

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
Audit Report

June 30, 2021

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
Trinity, Texas

AUDITED FINANCIAL STATEMENTS

June 30, 2021

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }
COUNTY OF TRINITY }

I, James Atkinson 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 16th day of May, 2022 its annual audit report for the fiscal year or period ended June 30, 2021 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 June 27, 2022

By: James Atkinson
JAMES ATKINSON, PRESIDENT

Sworn to and subscribed to before me this 27 day of June, 2022.

Tricia Elliott
(Signature of Notary)

(Seal)

Commission Expires on: 10/29/23
Notary Public in and for the State of Texas

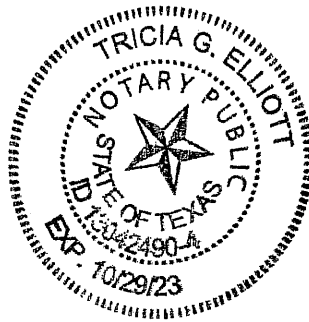


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FINANCIAL SECTION



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, 2021, 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, 2021, 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 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 May 16, 2022, 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
May 16, 2022


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, 2021. 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, 2021 by \$3,126,325. Of this amount, \$3,096,472 is restricted for use for debt service and capital expenditures.
- During the current year, revenues exceeded expenses (or an increase in net position) by \$246,906.
- Overall long-term debt increased by \$2,595,000.

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

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

	2021	2020
Cash/investments - Unrestricted	\$ 493 506	\$ 430 664
Cash/investments - Restricted	3 156 914	183 126
Other current assets	706 404	691 687
Land	21 571	21 571
Construction in progress	305 339	242 339
Capital assets, net	4 013 868	4 285 972
TOTAL ASSETS	8 697 602	5 855 359
Current liabilities	439 631	80 427
Customer deposits	131 931	125 342
Deferred inflows	88 566	73 446
Long-term liabilities	4 911 149	2 696 725
TOTAL LIABILITIES	5 571 277	2 975 940
Net Position:		
Net investment in capital assets	1 798 126	1 853 157
Restricted	3 096 472	200 839
Unrestricted	(1 768 273)	825 423
TOTAL NET POSITION	\$ 3 126 325	\$ 2 879 419

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 decreased as a result of increase in cash restricted for capital assets.

During the current year, revenues exceeded expenses (or a decrease in net position) by \$16,667.

CHANGE IN NET POSITION

	2021	2020
Revenues:		
Water service	\$ 534 145	\$ 373 447
Sewer service	218 724	148 825
Standby fees	50 628	36 512
Other fees	180 364	133 237
Taxes, penalties and interest	795 910	811 930
Other income	222 967	55 420
TOTAL REVENUES	2 002 738	1 559 371
Expenses:		
Personnel and director fees	568 428	482 249
Plant operations and maintenance	143 060	58 221
Water purchases	376 598	351 385
Utilities	52 706	47 475
Miscellaneous operating expenses	69 852	122 493
Professional fees	38 142	26 202
Administrative expenses	126 381	111 585
Interest and fees	337 944	66 864
Depreciation	306 294	290 608
TOTAL EXPENSES	2 019 405	1 557 082
INCREASE (DECREASE) IN NET POSITION	(16 667)	12 381
Other sources (uses)	263 573	938
Net position, beginning of year	2 879 419	2 866 100
NET POSITION, END OF YEAR	\$ 3 126 325	\$ 2 879 419

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, 2021, totaled \$4,340,778 (net of accumulated depreciation).

CAPITAL ASSETS (NET OF DEPRECIATION)		
	2021	2020
Land	\$ 21 571	\$ 21 571
Construction in progress	305 339	242 339
Roads	5 425	6 012
Furniture and equipment	123 888	97 447
Rolling stock	69 379	87 199
Buildings and improvements	207 012	215 510
Water system	1 783 138	1 948 301
Wastewater system	1 824 097	1 929 043
Distribution lines and connections	929	2 460
CAPITAL ASSETS, NET	\$ 4 340 778	\$ 4 549 882

Long Term Obligations

At the end of the current fiscal year, the District had total long term obligations of \$2,625,000.

	BALANCE 06/30/20	ADDITIONS	REDUCTIONS	BALANCE 06/30/21
Series 2010B	\$ 1 230 000	\$ -	\$ (105 000)	\$ 1 125 000
Series 2017	1 395 000	-	(125 000)	1 270 000
Series 2020A	-	1 560 000	(70 000)	1 490 000
Series 2020B	-	1 400 000	(65 000)	1 335 000
Capital Leases	71 725	40 814	(27 886)	84 653
TOTAL	\$ 2 696 725	\$ 3 000 814	\$ (392 886)	\$ 5 304 653

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, 2021, the District's governmental funds reported a total fund balance of \$3,461,753. This fund balance is comprised of \$2,985,220 that is either in a nonspendable form or restricted as to use. The remainder, or \$476,533, is unassigned. During the year, the overall fund balance in the District's governmental funds increased by \$3,053,075.

Budgetary Comparisons. A comparison of the general fund budget and actual results are presented as required supplementary information on page 24.

General Fund. Actual revenues were more than budgeted amounts by \$33,512. Actual expenditures were higher than budgeted amounts by \$52,912.

