

WESTWOOD MANAGEMENT DISTRICT
GALVESTON COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Westwood Management District
Galveston County, Texas

We have audited the accompanying financial statements of the governmental activities and major fund of Westwood Management District (the "District"), as of and for the year ended September 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. 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 District'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.

Board of Directors
Westwood Management District

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of September 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund 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 the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

April 22, 2020

**WESTWOOD MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2019**

Management's discussion and analysis of Westwood Management District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2019. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Fund Balance Sheet and (2) the Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all the District's assets, liabilities and, if applicable, deferred inflows and outflows of resources, with the difference 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. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has one governmental fund type. In the current fiscal year, the General Fund accounted for developer advances, property tax revenues, operating costs and general expenditures.

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental fund. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

**WESTWOOD MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2019**

FUND FINANCIAL STATEMENTS (Continued)

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in the Fund Balance to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). The budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$9,802,013 as of September 30, 2019. The following is a comparative analysis of government-wide changes in net position:

	<u>Summary of Changes in the Statement of Net Position</u>		
	2019	2018	Change Positive (Negative)
Current and Other Assets	\$ 343,798	\$ 502,841	\$ (159,043)
Capital Assets (Net of Accumulated Depreciation)	<u>12,620,769</u>	<u>5,523,622</u>	<u>7,097,147</u>
Total Assets	<u>\$ 12,964,567</u>	<u>\$ 6,026,463</u>	<u>\$ 6,938,104</u>
Due to Developer	\$ 22,122,779	\$ 15,237,000	\$ (6,885,779)
Other Liabilities	<u>643,801</u>	<u>433,208</u>	<u>(210,593)</u>
Total Liabilities	<u>\$ 22,766,580</u>	<u>\$ 15,670,208</u>	<u>\$ (7,096,372)</u>
Net Position:			
Net Investment in Capital Assets	\$ (9,502,010)	\$ (9,713,378)	\$ 211,368
Unrestricted	<u>(300,003)</u>	<u>69,633</u>	<u>(369,636)</u>
Total Net Position	<u>\$ (9,802,013)</u>	<u>\$ (9,643,745)</u>	<u>\$ (158,268)</u>

**WESTWOOD MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table provides a summary of the District's operations for the years ended September 30, 2019, and September 30, 2018. Net Position has a negative balance as a result of the District conveying completed assets to the City of League City and Westwood Home Owners' Association while recording a liability to the Developer for those same assets.

	Summary of Changes in the Statement of Activities		
	2019	2018	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 840,141	\$ 578,975	\$ 261,166
Other Revenues	1,832	865	967
Total Revenues	\$ 841,973	\$ 579,840	\$ 262,133
Expenses for Services	1,000,241	3,388,684	2,388,443
Change in Net Position	\$ (158,268)	\$ (2,808,844)	\$ 2,650,576
Net Position, Beginning of Year	(9,643,745)	(6,834,901)	(2,808,844)
Net Position, End of Year	\$ (9,802,013)	\$ (9,643,745)	\$ (158,268)

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The District has a General Fund fund balance deficit of \$301,443 as of September 30, 2019, a decrease of \$299,374 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

No budget was approved by the District for the current fiscal year.

CAPITAL ASSETS

As of September 30, 2019, the District recorded \$12,620,769 relating to construction in progress for paving, earthwork and water, sewer and drainage facilities to serve the Westwood subdivision, which will be conveyed to either the City of League City or Home Owners' Association upon completion.

LONG-TERM DEBT ACTIVITY

The District has recorded a payable to its Developer of \$22,122,779 for operating advances and completed construction projects. The Developer has incurred additional costs for projects which were not complete at year-end. Reimbursement for these costs will come from future bond sales.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Westwood Management District, c/o Hawes Hill & Associates, LLP, P.O. Box 22167, Houston, Texas 77227-2167.

