the contract with a selected vendor is not ratified, or that a process for selecting the next contractor be established and documented.

### **Management Response**

Interim steps were taken in order to sustain consistent and appropriate federal relations activity during a time of transition for the main principal of the previous federal relations firm directly involved with Brooks activities. A new RFP for federal relations consulting services was issued on July 10, 2019 and a new contract was negotiated with the winner of that RFP, Ferox Strategies, LLC, to begin on December 1, 2019 and terminating in November 30, 2022 with two one-year renewal options.