The general fund's fund balance increased by \$3,053,075 during the fiscal year; a decrease of \$48,997 was budgeted.

Economic Factors and Next Year's Budget and Rates

The 2021/2022 fiscal year budget expects significant changes. The District's tax rate for the 2020/2021 fiscal year was 0.82 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, 2021

	GENERAL FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	\$ 289 234	\$ -	\$ 289 234
Investments	204 272	-	204 272
Receivables, net of allowance for doubtful accounts	451 056	145 268	596 324
Other receivables	2 399	-	2 399
Prepaid expenses	4 946	-	4 946
Inventory	102 735	-	102 735
Capital assets, net of accumulated depreciation	-	-	-
Restricted cash and cash equivalents	2 945 485	179 688	3 125 173
Restricted investments	-	31 741	31 741
TOTAL ASSETS	\$ 4 000 127	\$ 356 697	\$ 4 356 824
LIABILITIES			
Accounts payable	\$ 16 662	\$ -	\$ 16 662
Accrued payroll and benefits	6 530	-	6 530
Accrued interest payable	-	-	-
Customer deposits	131 931	-	131 931
Long-term Liabilities:			
Due within one year	-	-	-
Due after one year	-	-	-
TOTAL LIABILITIES	155 123	-	155 123
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - Property taxes	92 548	142 710	235 258
Unavailable revenue - Standby fees	290 703	-	290 703
TOTAL DEFERRED INFLOWS OF RESOURCES	383 251	142 710	525 961
FUND BALANCES/NET POSITION			
Fund Balances:			
Nonspendable	102 735	-	102 735
Restricted for debt retirement	-	213 987	213 987
Restricted for capital assets	2 882 485	-	2 882 485
Unassigned	476 533	-	476 533
TOTAL FUND BALANCES	3 461 753	213 987	3 675 740
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 4 000 127	\$ 356 697	\$ 4 356 824
NET POSITION			
Net investment in capital assets			
Restricted for debt service			
Restricted for capital assets			
Unrestricted			
TOTAL NET POSITION			

See accompanying notes to the financial statements.

<u>ADJUSTMENTS</u>	<u>STATEMENT OF NET POSITION</u>
\$ -	\$ 289 234
-	204 272
-	596 324
-	2 399
-	4 946
-	102 735
4 340 778	4 340 778
-	3 125 173
-	31 741
<u>4 340 778</u>	<u>8 697 602</u>
-	16 662
-	6 530
22 935	22 935
-	131 931
393 504	393 504
<u>4 911 149</u>	<u>4 911 149</u>
<u>5 327 588</u>	<u>5 482 711</u>
(235 258)	-
<u>(202 137)</u>	<u>88 566</u>
<u>(437 395)</u>	<u>88 566</u>
(102 735)	-
(213 987)	-
(2 882 485)	-
<u>(476 533)</u>	<u>-</u>
<u>(3 675 740)</u>	<u>-</u>
1 798 126	1 798 126
213 987	213 987
2 882 485	2 882 485
<u>(1 768 273)</u>	<u>(1 768 273)</u>
<u>\$ 3 126 325</u>	<u>\$ 3 126 325</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, 2021

	GENERAL FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
Revenues:			
Water service, net	\$ 534 145	\$ -	\$ 534 145
Sewer service, net	218 724	-	218 724
Standby fees, net	48 006	-	48 006
Other fees	180 364	-	180 364
Tax revenues	459 901	333 397	793 298
Interest on investments	264	1 118	1 382
Other revenue	222 967	-	222 967
TOTAL REVENUES	1 664 371	334 515	1 998 886
Expenditures/Expenses:			
Service Operations:			
Salaries and wages (including benefits and taxes)	568 428	-	568 428
Plant and equipment maintenance and supplies	143 060	-	143 060
Water purchases	376 598	-	376 598
Equipment and vehicle expenses	11 458	-	11 458
Purchased services	13 608	-	13 608
Utilities	52 706	-	52 706
Professional fees	38 142	-	38 142
General office expense and postage	33 078	-	33 078
Insurance	29 127	-	29 127
Other miscellaneous expenses	21 667	-	21 667
Depreciation	-	-	-
Capital outlay	192 872	-	192 872
Debt Service:			
Appraisal district and tax collections	-	64 176	64 176
Principal retirement	30 995	365 000	395 995
Interest and fees	-	106 992	106 992
Bond issue cost	221 029	-	221 029
TOTAL EXPENDITURES/EXPENSES	1 732 768	536 168	2 268 936
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(68 397)	(201 653)	(270 050)
Other Financing Sources (Uses) and Transfers:			
Transfers	(214 801)	214 801	-
Trade in value (Loss on disposal)	65 262	-	65 262
Lease proceeds	40 814	-	40 814
Bond proceeds	2 960 000	-	2 960 000
Loan forgiveness proceeds	270 197	-	270 197
TOTAL OTHER FINANCING SOURCES (USES)	3 121 472	214 801	3 336 273
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3 053 075	13 148	3 066 223
CHANGE IN NET POSITION			
Fund Balance/Net Position:			
Beginning of the year	408 678	200 839	609 517
END OF THE YEAR	\$ 3 461 753	\$ 213 987	\$ 3 675 740

See accompanying notes to the financial statements.