**WESTWOOD MANAGEMENT DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2019**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash	\$ 276,238	\$	\$ 276,238
Receivables:			
Property Taxes	1,440		1,440
Due from Developer	63,084		63,084
Due from Other	3,036		3,036
Construction in Progress		<u>12,620,769</u>	<u>12,620,769</u>
TOTAL ASSETS	<u>\$ 343,798</u>	<u>\$ 12,620,769</u>	<u>\$ 12,964,567</u>
 LIABILITIES			
Accounts Payable	\$ 643,801	\$	\$ 643,801
Due to Developer		<u>22,122,779</u>	<u>22,122,779</u>
TOTAL LIABILITIES	<u>\$ 643,801</u>	<u>\$ 22,122,779</u>	<u>\$ 22,766,580</u>
 DEFERRED INFLOWS OF RESOURCES			
Property Taxes	<u>\$ 1,440</u>	<u>\$ (1,440)</u>	<u>\$ -0-</u>
 FUND BALANCE			
Unassigned	<u>\$ (301,443)</u>	<u>\$ 301,443</u>	<u>\$ -0-</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 343,798</u>		
 NET POSITION			
Net Investment in Capital Assets		\$ (9,502,010)	\$ (9,502,010)
Unrestricted		<u>(300,003)</u>	<u>(300,003)</u>
TOTAL NET POSITION		<u>\$ (9,802,013)</u>	<u>\$ (9,802,013)</u>

The accompanying notes to the financial
statements are an integral part of this report.

**WESTWOOD MANAGEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

Total Fund Balance - Governmental Fund	\$	(301,443)
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
Construction in progress in governmental activities is not a current financial resource and, therefore, is not reported as an asset in the governmental fund.		12,620,769
Deferred inflows of resources related to property tax revenues for the 2018 and prior tax levies became part of recognized revenue in the governmental activities of the District.		1,440
Amounts due to the developer are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental fund.		<u>(22,122,779)</u>
Total Net Position - Governmental Activities	\$	<u>(9,802,013)</u>

The accompanying notes to the financial statements are an integral part of this report.

WESTWOOD MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES			
Property Taxes	\$ 910,403	\$ (70,262)	\$ 840,141
Penalty and Interest	979		979
Miscellaneous Revenues	853		853
TOTAL REVENUES	<u>\$ 912,235</u>	<u>\$ (70,262)</u>	<u>\$ 841,973</u>
EXPENDITURES/EXPENSES			
Service Operations:			
Professional Fees	\$ 80,353	\$	\$ 80,353
Contracted Services	43,271		43,271
Other	155,923		155,923
Capital Outlay	<u>7,817,841</u>	<u>(7,097,147)</u>	<u>720,694</u>
TOTAL EXPENDITURES/EXPENSES	<u>\$ 8,097,388</u>	<u>\$ (7,097,147)</u>	<u>\$ 1,000,241</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (7,185,153)</u>	<u>\$ 7,026,885</u>	<u>\$ (158,268)</u>
OTHER FINANCING SOURCES			
Developer Advances	<u>\$ 6,885,779</u>	<u>\$ (6,885,779)</u>	<u>\$ -0-</u>
NET CHANGE IN FUND BALANCE	\$ (299,374)	\$ 299,374	\$
CHANGE IN NET POSITION		(158,268)	(158,268)
FUND BALANCE(DEFICIT)/NET POSITION - OCTOBER 1, 2018	<u>(2,069)</u>	<u>(9,641,676)</u>	<u>(9,643,745)</u>
FUND BALANCE(DEFICIT)/NET POSITION - SEPTEMBER 30, 2019	<u>\$ (301,443)</u>	<u>\$ (9,500,570)</u>	<u>\$ (9,802,013)</u>

The accompanying notes to the financial
statements are an integral part of this report.

**WESTWOOD MANAGEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Net Change in Fund Balance - Governmental Fund	\$ (299,374)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	(70,262)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	7,097,147
Governmental funds report developer advances as other financing sources. However, in the Statement of Net Position, developer advances, net any amount paid to the developer, are recorded as a liability.	<u>(6,885,779)</u>
Change in Net Position - Governmental Activities	<u>\$ (158,268)</u>

The accompanying notes to the financial statements are an integral part of this report.

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WESTWOOD MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1. CREATION OF DISTRICT

On April 9, 2013, the City Council of the City of League City, Texas (the “City”) adopted Ordinance 2013-16 consenting to the creation of the Westwood Management District (the “District”). The District was created, effective June 14, 2015, by the Texas Legislature under provisions of Senate Bill No. 1884, of the 83rd Legislature (later codified as Chapter 3917, Texas Special District Local Laws Code) and operates pursuant to Chapter 375, Texas Local Government Code, and Chapter 49, Texas Water Code. Pursuant to the provisions of the Act creating the District, the District is empowered to promote, develop, encourage, and maintain employment, commerce, transportation, housing, tourism, recreation, arts, entertainment, economic development, safety, and the public welfare.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Texas Commission on Environmental Quality (the “Commission”).

