

WESTWOOD SHORES
MUNICIPAL UTILITY DISTRICT
Trinity, Texas

AUDITED FINANCIAL STATEMENTS

June 30, 2019

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }
COUNTY OF TRINITY }

I, John Wolf of **Westwood Shores Municipal Utility District** hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the 23 day of September, 2019 its annual audit report for the fiscal year or period ended June 30, 2019 and that copies of the annual audit report have been filed in the district office, located at 75 Cottonwood, Trinity, Texas 75862.

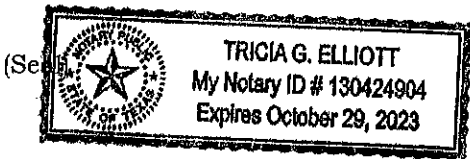
The annual filing affidavit and the attached copy of the annual report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code.

Date October 14, 2019

By: John Wolf
JOHN WOLF, PRESIDENT

Sworn to and subscribed to before me this 14 day of October, 2019.

Tricia Elliott
(Signature of Notary)



Commission Expires on: 10/29/2023
Notary Public in and for the State of Texas

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Westwood Shores Municipal
Utility District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Westwood Shores Municipal Utility District (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District'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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's 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 each major fund of Westwood Shores Municipal Utility District, as of June 30, 2019, 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 budgetary comparison information on pages 7 - 10 and 28 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 responses 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise District's basic financial statements. The supplementary information section, including the Texas Supplementary Information, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Lufkin, Texas
September 24, 2019


CERTIFIED PUBLIC ACCOUNTANTS

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

As Directors of the Westwood Shores Municipal Utility District (the District) board, we offer the readers of these financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2019. We encourage readers to consider information presented here as well as the District's financial statements, which follow this section.

Financial Highlights

- The District's assets exceeded its liabilities (or net position) at June 30, 2019 by \$2,866,100. Of this amount, \$891,649 is available for use to meet the District's ongoing obligations to its members and creditors.
- During the current year, expenses exceeded revenues (or a decrease in net position) by \$9,798.
- Overall long-term debt decreased by \$215,000.

Overview of the Financial Statements

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements must include both government-wide and fund financial statements. Governments must also present a Management's Discussion and Analysis, Notes to the Financial Statements, and Required Supplementary Information.

GASB Statement No. 34 provides that for special-purpose governments engaged in a single government program, the fund financial statements and the government-wide statements may be combined. The District has elected to present financial statements under this combined method.

Using this method, governments will present financial statements that begin with *governmental fund financial statements*, with columns for major funds (usually only a general fund). The adjustments column reconciles the amounts reported in the governmental funds to show how specific individual accounts would change when reported on the accrual basis of accounting. The final column of the combined statements shows the amounts that normally would appear in the *government-wide statements*.

Combined Financial Statements (pages 12 - 15)

Governmental Fund Financial Statements

Governmental fund financial statements focus on near-term inflows and outflows of spendable resources available at the end of the fiscal year. Revenues are recognized when they are both measurable and available. Expenditures are recorded when the related fund liability is incurred.

Governmental funds balance sheets present only current assets and liabilities. Capital assets and long-term liabilities are excluded.

Governmental fund statements of revenues, expenditures and changes in fund balance report information about the inflows, outflows and balance of current financial resources.

Government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the fiscal year. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the fund and government-wide financial statements.

Required Supplementary Information

In addition to the combined financial statements and accompanying notes, this report also presents certain supplementary information (RSI) as required by the Governmental Accounting Standards Board.

The District's Net Position

As mentioned earlier, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Net position is displayed in three components - invested in capital assets, net of related debt; restricted; and unrestricted. Unrestricted net position represents the net assets available for future operations.

THE DISTRICT'S NET POSITION		
	2019	2018
Cash/investments - Unrestricted	\$ 477 243	\$ 474 273
Cash/investments - Restricted	197 244	225 116
Other current assets	680 053	691 189
Land	21 571	21 571
Construction in progress	112 571	104 222
Capital assets, net	4 469 457	4 672 018
Noncurrent assets	-	14 299
TOTAL ASSETS	5 958 139	6 202 688
Current liabilities	51 384	67 553
Customer deposits	111 883	107 533
Deferred inflows	83 772	91 704
Long-term liabilities	2 845 000	3 060 000
TOTAL LIABILITIES	3 092 039	3 235 086
Net Position:		
Net investment in capital assets	1 758 599	1 737 811
Restricted	215 852	239 745
Unrestricted	891 649	898 342
TOTAL NET POSITION	\$ 2 866 100	\$ 2 875 898

Significant Increases/Decreases

Unrestricted cash/investments increased as a result of transfers to operations from restricted cash.

Capital expenditures included various water and sewer system improvements, the sewer line extension on FM 356, excavator and trailers, and replacement of all water meters.

Unrestricted net position increased as a result of the transfers to operations and release of restrictions.

During the current year, expenses exceeded revenues (or a decrease in net position) by \$9,798.

CHANGE IN NET POSITION

	2019	2018
Revenues:		
Water service	\$ 324 844	\$ 311 364
Sewer service	147 294	118 805
Standby fees	43 442	43 837
Other fees	110 404	85 696
Taxes, penalties and interest	723 960	779 867
Other income	31 130	49 487
TOTAL REVENUES	<u>1 381 074</u>	<u>1 389 056</u>
Expenses:		
Personnel and director fees	434 661	487 844
Plant operations and maintenance	54 857	73 410
Water purchases	310 655	337 856
Utilities	48 019	50 413
Miscellaneous operating expenses	77 240	91 944
Professional fees	30 129	23 155
Administrative expenses	101 110	127 765
Interest and fees	78 753	155 934
Depreciation	302 962	332 685
TOTAL EXPENSES	<u>1 438 386</u>	<u>1 673 789</u>
INCREASE (DECREASE) IN NET POSITION	(57 312)	(284 733)
Other sources (uses)	47 514	94 319
Net position, beginning of year	<u>2 875 898</u>	<u>3 066 312</u>
NET POSITION, END OF YEAR	<u>\$ 2 866 100</u>	<u>\$ 2 875 898</u>

Significant Increases/Decreases

Plant operations and maintenance expenses are trending downward as a result of significant improvements in recent years.

The largest variation over the prior year is in water purchases.

Administrative expenses increased due to new billing and accounting system purchases.

Capital Assets

The District's investment in capital assets as of June 30, 2019, totaled \$4,603,599 (net of accumulated depreciation).

CAPITAL ASSETS (NET OF DEPRECIATION)		
	2019	2018
Land	\$ 21 571	\$ 21 571
Construction in progress	112 571	104 222
Roads	6 599	7 186
Furniture and equipment	103 429	104 757
Rolling stock	6 177	11 880
Buildings and improvements	224 076	136 275
Water system	2 113 464	2 278 627
Wastewater system	2 011 721	2 114 627
Distribution lines and connections	3 991	18 666
CAPITAL ASSETS, NET	<u>\$ 4 603 599</u>	<u>\$ 4 797 811</u>

Debt Administration

At the end of the current fiscal year, the District had total bond debt obligations of \$2,845,000.

	BALANCE 06/30/18	ADDITIONS	REDUCTIONS	BALANCE 06/30/19
Series 2007	\$ -	\$ -	\$ -	\$ -
Series 2010B	1 425 000	-	(95 000)	1 330 000
Series 2017	1 635 000	-	(120 000)	1 515 000
TOTAL	<u>\$ 3 060 000</u>	<u>\$ -</u>	<u>\$ (215 000)</u>	<u>\$ 2 845 000</u>

Financial Analysis of Governmental Funds

The District uses fund accounting to ensure and demonstrate compliance with finance related requirements.