		STATEMENT OF ACTIVITIES	
ADJUSTMENTS			
\$	-	\$	534 145
	-		218 724
	2 622		50 628
	-		180 364
	1 230		794 528
	-		1 382
	-		<u>222 967</u>
	<u>3 852</u>		<u>2 002 738</u>
	-		568 428
	-		143 060
	-		376 598
	-		11 458
	-		13 608
	-		52 706
	-		38 142
	-		33 078
	-		29 127
	-		21 667
	306 294		306 294
	(169 753)		23 119
	-		64 176
	(392 209)		3 786
	6 137		113 129
	-		<u>221 029</u>
	<u>(249 531)</u>		<u>2 019 405</u>
	<u>253 383</u>		<u>(16 667)</u>
	-		-
	(71 886)		(6 624)
	(40 814)		-
	(2 960 000)		-
	-		<u>270 197</u>
	<u>(3 072 700)</u>		<u>263 573</u>
	(2 819 317)		246 906
	<u>2 269 902</u>		<u>2 879 419</u>
\$	<u>(549 415)</u>	\$	<u>3 126 325</u>

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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, 2021. 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.

Receivables:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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, 2021, the District's employees had accumulated 58 hours of unused vacation time. Based upon current employee pay rates, \$1,100 of accumulated unpaid employee vacation benefits have been accrued as of June 30, 2021, 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, 2021, the District's employees had accumulated 99 hours of unused PTO. Based upon current employee pay rates, \$1,929 of accumulated unpaid employee PTO benefits have been accrued as of June 30, 2021, this has been included in accrued payroll and benefits on the statement of net position.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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, 2021, 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.

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, 2021.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

ASSETS

Deposits and Investments:

As of June 30, 2021, the District had the following investments:

Certificates of deposit	\$	354 365
TexPool		288 060
TOTAL FAIR VALUE	\$	<u>642 425</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.

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

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, 2021, 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, 2021, the District's deposits with depository banks totaled \$3,650,420. Included in the balances are certificates of deposit totaling \$354,365. All deposits were fully secured by FDIC coverage.

Receivables:

Receivable and Uncollectible Accounts. Receivables at June 30, 2021, including the related allowance for uncollectible accounts, are as follows:

	PROPERTY TAXES	SERVICE ACCOUNTS	STANDBY FEES	TOTALS
Receivables by Fund:				
General fund	\$ 429 893	\$ 79 785	\$ 1 615 019	\$ 2 124 697
Debt service	651 241	-	-	651 241
RECEIVABLES, GROSS	<u>1 092 340</u>	<u>79 785</u>	<u>1 615 019</u>	<u>2 775 938</u>
Allowances for Uncollectibles:				
General fund	(328 124)	(21 201)	(1 324 316)	(1 673 641)
Debt service	(505 973)	-	-	(505 973)
NET	<u>\$ 247 037</u>	<u>\$ 58 584</u>	<u>\$ 290 703</u>	<u>\$ 596 324</u>

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 \$1,092,340 in property taxes receivable, \$1,009,786 (or 92%) represents the outstanding balances from tax assessments for years 2020 and prior.

The combined tax rate for the October 1, 2020 tax levy was \$0.7561 per \$100 of assessed valuation. Of the total, \$0.4854 per \$100 of assessed valuation is provided for maintenance and operation and \$0.2707 is provided for interest and sinking.

Capital Assets:

A summary of changes in capital assets for the year ended June 30, 2021, is as follows:

	BALANCE 06/30/2020	ADDITIONS	DELETIONS/ PLACED IN SERVICE	BALANCE 06/30/2021
Capital Assets, Not Being Depreciated:				
Land easements and rights-of-way	\$ 21 571	\$ -	\$ -	\$ 21 571
Construction in progress	242 339	63 000	-	305 339
TOTAL NOT BEING DEPRECIATED	<u>263 910</u>	<u>63 000</u>	<u>-</u>	<u>326 910</u>
Capital Assets, Being Depreciated:				
Roads	52 742	-	-	52 742
Furniture and equipment	293 323	109 076	(82 062)	317 337
Rolling stock	178 595	-	-	178 595
Buildings and improvements	312 988	-	-	312 988
Water system	3 932 931	-	-	3 932 931
Wastewater system	3 366 259	-	-	3 366 259
Distribution lines and connections	4 785 249	-	-	4 785 249
TOTAL BEING DEPRECIATED	<u>12 922 087</u>	<u>109 076</u>	<u>(82 062)</u>	<u>12 946 101</u>
Less Accumulated Depreciation:				
Roads	(46 730)	(587)	-	(46 317)
Furniture and equipment	(195 876)	(7 749)	10 176	(193 449)
Rolling stock	(91 396)	(17 820)	-	(109 216)
Buildings and improvements	(97 478)	(8 498)	-	(105 976)
Water system	(1 984 630)	(165 163)	-	(2 149 793)
Wastewater system	(1 437 216)	(104 946)	-	(1 542 162)
Distribution lines and connections	(4 782 789)	(1 531)	-	(4 784 320)
TOTAL ACCUMULATED DEPRECIATION	<u>(8 636 115)</u>	<u>(306 294)</u>	<u>10 0176</u>	<u>(8 932 233)</u>
TOTAL BEING DEPRECIATED, NET	<u>4 285 972</u>	<u>(200 218)</u>	<u>(71 886)</u>	<u>4 013 868</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 4 549 882</u>	<u>\$ (137 218)</u>	<u>\$ (71 886)</u>	<u>\$ 4 340 778</u>

Depreciation expense of \$306,294 was charged to governmental funds as of June 30, 2021.

