

March 8, 2018

Pattillo, Brown & Hill, L.L.P.
401 West State Highway 6
Waco, Texas 76710

This representation letter is provided in connection with your audit of the financial statements of Hunters Crossing Local Government Corporation as of September 30, 2017 and for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations of the various opinion units of Hunters Crossing Local Government Corporation in accordance with accounting principles generally accepted for governments 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 the 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.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of March 8, 2018:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated July 19, 2017, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.

- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- All funds and activities are properly classified.
- All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our 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/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.

- All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- All interfund and intra-entity transactions and balances have been properly classified and reported.
- Special items and extraordinary items have been properly classified and reported.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- With regard to investments and other instruments reported at fair value:
 - The underlying assumptions are reasonable and they appropriately reflect management’s intent and ability to carry out its stated courses of action.
 - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP.
 - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
- We agree with the findings of specialists in evaluating the valuation of the net pension liability and related deferred inflows and outflows and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
- We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.
- Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed.

- Provisions for uncollectible receivables have been properly identified and recorded.
- All required supplementary information is measured and presented within the prescribed guidelines.
- With respect to the required budgetary schedules in the accompanying the financial statements:
 - We acknowledge our responsibility for the presentation of the required budgetary schedules in accordance with accounting principles generally accepted in the United States of America.
 - We believe the required budgetary schedules including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - The methods of measurement or presentation have not changed from those used in the prior period.
 - We believe the significant assumptions or interpretations underlying the measurement or presentation of the required budgetary schedules and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
- As part of your audit, you assisted with preparation of the financial statements, related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, who possesses suitable skill, knowledge, experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and the related notes.

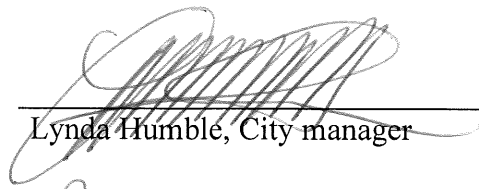
Information Provided

- We have provided you with:
 - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

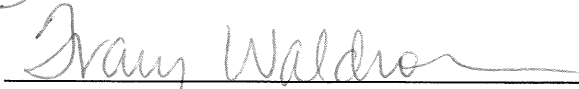
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have provided to you our views on reported audit findings, conclusions, and recommendations, as well as planned corrective actions.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation, claims, or assessments.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- Hunters Crossing Local Government Corporation has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which Hunters Crossing Local Government Corporation is contingently liable.
- We have disclosed to you all nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, for those guarantees where it is more likely than not that the entity will make a payment on any guarantee.
- For nonexchange financial guarantees where we have declared liabilities, the amount of the liability recognized is the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. Where there was no best

estimate but a range of estimated future outflows has been established, we have recognized the minimum amount within the range.

- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- We have taken timely and appropriate steps to remedy fraud, noncompliance with laws, regulations, provisions of contracts or grant agreements, or abuse reported to us.
- There are no:
 - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
 - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62
 - Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
- Hunters Crossing Local Government Corporation has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.



Lynda Humble, City manager



Tracy Waldron, Chief Financial Officer

**HUNTERS CROSSING
LOCAL GOVERNMENT CORPORATION**

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
SEPTEMBER 30, 2017**

HUNTERS CROSSING LOCAL GOVERNMENT CORPORATION

ANNUAL FINANCIAL REPORT

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SEPTEMBER 30, 2017

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PATILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Hunters Crossing Local Government Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Hunters Crossing Local Government Corporation (the "Corporation") (component unit of the City of Bastrop, 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 opinions 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of Hunters Crossing Local Government Corporation, as of September 30, 2017, and the respective changes in financial position thereof 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 the budgetary comparison information on pages 3-5 and 13-14 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 response 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.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 6, 2018

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Hunters Crossing Local Government Corporation's (hereafter the "Corporation") annual financial report presents our discussion and analysis of the financial performance during the fiscal year ended September 30, 2017. Please read it in conjunction with the Corporation's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the Corporation exceeded its liabilities at the close of the most recent fiscal year by \$46,462 (net position).
- The Corporation's total net position decreased by \$87,593. This decrease was attributable to less revenue receipts from development and home sales than developer reimbursement and maintenance and operation expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements comprise three components: (1) government-wide financial statements, which include the fund financial statements, (2) notes to the financial statements, and (3) budgetary information.