Governmental Funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2019, the District's governmental funds reported a total fund balance of \$702,405. This fund balance is comprised of \$313,474 that is either in a nonspendable form or restricted as to use. The remainder, or \$388,931, is unassigned. During the year, the overall fund balance in the District's governmental funds increased by \$3,923.

Budgetary Comparisons. A comparison of the general fund budget and actual results are presented as required supplementary information on page 28.

General Fund. Actual revenues were less than budgeted amounts by \$84,527. Actual expenditures were lower than budgeted amounts by \$441,647.

The general fund's fund balance increased by \$27,509 during the fiscal year; a decrease of \$361,520 was budgeted.

Economic Factors and Next Year's Budget and Rates

At this date, the 2019/2020 fiscal year budget has not been finalized. The District's tax rate for the 2018/2019 fiscal year was 0.89 per hundred-dollar valuation.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the District's finances. If you have questions about this report or need any additional information, contact the District's business office at 75 Cottonwood, Trinity, Texas 75862.

BASIC FINANCIAL STATEMENTS

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2019

	GENERAL FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	\$ 277 243	\$ -	\$ 277 243
Investments	200 000	-	200 000
Receivables, net of allowance for doubtful accounts	416 131	161 279	577 410
Prepaid expenses	5 021	-	5 021
Inventory	97 622	-	97 622
Capital assets, net of accumulated depreciation	-	-	-
Restricted cash and cash equivalents	-	147 423	147 423
Restricted investments	-	49 821	49 821
TOTAL ASSETS	\$ 996 017	\$ 358 523	\$ 1 354 540
LIABILITIES			
Accounts payable	\$ 11 040	\$ -	\$ 11 040
Accrued payroll and benefits	22 296	-	22 296
Accrued interest payable	-	-	-
Customer deposits	111 883	-	111 883
Long-term Liabilities:			
Due within one year	-	-	-
Due after one year	-	-	-
TOTAL LIABILITIES	145 219	-	145 219
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - Property taxes	83 577	142 671	226 248
Unavailable revenue - Standby fees	280 975	-	280 975
TOTAL DEFERRED INFLOWS OF RESOURCES	364 552	142 671	507 223
FUND BALANCES/NET POSITION			
Fund Balances:			
Nonspendable	97 622	-	97 622
Restricted for debt retirement	-	215 852	215 852
Unassigned	388 624	-	388 624
TOTAL FUND BALANCES	486 246	215 852	702 098
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 996 017	\$ 358 523	\$ 1 354 540
NET POSITION			
Net investment in capital assets			
Restricted for debt service			
Unrestricted			
TOTAL NET POSITION			

See accompanying notes to the financial statements.

<u>ADJUSTMENTS</u>	<u>STATEMENT OF NET POSITION</u>
\$ -	\$ 277 243
-	200 000
-	577 410
-	5 021
-	97 622
4 603 599	4 603 599
-	147 423
-	49 821
<u>4 603 599</u>	<u>5 958 139</u>
-	11 040
-	22 296
18 048	18 048
-	111 883
220 000	220 000
<u>2 625 000</u>	<u>2 625 000</u>
<u>2 863 048</u>	<u>3 008 267</u>
(226 248)	-
<u>(197 203)</u>	<u>83 772</u>
<u>(423 451)</u>	<u>83 772</u>
(97 622)	-
(215 852)	-
<u>(388 624)</u>	<u>-</u>
<u>(702 098)</u>	<u>-</u>
1 758 599	1 758 599
215 852	215 852
891 649	891 649
<u>\$ 2 866 100</u>	<u>\$ 2 866 100</u>

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2019

	GENERAL FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
Revenues:			
Water service, net	\$ 324 844	\$ -	\$ 324 844
Sewer service, net	147 294	-	147 294
Standby fees, net	41 979	-	41 979
Other fees	110 404	-	110 404
Tax revenues	425 284	335 517	760 801
Interest on investments	4 741	3 712	8 453
Other revenue	22 677	-	22 677
TOTAL REVENUES	1 077 223	339 229	1 416 452
Expenditures/Expenses:			
Service Operations:			
Salaries and wages (including benefits and taxes)	434 661	-	434 661
Plant and equipment maintenance and supplies	54 857	-	54 857
Water purchases	310 655	-	310 655
Equipment and vehicle expenses	23 432	-	23 432
Purchased services	3 349	-	3 349
Utilities	48 019	-	48 019
Professional fees	30 129	-	30 129
General office expense and postage	24 325	-	24 325
Insurance	19 617	-	19 617
Other miscellaneous expenses	51 428	-	51 428
Depreciation	-	-	-
Capital outlay	107 781	-	107 781
Debt Service:			
Appraisal district and tax collections	-	57 168	57 168
Principal retirement	-	215 000	215 000
Interest and fees	-	79 929	79 929
TOTAL EXPENDITURES/EXPENSES	1 108 253	352 097	1 460 350
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(31 030)	(12 868)	(43 898)
Other Financing Sources (Uses) and Transfers:			
Other revenue	47 514	-	47 514
Transfers	11 025	(11 025)	-
TOTAL OTHER FINANCING SOURCES (USES)	58 539	(11 025)	47 514
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	27 509	(23 893)	3 616
CHANGE IN NET POSITION			
Fund Balance/Net Position:			
Beginning of the year	458 737	239 745	698 482
END OF THE YEAR	\$ 486 246	\$ 215 852	\$ 702 098

See accompanying notes to the financial statements.

<u>ADJUSTMENTS</u>	<u>STATEMENT OF ACTIVITIES</u>
\$ -	\$ 324 844
-	147 294
1 463	43 442
-	110 404
(36 841)	723 960
-	8 453
-	22 677
<u>(35 378)</u>	<u>1 381 074</u>
-	434 661
-	54 857
-	310 655
(4 400)	19 032
-	3 349
-	48 019
-	30 129
-	24 325
-	19 617
-	51 428
302 962	302 962
(104 350)	3 431
-	57 168
(215 000)	-
(1 176)	78 753
<u>(21 964)</u>	<u>1 438 386</u>
<u>(13 414)</u>	<u>(57 312)</u>
-	47 514
-	-
-	<u>47 514</u>
-	-
(13 414)	(9 798)
2 177 416	2 875 898
<u>\$ 2 164 002</u>	<u>\$ 2 866 100</u>

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction:

The financial statements of Westwood Shores Municipal Utility District (the "District") have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies used by the District are discussed below.

Reporting Entity:

Westwood Shores Municipal Utility District of Trinity County, Texas, was created by an order of the Texas Water Commission, predecessor to the Texas Commission on Environmental Quality, on May 23, 1972, and operates under the provisions of Chapter 54 of the Texas Water code, to provide water and sewer services to property owners within the boundaries of the District. The Board of Directors held its first meeting on June 15, 1972, the first bonds were sold on May 1, 1973.

For financial reporting purposes, based on standards established by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, these financial statements should present the District (the primary government) and its component units. Component units generally are legally separate entities for which the primary government is financially accountable or for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The District does not have any blended or discretely presented component units.

Government-wide and Fund Financial Statements:

GASB Statement No. 34 provides that for special-purpose governments engaged in a single government program, the fund financial statements and the government-wide statements may be combined. The District has elected to present financial statements using this combined method.