The District is a political subdivision of the State of Texas governed by an appointed board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

WESTWOOD MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Net Investment in Capital Assets– This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

WESTWOOD MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide statements. The fund statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance.

Governmental Fund

The District has one governmental fund and considers it a major fund.

General Fund - To account for resources not accounted in another fund, property tax revenues, sales and use tax revenues, operating costs and general expenditures.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental fund to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property taxes revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Fund Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

**WESTWOOD MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

Individual tangible capital items, including infrastructure assets, with a useful life of at least two years and a total cost of \$5,000 are capitalized. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation.

Budgeting

No budget was approved by the District for fiscal year 2019.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any restricted fund balances.

WESTWOOD MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally. The District does not have any restricted fund balances.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

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. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

WESTWOOD MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$276,238 and the bank balance was \$419,266. The District has a depository pledge agreement with a financial institution effective February 25, 2015, to collateralize the balance with securities held in a third-party depository in the District's name. The District was not exposed to custodial credit risk at year-end.

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act. As of September 30, 2019, the District had no investments.

WESTWOOD MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 4. CAPITAL ASSETS

As of September 30, 2019, the District recorded \$12,620,769 relating to construction in progress for paving, earthwork and water, sewer and drainage facilities to serve the Westwood subdivision, which will be conveyed to either the City of League City or Home Owners' Association upon completion.

NOTE 5. MAINTENANCE TAX

On November 5, 2013, the voters of the District approved the levy and collection of an ad valorem maintenance tax not to exceed \$1.50 and a parks and recreational facilities tax not to exceed \$0.10 per \$100 of assessed valuation of taxable property within the District. The ad valorem tax is to be used for administration, operation, and maintenance purposes and for programs to promote District purposes. During the year ended September 30, 2019, the District levied an ad valorem tax of \$1.00 per \$100 of assessed valuation, resulting in a tax levy of \$854,843 on the adjusted taxable valuation of \$85,484,293 for the 2018 tax year. The District did not levy a parks and recreational facilities tax during the current fiscal year.

NOTE 6. BOND AUTHORITY

On November 5, 2013, voters of the District authorized the issuance of up to \$15,490,909 in unlimited tax bonds for parks and recreational facilities and related refunding bonds of \$23,236,364. The District has also authorized but unissued bonds in the amount of \$33,110,928 for utility facilities, \$49,666,392 for refunding bonds, \$25,692,790 for road facilities and \$38,539,185 for refunding road bonds.

NOTE 7. UNREIMBURSED COSTS AND ECONOMIC DEPENDENCY

On April 16, 2014, the District and the Developer entered into an agreement which requires the Developer to fund costs associated with water, sanitary sewer and drainage facilities, roads, park facilities and operating advances. The District has recorded a payable to its Developer of \$22,122,779 for operating advances and completed construction projects. The Developer has incurred additional costs for projects which were not complete at year-end. Reimbursement for these costs will come from future bond sales.

The District's Developer owns a substantial portion of the taxable property within the District. In addition, the District is dependent upon the Developer for operating advances to meet its financial obligations. The Developer's ability to make full and timely payments of taxes and operating advances could directly affect the District's ability to meet its financial obligations. As of September 30, 2019, the District had a deficit fund balance in the amount of \$301,443.

**WESTWOOD MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 8. 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 and natural disasters for which the District carries commercial insurance. There have been no significant changes in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 9. INTERLOCAL PROJECT DEVELOPMENT AND FINANCING AGREEMENT WITH THE CITY OF LEAGUE CITY, TEXAS

On September 10, 2015, the City and the District entered into an Interlocal Project Development and Financing Agreement (“Development Agreement”). Pursuant to the Development Agreement, the Developer wishes to proceed with the development of and construction of water, sanitary sewer and drainage facilities, road facilities and park facilities to serve the land within the boundaries of the District. The City shall have and exercise exclusive jurisdiction over the subdivision and platting of the property within the District and the design, construction, installation, and inspection of water, sewer, drainage, roadway, and other public infrastructure (the “Public Infrastructure”) to serve the property within the District. The Developer and/or District are responsible for designing, acquiring and constructing for the benefit of, and for ultimate conveyance to the City, the water and sewer Public Infrastructure.

The District and the City acknowledge and agree that the District is currently expected to require approximately 1,404 equivalent dwelling units (“EDUs”) of water and sewer capacity for full build out. The City and the District agree that the property located within the District is designated as part of the service area of the City’s Southwest Water Reclamation Facility. The City agrees that it shall make available to the District, in the amount and at the time needed by the District, capacity sufficient to serve as many as a total of 1,404 EDUs.