The Statement of Net Position presents information showing how the Corporation's net position changed during the fiscal year. All changes in net position are reported when 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 the future fiscal periods. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

The Corporation, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The General Fund is a governmental fund. Governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Corporation's budgetary schedule for the General Fund. The Corporation adopts an annual budget for this fund. A budgetary comparison schedule, which includes the original and final budget and actual figures, has been provided to demonstrate compliance with this budget. Required supplementary information can be found on pages 13 - 14 of this report.

Financial Analysis of the Corporation

Our analysis here focuses on the net position (Table I—Net Position) and changes in net position (Table II—Changes in Net Position) as a result of the Corporation’s activities. Net position over time, may serve as a useful indicator of a government’s financial position. In the case of the Corporation, assets exceeded liabilities by \$46,462, at the close of the most recent fiscal year end.

Table I
Hunters Crossing Local Government Corporation's Net Position

	2017	2016	Change
Current and other assets	\$ 121,166	\$ 138,261	\$(17,095)
Total assets	<u>121,166</u>	<u>138,261</u>	<u>(17,095)</u>
Liabilities	74,704	4,206	70,498
Total liabilities	<u>74,704</u>	<u>4,206</u>	<u>70,498</u>
Restricted	46,462	134,055	(87,593)
Total net position	<u>\$ 46,462</u>	<u>\$ 134,055</u>	<u>\$(87,593)</u>

At the end of the current fiscal year, the Corporation is able to report positive balance in net position. The same held true for the prior fiscal year.

Table II
Hunters Crossing Local Government Corporation's Changes in Net Position

	2017	2016	Change
Revenues:			
Property assessment fees:			
Maintenance and operations	\$ 92,343	\$ 62,264	\$ 30,079
Capital	308,064	233,606	74,458
Penalties and interest	1,063	888	175
General revenue-interest	2,124	989	1,135
Total revenues	<u>403,594</u>	<u>297,747</u>	<u>105,847</u>
Expenses:			
Maintenance and operations	161,579	83,168	78,411
Developer reimbursements	285,000	261,000	24,000
Professional services	43,881	9,219	34,662
Other	727	672	55
Total expenses	<u>491,187</u>	<u>354,059</u>	<u>137,128</u>
Change in net position	(87,593)	(56,312)	(31,281)
Beginning net position	134,055	190,367	(56,312)
Ending net position	<u>\$ 46,462</u>	<u>\$ 134,055</u>	<u>\$(87,593)</u>

Financial Analysis of Governmental Funds

The focus of the Corporation's governmental fund is to provide information on the new-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Corporation's resources available to fund improvements within the Hunters Crossing Public Improvement District (PID).

At year end, the Corporation's fund balance of \$44,462, a decrease of \$88,332 in comparison with the prior year. As referenced in the Financial Highlights, this decrease was attributable to not only an increase in expenditures but also an increase in revenue receipts. (Reference page 7 of this report to view the Statement of Activities and Governmental Revenues, Expenditures and Changes in Fund Balance.) The increase in revenue resulted from the sale of a Multi-family lot in 2017 resulting in additional assessments. The increase to expenses within the operating and maintenance section was due to drainage maintenance and improvements that were required and approved by the board. The increase to expense within the capital section was due to additional funds going back to the developer for reimbursement of capital costs.

Budgetary Highlights

The most significant differences between the budgeted revenues and the actual revenues was the increased revenue receipts from the sale of the Multi-family lot that brought in additional assessments. The total budgeted revenue was \$362,030 and the actual receipts were \$402,855.