The government-wide financial statements include the statement of net position and the statement of activities. These statements report information on all of the activities of the District as a whole. *Governmental activities* include programs normally supported by taxes, grants and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other revenue sources not properly included with program revenues are reported as *general revenues*.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Major individual governmental funds are reported in separate columns in the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The government-wide statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied. Grants and donations are recognized as revenue in the fiscal year in which grantor eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related liability is incurred, as under accrual accounting. Debt service expenditures, both principal and interest, are recorded only when payment is due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, and investment income. In general, all other revenue items are considered to be measurable and available only when cash is received. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The District has the following types of governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The principal sources of revenues include local property taxes, water and sewer service fees, standby fees, and tap connection fees. Expenditures include general government, judicial and law enforcement, and culture and recreation.

The *debt service fund* is used to account for the accumulation of financial resources for the payment of long-term debt.

The general fund and debt service fund are both reported as major governmental funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the District's policy to generally consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the District that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts. In both instances, when a proposed expenditure is made with specific balances identified as the source of the funding, that specific fund balance will be used.

Assets, Liabilities, Deferred Inflows, and Net Position/Fund Balance

Deposits and Investments:

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, money market accounts, and certificates of deposit and short-term, highly liquid investments that are readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents include investments with original maturities of three months or less and are stated at fair value.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments consist of certificates of deposit with original maturities greater than three months and investment positions in a local government investment pool, Texas Local Government Investment Pool ("TexPool"). Certificates of deposit are recorded at cost, which approximates market value at June 30, 2019. TexPool investments are reported using the pool's share price.

The District is required by the Public Funds Collateral Act (Government Code, chapter 2257) to maintain security for all deposits of funds that exceed coverage provided by the Federal Deposit Insurance Corporation (FDIC). As of the balance sheet date, the District's cash deposits were fully insured by FDIC coverage. Based on audit procedures conducted in conjunction with the audit of the basic financial statements, the District appears to have complied with the requirements of the Public Funds Collateral Act.

The District is required by the Public Funds Investment Act (Government Code, chapter 2256) (the "Act") to adopt, implement, and publicize a written investment policy which primarily emphasizes safety of principal and liquidity, and addresses investment diversification, yield, and maturity. Additionally, the policy must address the quality and capability of investment management and include the types of investments in which the entity may invest its funds, as well as the maximum allowable stated maturity of any individual investment, the maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio of pooled fund groups, and bid requirements for certificates of deposit.

The District is authorized to invest in financial instruments, as authorized by the Act, including:

- U.S. Treasury securities which have a liquid market; direct obligations of the State of Texas, and other obligations that are guaranteed by the State of Texas or United States of America;
- obligations of states, agencies, counties, and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent;
- fully insured or collateralized certificates of deposit at commercial banks;
- repurchase agreements collateralized by U.S. Treasury or U.S. Government Agency securities in accordance with a meter repurchase agreement;
- joint pools of political subdivisions in the State of Texas which invest in instruments and follow practices allowed by current law (the pool must be continuously rated no lower than "AAA" or "AAA-m" by at least one nationally recognized rating service).

The Act also requires an annual audit of investment practices. Audit procedures conducted in conjunction with the audit of the basic financial statements disclosed that the District's investment practices adhered to its policies and were consistent with the requirements of the Public Funds Investment Act.

Fair Value of Financial Instruments:

The District evaluates the fair value of its non-investment financial instruments based on the current interest rate environment and current pricing of debt instruments with comparable terms. The carrying value of all non-investment financial instruments, including debt, is considered to approximate fair value.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Receivables:

Property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is calculated based on historical collection rates.

Property taxes are levied by October 1 and are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure payment of all taxes penalties, and interest ultimately imposed.

Restricted Assets:

Certain cash and investments are classified as restricted because they are maintained in separate accounts and their use is limited by applicable bond covenants, grant agreements, laws or regulations, and other contractual agreements.

Prepaid Items:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Inventory:

Inventory is valued at cost which approximates, market, using the first-in/first-out method. The cost of inventory is recorded as expenditures when used (consumption method).

Capital Assets and Depreciation:

The District's property, plant, and equipment with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Contributed capital assets are recorded at estimated fair market value at the date received.

Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

The estimated useful lives are as follows:

Buildings and improvements	5 to 39 years
Land improvements	15 years
Furniture and equipment	3 to 40 years
Rolling stock	5 to 10 years
Water and sewer lines	30 years
Water and sewer systems	7 to 30 years

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Interest expense related to bonds or other debt issued to construct or acquire capital assets is capitalized as a cost of the respective asset in the government-wide financial statements with the amount of interest capitalized being the interest expense from the date of the borrowing until the completion of the project.

Deferred Inflows of Resources:

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items of this type, one of which arises only under a modified accrual basis of accounting, that qualify for reporting in this category. Accordingly, the item, deferred property taxes is reported only on the governmental funds balance sheet. The items, deferred stand by fees and deferred theft recovery arise under the accrual basis of accounting and are reported on the governmental funds balance sheet and statement of net position. These amounts are deferred and recognized as inflows of resources in the period that the amounts becomes available.

Compensated Absences:

The District provides vacation time for its employees with one year or more tenure at the rate of two weeks of vacation time after one year of service, and three weeks of vacation after five years of service. Employees are required to use vacation time by the employee's anniversary date. Unused vacation time is paid if the employee separates from service. At June 30, 2019, the District's employees had accumulated 355 hours of unused vacation time. Based upon current employee pay rates, \$7,018 of accumulated unpaid employee vacation benefits have been accrued as of June 30, 2019, this has been included in accrued payroll and benefits on the statement of net position.

Beginning January 1, 2015, the District adopted a personal time off (PTO) policy allowing for 40 hours of personal time on January 1st of each calendar year up to 80 hours maximum of carryover. Any earned but unused PTO is paid at separation. At June 30, 2019, the District's employees had accumulated 202 hours of unused PTO. Based upon current employee pay rates, \$3,808 of accumulated unpaid employee PTO benefits have been accrued as of June 30, 2019, this has been included in accrued payroll and benefits on the statement of net position.

Long-term Obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental fund type statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discounts. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Position and Fund Balances:

In the government-wide financial statements, the difference between the District's total assets and total liabilities represents net position. Net position is displayed in three components - invested in capital assets, net of related debt; restricted; and unrestricted. At June 30, 2019, restricted net position represents monies that are legally restricted for payment of debt service. Unrestricted net position represents the net assets available for future operations.

In the governmental fund financial statements, fund balances are classified as follows:

Non-spendable - amounts that cannot be spent either because they are in non-spendable form (such as inventories and prepaid amounts) or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes due to constraints imposed on resources either (a) externally by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Board of Directors - the government's highest level of decision making authority. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Directors.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned - all other spendable amounts.

Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Process:

The general fund budget is adopted on a governmental funds basis each year by the Board of Directors. Budgeted amounts may be subject to revision by the Board at specific times during the year. The District did not amend its budget during the current year.

Deficient Fund Balances:

The District had no deficit fund balances at June 30, 2019.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 3 - DETAILED NOTES ON ALL FUNDS

ASSETS

Deposits and Investments:

As of June 30, 2019, the District had the following investments:

Certificates of deposit	\$	347 114
TexPool		49 821
TOTAL FAIR VALUE	\$	<u>396 935</u>

The District voluntarily invests in the Texas Local Governments Investment Pool (TexPool) which operates in a manner consistent with Rule 2a7 of the Investment Company Act of 1940 and in compliance with the Texas Public Funds Investment Act.

Interest Rate Risk. In accordance with its investment policy, the District manages its exposure to declines in fair value by diversifying investments in terms of maturity.

Credit Risk. State law and the District's investment policy limit investments to obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent. As of June 30, 2019, the District's investments in TexPool were rated AAAM by Standard and Poors. All other investments are guaranteed (either express or implied) by the full faith and credit of the United States government.

