

**LEAGUE CITY TAX INCREMENT
REINVESTMENT ZONE NO. 4**

REPORT ON APPLYING AGREED-UPON PROCEDURES TO
CONSTRUCTION, ENGINEERING AND RELATED COSTS
REIMBURSABLE TO WESTWOOD DEVELOPMENT, LTD. (DEVELOPER)

APRIL 19, 2017

MCCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

**LEAGUE CITY TAX INCREMENT
REINVESTMENT ZONE NO. 4**

REPORT ON APPLYING AGREED-UPON PROCEDURES TO
CONSTRUCTION, ENGINEERING AND RELATED COSTS
REIMBURSABLE TO WESTWOOD DEVELOPMENT, LTD. (DEVELOPER)

APRIL 19, 2017

T A B L E O F C O N T E N T S

SCHEDULE

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED-UPON PROCEDURES

SCHEDULE OF CONSTRUCTION, ENGINEERING AND
RELATED COSTS REIMBURSABLE TO
WESTWOOD DEVELOPMENT, LTD. (DEVELOPER)

A

SCHEDULE COMPARING ACTUAL REIMBURSABLE COSTS
WITH EXHIBIT B OF DEVELOPMENT AGREEMENT

B

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708
E-Mail: mgsb@mgsbpllc.com

9600 Great Hills Trail
Suite 150W
Austin, Texas 78759
(512) 610-2209
www.mgsbpllc.com

April 19, 2017

Board of Directors
Tax Increment Reinvestment Zone No. 4
City of League City, Texas

Independent Accountant's Report on Applying Agreed-Upon Procedures

We have performed the procedures enumerated below, which were agreed to by the Board of Directors of the Tax Increment Reinvestment Zone No. 4, City of League City, Texas (the "Zone"), solely to assist you with respect to the reimbursable costs and interest calculation to be paid by the Zone to Westwood Development, Ltd. ("Developer") as of April 19, 2017. The below listed procedures were performed solely to assist you in determining the amount to be reimbursed to the Developer as documented in the Zone Development Agreement.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Board of Directors of the Zone. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which this report has been requested or for any other purpose. The procedures performed are summarized as follows:

- A. We reviewed certain schedules and supporting invoices submitted by the Developer in substantiation of the costs to be reimbursed. Our review included all documentation supporting items, amounts, and proof of payment for which reimbursement is requested. In addition, we reviewed all agreements provided to us relative to the reimbursement request. The agreements reviewed are listed in our report.
- B. We footed the extensions of any engineering invoices pertaining to the reimbursement on a test basis and compared the contract amounts used in determining the fee for the design and construction phase portions of the invoice to the related construction contracts and to the engineering contract when appropriate.
- C. For construction pay estimates, we footed and tested extensions on a test basis on payments made on behalf of the Zone.

- D. We reviewed the computation of certain costs looking for any amounts required to be paid 100% by the Developer in accordance with the Development Agreement. Any costs required to be paid by the Developer were deducted and noted in the report.
- E. We obtained verbal confirmation from Harris Construction Co Ltd that the Westwood, Section 3 and Maple Leaf Drive and League City Parkway – Paving and Drainage project has been paid in full. The Westwood, Section 7 and Maple Leaf Drive – Paving and Drainage project is not complete, \$399,087.59 has been paid to date and \$28,755.62 is currently outstanding. We were unable to obtain verbal confirmation from Beyer Construction.
- F. We prepared a reimbursement report for the benefit of the Zone, including the accountant's report and schedule of amounts reimbursable to the Developer, and have compared the amounts on Exhibit B in the Development Agreement with the actual reimbursable costs and estimated costs to complete the projects.
- G. We attended a meeting to present the report and were available to answer questions relating to the report.

The attached Schedule A, titled "Schedule of Construction, Engineering and Related Costs Reimbursable to Westwood Development, Ltd. (Developer)", sets forth their reimbursable costs to be paid as of April 19, 2017. This reimbursement is in accordance with the terms and conditions of the Development Agreement by and between Reinvestment Zone No. 4, City of League City, Texas, and Westwood Development, Ltd. dated April 25, 2006.

