

**Garza/Gonzalez & Associates**

CERTIFIED PUBLIC ACCOUNTANTS

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**SOUTHWEST AREA REGIONAL TRANSIT DISTRICT**  
Uvalde, Texas

**REPORT ON THE CONDUCT OF AUDIT**

**Year Ended August 31, 2014**

# Garza/Gonzalez & Associates

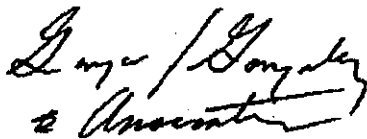
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Southwest Area Regional Transit District  
Uvalde, Texas

We have audited the financial statements of the Southwest Area Regional Transit District (The District), a governmental entity, for the year ended August 31, 2014 and have issued our report thereon dated May 7, 2015. Professional standards require that we provide you with information about our responsibilities under U.S. generally accepted auditing standards and Governmental Auditing Standards and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. Our responsibilities and other information is provided in Parts I through VIII and the internal control and other matters reported are provided in Part IX.

This letter is intended solely for the information and use of the Board of Directors and management, and others within the organization, and is not intended to be and should not be used by anyone other than these parties.

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

A handwritten signature in cursive script that reads "Garza / Gonzalez & Associates". The signature is written in dark ink and is positioned above the date.

May 7, 2015

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT  
Uvalde, Texas

REPORT ON THE CONDUCT OF AUDIT

Year Ended August 31, 2014

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## **I. Our Responsibilities Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated October 29, 2014, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions examined and the areas tested.

As part of our audit we considered the District's internal control. Such considerations were solely for the purpose of determining our auditing procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

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

### *Accounting Policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted by the District and the application of existing policies was not changed except for the presentation of the financial statements being presented using the proprietary model during the year ended August 31, 2014. We noted no transactions entered into by the District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

### *Financial Statement Disclosures*

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

### *Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the District's financial statements is the accumulated depreciation. Management's estimate for the depreciation is based on the estimated useful lives of the capital assets. We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

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

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

### **IV. Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The District's management has accepted all proposed audit adjustments to correct these misstatements. Significant audit adjustments were as follows:

- Adjustments to reflect transactions on the accrual basis of accounting affecting primarily grants receivable and accounts payable.
- Adjustments to record the capital assets additions (vehicles) in the amount of \$398,645 and deletions of capital assets (vehicles) in the amount of \$373,902.
- Adjustment to record depreciation expense for capital assets in the amount of \$328,863.
- Adjustments to restate beginning net position by \$31,298.

### **V. Disagreements with Management**

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

### **VI. Management Representations**

We have requested certain representations from management that are included in the management representation letter dated May 7, 2015.

### **VII. Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District'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.

## **VIII. Other Issues**

### *Matters Discussed with Management Prior to Appointment*

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

### *Other Information in Documents Containing the Audited Financial Statements*

The District's financial statements are not included in any entity or in other documents.

## **IX. Internal Controls and Other Matters**

### **Payroll Liabilities**

Payroll liability balances in the payroll clearing fund are carrying balances from prior periods. Audit adjustments were necessary to fairly state such accounts.

### **Recommendation**

We recommend that payroll liabilities be reconciled on a monthly basis.

### **Chart of Accounts**

The District Chart of Accounts was transferred from its predecessor organization which was a grant funded non-profit organization.

### **Recommendation**

We recommend that the District consider tailoring its Chart of Accounts to its present form of organization.

### **Capital Assets**

The capital assets have not being fully accounted for in the MIP module.

### **Recommendation**

We recommend the District fully utilize the MIP system to account for capital assets and to continuously update the Excel worksheet.