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned. The District's investment policy requires funds on deposit at depository banks to be collateralized to the extent that the deposits exceed FDIC coverage. As of June 30, 2019, the District's deposits with depository banks totaled \$674,487. Included in the balances are certificates of deposit totaling \$347,114. All deposits were fully secured by FDIC coverage.

Receivables:

Receivable and Uncollectible Accounts. Receivables at June 30, 2019, including the related allowance for uncollectible accounts, are as follows:

	PROPERTY TAXES	SERVICE ACCOUNTS	STANDBY FEES	TOTALS
Receivables by Fund:				
General fund	\$ 390 796	\$ 50 107	\$ 1 560 972	\$ 2 001 875
Debt service	667 114	-	-	667 114
RECEIVABLES, GROSS	1 057 910	50 107	1 560 972	2 668 989
Allowances for Uncollectibles:				
General fund	(296 319)	(9 428)	(1 279 997)	(1 585 744)
Debt service	(505 835)	-	-	(505 835)
NET	\$ 255 756	\$ 40 679	\$ 280 975	\$ 577 410

Property Taxes. Property taxes attach as an enforceable lien on property as of January 1 of each year. Property taxes are levied and become due October 1 and become delinquent January 31.

Of the \$1,057,910 in property taxes receivable, \$944,175 (or 89%) represents the outstanding balances from tax assessments for years 2018 and prior.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

The combined tax rate for the October 1, 2017 tax levy was \$0.89 per \$100 of assessed valuation. Of the total, \$0.500 per \$100 of assessed valuation is provided for maintenance and operation and \$0.390 is provided for interest and sinking.

The combined tax rate for the October 1, 2018 tax levy was \$0.89 per \$100 of assessed valuation. Of the total, \$0.500 per \$100 of assessed valuation is provided for maintenance and operation and \$0.390 is provided for interest and sinking.

Capital Assets:

A summary of changes in capital assets for the year ended June 30, 2019, is as follows:

	BALANCE 06/30/2018	ADDITIONS	DELETIONS/ PLACED IN SERVICE	BALANCE 06/30/2019
Capital Assets, Not Being Depreciated:				
Land easements and rights-of-way	\$ 21 571	\$ -	\$ -	\$ 21 571
Construction in progress	104 222	8 349	-	112 571
TOTAL NOT BEING DEPRECIATED	125 793	8 349	-	134 142
Capital Assets, Being Depreciated:				
Roads	52 742	-	-	52 742
Furniture and equipment	288 923	4 400	-	293 323
Rolling stock	91 870	-	-	91 870
Buildings and improvements	216 987	96 001	-	312 988
Water system	3 932 931	-	-	3 932 931
Wastewater system	3 345 861	-	-	3 345 861
Distribution lines and connections	4 785 249	-	-	4 785 249
TOTAL BEING DEPRECIATED	12 714 563	100 401	-	12 814 964
Less Accumulated Depreciation:				
Roads	(45 556)	(587)	-	(46 143)
Furniture and equipment	(184 166)	(5 728)	-	(189 894)
Rolling stock	(79 990)	(5 703)	-	(85 693)
Buildings and improvements	(80 712)	(8 200)	-	(88 912)
Water system	(1 654 304)	(165 163)	-	(1 819 467)
Wastewater system	(1 231 234)	(102 906)	-	(1 334 140)
Distribution lines and connections	(4 766 583)	(14 675)	-	(4 781 258)
TOTAL ACCUMULATED DEPRECIATION	(8 042 545)	(302 962)	-	(8 345 507)
TOTAL BEING DEPRECIATED, NET	4 672 018	(202 561)	-	4 469 457
TOTAL CAPITAL ASSETS, NET	\$ 4 797 811	\$ (194 212)	\$ -	\$ 4 603 599

Depreciation expense of \$302,962 was charged to governmental funds as of June 30, 2019.

LIABILITIES

Long-term Debt:

Long-term debt activity for the year ended June 30, 2019, was as follows:

	BALANCE 06/30/2018	ADDITIONS	REDUCTIONS	BALANCE 06/30/2019	DUE WITHIN ONE YEAR
2010B Bonds	1 425 000	-	(95 000)	1 330 000	100 000
2017 Bonds	1 635 000	-	(120 000)	1 515 000	120 000
TOTAL LONG-TERM DEBT	\$ 3 060 000	\$ -	\$ (215 000)	\$ 2 845 000	\$ 220 000

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

The annual debt service requirements to maturity for long-term debt are as follows:

YEAR ENDING JUNE 30,	2010B BONDS		2017 BONDS	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2020	\$ 100 000	\$ 38 390	\$ 120 000	\$ 36 209
2021	105 000	36 090	125 000	33 341
2022	105 000	33 465	125 000	30 353
2023	110 000	30 683	135 000	27 366
2024	115 000	27 657	135 000	24 139
2025-2029	650 000	85 090	720 000	71 104
2030	145 000	4 640	155 000	3 705
TOTAL	\$ 1 330 000	\$ 256 015	\$ 1 515 000	\$ 226 217

At year end, the District had \$197,244 available in the debt service fund to service long-term debt.

Bonds payable at June 30, 2019, are comprised of the following:

Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2007. On June 20, 2008, the District issued \$2,255,000 in combined unlimited tax and revenue bonds, through the Rural Water Assistance Fund of the Texas Water Development Board. The bonds were issued as follows: \$2,255,000 of current interest serial certificates bearing interest at rates of 4.280% to 5.370% and maturing from 2011 to 2030. The bonds are redeemable in whole or in part, beginning on May 1, 2011, on any accrued interest date thereafter as provided by the bond order.

Unlimited Tax Bonds, Series 2010A and 2010B. In May, 2010, the District issued \$2,040,000 in unlimited tax bonds, through the Texas Water Development Board. Proceeds of the bonds were to be used for major improvements to the District's wastewater treatment system. The project was completed as of May 1, 2013. The bonds were issued as follows:

Series 2010A. \$215,000 of serial bonds which were fully paid off, and removed from the Districts books as of June 30, 2014.

Series 2010B. Issued through the Clean Water State Revolving Fund, \$1,825,000 of serial bonds bearing interest at rates of 0.40% to 3.20% and maturing from 2011 to 2030. The bonds are redeemable in whole or in part, beginning on May 1, 2011, and on any accrued interest date thereafter as provided by the bond order.

The Series 2010B bonds are secured by the District's ad valorem taxes and require annual payments of principal on May 1, and semi-annual payments of interest on May 1 and November 1, at varying amounts. The bond resolution requires cash from the original issue that is remaining after the completion of the construction project to be transferred to the debt service fund for payment of principal and interest. The bonds have been recorded in the debt service fund.

Advanced Refunding:

The District issued \$1,635,000 of *Unlimited Tax Refunding Bonds, Series 2017*, to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payment on the refunded bonds. The net proceeds of \$1,635,000 (after issuance costs of \$61,640) were used to advance refund a portion of the Unlimited Tax and Revenue Bonds Series 2007 bond with a total principal amount of \$1,635,000 and interest at 2.39%. As a result, the refunded portion of the bonds are considered to be defeased and the liability has been removed from the government-wide financial statements.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

The Series 2017 bonds are secured by the District's ad valorem taxes and require annual payments of principal on May 1, and semi-annual payments of interest on May 1 and November 1, at varying amounts.

Bond Compliance Requirements:

The bond ordinances require that during the period in which the bonds are outstanding, the District must create and maintain certain accounts or funds to receive the proceeds from the sale of the bonds and to account for the revenues (as defined) and/or taxes, which are pledged for payment of the bonds. The assets can be used only in accordance with the terms of the bond ordinance and for the specific purpose(s) designated therein.

