

IN THE OPINION OF BOND COUNSEL (DEFINED BELOW), UNDER CURRENT LAW AND SUBJECT TO CONDITIONS DESCRIBED IN THE SECTION “TAX EXEMPTION” HEREIN, INTEREST ON THE BONDS (DEFINED BELOW) (A) IS NOT INCLUDED IN GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES, (B) IS NOT AN ITEM OF TAX PREFERENCE FOR PURPOSES OF THE FEDERAL ALTERNATIVE MINIMUM INCOME TAX, AND (C) IS TAKEN INTO ACCOUNT BY APPLICABLE CORPORATIONS (AS DEFINED IN SECTION 59(K) OF THE CODE) FOR THE ALTERNATIVE MINIMUM TAX IMPOSED ON SUCH CORPORATIONS. A HOLDER MAY BE SUBJECT TO OTHER FEDERAL TAX CONSEQUENCES AS DESCRIBED IN THE SECTION “TAX EXEMPTION.” SEE “TAX EXEMPTION” FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL WITH RESPECT TO THE BONDS.

The Bonds will be designated as “qualified tax-exempt obligations” for financial institutions. See “TAX EXEMPTION – Qualified Tax-Exempt Obligations.”

NEW ISSUE—BOOK-ENTRY ONLY
CUSIP No. 961778

RATINGS: Underlying “Baa3” Moody’s
See “MUNICIPAL BOND RATING” herein

\$8,015,000
WESTWOOD MANAGEMENT DISTRICT
(A political subdivision of the State of Texas, located in Galveston County, Texas)
UNLIMITED TAX BONDS
SERIES 2024

Dated: October 1, 2024

Due: April 1 (as shown below)

Interest on the Bonds (the “Bonds” or the “Series 2024 Bonds”) will accrue from October 1, 2024, and will be payable on April 1 and October 1 of each year, commencing April 1, 2025. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “BOOK ENTRY-ONLY SYSTEM” herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Houston, Texas. See “THE BONDS – Paying Agent/Registrar.”

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield (a)</u>	<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield (a)</u>
\$200,000	2027	%	%	\$350,000	2039(b)	%	%
\$200,000	2028	%	%	\$375,000	2040(b)	%	%
\$225,000	2029	%	%	\$375,000	2041(b)	%	%
\$225,000	2030	%	%	\$400,000	2042(b)	%	%
\$250,000	2031(b)	%	%	\$425,000	2043(b)	%	%
\$250,000	2032(b)	%	%	\$450,000	2044(b)	%	%
\$275,000	2033(b)	%	%	\$450,000	2045(b)	%	%
\$275,000	2034(b)	%	%	\$475,000	2046(b)	%	%
\$300,000	2035(b)	%	%	\$500,000	2047(b)	%	%
\$300,000	2036(b)	%	%	\$525,000	2048(b)	%	%
\$325,000	2037(b)	%	%	\$540,000	2049(b)	%	%
\$325,000	2038(b)	%	%				

- (a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed.
- (b) The Bonds maturing on or after April 1, 2031, are subject to redemption in whole or from time to time in part, at the option of the District, on April 1, 2030 or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS—Optional Redemption.”

The Proceeds from the sale of the Bonds will be used by Westwood Management District (the “District”) to: (1) reimburse the Developer (as defined herein) for certain water, sewer and drainage facilities in the District; (2) fund engineering, testing, and contingency costs related to number 1 above; (3) fund certain related Developer interest costs; and (4) pay certain costs of issuance of the Bonds. See “USE OF BOND PROCEEDS.”

The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See “THE BONDS – Source of and Security for Payment.” The Bonds are obligations solely of the District and are not obligations of the State of Texas, Galveston County, the City of League City, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Galveston County, or the City of League City is pledged to the payment of the principal of, or interest on, the Bonds. **The Bonds are subject to certain investment considerations described under the caption “RISK FACTORS.”**

The Bonds are offered when, as, and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Hunton Andrews Kurth LLP, Houston, Texas, Bond Counsel. The District will be advised on certain legal matters by Norton Rose Fulbright US LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about October 24, 2024.

Bids Due: Monday, September 30, 2024 at 9:00 A.M. Houston Time

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT	1
SALE AND DISTRIBUTION OF THE BONDS	1
CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12	2
MUNICIPAL BOND RATING.....	3
BOND INSURANCE	3
OFFICIAL STATEMENT SUMMARY	4
SELECTED FINANCIAL INFORMATION	6
DEBT SERVICE REQUIREMENTS	7
INTRODUCTION.....	8
RISK FACTORS	8
USE OF BOND PROCEEDS.....	15
INTERLOCAL PROJECT DEVELOPMENT AND FINANCING AGREEMENT WITH THE CITY	16
DESCRIPTION OF THE SYSTEM SERVING THE DISTRICT	16
THE DISTRICT.....	16
MANAGEMENT OF THE DISTRICT.....	19
DISTRICT INVESTMENT POLICY.....	19
THE DEVELOPER.....	22
DISTRICT DEBT	23
TAX DATA	24
TAXING PROCEDURES	26
CONSOLIDATION/DISSOLUTION.....	30
THE BONDS	30
BOOK-ENTRY-ONLY SYSTEM.....	33
LEGAL MATTERS.....	34
TAX EXEMPTION.....	35
REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS	37
OFFICIAL STATEMENT.....	37
MISCELLANEOUS	38
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS.....	A
SPECIMEN MUNICIPAL BOND INSURANCE POLICY.....	B

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended ("Rule 15c2-12"), this Preliminary Official Statement constitutes an "official statement" of the District with respect to the Bonds that has been deemed "final" by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

No dealer, broker, salesman, or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the District.