WESTWOOD MANAGEMENT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2019

**WESTWOOD MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Original and Final Budget*</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$	\$ 910,403	\$
Penalty and Interest		979	
Miscellaneous Revenues		853	
TOTAL REVENUES	<u>N/A</u>	<u>\$ 912,235</u>	<u>N/A</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$	\$ 80,353	\$
Contracted Services		43,271	
Other		155,923	
Capital Outlay		7,817,841	
TOTAL EXPENDITURES	<u>N/A</u>	<u>\$ 8,097,388</u>	<u>N/A</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>N/A</u>	<u>\$ (7,185,153)</u>	<u>N/A</u>
OTHER FINANCING SOURCES			
Developer Advances	<u>N/A</u>	<u>\$ 6,885,779</u>	<u>N/A</u>
NET CHANGE IN FUND BALANCE	\$ -0-	\$ (299,374)	\$ -0-
FUND BALANCE - OCTOBER 1, 2018		(2,069)	
FUND BALANCE - SEPTEMBER 30, 2019	<u>N/A</u>	<u>\$ (301,443)</u>	<u>N/A</u>

* No budget was approved by the District

See accompanying independent auditor's report.

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WESTWOOD MANAGEMENT DISTRICT
SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
SEPTEMBER 30, 2019

**WESTWOOD MANAGEMENT DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

PROFESSIONAL FEES:	
Auditing	\$ 10,700
Engineering	54,829
Legal	<u>14,824</u>
TOTAL PROFESSIONAL FEES	<u>\$ 80,353</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 18,365
Administrative Services	15,911
Tax Collection and Tax Roll Management	<u>8,995</u>
TOTAL CONTRACTED SERVICES	<u>\$ 43,271</u>
CAPITAL OUTLAY	<u>\$ 7,817,841</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 7,050
Insurance	3,036
Other	<u>145,837</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 155,923</u>
TOTAL EXPENDITURES	<u><u>\$ 8,097,388</u></u>

See accompanying independent auditor's report.

**WESTWOOD MANAGEMENT DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Maintenance Taxes	
TAXES RECEIVABLE - OCTOBER 1, 2018	\$ 71,702	
Adjustments to Beginning Balance	(14,709)	\$ 56,993
Original 2018 Tax Levy	\$ 849,017	
Adjustment to 2018 Tax Levy	5,826	854,843
 TOTAL TO BE ACCOUNTED FOR		 \$ 911,836
 TAX COLLECTIONS:		
Prior Years	\$ 56,993	
Current Year	853,403	910,396
 TAXES RECEIVABLE - SEPTEMBER 30, 2019		 \$ 1,440
 TAXES RECEIVABLE BY YEAR:		
2018		\$ 1,440

See accompanying independent auditor's report.

**WESTWOOD MANAGEMENT DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
PROPERTY VALUATIONS:				
Land	\$ 26,753,810	\$ 14,718,250	\$ 9,055,709	\$ 8,509,340
Improvements	61,222,910	38,364,937	11,420,800	2,000,870
Personal Property	193,960	169,690	119,106	103,390
Exemptions	<u>(2,686,387)</u>	<u>(3,998,118)</u>	<u>(3,769,149)</u>	<u>(3,157,151)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 85,484,293</u>	<u>\$ 49,254,759</u>	<u>\$ 16,826,466</u>	<u>\$ 7,456,449</u>
TAX RATES PER \$100 VALUATION:				
Maintenance Tax	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>
ADJUSTED TAX LEVY*	<u>\$ 854,843</u>	<u>\$ 495,898</u>	<u>\$ 168,265</u>	<u>\$ 74,564</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>99.83 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>

* Based upon adjusted tax levy at time of audit for the period in which the tax was levied.

Maintenance tax – Maximum tax rate in an amount not to exceed \$1.50 per \$100 assessed valuation approved by voters on November 5, 2013.

Park and Recreational Facilities Tax – Maximum tax rate in an amount not to exceed \$0.10 per \$100 assessed valuation approved by voters on November 5, 2013.

See accompanying independent auditor's report.