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

LIABILITIES

Long-term Debt:

Long-term debt activity for the year ended June 30, 2021, was as follows:

	BALANCE 06/30/2020	ADDITIONS	REDUCTIONS	BALANCE 06/30/2021	DUE WITHIN ONE YEAR
2010B Bonds	\$ 1 230 000	\$ -	\$ (105 000)	\$ 1 125 000	\$ 105 000
2017 Bonds	1 395 000	-	(125 000)	1 270 000	125 000
2020A Bonds	-	1 560 000	(70 000)	1 490 000	70 000
2020B Bonds	-	1 400 000	(65 000)	1 335 000	65 000
Capital Leases	71 725	40 814	(27 886)	84 653	28 504
TOTAL LONG-TERM DEBT	\$ 2 696 725	\$ 3 000 814	\$ (392 886)	\$ 5 304 653	\$ 393 504

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

YEAR ENDING JUNE 30,	BONDS		CAPITAL LEASES	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2022	\$ 365 000	\$ 94 656	\$ 28 503	\$ 2 491
2023	385 000	88 551	56 150	1 845
2024	390 000	81 852	-	-
2025	395 000	74 822	-	-
2026	405 000	67 339	-	-
Thereafter	3 280 000	308 758	-	-
TOTAL	\$ 5 220 000	\$ 715 978	\$ 84 653	\$ 4 336

At year end, the District had \$31,741 available in the debt service fund to service long-term debt.

Bonds payable at June 30, 2021, are comprised of the following:

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.

Unlimited Tax Refunding Bonds, Series 2017. The District issued \$1,635,000 of Unlimited Tax Refunding Bonds, through the Texas Water Development Board. The net proceeds were used to advance refund a portion of the Unlimited Tax and Revenue Bonds Series 2007, bearing interest at 2.39% and maturing in 2030.

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.

Unlimited Tax Bonds, Series 2020A and 2020B. The District issued \$2,960,000 in unlimited tax bonds, through the Texas Water Development Board. Proceeds of the bonds will be used for major improvements to the District's water and wastewater treatment system. The project is still under construction. The bonds were issued as follows:

Series 2020A. \$1,560,000 of serial bonds issued bearing interest rates of 0.110% to 1.68% and maturing in 2040.

Series 2020B. \$1,400,000 of serial bonds issued bearing interest rates of 0.16% to 1.73% and maturing in 2040.

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

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.

Capital Leases:

At June 30, 2021, the District has several capital lease agreements. The details of those agreements are as follows:

LESSOR	ASSET LEASED	INTEREST RATE
American National Leasing Company	2021 Chevrolet Truck	4.262%
American National Leasing Company	2021 Chevrolet Truck	4.262%
American National Leasing Company	2021 Chevrolet Truck	4.235%
Bobcat of Houston	Bobcat Compact Track Loader	0.000%
Bobcat of Houston	Bobcat E42-N	0.000%

The assets acquired through capital leases that met the capitalization policy of the District are as follows:

ASSET	GOVERNMENTAL ACTIVITIES
Furniture and equipment	\$ 192 801

Commitments under capitalized lease agreements for equipment provide for minimum future lease payments as of June 30, 2021, as follows:

YEAR ENDING JUNE 30,	
2022	\$ 30 995
2023	57 995
2024	-
TOTAL MINIMUM RENTALS	88 989
Less amount representing interest	(4 336)
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	\$ 84 653

Amortization of leased equipment under capital leases is included with depreciation expense.

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 2021.

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 \$16,286 for the year ended June 30, 2021.

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.

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

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. The District did not have any transfers during the year.

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 May 16, 2022, the date when the financial statements were available to be issued.

COVID-19 Pandemic Impact:

A novel strain of coronavirus (COVID-19) was spread to the United States of America in January and February 2021. The World Health Organization declared the outbreak to constitute a pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our students, employees and vendors all of which are uncertain and cannot be predicted. As of the date these financial statements are issued, COVID-19 had not materially affected results of operations in 2021. However, the impact of response efforts on future operations cannot be predicted.