The bond orders make express stipulations with respect to (a) the District's rates and charges for facilities and services; (b) the use of revenues; (c) restrictions in connection with the encumbrance or sale of the physical properties; (d) maintenance, operation, and insurance on the system; and (e) reports, inspections, and accounting records.

Water Supply Contracts:

On June 25, 1980, the District, along with five other entities entered into a contract with the Trinity River Authority ("Authority") to purchase from the Authority amounts of raw water impounded in the Livingston Reservoir for treatment by the Authority. The District is obligated to pay standby charges as well as an Annual Requirement which is comprised of operation and maintenance and debt service components calculated on a pro rata basis relative to the District's total annual water usage. Annual average daily amounts of water that the Authority is obligated to sell to the District has been modified by agreement between the parties to .150 million gallons of water per day through December 2020.

On November 3, 2011, the District entered into a contract with the Trinity Rural Water Supply Corporation ("TRWS") for the right of the District to purchase specified amounts of treated water from TRWS. The District is required to construct transmission facilities and upon completion, convey ownership of the transmission facilities to TRWS. The District is obligated to pay a water reservation charge of \$12,116 per month which is subject to change by TRWS annually. In addition to other charges, the District must pay a volumetric rate for all treated water delivered by TRWS to the District. The volumetric rate has been set at \$2.10 per 1,000 gallons for the initial year of the agreement and may be changed by TRWS annually. Maximum daily amounts of treated water that TRWS is obligated to sell to the District has been set at 288,000 gallons per day through September 2032.

Employees Retirement Plan:

The District offers its employees a deferred compensation 457(b) plan where the District contributes \$34.61 per employee, per bi-weekly payroll. Contributions under this plan amounted to \$8,730 for the year ended June 30, 2019.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Judgment for Restitution:

The District was awarded judgments against two former employees by the 411th District Court. Terms of the restitution call for an initial payment of \$2,000 and then payments of \$1,000 per month from each former employee for a period of 10 years, until each former employee has made restitution of \$120,000. During the current fiscal year, the District received restitution of \$1,004. The restitution is reflected as other financing sources on the statement of activities and governmental funds revenues, expenditures and changes in fund balances. The remaining judgment receivable is recognized as an asset on the statement of net position and governmental funds balance sheet in the amount of \$7,303. In addition, the portion of the judgment uncollected from the former employees has been included in deferred inflows on the statement of net position and governmental funds balance sheet. The amount of restitution included in deferred inflows is \$7,303.

Interfund Receivables, Payables, and Transfers:

During the course of routine operations, transactions occur between individual funds. Due to and due from other funds, as shown in the fund financial statements, represents short-term borrowings between funds that were not settled at year end. The District did not have any funds to be settled at year end.

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

TRANSFER IN		TRANSFER OUT
General Fund	\$ 11 025	Debt Service \$ 11 025

NOTE 4 - TOWER LEASE AGREEMENT

On July 20, 2016, the District entered into a tower lease agreement. The ten year unlimited lease begins September 1, 2016 and will be renewable on September 1, 2026 for an additional ten years. Trace Wireless will have a tower on the District's property and will provide internet at no cost to the District.

NOTE 5 - OTHER INFORMATION

Risk Management:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The District provides insurance coverage for each of these risks. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims did not exceed this coverage during the current year.

Subsequent Events:

Management has evaluated subsequent events through September 24, 2019, the date when the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2019

	ORIGINAL AND FINAL BUDGET	GENERAL FUND	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:			
Water service, net	\$ 350 000	\$ 324 844	\$ (25 1256)
Sewer service, net	160 000	147 294	(12 706)
Standby fees, net	50 850	41 979	(8 871)
Other fees	111 900	110 404	(1 496)
Tax revenues	488 000	425 284	(62 716)
Interest on investments	1 000	4 741	3 741
Other revenue	-	22 677	22 677
TOTAL REVENUES	1 161 750	1 077 223	(84 527)
Expenditures/Expenses:			
Service Operations:			
Salaries and wages (including benefits and taxes)	440 875	434 661	6 214
Plant and equipment maintenance and supplies	125 300	54 857	70 443
Water purchases	332 000	310 655	21 345
Equipment and vehicle expenses	27 200	23 432	3 768
Purchased services	19 000	3 349	15 651
Utilities	50 340	48 019	2 321
Professional fees	45 000	30 129	14 871
General office expense and postage	33 500	24 325	9 175
Insurance	35 000	19 617	15 383
Other miscellaneous expenses	40 530	51 428	(10 898)
Capital outlay	401 155	107 781	293 374
TOTAL EXPENDITURES/EXPENSES	1 549 900	1 108 253	441 647
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(388 150)	(31 030)	(526 174)
Other Financing Sources (Uses):			
Other revenue	-	47 514	47 514
Theft reimbursement	26 630	-	(26 630)
Transfers	-	11 025	11 025
TOTAL OTHER FINANCING SOURCES (USES)	26 630	58 539	31 909
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(361 520)	27 509	(494 265)
Fund balance - Beginning of year	458 737	458 737	-
FUND BALANCE - END OF YEAR	\$ 97 217	\$ 486 246	\$ (494 265)

See independent auditors' report.

TEXAS SUPPLEMENTARY INFORMATION

As Required by the Texas Commission on Environmental Quality

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
 SCHEDULE TSI-1. SERVICES AND RATES
 For the Year Ended June 30, 2019

1. The District Provides services for retail water and retail wastewater.

2. Retail Service Providers:

a. Retail rates for a 3/4" meter (or equivalent):

	MINIMUM CHARGE	MINIMUM USAGE	FLAT RATE Y/N	RATE PER 1,000 GALLONS OVER MINIMUM USE	USEAGE LEVELS
Water:					
Residential	\$ 24.00	3,000	N	\$ 4.50	3,001 - 20,000
Commercial	\$ 30.00	3,000	N	\$ 6.00	3,001 - 15,000
					above maximums
Surcharge	\$ -		N	\$ 10.00	above
Wastewater:					
Residential	\$ 12.00	N/A	Y	\$ -	no limit
Commercial	\$ 16.00	10,000	N	\$ 0.50	10,001 to no limit

The District does not employ winter averaging for wastewater usage.

Total water and wastewater charges per 10,000 gallons usage including surcharges: \$67.50

b. Water and Wastewater Retail Connections:

CONNECTIONS	ACTIVE	ACTIVE ESF	INACTIVE*
Single Family	693	-	-
Multi Family	-	-	-
Commercial	9	-	-
TOTAL	702	-	-

* Inactive means that water and wastewater connections were made, but service is not being provided.

3. Total Water Consumption (In Thousands) During The Fiscal Year:

Gallons pumped into system:	<u>36,545</u>
Gallons billed to customers:	<u>29,789</u>
Water accountability ratio:	0.82 or 82% (gallons billed/gallons pumped)

4. Standby Fees (authorized only under TWC Section 49.231):

The District does not maintain standby fees.

The District does have Operation and Maintenance standby fees.

For the most recent fiscal year ended June 30, 2019:

Operation and Maintenance:	
Total Standby Levy	\$ 167 544
Total Collected	\$ 36 472
Percentage Collected	21%

Standby fees have been levied in accordance with Water Code Section 49.231, thereby constituting a lien on property.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
SCHEDULE TSI-1. SERVICES AND RATES - CONTINUED
For the Year Ended June 30, 2019

5. Anticipated Sources of Funds to be Used for Debt Service Payments in the District's following Fiscal Year:

Debt Service Tax Receipts	\$ 335 517
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6. Location of District:

The District is located entirely within one county - Trinity County. The District is not located within a city. It is entirely located within a city's extra territorial jurisdiction. The Board members are not appointed by any office outside the District.