**WESTWOOD MANAGEMENT DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS**

	Amounts			
	2019	2018	2017	2016
REVENUES				
Property Taxes	\$ 910,403	\$ 507,273	\$ 170,752	\$ 79,786
Penalty and Interest	979	601	784	278
Litigation Settlement Revenues		175,000		
Miscellaneous Revenues	853	264	227	149
TOTAL REVENUES	<u>\$ 912,235</u>	<u>\$ 683,138</u>	<u>\$ 171,763</u>	<u>\$ 80,213</u>
EXPENDITURES				
Service Operations:				
Professional Fees	\$ 80,353	\$ 100,844	\$ 58,664	\$ 65,789
Contracted Services	43,271	39,677	29,492	25,365
Other	155,923	40,813	21,102	39,661
Capital Outlay	7,817,841	4,463,881	4,803,769	3,870,294
TOTAL EXPENDITURES	<u>\$ 8,097,388</u>	<u>\$ 4,645,215</u>	<u>\$ 4,913,027</u>	<u>\$ 4,001,109</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (7,185,153)</u>	<u>\$ (3,962,077)</u>	<u>\$ (4,741,264)</u>	<u>\$ (3,920,896)</u>
OTHER FINANCING SOURCES				
Developer Advances	<u>\$ 6,885,779</u>	<u>\$ 3,686,000</u>	<u>\$ 5,355,000</u>	<u>\$ 3,500,000</u>
NET CHANGE IN FUND BALANCE	\$ (299,374)	\$ (276,077)	\$ 613,736	\$ (420,896)
BEGINNING FUND BALANCE (DEFICIT)	<u>(2,069)</u>	<u>274,008</u>	<u>(339,728)</u>	<u>81,168</u>
ENDING FUND BALANCE (DEFICIT)	<u>\$ (301,443)</u>	<u>\$ (2,069)</u>	<u>\$ 274,008</u>	<u>\$ (339,728)</u>

See accompanying independent auditor's report.

	Percentage of Total Revenues				
2015	2019	2018	2017	2016	2015
\$ 2,141	99.8 %	74.3 %	99.4 %	99.5 %	96.4 %
	0.1	0.1	0.5	0.3	
		25.6			
80	0.1		0.1	0.2	3.6
\$ 2,221	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
\$ 50,162	8.8 %	14.8 %	34.2 %	82.0 %	2,258.5 %
20,036	4.7	5.8	17.2	31.6	902.1
19,910	17.1	6.0	12.3	49.4	896.4
2,484,641	857.0	653.4	2,796.7	4,825.0	111,870.4
\$ 2,574,749	887.6 %	680.0 %	2,860.4 %	4,988.0 %	115,927.4 %
\$ (2,572,528)	(787.6) %	(580.0) %	(2,760.4) %	(4,888.0) %	(115,827.4) %
\$ 2,646,000					
\$ 73,472					
7,696					
\$ 81,168					

See accompanying independent auditor's report.

**WESTWOOD MANAGEMENT DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2019**

District Mailing Address - Westwood Management District
c/o Hawes Hill & Associates, LLP
P.O. Box 22167
Houston, TX 77227-2167

District Telephone Number - (713) 595-1200

Board Members	Term of Office (Elected or <u>Appointed</u>)	Fees of Office for the year ended <u>September 30, 2019</u>	Expense Reimbursements for the year ended <u>September 30, 2019</u>	<u>Title</u>
Maria Morales	06/17 06/21 (Appointed)	\$ 1,800	\$ 2,515	President
Travis “Bowie” Campbell	06/19 06/23 (Appointed)	\$ 1,800	\$ -0-	Secretary/ Treasurer
Javier Morales	06/17 06/21 (Appointed)	\$ 1,800	\$ -0-	Assistant Secretary/ Assistant Treasurer
Scott Short	06/19 06/23 (Appointed)	\$ 1,650	\$ -0-	Director

Submission date of most recent District Registration Form: October 10, 2018

See accompanying independent auditor’s report.

**WESTWOOD MANAGEMENT DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2019**

<u>Consultants:</u>	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2019</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	05/16/18	\$ 14,635	General Counsel
McCall Gibson Swedlund Barfoot PLLC	10/06/15	\$ 10,700	Auditor
Carbone & Allison, LLP	11/18/13	\$ 18,365	Bookkeeper
Hawes Hill & Associates, LLP	04/16/14	\$ 15,911	Administrative Services
J. Morales, Inc.	08/19/15	\$ 453,926	Engineer
The GMS Group, LLC	01/30/2019	\$ - 0 -	Financial Advisor
Tony Carbone	07/23/14	\$ - 0 -	Investment Officer
Galveston County	07/23/14	\$ 5,506	Tax Assessor/ Collector

See accompanying independent auditor's report.