The budgeted expenditures for FY2017 were \$476,250 and the actual expenses were \$491,187 providing an increase of expenses by \$14,937. The increase was primarily located within the maintenance and operations section and was attributable to drainage improvements.

Next Year's Budgets and Rates

The Local Government Corporation has adopted the levy of a special assessment to fund improvements in the Hunters Crossing Public Improvement District (PID); levying an assessment for maintenance and operations of Commercial Property at \$0.0317 per square foot, HXC 1 Lot 1 at \$14,779, Multi-Family at \$0.0317 per square foot and Single Family Residential at \$23.16 per lot; and levying an assessment for capital improvements of Commercial Property at \$0.0710 per square foot, Multi-Family at \$0.0680 per square foot and Single Family Residential at \$338 per lot as identified in the Hunters Crossing Public Improvement District Service and Assessment Plan pursuant to Chapter 372 of the Texas Local Government Code.

Contacting the Corporation's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Corporation's finances and to demonstrate the Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Corporation's Interim Administrator, Marvin Townsend: Phone 512-332-8800.

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**BASIC
FINANCIAL STATEMENTS**

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HUNTERS CROSSING LOCAL GOVERNMENT CORPORATION

**STATEMENT OF NET POSITION
AND GOVERNMENTAL FUND BALANCE SHEET**

SEPTEMBER 30, 2017

	<u>General</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash and investments	\$ 87,658	\$ -	\$ 87,658
Assessed fees receivable, net	<u>33,508</u>	<u>-</u>	<u>33,508</u>
Total assets	<u>121,166</u>	<u>-</u>	<u>121,166</u>
LIABILITIES			
Accounts payable	<u>74,704</u>	<u>-</u>	<u>74,704</u>
Total liabilities	<u>74,704</u>	<u>-</u>	<u>74,704</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - assessed fees	<u>2,000</u>	<u>(2,000)</u>	<u>-</u>
Total deferred inflows of resources	<u>2,000</u>	<u>(2,000)</u>	<u>-</u>
FUND BALANCE/NET POSITION			
Fund balance:			
Restricted	<u>44,462</u>	<u>(44,462)</u>	<u>-</u>
Total fund balance	<u>44,462</u>	<u>(44,462)</u>	<u>-</u>
 Total liabilities, deferred inflows of resources and fund balance	 <u>\$ 121,166</u>		
 Net position:			
Restricted		<u>46,462</u>	<u>46,462</u>
 Total net position		 <u>\$ 46,462</u>	 <u>\$ 46,462</u>

The accompanying notes are an integral part of these financial statements.

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HUNTERS CROSSING LOCAL GOVERNMENT CORPORATION

STATEMENT OF ACTIVITIES AND GOVERNMENTAL REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General	Adjustments	Statement of Activities
Expenditures/expenses:			
Public improvements:			
Maintenance and operations	\$ 161,579	\$ -	\$ 161,579
Developer reimbursements	285,000	-	285,000
Professional services	43,881	-	43,881
Other	<u>727</u>	<u>-</u>	<u>727</u>
Total public improvements	<u>491,187</u>	<u>-</u>	<u>491,187</u>
Total expenditures/expenses	<u>491,187</u>	<u>-</u>	<u>491,187</u>
Program revenues:			
Property assessment fees:			
Maintenance and operations	91,604	739	92,343
Capital	308,064	-	308,064
Penalties and interest	<u>1,063</u>	<u>-</u>	<u>1,063</u>
Net program revenues	<u>400,731</u>	<u>739</u>	<u>401,470</u>
General revenues:			
Interest income	<u>2,124</u>	<u>-</u>	<u>2,124</u>
Total general revenues	<u>2,124</u>	<u>-</u>	<u>2,124</u>
Excess of revenues over expenditures	(88,332)	739	-
Change in net position	<u>-</u>	<u>(87,593)</u>	<u>(87,593)</u>
Fund balance/net position:			
Beginning	<u>132,794</u>	<u>1,261</u>	<u>134,055</u>
Ending	<u>\$ 44,462</u>	<u>\$ 2,000</u>	<u>\$ 46,462</u>

The accompanying notes are an integral part of these financial statements.