See independent auditors' report on supplementary information.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
 SCHEDULE TSI-2. GENERAL FUND EXPENDITURES
 For the Year Ended June 30, 2019

Personnel expenditures (including benefits)	\$	424 261
Professional Fees:		
Auditing		17 375
Legal		12 754
Purchased services for resale - Water		310 655
Utilities		48 019
Plant operations and maintenance		81 638
Miscellaneous operating expenditures		51 428
Administrative Expenditures:		
Directors' fees		10 400
Office		24 325
Insurance		19 617
Capital Outlay:		
Acquisition of fixed assets		99 432
Engineering fees		8 349
		8 349
TOTAL EXPENDITURES	\$	1 108 253

Number of persons employed by the District: Nine Full-time

See independent auditors' report.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
 SCHEDULE TSI-3. TEMPORARY INVESTMENTS
 For the Year Ended June 30, 2019

FUND	IDENTIFICATION OF CERTIFICATE NUMBER	INTEREST RATE	MATURITY DATE	BALANCE AT END OF YEAR	ACCRUED INTEREST AT END OF YEAR
<u>General Fund</u>					
Certificate of Deposit	80001499	1.8750%		\$ 100 000	\$ 1 250
Certificate of Deposit	80001533	1.8750%		100 000	1 250
TexPool	22811-1100005	1.9206%		<u>274 992</u>	<u>-</u>
TOTAL				<u>474 992</u>	<u>2 500</u>
<u>Debt Service</u>					
Certificate of Deposit	58757	1.3000%		50 329	54
Certificate of Deposit	58768	1.3000%		50 329	54
Certificate of Deposit	58769	1.3000%		46 456	52
TexPool	22811-1100001	1.9206%	N/A	27 033	-
TexPool	22811-1100008	1.9206%	N/A	<u>22 788</u>	<u>-</u>
TOTAL				<u>196 935</u>	<u>160</u>
TOTAL ALL FUNDS				<u>\$ 671 927</u>	<u>\$ 2 660</u>

See independent auditors' report.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
 SCHEDULE TSI-4. TAXES LEVIED AND RECEIVABLE
 For the Year Ended June 30, 2019

	MAINTENANCE TAXES	DEBT SERVICE TAXES
Taxes receivable at beginning of year	\$ 352 483	\$ 863 973
2017 original tax levy	453 892	354 035
Adjustments	5 780	(221 155)
TOTAL TO BE ACCOUNTED FOR	812 155	996 853
Tax Collections:		
Current year	(413 442)	(322 905)
Prior years	(7 917)	(6 834)
TOTAL COLLECTIONS	(421 359)	(329 739)
Taxes receivable at end of year	\$ 390 796	\$ 667 114

Taxes Receivable, by Years

2019	\$ 56 952	\$ 56 783
2018	34 062	25 589
2017	36 348	21 994
2016	37 788	25 035
2015	34 650	24 914
2014	29 639	22 773
2013	26 903	24 579
2012	22 099	20 715
2011	19 713	22 284
2010 and prior	92 642	422 448
TOTAL TAXES RECEIVABLE	\$ 390 796	\$ 667 114

	2018	2017	2016	2015
Property Valuations:				
Land/personal	\$ 21 379 680	\$ 21 523 519	\$ 21 099 352	\$ 20 679 629
Improvements	75 709 849	68 350 166	66 040 472	61 547 717
TOTAL PROPERTY VALUATIONS	\$ 97 089 529	\$ 89 873 685	\$ 87 139 824	\$ 82 227 346
Per \$100 Valuation:				
Debt service tax rate	\$ 0.3560	\$ 0.3560	\$ 0.3560	\$ 0.3250
M & O tax rate	0.5340	0.5340	0.5340	0.5850
TOTAL TAX RATE	\$ 0.8900	\$ 0.8900	\$ 0.8900	\$ 0.9100
Original tax levy	\$ 807 927	\$ 799 784	\$ 775 545	\$ 748 271
Percent of Current Taxes:				
Collected to current taxes levied	93.0%	94.2%	87.0%	85.9%

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
 SCHEDULE TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
 For the Year Ended June 30, 2019

DUE DURING FISCAL YEARS ENDING	SERIES 2010B			SERIES 2017		
	PRINCIPAL DUE	INTEREST DUE	TOTAL	PRINCIPAL DUE	INTEREST DUE	TOTAL
	11/01	11/01, 05/01		11/01	11/01, 05/01	
2020	\$ 100 000	\$ 38 390	\$ 138 390	\$ 120 000	\$ 36 209	\$ 156 209
2021	105 000	36 090	141 090	125 000	33 341	158 341
2022	105 000	33 465	138 465	125 000	30 353	155 353
2023	110 000	30 683	140 683	135 000	27 366	162 366
2024	115 000	27 657	142 657	135 000	24 139	159 139
2025	120 000	24 438	144 438	135 000	20 913	155 913
2026	125 000	20 957	145 957	140 000	17 686	157 686
2027	130 000	17 270	147 270	145 000	14 340	159 340
2028	135 000	13 305	148 305	150 000	10 875	160 875
2029	140 000	9 120	149 120	150 000	7 290	157 290
2030	145 000	4 640	149 640	155 000	3 705	158 705
	<u>\$ 1 330 000</u>	<u>\$ 256 015</u>	<u>\$ 1 586 015</u>	<u>\$ 1 515 000</u>	<u>\$ 226 217</u>	<u>\$ 1 741 217</u>

See independent auditors' report.

ANNUAL REQUIREMENTS FOR ALL SERIES

<u>TOTAL</u>	<u>TOTAL</u>	
<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
<u>DUE</u>	<u>DUE</u>	<u>DUE</u>
\$ 220 000	\$ 74 599	\$ 294 599
230 000	69 431	299 431
230 000	63 818	293 818
245 000	58 049	303 049
250 000	51 796	301 796
255 000	45 351	300 351
265 000	38 643	303 643
275 000	31 610	306 610
285 000	24 180	309 180
290 000	16 410	306 410
300 000	8 345	308 345
<u>\$ 2 845 000</u>	<u>\$ 482 232</u>	<u>\$ 3 327 232</u>

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
 SCHEDULE TSI-6. CHANGES IN LONG-TERM BONDED DEBT
 For the Year Ended June 30, 2019

	SERIES 2010B	SERIES 2017
Interest Rate	Varies from 0.40% - 3.20%	2.39%
Dates Interest Payable	11/01; 05/01	11/01; 05/01
Maturity Dates	05/01/2014 to 05/01/2030	
Bonds Outstanding, Beginning of Year	\$ 1 425 000	\$ 1 635 000
Bonds Issued	-	-
Bonds Refunded	-	-
Bonds Payable	(95 000)	(120 000)
Bonds Outstanding, End of Year	<u>\$ 1 330 000</u>	<u>\$ 1 515 000</u>
Interest Paid During the Fiscal Year	<u>\$ 40 385</u>	<u>\$ 39 077</u>

Paying Agent's Name and Address:

2010 Series Bond: Wells Fargo Bank Texas, N.A.
 1021 Main Street, Suite 2403
 Houston, Texas 77062

2017 Series Bond: TIB The Independent Bankers Bank, N.A.
 1170 Luna Road
 Farmers Branch, Texas 75234

	TAX BONDS	REFUNDING BONDS
Bond Authority:		
Amount authorized by voters	\$ 14 870 000	\$ 4 205 000
Amount issued	11 910 000	4 205 000
REMAINING TO BE ISSUED	<u>\$ 2 960 000</u>	<u>\$ -</u>

Debt Service Fund Cash and Temporary Investments balances as of June 30, 2019: \$197,244

Average annual Debt Service payment (principal and interest) for remaining term of bonds: \$302,476