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, 2021

	ORIGINAL AND FINAL BUDGET	GENERAL FUND	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:			
Water service, net	\$ 605 000	\$ 534 145	\$ (70 855)
Sewer service, net	250 000	218 724	(31 276)
Standby fees, net	55 275	48 006	(7 269)
Other fees	135 201	180 364	45 163
Tax revenues	542 503	459 901	(82 602)
Interest on investments	-	264	264
Other revenue	42 880	222 967	180 087
TOTAL REVENUES	<u>1 630 859</u>	<u>1 664 371</u>	<u>33 512</u>
Expenditures/Expenses:			
Service Operations:			
Salaries and wages (including benefits and taxes)	476 411	568 428	(92 017)
Plant and equipment maintenance and supplies	193 075	143 060	50 015
Water purchases	452 000	376 598	75 402
Equipment and vehicle expenses	53 570	11 458	42 112
Purchased services	19 000	13 608	5 392
Utilities	56 300	52 706	3 594
Professional fees	45 000	38 142	6 858
General office expense and postage	36 500	33 078	3 422
Insurance	33 000	29 127	3 873
Other miscellaneous expenses	20 500	21 667	(1 167)
Capital outlay	294 500	192 872	101 628
Debt service	-	252 024	(252 024)
TOTAL EXPENDITURES/EXPENSES	<u>1 679 856</u>	<u>1 393 036</u>	<u>(52 912)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>(48 997)</u>	<u>(68 397)</u>	<u>86 424</u>
Other Financing Sources (Uses):			
Trade in value on disposed assets	-	65 262	65 262
Lease proceeds	-	40 814	40 814
Bond proceeds	-	2 960 000	2 960 000
Loan forgiveness proceeds	-	270 197	270 197
Transfer	-	(214 801)	(214 801)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>3 121 472</u>	<u>3 121 472</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(48 997)</u>	<u>3 053 075</u>	<u>3 207 896</u>
Fund balance - Beginning of year	<u>408 678</u>	<u>408 678</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 359 681</u>	<u>\$ 3 461 753</u>	<u>\$ 3 207 896</u>

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, 2021

1. The District Provides services for retail water and retail wastewater.
2. Retail Service Providers:

a. Retail rates for a 5/8" meter (or equivalent):

	MINIMUM CHARGE	MINIMUM USAGE	FLAT RATE Y/N	RATE PER 1,000 GALLONS OVER MINIMUM USE	USAGE LEVELS
Water:					
Residential	\$ 30.00	1,000	N	\$ 4.50	1,001 - 20,000
Commercial	\$ 30.00	1,000	N	\$ 6.00	1,001 - 15,000
Surcharge	\$ -		N	\$ 10.00	above maximums above
Wastewater:					
Residential	\$ 20.00	N/A	Y	\$ -	no limit
Commercial	\$ 24.00	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	740	-	-
Multi Family	-	-	-
Commercial	13	-	-
TOTAL	753	-	-

* 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: 42,962
 Gallons billed to customers: 28,575
 Water accountability ratio: 0.67 or 67% (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, 2021:

Operation and Maintenance:	
Total Standby Levy	\$ 143 754
Total Collected	\$ 45 184
Percentage Collected	31.4%

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

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

Debt Service Tax Receipts	\$ 333 397
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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.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
 SCHEDULE TSI-2. GENERAL FUND EXPENDITURES
 For the Year Ended June 30, 2021

Personnel expenditures (including benefits)	\$ 556 711
Professional Fees:	
Auditing	11 976
Legal	26 166
Purchased services for resale - Water	376 598
Utilities	52 706
Plant operations and maintenance	168 126
Miscellaneous operating expenditures	21 667
Administrative Expenditures:	
Directors' fees	11 717
Office	33 078
Insurance	29 127
Lease payment	30 995
Capital Outlay:	
Acquisition of fixed assets	188 190
Engineering fees	4 682
Other expenses - Bond issue cost	<u>221 029</u>
TOTAL EXPENDITURES	<u>\$ 1 732 768</u>

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

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
 SCHEDULE TSI-3. TEMPORARY INVESTMENTS
 For the Year Ended June 30, 2021

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	1.41226%		\$ 103 024	\$ 1 023
Certificate of Deposit	80001533	1.41226%		101 248	1 006
TexPool	22811-00010	0.2129%		38 827	-
TexPool	22811-1100005	0.2129%		<u>217 462</u>	<u>-</u>
TOTAL				<u>417 462</u>	<u>2 029</u>
<u>Debt Service</u>					
Certificate of Deposit	58757	0.7000%		51 348	29
Certificate of Deposit	58768	0.7000%		51 348	29
Certificate of Deposit	58769	0.7000%		47 397	30
TexPool	22811-1100001	0.2129%	N/A	9 501	-
TexPool	22811-1100008	0.2129%	N/A	<u>22 240</u>	<u>-</u>
TOTAL				<u>181 834</u>	<u>88</u>
TOTAL ALL FUNDS				<u>\$ 598 249</u>	<u>\$ 2 117</u>

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
SCHEDULE TSI-4. TAXES LEVIED AND RECEIVABLE
For the Year Ended June 30, 2021

	MAINTENANCE TAXES	DEBT SERVICE TAXES
Taxes receivable at beginning of year	\$ 415 270	\$ 677 070
2020 original tax levy	506 926	282 704
Adjustments	(32 402)	24 864
TOTAL TO BE ACCOUNTED FOR	889 794	984 638
Tax Collections:		
Current year	(451 302)	(320 718)
Prior years	(8 599)	(12 679)
TOTAL COLLECTIONS	(459 901)	(333 397)
Taxes receivable at end of year	\$ 429 893	\$ 651 241

Taxes Receivable, by Years

2021	\$ 45 804	\$ 25 544
2020	34 854	24 688
2019	34 687	27 054
2018	31 056	25 351
2017	34 131	22 753
2016	35 553	19 752
2015	33 041	23 095
2014	28 553	23 268
2013	26 104	21 251
2012 and prior	126 110	438 485
TOTAL TAXES RECEIVABLE	\$ 429 893	\$ 651 241