The Developer provided schedules for reimbursable costs in the amount of \$3,079,890.10, not including interest. We have revised the reimbursable amount to \$4,151,324.65, including interest of \$91,378.00 calculated through April 19, 2017. The changes to the original Developer schedules are as follows:

- 1) We deducted \$23,162.67 for change orders that were already included in the regular pay estimates for the construction of water, drainage and paving improvements of Maple Leaf Drive.
- 2) We deducted \$140.54 for sales tax that is not reimbursable for engineering fees related to the construction of paving and drainage serving Westwood, Section 7 Maple Leaf Drive.
- 3) We added \$1,003,359.76 for land acquisition costs that were not included in the Developer's original schedule.
- 4) We calculated interest in accordance with the agreement using the City Bond Rate for general obligation bonds, compounded annually through April 19, 2017, resulting in an increase of \$91,378.00.

The attached Schedule B is a comparison of the engineering estimate with actual costs reimbursable by project.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the aforementioned costs. Accordingly, we do not express an opinion on the costs to be reimbursed as of April 19, 2017. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors and is not intended to be and should not be used by anyone other than this specified party. However, this report is a matter of public record and its distribution is not limited. This report should not be associated with the presentation of any financial data of the Zone except to comply with filing requirements as required by the respective agreements. We appreciate this opportunity to be of service to you.

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

TAX INCREMENT REINVESTMENT ZONE NO. 4
SCHEDULE OF CONSTRUCTION, ENGINEERING AND RELATED COSTS
REIMBURSABLE TO WESTWOOD DEVELOPMENT, LTD. (DEVELOPER)
APRIL 19, 2017

(SEE ACCOMPANYING DISCLAIMER OF OPINION AND
EXPLANATION OF AGREED-UPON PROCEDURES PERFORMED)

DESCRIPTION	REIMBURSABLE COST
Beyer Construction	
Construction - Water, Drainage and Paving Improvements Westwood Maple Leaf Drive	
Amount Paid by Developer	\$ 647,884.05
R.W. Patrick & Associates, Inc.	
Engineering - Water, Drainage and Paving Improvements Westwood Maple Leaf Drive	
Amount Paid by Developer	33,778.08
A & R Engineering & Testing, Inc.	
Materials Testing - Water, Drainage and Paving Improvements Westwood Maple Leaf Drive	
Amount Paid by Developer	18,920.25
City of League City, Texas	
Electrical - Traffic Lights Westwood Maple Leaf Drive	
Amount Paid by Developer	83,853.88
Harris Construction Co Ltd	
Construction - Paving and Drainage Westwood, Section 3, Maple Leaf Drive and League City Parkway	
Amount Paid by Developer	1,698,654.73
Civil Concepts, Inc.	
Engineering - Paving and Drainage Westwood, Section 3, Maple Leaf Drive and League City Parkway	
Amount Paid by Developer	99,586.28

TAX INCREMENT REINVESTMENT ZONE NO. 4
SCHEDULE OF CONSTRUCTION, ENGINEERING AND RELATED COSTS
REIMBURSABLE TO WESTWOOD DEVELOPMENT, LTD. (DEVELOPER)
APRIL 19, 2017

(SEE ACCOMPANYING DISCLAIMER OF OPINION AND
EXPLANATION OF AGREED-UPON PROCEDURES PERFORMED)