See independent auditors' report.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
 SCHEDULE TSI-7a. COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES -
 GENERAL FUND - FIVE YEARS
 For the Year Ended June 30

	AMOUNTS				
	2019	2018	2017	2016	2015
General Fund Revenues:					
Service revenues	\$ 472 138	\$ 430 169	\$ 409 672	\$ 429 981	\$ 418 933
Stand-by fees	41 979	43 143	48 836	58 229	62 605
Other fees	110 404	85 696	92 308	112 408	68 616
Taxes collected	419 118	413 030	420 270	439 686	407 347
Taxes penalty and interest	6 166	7 942	9 881	9 763	8 076
Interest	4 741	6 975	1 676	1 766	1 802
Other revenue	22 677	36 509	16 759	863	1 529
TOTAL REVENUES	<u>1 077 223</u>	<u>1 023 464</u>	<u>999 402</u>	<u>1 052 696</u>	<u>968 908</u>
General Fund Expenditures:					
Salaries and wages	434 661	492 844	429 752	419 850	339 834
Plant maintenance and supplies	54 857	87 532	102 223	184 274	58 403
Professional fees	30 129	23 155	30 716	33 292	16 830
Operating expenditures	588 606	677 163	495 919	603 946	652 181
TOTAL EXPENDITURES	<u>1 108 253</u>	<u>1 280 694</u>	<u>1 058 610</u>	<u>1 241 362</u>	<u>1 067 248</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>(31 030)</u>	<u>(257 230)</u>	<u>(59 208)</u>	<u>(188 666)</u>	<u>(98 340)</u>
Other Sources (Uses):					
Other revenue	39 514	46 087	-	-	-
Theft reimbursement	8 000	47 035	15 765	20 569	22 985
Transfer in	11 025	5 966	57 382	155 367	-
TOTAL OTHER SOURCES (USES)	<u>58 539</u>	<u>99 088</u>	<u>73 147</u>	<u>175 936</u>	<u>22 985</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>\$ 27 509</u>	<u>\$ (158 142)</u>	<u>\$ 13 939</u>	<u>\$ (12 730)</u>	<u>\$ (75 355)</u>
Total active retail water and/or wastewater connections	<u>702</u>	<u>702</u>	<u>656</u>	<u>672</u>	<u>667</u>

See independent auditors' report.

PERCENT OF TOTAL OPERATING REVENUE

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
44.2 %	42.0 %	38.1 %	40.8 %	43.2 %
3.9	4.2	4.6	5.5	6.5
10.2	8.4	8.6	10.7	7.1
38.6	40.3	39.2	41.8	42.0
0.6	0.8	0.9	0.9	0.8
0.4	0.7	0.2	0.2	0.2
2.1	3.6	8.4	0.1	0.2
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
40.4	48.2	43.0	39.9	35.1
5.1	8.6	9.5	17.5	6.0
2.8	2.3	2.9	3.2	1.7
54.6	66.2	46.2	57.4	67.3
<u>102.9</u>	<u>125.3</u>	<u>105.92</u>	<u>117.9</u>	<u>110.1</u>
(2.9)	(25.3)	(5.92)	(17.9)	(10.1)
3.7	4.5	-	-	-
0.7	4.6	1.6	2.0	-
1.0	0.6	5.7	14.8	-
<u>5.4</u>	<u>9.7</u>	<u>7.3</u>	<u>16.8</u>	<u>-</u>
<u>2.6 %</u>	<u>(15.6) %</u>	<u>1.39 %</u>	<u>(1.1) %</u>	<u>(10.1) %</u>

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
 SCHEDULE TSI-7b. COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES -
 DEBT SERVICE FUND - FIVE YEARS
 For the Year Ended June 30

	AMOUNTS				
	2019	2018	2017	2016	2015
Debt Service Revenues:					
Taxes collected	\$ 335 517	\$ 340 263	\$ 314 570	\$ 255 474	\$ 291 357
Taxes penalty and interest	-	11 775	10 869	13 567	11 465
Interest income	3 712	6 003	2 199	1 793	1 672
TOTAL REVENUES	339 229	358 041	327 638	270 834	304 494
Debt Service Expenditures:					
Tax collection expenditures	57 168	58 132	-	14 809	13 950
Debt service interest and fees	115 192	106 802	138 169	143 324	147 693
Debt service principal	179 737	165 000	180 000	170 000	165 000
Other	-	61 640	-	-	-
TOTAL EXPENDITURES	352 097	391 574	318 169	328 133	326 643
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(12 868)	(33 533)	9 469	(57 299)	(22 149)
Other Sources (Uses):					
Transfer out	(11 025)	(5 966)	(57 382)	(155 367)	-
Other revenue	-	4 757	-	-	-
Bond proceeds	-	1 635 000	-	-	-
Payment to escrow	-	(1 638 560)	-	-	-
TOTAL OTHER SOURCES (USES)	(11 025)	(4 769)	(57 382)	(155 367)	-
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	\$ (23 893)	\$ (38 302)	\$ (47 913)	\$ (212 666)	\$ (22 149)
Total water and sewer connections	702	702	656	672	667

See independent auditors' report.

PERCENT OF TOTAL OPERATING REVENUE

2019	2018	2017	2016	2015
96.7 %	95.0 %	96.0 %	94.3 %	95.7 %
2.2	3.3	3.3	5.0	3.8
1.1	1.7	0.7	0.7	0.5
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
16.9	16.2	-	5.5	4.6
34.0	64.3	42.2	52.9	48.5
53.0	29.8	54.9	62.8	54.2
-	-	-	-	-
<u>103.9</u>	<u>110.3</u>	<u>97.1</u>	<u>121.2</u>	<u>107.3</u>
<u>(3.9)</u>	<u>(10.3)</u>	<u>2.9</u>	<u>(21.2)</u>	<u>(7.3)</u>
(3.3)	(1.7)	(17.5)	(57.4)	-
-	1.7	-	-	-
-	456.7	-	-	-
-	(457.6)	-	-	-
<u>(3.3)</u>	<u>(1.3)</u>	<u>(17.5)</u>	<u>(57.4)</u>	<u>-</u>
<u>(7.2) %</u>	<u>(10.7) %</u>	<u>(14.6) %</u>	<u>(78.6) %</u>	<u>(7.3) %</u>

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
SCHEDULE TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
 For the Year Ended June 30, 2019

Complete District Mailing Address: 75 Cottonwood, Trinity, Texas 75862
 District Business Telephone Number: 936.594.3411

NAMES AND ADDRESS	TERMS OF OFFICE (ELECTED OR APPOINTED) OR DATE HIRED	FEES AND EXPENSE REIMBURSEMENTS FYE 06/30/2019	TITLE AT YEAR END	RESIDENT OF DISTRICT
Board Members:				
Robert Bluis 121 Greenway Drive Trinity, Texas 75862	11/2018 – 11/2022 Elected *	\$ 2 307	Secretary	Yes
James Atkinson 20 Greenway Drive Trinity, Texas 75862	09/2016 – 11/2020 Elected	\$ 2 183	Vice-President	Yes
John Wolf 51 Lakeway Trinity, Texas 75862	09/2016 – 11/2020 Elected	\$ 3 281	President	Yes
Ken Bateman 81 Greenway Drive Trinity, Texas 75862	09/2016 – 11/2020 Elected	\$ 2 195	Director	Yes
Robert Mitcham 310 Coral Gables Trinity, Texas 75862	09/2016 – 03/2019 Elected *	\$ 958	Director	Yes
Michael McClung 90 Westwood East Trinity, Texas 75862	03/2019 – 11/2022 Appointed	\$ 936	Director	Yes

* Originally appointed and subsequently elected.