	2020	2019	2018	2017	2016
Property Valuations:					
Land/personal	\$ 21 855 264	\$ 19 578 403	\$ 21 379 680	\$ 21 523 519	\$ 21 099 352
Improvements	89 638 627	87 848 490	75 709 849	68 350 166	66 040 472
TOTAL PROPERTY VALUATIONS	\$ 111 493 891	\$ 107 426 893	\$ 97 089 529	\$ 89 873 685	\$ 87 139 824
Per \$100 Valuation:					
Debt service tax rate	\$ 0.2707	\$ 0.3400	\$ 0.3560	\$ 0.3560	\$ 0.3560
M & O tax rate	0.4854	0.4800	0.5340	0.5340	0.5340
TOTAL TAX RATE	\$ 0.7561	\$ 0.8200	\$ 0.8900	\$ 0.8900	\$ 0.8900
Original tax levy	\$ 789 630	\$ 823 105	\$ 807 927	\$ 799 784	\$ 775 545
Percent of Current Taxes:					
Collected to current taxes levied	100.46%	103.23%	93.0%	94.2%	87.0%

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
 SCHEDULE TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
 For the Year Ended June 30, 2021

DUE DURING FISCAL YEARS ENDING	SERIES 2010B			SERIES 2017		
	PRINCIPAL DUE 11/01	INTEREST DUE 11/01, 05/01	TOTAL	PRINCIPAL DUE 11/01	INTEREST DUE 11/01, 05/01	TOTAL
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>\$ 1 125 000</u>	<u>\$ 181 535</u>	<u>\$ 1 306 535</u>	<u>\$ 1 270 000</u>	<u>\$ 156 667</u>	<u>\$ 1 426 667</u>

See independent auditors' report on supplementary information.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
 SCHEDULE TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS - CONTINUED
 For the Year Ended June 30, 2021

DUE DURING FISCAL YEARS ENDING	SERIES 2020A			SERIES 2020B		
	PRINCIPAL DUE 11/01	INTEREST DUE 11/01, 05/01	TOTAL	PRINCIPAL DUE 11/01	INTEREST DUE 11/01, 05/01	TOTAL
2022	\$ 70 000	\$ 15 884	\$ 85 884	\$ 65 000	\$ 14 954	\$ 79 954
2023	75 000	15 723	90 723	65 000	14 779	79 779
2024	75 000	15 502	90 502	65 000	14 554	79 554
2025	75 000	15 206	90 206	65 000	14 265	79 265
2026	75 000	14 808	89 808	65 000	13 888	78 888
2027	75 000	14 298	89 298	65 000	13 414	78 414
2028	75 000	13 713	88 713	70 000	12 853	82 853
2029	75 000	13 080	88 080	70 000	12 226	82 226
2030	80 000	12 346	92 346	70 000	11 530	81 530
2031	80 000	11 494	91 494	70 000	10 749	80 749
2032	80 000	10 546	90 546	70 000	9 885	79 885
2033	80 000	9 502	89 502	70 000	8 936	78 936
2034	80 000	8 386	88 386	70 000	7 925	77 925
2035	80 000	7 222	87 222	75 000	6 833	81 833
2036	80 000	6 022	86 022	75 000	5 670	80 670
2037	80 000	4 794	84 794	75 000	4 482	79 482
2038	85 000	3 498	88 498	75 000	3 267	78 267
2039	85 000	2 125	87 125	75 000	2 018	77 018
2040	85 000	714	85 714	80 000	692	80 692
	<u>\$ 1 490 000</u>	<u>\$ 194 859</u>	<u>\$ 1 684 859</u>	<u>\$ 1 335 000</u>	<u>\$ 182 916</u>	<u>\$ 1 517 916</u>

See independent auditors' report on supplementary information.

ANNUAL REQUIREMENTS FOR ALL SERIES

TOTAL PRINCIPAL DUE	TOTAL INTEREST DUE	TOTAL DUE
\$ 365 000	\$ 94 656	\$ 459 656
385 000	88 551	473 551
390 000	81 852	471 852
395 000	74 822	469 822
405 000	67 339	472 339
415 000	59 322	474 322
430 000	50 745	480 745
435 000	41 715	476 715
450 000	32 220	482 220
150 000	22 243	172 243
150 000	20 430	170 430
150 000	18 438	168 438
150 000	16 310	166 310
155 000	14 054	169 054
155 000	11 692	166 692
155 000	9 275	164 275
160 000	6 764	166 764
160 000	4 143	164 143
165 000	1 406	166 406
<u>\$ 5 220 000</u>	<u>\$ 715 978</u>	<u>\$ 5 935 976</u>

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
 SCHEDULE TSI-6. CHANGES IN LONG-TERM BONDED DEBT
 For the Year Ended June 30, 2021

