

**San Antonio Early Childhood Education
Municipal Development Corporation**

Report on Conduct of Audit

June 30, 2016

Subject to Change -
Discussion Draft
Padgett, Stratemann & Co., LLP



Padgett Stratemann

October 4, 2016

The Board of Directors
San Antonio Early Childhood Education
Municipal Development Corporation
7031 South New Braunfels
San Antonio, Texas 78223

Dear Members of the Board of Directors:

We are pleased to present this report related to our audit of the financial statements of San Antonio Early Childhood Education Municipal Development Corporation (the "Corporation") as of and for the year ended June 30, 2016. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Corporation's financial reporting process.

This report is intended solely for the information and use of the Board of Directors and management of San Antonio Early Childhood Education Municipal Development Corporation and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Certified Public Accountants

Attachments

AUSTIN

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AUSTIN, TEXAS 78704
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Required Communications

| Area | Comments |
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| <i>Our Responsibility Under Auditing Standards Generally Accepted in the United States of America</i> | <p>As communicated in our arrangement letter dated April 20, 2016, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.</p> <p>Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Corporation solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p> <p>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 for the purpose of identifying other matters to communicate to you.</p> <p>As communicated in the arrangement letter dated April 20, 2016, our responsibility, as described in <i>Government Auditing Standards</i> and the provisions of Title 2 U.S. Code of Federal Regulations Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i></p> |

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| | <p>("Uniform Guidance") is to report on the presentation of the Schedule of Expenditures of Federal Awards; the tests of internal control related to financial reporting and major federal programs; and the tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements. However, they do not provide a basis for an opinion on the Corporation's internal control over financial reporting or on compliance and other matters.</p> |
| <p><i>Other Information in Documents Containing Audited Financial Statements</i></p> | <p>We are not aware of any other documents that contain the audited financial statements. If such documents were to be published, we would have a responsibility to determine such financial information was not materially inconsistent with the audited financial statements of the Corporation.</p> |
| <p><i>Planned Scope and Timing of the Audit</i></p> | <p>We conducted our audit consistent with the planned scope and timing we previously communicated to you.</p> |
| <p><i>Qualitative Aspects of Significant Accounting Practices</i></p> | <p><i>Significant Accounting Policies</i></p> <p>Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Corporation is included in Note 1 to the financial statements. There has been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended June 30, 2016.</p> <p>No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> |

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| <p><i>Significant Difficulties Encountered During the Audit</i></p> <p><i>Uncorrected and Corrected Misstatements</i></p> | <p><i>Significant Accounting Estimates</i></p> <p>Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.</p> <p>The most sensitive accounting estimates affecting the financial statements are accounting for the sales tax revenue, the estimated useful lives of capital assets, and the allowance for doubtful accounts. Management's estimates are based on information currently available, and the process used to calculate these estimates should be monitored throughout the year. These estimates were reviewed and it was determined they are reasonable in relation to the basic financial statements taken as a whole.</p> <p><i>Financial Statement Disclosures</i></p> <p>Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the Corporation's financial statements relates to revenue recognition.</p> <p>We encountered no significant difficulties in dealing with management relating to the performance of the audit.</p> <p>For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those we believe are trivial, and</p> |

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| | <p>communicate them to the appropriate level of management. We did not note any material misstatements.</p> <p>In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.</p> |
| <i>Disagreements With Management</i> | <p>For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Corporation's financial statements or the auditor's report. No such disagreements arose during the course of the audit.</p> |
| <i>Representations Requested From Management</i> | <p>We have requested certain written representations from management, which are included in the attached letter dated October 4, 2016.</p> |
| <i>Management's Consultations With Other Accountants</i> | <p>In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.</p> |
| <i>Other Significant Findings or Issues</i> | <p>In the normal course of our professional association with the Corporation, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Corporation, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Corporation's auditors.</p> |

Management Representation Letter

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Padgett, Stratemann & Co., LLP.

[Attach Copy of Signed Letter]

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Padgett, Stratemann & Co., L.L.P.