Note: No director is disqualified from serving on this board under the Texas Water Code.

See independent auditors' report.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
 SCHEDULE TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS - CONTINUED
 For the Year Ended June 30, 2019

NAMES AND ADDRESS	TERMS OF OFFICE (ELECTED OR APPOINTED) OR DATE HIRED	FEES AND EXPENSE REIMBURSEMENTS FYE 06/30/2019	TITLE AT YEAR END	RESIDENT OF DISTRICT
Key Administrative Personnel:				
Russell Crawley Trinity, Texas 75862		\$ 8 785	General Manager	
Consultants:				
Winn Professional Engineers and Constructors, LLC 505 Padon Street Longview, Texas 75601		\$ 2 212	Engineers	
Axley & Rodc, LLP 1307 South First Street Lufkin, Texas 75901		\$ 17 375	Auditor	
Andrews Kurth LLP 600 Travis, Suite 4200 Houston, Texas 77002		\$ 12 754	Attorneys	
Trinity County Appraisal District		\$ 40 399	Chief Appraiser	
Trinity/Groveton Tax Office Groveton, Texas 75845		\$ 16 769	Tax Collector	

See independent auditors' report.

COMPLIANCE SECTION

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Westwood Shores Municipal Utility District
Trinity, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Westwood Shores Municipal Utility District (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 24, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2019-01 and 2019-2.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency: 2019-03 and 2019-04.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

The District's response to the findings identified in our audit is described in the memo on page 49. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our 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 or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
September 24, 2019

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

Financial Statements Audit Findings

Material Weaknesses

2019-01 - Training

Condition: The District management did not have adequate training over the financial reporting process or on the accounting system and billing system.

Criteria: The District should have procedures in place that would ensure proper financial reporting and training on accounting and billing systems.

Effect: As a result, the design or operation of procedures might not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

Cause: The Board of Directors has determined it would not be economically feasible to employ additional staff.

Recommendation: We recommend accounting personnel be provided with additional training in governmental accounting and financial reporting and on the accounting and billing systems.

Contact: Russell Crawley, General Manager

Timeframe: Ongoing

2019-02 - Adjusting Journal Entries

Condition: Significant audit adjustments proposed corrections to the financial statements that, in our judgement, may not have been detected except through our auditing procedures.

Criteria: The District should have procedures in place that would ensure proper financial reporting.

Effect: As a result, the design or operation of procedures might not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

Cause: The Board of Directors has determined it would not be economically feasible to employ additional staff.

Recommendation: We recommend that Management and the Board examine the adjustments required as a result of our audit and that management be provided with additional training in governmental accounting and financial reporting.

Contact: Russell Crawley, General Manager

Timeframe: Ongoing

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
For the Year Ended June 30, 2019

Financial Statements Audit Findings - Continued

Significant Deficiency

2019-03 - Segregation of Duties

Condition: Due to the limited number of personnel, a total segregation of certain accounting functions is not possible.

Criteria: The district should have procedures in place that would ensure proper segregation of certain accounting functions, especially, but not limited to the functions of recording, authorizing and custody.

Effect: As a result, the design or operation of procedures might not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

Cause: The Board of Directors has determined it would not be economically feasible to employ additional staff.

Recommendation: We recommend that the Board of Directors continue to monitor the internal accounting control procedures in use to assure that compensating controls are being utilized to provide assurance that assets are safeguarded and transactions are proper and recorded in a timely manner. These actions would mitigate, but not eliminate the risk of misstatement or misappropriation.

Contact: Russell Crawley, General Manager

Timeframe: Ongoing

2019-04 - Standby Fees

Condition: A significant amount of the standby fees do not appear to be collectable or.

Criteria: The district should have procedures in place that would ensure proper reconciliation of all accounting items.

Effect: As a result, the amount of accumulated standby fees and related deferral, might be overstated and uncollectable.

Cause: District management does not have adequate training over the financial reporting and accounting processes.

Recommendation: We recommend that the District reconcile the list of standby fees and write off any uncollectable amounts.

Contact: Russell Crawley, General Manager

Timeframe: Ongoing



Westwood Shores M.U.D

75 Cottonwood
Trinity, TX 75862

September 24, 2019

Re: Response to Financial Statement Audit Finding – Material Weaknesses

01- Training 2018-2019

Response: As a result of inadequate training on the accounting and billing system, a plan to acquire the additional training in the governmental accounting and financial reporting on the new billing and accounting systems will be completed.

02- Adjusting Journal Entries 2018-2019

Response: Because the bookkeeper created a new company without discussing this first with the Auditors, there was a significant amount of audit adjustments made. These adjustments will be made, and another company will not be formed.

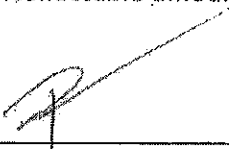
03 – Segregation of Duties 2018-2019

Response: Because of the limited number of employees (two full time and two part-time) we are at times unable to ensure proper segregation of certain accounting functions on a full-time basis. The Board of Directors and General Manager is and will continue to monitor the internal control procedures.

04 – Standby Fees 2019

Response: As a result of the substantial amount of uncollectible standby fee, our part-time has been assigned to create a list of uncollectable amounts for write off and reconciliation.

Approval by the General Manager:



Russell Crawley

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2019

Financial Statements Prior Audit Findings

2018-01 - Segregation of Duties

Condition: Due to the limited number of personnel, a total segregation of certain accounting functions is not possible.

Criteria: The District should have procedures in place that would ensure proper segregation of certain accounting functions, especially, but not limited to the functions of recording, authorizing and custody.

Effect: As a result, the design or operation of procedures might not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

Cause: The Board of Directors has determined it would not be economically feasible to employ additional staff.

Recommendation: We recommend that the Board of Directors continue to monitor the internal accounting control procedures in use to assure that compensating controls are being utilized to provide assurance that assets are safeguarded and transactions are proper and recorded in a timely manner. These actions would mitigate, but not eliminate the risk of misstatement or misappropriation.

Contact: Russell Crawley, General Manager

Timeframe: Ongoing

Client Response: The District has determined it would not be economically feasible to employ additional staff. The Board of Directors will continue to monitor the internal control procedures.

2018-02 - Training

Condition: The District management did not have adequate training over the financial reporting process or on the new accounting system and billing system.

Criteria: The District should have procedures in place that would ensure proper financial reporting and training on new accounting and billing systems.

Effect: As a result, the design or operation of procedures might not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

Cause: The Board of Directors has determined it would not be economically feasible to employ additional staff.

Recommendation: We recommend accounting personnel be provided with additional training in governmental accounting and financial reporting and on the new accounting and billing systems.

Contact: Russell Crawley, General Manager

Timeframe: Ongoing

Client Response: The accounting personnel will continue to be provided with additional training in governmental accounting.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED
For the Year Ended June 30, 2019

Financial Statements Prior Audit Findings - Continued

2018-03 - Adjusting Journal Entries

- Condition:* Significant audit adjustments proposed corrections to the financial statements that, in our judgement, may not have been detected except through our auditing procedures.
- Criteria:* The District should have procedures in place that would ensure proper financial reporting.
- Effect:* As a result, the design or operation of procedures might not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.
- Cause:* The Board of Directors has determined it would not be economically feasible to employ additional staff.
- Recommendation:* We recommend that Management and the Board examine the adjustments required as a result of our audit and that management be provided with additional training in governmental accounting and financial reporting.
- Contact:* Russell Crawley, General Manager
- Timeframe:* Ongoing
- Client Response:* Management and the Board examined and approved the adjustments required. Management will post all audit entries to the general ledger and review for proper financial reporting.