	SERIES 2010B	SERIES 2017	SERIES 2020A	SERIES 2020B
Interest Rate	Varies from 0.40% - 3.20%	2.39%	Varies from 0.11% - 1.68%	Varies from 0.16% - 1.73%
Dates Interest Payable	11/01; 05/01	11/01; 05/01	11/01; 05/01	11/01; 05/01
Maturity Dates	05/01/2014 to 05/01/2030	05/01/2018 to 05/01/2030	05/01/2020 to 05/01/2040	05/01/2020 to 05/01/2040
Bonds Outstanding, Beginning of Year	\$ 1 230 000	\$ 1 395 000	\$ -	\$ -
Bonds Issued	-	-	1 560 000	1 400 000
Bonds Refunded	-	-	-	-
Bonds Payable	(105 000)	(125 000)	(70 000)	(65 000)
Bonds Outstanding, End of Year	<u>\$ 1 125 000</u>	<u>\$ 1 270 000</u>	<u>\$ 1 490 000</u>	<u>\$ 1 335 000</u>
Interest Paid During the Fiscal Year	<u>\$ 36 090</u>	<u>\$ 31 847</u>	<u>\$ 20 040</u>	<u>\$ 18 910</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

2020A & B Series Bond: The Bank of New York Mellon Trust Co.
 601 Travis Street, 16th Floor
 Houston, Texas 77002

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

Debt Service Fund Cash and Temporary Investments balances as of June 30, 2021: \$211 429

Average annual Debt Service payment (principal and interest) for remaining term of bonds: \$320 468

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				
	2021	2020	2019	2018	2017
General Fund Revenues:					
Service revenues	\$ 752 869	\$ 522 272	\$ 472 138	\$ 430 169	\$ 409 672
Stand-by fees	48 006	36 512	41 979	43 143	48 836
Other fees	180 364	133 237	110 404	85 696	92 308
Taxes collected	453 134	466 210	419 118	413 030	420 270
Taxes penalty and interest	6 767	10 932	6 166	7 942	9 881
Interest	264	4 123	4 741	6 975	1 676
Other revenue	222 967	55 420	22 677	36 509	16 759
TOTAL REVENUES	<u>1 664 371</u>	<u>1 228 706</u>	<u>1 077 223</u>	<u>1 023 464</u>	<u>999 402</u>
General Fund Expenditures:					
Salaries and wages	568 428	482 249	434 661	492 844	429 752
Plant maintenance and supplies	143 060	58 221	54 857	87 532	102 223
Professional fees	38 142	26 202	30 129	23 155	30 716
Operating expenditures	983 138	826 364	588 606	677 163	495 919
TOTAL EXPENDITURES	<u>1 732 768</u>	<u>1 393 036</u>	<u>1 108 253</u>	<u>1 280 694</u>	<u>1 058 610</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>(68 397)</u>	<u>(164 330)</u>	<u>(31 030)</u>	<u>(257 230)</u>	<u>(59 208)</u>
Other Sources (Uses):					
Other revenue	-	37	39 514	46 087	-
Theft reimbursement	-	-	8 000	47 035	15 765
Lease proceeds	40 814	86 725	-	-	-
Trade in value on disposal	65 262	-	-	-	-
Bond proceeds	2 960 000	-	-	-	-
Loan forgiveness proceeds	270 197	-	-	-	-
Transfer in	(214 801)	-	11 025	5 966	57 382
TOTAL OTHER SOURCES (USES)	<u>3 121 472</u>	<u>86 762</u>	<u>58 539</u>	<u>99 088</u>	<u>73 147</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>\$ 3 053 075</u>	<u>\$ (77 568)</u>	<u>\$ 27 509</u>	<u>\$ (158 142)</u>	<u>\$ 13 939</u>
Total active retail water and/or wastewater connections	<u>753</u>	<u>702</u>	<u>702</u>	<u>702</u>	<u>656</u>

See independent auditors' report on supplementary information.

PERCENT OF TOTAL OPERATING REVENUE

2021	2020	2019	2018	2017
45.2 %	42.5 %	44.2 %	42.0 %	38.1 %
2.9	3.0	3.9	4.2	4.6
10.8	10.8	10.2	8.4	8.6
27.2	37.9	38.6	40.3	39.2
0.4	0.9	0.6	0.8	0.9
0.0	0.3	0.4	0.7	0.2
13.4	4.5	2.1	3.6	8.4
100.0	100.0	100.0	100.0	100.0
34.2	39.2	40.4	48.2	43.0
8.6	4.7	5.1	8.6	9.5
2.3	2.1	2.8	2.3	2.9
59.1	67.3	54.6	66.2	46.2
104.1	113.4	102.9	125.3	105.92
(4.1)	(13.4)	(2.9)	(25.3)	(5.92)
-	-	3.7	4.5	-
-	-	0.7	4.6	1.6
2.5	7.1	-	-	-
3.9	-	-	-	-
177.8	-	-	-	-
16.2	-	-	-	-
(12.9)	-	1.0	0.6	5.7
187.5	7.1	5.4	9.7	7.3
183.4 %	(6.3) %	2.6 %	(15.6) %	1.39 %