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HUNTERS CROSSING LOCAL GOVERNMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Hunters Crossing Local Government Corporation (the "Corporation") is organized for the purpose of aiding, assisting, and acting on behalf of the City of Bastrop, Texas (the "City") to implement the City-approved Service Plan for the Hunters Crossing Public Improvement District (the "Project") and to perform such other functions as the City from time to time lawfully may delegate to the Corporation.

The Corporation is formed pursuant to the provisions of Subchapter D, Chapter 431, Texas Transportation Code (the "Act") as it now or many hereafter be amended, and the authorities cited therein, which authorizes the Corporation to assist and act on behalf of the City and to engage in activities in the furtherance of the purposes for its creation.

The Corporation shall have and exercise all of the rights powers, privileges, authority, and functions given by the general laws of Texas to non-profit corporations incorporated under the Act including, without limitation, Article 1396-1.01 et seq., Vernon's Texas Civil Statutes, consistent with the Articles of Incorporation and other applicable laws.

For financial reporting purposes, in conformance with generally accepted accounting principles, the Corporation's financial statements include all funds and activities over which the Board is financially accountable. In addition, component units which may be included are organizations for which the nature and significance of their operational or financial relationship with the Corporation are such that exclusion would cause the Corporation's financial statements to be misleading or incomplete.

As a result of applying the entirety definition criteria noted above, no organizations (component units) have been included in or excluded from the Corporation's financial statements. Using the definition criteria above the Corporation is a Component Unit of the City of Bastrop, Texas.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. Governmental activities are supported by property assessments and investment revenue. There are no internal activities and therefore no eliminations are necessary to present the government-wide statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenue. Direct expenses are those that are identifiable with a specific function, personnel, operations or direct services. Direct services are expenses related to public improvements of the Hunters Crossing Public Improvement District. General revenue includes the Corporation return on investment.

The government-wide and fund financial statements are provided for the governmental fund of the Corporation with a column for adjustments between the two statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property assessment is recognized as revenue in the year for which they are earned.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Corporation considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property assessments and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The government reports the following major governmental fund:

General Fund - The General Fund is the Corporation's primary operating fund. It accounts for all financial resources of the Corporation.

D. Cash and Cash Equivalents

All short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

E. Property Assessments Fees

The Hunters Crossing Public Improvement District (the “PID”) was created by the City of Bastrop (the “City”) and is administered through the Local Government Corporation (the “Corporation”). The Corporation was created to implement the Service Plan for the PID and to perform other functions delegated to it by the City. In order to perform these functions the Corporation approved various Property Assessment Fees. These fees are based on square footage for commercial property and flat rate for single member residences. There are no “Property Taxes” levied by the PID or the Corporation. The fees are determined by the service and assessment plan on an annual basis and set by City ordinances.

F. Fund Balance

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Corporation itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The committed fund balance classification includes amounts that can be used only for specific purposes determined by a formal action of the Corporation’s highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the Corporation that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. The Board of Directors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Corporation considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Corporation considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

G. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Corporation or through external restrictions imposed by creditors or laws or regulations of other governments.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources, as they are needed.

H. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits with Financial Institutions and Investments

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the area of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the Corporation to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investment, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the Corporation to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investments pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the Corporation to have independent auditors perform test procedures related to investment practices as provided by the Act. The Corporation is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Invested Act, the Corporation has adopted a deposit and investment policy utilized by the City of Bastrop. The City Finance Director monitor and maintains all bank accounts for the Corporation. That policy addresses the following risks:

- a. Custodial Credit Risk—deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. During the year, the government's deposits were not exposed to custodial credit risk. Pledged securities and FDIC coverage was adequate at all times during the year to secure the Corporation's deposits.
- b. Custodial Credit Risk—investments: For an investment, this is the risk that in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the Corporation's investments are held in external municipal investment pools which are not subject to custodial credit risk.