DESCRIPTION	REIMBURSABLE COST
Texas New Mexico Power	
Electrical - Pole Relocation Westwood, Section 3, Maple Leaf Drive and League City Parkway	
Amount Paid by Developer	\$ 84,786.08
Harris Construction Co Ltd	
Construction - Paving and Drainage Westwood, Section 7 & Maple Leaf Drive	
Amount Paid by Developer	349,087.59
Civil Concepts, Inc.	
Engineering - Paving and Drainage Westwood, Section 7 & Maple Leaf Drive	
Amount Paid by Developer	\$ 39,025.40
Less: Sales Tax	140.54
	38,884.86
A & R Engineering & Testing, Inc.	
Materials Testing - Paving and Drainage Westwood, Section 7 & Maple Leaf Drive	
Amount Paid by Developer	1,151.09
TOTAL AMOUNT REIMBURSABLE TO WESTWOOD DEVELOPMENT, LTD. AS OF APRIL 19, 2017	\$ 3,056,586.89
TOTAL INTEREST DUE	* 91,378.00
TOTAL AMOUNT PAYABLE TO WESTWOOD DEVELOPMENT, LTD. AS OF APRIL 19, 2017	\$ 3,147,964.89

TAX INCREMENT REINVESTMENT ZONE NO. 4
SCHEDULE OF CONSTRUCTION, ENGINEERING AND RELATED COSTS
REIMBURSABLE TO WESTWOOD DEVELOPMENT, LTD. (DEVELOPER)
APRIL 19, 2017

(SEE ACCOMPANYING DISCLAIMER OF OPINION AND
EXPLANATION OF AGREED-UPON PROCEDURES PERFORMED)

DESCRIPTION	REIMBURSABLE COST
Add: Land Acquisition	
Section 1 Detention Reserve A - 4.56 Acres @ \$43,548.79 per Acre	\$ 198,582.48
Section 1 Detention Reserve B - 7.45 Acres @ \$43,548.79 per Acre	324,438.48
Section 3 Restricted Reserve G - 6.496 Acres @ \$43,548.79 per Acre	282,892.94
Section 4 Restricted Reserve A - 4.5339 Acres @ \$43,548.79 per Acre	197,445.86
TOTAL AMOUNT PAYABLE TO WESTWOOD DEVELOPMENT, LTD. AS OF APRIL 19, 2017	<u>\$ 4,151,324.65</u>

* Interest is calculated based upon the City Bond Rate, compounded annually
in accordance with the Development Agreement

TAX INCREMENT REINVESTMENT ZONE NO. 4
SCHEDULE COMPARING ACTUAL REIMBURSABLE COSTS
WITH EXHIBIT B OF DEVELOPMENT AGREEMENT
APRIL 19, 2017

(SEE ACCOMPANYING DISCLAIMER OF OPINION AND
EXPLANATION OF AGREED-UPON PROCEDURES PERFORMED)

DESCRIPTION	ORIGINAL ENGINEERING ESTIMATE EXHIBIT B	REIMBURSABLE COSTS DUE TO WESTWOOD DEVELOPMENT LTD. SEPTEMBER 27, 2013	REIMBURSABLE COSTS DUE TO WESTWOOD DEVELOPMENT LTD. APRIL 19, 2017
TIRZ IMPROVEMENTS			
Major Thoroughfares:			
Brittany Bay Blvd. (League City Pkwy.)	\$ 3,659,341	\$ -	\$ 1,939,321
Maple Leaf Drive	1,606,790	979,606	1,195,434
Detention (Excavation and Structures)	796,380	628,041	13,210
Detention (Land)	430,000	51,939	1,003,360
TIRZ Administration	60,000	35,070	
Payments Made To Developer Thru June 3, 2016		(1,191,386)	
TOTAL	\$ 6,552,511	\$ 503,270	\$ 4,151,325

ESTIMATED ADDITIONAL COST TO COMPLETE	TOTAL ACTUAL COSTS TO DATE AND ESTIMATED ADDITIONAL COST TO COMPLETE	ACTUAL OVER (UNDER) ESTIMATE	% VARIANCE OVER (UNDER) ESTIMATE
\$ 1,720,020	\$ 3,659,341	\$ -	0.00%
389,722	2,564,762	957,972	59.62%
155,129	796,380	-	0.00%
	1,055,299	625,299	145.42%
<u>24,930</u>	<u>60,000</u>	<u>-</u>	0.00%
 \$ 2,289,801	 \$ 8,135,782	 \$ 1,583,271	