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				
	2021	2020	2019	2018	2017
Debt Service Revenues:					
Taxes collected	\$ 333 397	\$ 326 684	\$ 335 517	\$ 340 263	\$ 314 570
Taxes penalty and interest	-	-	-	11 775	10 869
Interest income	1 118	3 981	3 712	6 003	2 199
TOTAL REVENUES	334 515	330 665	339 229	358 041	327 638
Debt Service Expenditures:					
Tax collection expenditures	64 176	58 465	57 168	58 132	-
Debt service interest and fees	106 992	68 114	115 192	106 802	138 169
Debt service principal	365 000	220 000	179 737	165 000	180 000
Other	-	-	-	61 640	-
TOTAL EXPENDITURES	536 168	346 579	352 097	391 574	318 169
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(201 653)	(15 914)	(12 868)	(33 533)	9 469
Other Sources (Uses):					
Transfer In (Out)	214 801	-	(11 025)	(5 966)	(57 382)
Other revenue	-	901	-	4 757	-
Bond proceeds	-	-	-	1 635 000	-
Payment to escrow	-	-	-	(1 638 560)	-
TOTAL OTHER SOURCES (USES)	214 801	901	(11 025)	(4 769)	(57 382)
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	\$ 13 148	\$ (15 013)	\$ (23 893)	\$ (38 302)	\$ (47 913)
Total water and sewer connections	753	702	702	702	656

See independent auditors' report on supplementary information.

PERCENT OF TOTAL OPERATING REVENUE

2021	2020	2019	2018	2017
99.7 %	95.9 %	96.7 %	95.0 %	96.0 %
-	2.9	2.2	3.3	3.3
0.3	1.2	1.1	1.7	0.7
100.0	100.0	100.0	100.0	100.0
19.2	17.7	16.9	16.2	-
32.0	66.5	34.0	64.3	42.2
109.1	20.6	53.0	29.8	54.9
-	-	-	-	-
160.3	104.8	103.9	110.3	97.1
(60.3)	(4.8)	(3.9)	(10.3)	2.9
64.2	-	(3.3)	(1.7)	(17.5)
-	0.3	-	1.7	-
-	-	-	456.7	-
-	-	-	(457.6)	-
64.2	0.3	(3.3)	(1.3)	(17.5)
3.9 %	(4.5) %	(7.2) %	(10.7) %	(14.6) %

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
 SCHEDULE TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
 For the Year Ended June 30, 2021

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 06/30/2021	TITLE AT YEAR END	RESIDENT OF DISTRICT
<u>Board Members:</u>				
Robert Bluis 121 Greenway Drive Trinity, Texas 75862	11/2018 - 11/2022 Elected *	\$ 2 550	Secretary	Yes
James Atkinson 20 Greenway Drive Trinity, Texas 75862	11/2020 - 11/2024 Elected	\$ 2 550	President	Yes
John Wolf 51 Lakeway Trinity, Texas 75862	11/2020 - 11/2024 Elected	\$ 2 400	Director	Yes
Ken Bateman 81 Greenway Drive Trinity, Texas 75862	11/2020 - 11/2024 Elected	\$ 2 400	Director	Yes
Michael McClung 90 Westwood East Trinity, Texas 75862	03/2019 - 11/2022 Appointed	\$ 2 400	Vice-President	Yes
<u>Key Administrative Personnel:</u>				
Russell Crawley Trinity, Texas 75862		\$ 1 694	General Manager	
<u>Consultants:</u>				
Winn Professional Engineers and Constructors, LLC 505 Padon Street Longview, Texas 75601		\$ 25 279	Engineers	
Axley & Rode, LLP 1307 South First Street Lufkin, Texas 75901		\$ 11 976	Auditor	
Andrews Kurth LLP 600 Travis, Suite 4200 Houston, Texas 77002		\$ 1 966	Attorneys	
Trinity County Appraisal District		\$ 49 877	Chief Appraiser	
Trinity/Groveton Tax Office Groveton, Texas 75845		\$ 14 299	Tax Collector	

* Originally appointed and subsequently elected.

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

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 16, 2022.

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: 2021-01 and 2021-2.

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: 2021-03 and 2021-04.

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 444. 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.

Lufkin, Texas
May 16, 2022


CERTIFIED PUBLIC ACCOUNTANTS

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

Financial Statements Audit Findings

Material Weaknesses

2021-01 - 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: James Atkinson, Board President

Timeframe: Ongoing

2021-02 - Adjusting Journal Entries

Condition: Significant audit adjustments proposed corrections to the financial statements that, in our judgement, may not have been detected except through 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: James Atkinson, Board President

Timeframe: Ongoing

Significant Deficiency

2021-03 - 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: James Atkinson, Board President

Timeframe: Ongoing

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
For the Year Ended June 30, 2021

Financial Statements Audit Findings

2021-04 - Inventory Count

Condition: There was no updated inventory count performed at year end.

Criteria: The District should have procedures in place that would ensure, at least, an annual review of inventory.

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: Due to turnover of employees at year end, an inventory count was not performed.

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: James Atkinson, Board President

Timeframe: June 30, 2022

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2021

Financial Statements Prior Audit Findings

2020-01 - Segregation of Duties - Due to the limited number of personnel, a total segregation of certain accounting functions is not possible.

Timeframe: Ongoing

Client Response: The District has hired an additional bookkeeper to assist in separating duties, however, the bookkeeper was not employed for the entire new year.

2020-02 - Training - The District management did not have adequate training over the financial reporting process.

Timeframe: Ongoing

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

2020-03 - Adjusting Journal Entries - Significant audit adjustments proposed corrections to the financial statements that, in our judgement, may not have been detected except through our auditing procedures.

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.