- c. Credit Risk- This is the risk that an issuer of an investment will be unable to fulfill its obligations. That rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The Corporation was not exposed to credit risk during the year.
- d. Interest Rate Risk- This is the risk that changes in interest rates will adversely affect the fair value of an investment. This Corporation manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase.
- e. Concentration of Credit Risk- This is the risk of loss attributed to the magnitude of the Corporation's investment in a single issuers (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in securities of a single issuer. Investments issued by U.S. Government and investments in investment pools are excluded from the 5 percent disclosure requirement. The Corporation is not exposed to concentration of credit risk.

B. Risk Management

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; and errors and omissions. The City of Bastrop, Texas, purchases commercial insurance to provide coverage for losses from torts' theft of, damage to, or destruction of assets; and errors and omissions on behalf of the Corporation. The amount of settlements has not exceeded insurance coverage for each of the past three fiscal years.

C. Contingencies

From time to time, the Corporation is a defendant in various lawsuits. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such matters will have a material adverse effect on the Corporation's financial position or results of operations.

D. Commitment to Developer

The Corporation has an agreement with a developer to reimburse the developer based on the capital portion of assessment fees collected by the Corporation through 2027. The maximum amount that the Corporation could reimburse the developer is \$17,361,260. The developer has been reimbursed \$2,096,044 as of September 30, 2017.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

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HUNTERS CROSSING LOCAL GOVERNMENT CORPORATION

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Property assessment fees:				
Maintenance and operations	\$ 81,408	\$ 81,408	\$ 91,604	\$ 10,196
Capital	279,722	279,722	308,064	28,342
Penalties and interest	900	900	1,063	163
Interest income	<u>900</u>	<u>900</u>	<u>2,124</u>	<u>1,224</u>
Total revenues	<u>362,930</u>	<u>362,930</u>	<u>402,855</u>	<u>39,925</u>
EXPENDITURES				
Public improvements:				
Maintenance and operations	162,750	142,750	161,579	(18,829)
Developer reimbursements	285,000	285,000	285,000	-
Professional services	7,500	48,500	43,881	4,619
Other	<u>-</u>	<u>-</u>	<u>727</u>	<u>(727)</u>
Total expenditures	<u>455,250</u>	<u>476,250</u>	<u>491,187</u>	<u>(14,937)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(92,320)	(113,320)	(88,332)	24,988
FUND BALANCE, BEGINNING	<u>132,794</u>	<u>132,794</u>	<u>132,794</u>	<u>-</u>
FUND BALANCE, ENDING	<u><u>\$ 40,474</u></u>	<u><u>\$ 19,474</u></u>	<u><u>\$ 44,462</u></u>	<u><u>\$ 24,988</u></u>

HUNTERS CROSSING LOCAL GOVERNMENT CORPORATION

NOTES TO BUDGETARY INFORMATION

SEPTEMBER 30, 2017

The Corporation follows these procedures in establishing the budgetary date reflected in the financial statements. The Corporation President submits to the Corporate Board a proposed budget. The Board holds a public hearing on the budget submitted, and all interested persons are given an opportunity to be heard for or against any item or the amount of any item contained therein.

After the conclusion of the public hearing, the Board may insert new items or may increase or decrease the items of the budget, except items in proposed expenditures fixed by law, but where it increases the total proposed expenditures, it also provides for an increase in the total anticipated revenue Property Assessment. The budget is adopted by a majority vote of the members of the entire Board.

The budget must be adopted no later than the 30th of September. The Corporation President may at any time transfer any unencumbered appropriation balance or portion thereof between general classifications or line items. Therefore, expenditures should not exceed appropriations at the "line item" level. The Board may from time to time amend the budget as needed through formal budget amendments. Unencumbered appropriations lapse at year-end. An annual budget is prepared for the General Fund.