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not registered or qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Any information and expressions of opinion herein contained are subject to change and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof.

All of the summaries of the statutes, resolutions, contracts, audited financial statements, engineering, and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Hunton Andrews Kurth LLP, 600 Travis Street, Suite 4200, Houston, Texas 77002, upon payment of duplication costs.

This Official Statement contains, in part, estimates, assumptions, and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions, or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in this Official Statement until delivery of the Bonds to the Underwriter.

The following statement is provided by the Underwriter (as defined below). In accordance with their responsibilities under the federal securities laws, the Underwriter has reviewed the information in this Official Statement but do not guarantee its accuracy or completeness.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid producing the lowest net interest cost to the District, which was tendered by _____ (the "Underwriter"), to purchase the Bonds bearing the rates shown on the cover page of this Official Statement at a price of _____% of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of _____%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the cover page hereof. The initial offering price may be changed from time to time by the Underwriter.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial number of the Bonds of each maturity have been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker, or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Underwriters regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds after their initial sale by the District. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF

THE BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission ("SEC") under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12

In the resolution adopted by the Board of Directors authorizing the issuance of the Bonds (the "Bond Resolution"), the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the Bond Resolution, the District is obligated to provide certain updated financial information and operating data annually and timely notice of specified material events to the Municipal Securities Rulemaking Board ("MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The information to be updated with respect to the District includes the quantitative financial information and operating data of the District of the general type included in "DISTRICT DEBT" (except for "Estimated Overlapping Debt"), "TAX DATA," (except for "estimated for Overlapping Taxes"), and "APPENDIX A" (Auditor's Report and Financial Statements of the District) of this Official Statement. The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2023. The District will provide the updated information to EMMA.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements if it commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, the District shall provide unaudited financial statements for the applicable fiscal year to each EMMA within such six-month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreements to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and financial obligation" when used in this paragraph shall have the meanings ascribed to them under the Rule. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves, liquidity enhancement, the pledge of property (other than ad valorem tax revenues) to secure payment of the Bonds, or appointment of a trustee. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Limitations and Amendments

The District has agreed to update information and to provide notices of material events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes

no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement although holders and beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District, if but only if, the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid but, in either case, only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

During the past five years, the District has complied with all material respects with its prior continuing disclosure agreements in accordance with the Rule.

MUNICIPAL BOND RATING

Moody's Investors Service ("Moody's") has assigned a rating of "Baa3" on the Bonds based upon the District's underlying credit without bond insurance. An explanation of the significance of such rating may be obtained from Moody's. The rating reflects only the view of Moody's and the District makes no representation as to the appropriateness of such rating. The District can make no assurance that the Moody's rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by Moody's if in the judgment of Moody's circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

BOND INSURANCE

The District has applied to Assured Guaranty Inc. ("AG") and Build America Mutual Assurance Company ("BAM") for qualification of the Bonds for bond insurance. The Underwriter (as defined herein) may bid for the Bonds with or without bond insurance. If the Underwriter bids for the Bonds with bond insurance, the cost of the bond insurance premium must be paid for by the Underwriter. The District will pay for the cost of the Moody's rating. The Underwriter must pay for the cost of any rating other than the Moody's rating. If the Underwriter purchases the Bonds with bond insurance and, subsequent to the sale date and prior to the closing date, the bond insurer's credit rating is downgraded the Underwriter is still obligated to accept delivery of the Bonds. Information relative to the cost of the insurance premium will be available from AG or BAM on the day of the sale.

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

THE BONDS

- Description:** The \$8,015,000 Unlimited Tax Bonds, Series 2024, are dated October 1, 2024. The Bonds represent the third series of bonds to be issued by the District. See "THE BONDS."
- Source of Payment:** The Bonds are payable from a continuing direct annual ad valorem tax levied against all taxable property within the District which, under Texas law, is not limited as to rate or amount. The Bonds are obligations of the District and are not obligations of the State of Texas, Galveston County, the City of League City (the "City"), or any other political subdivision or agency. See "THE BONDS."
- Redemption Provisions:** The Bonds maturing on or after April 1, 2031, are subject to early redemption, in whole or from time to time in part, on April 1, 2030, or on any date thereafter at the option of the District at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Optional Redemption."
- Book-Entry-Only System:** The Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, and interest on, the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."
- Use of Proceeds:** The Proceeds from the sale of the Bonds will be used to: (1) reimburse the Developer (as defined herein) for certain water, sewer and drainage facilities in the District; (2) fund engineering, testing, and contingency costs related to number 1 above; (3) fund certain related Developer interest costs; and (4) pay certain costs of issuance of the Bonds. See "USE OF BOND PROCEEDS."
- Legal Opinion:** Hunton Andrews Kurth LLP, Bond Counsel, Houston, Texas. See "LEGAL MATTERS" and "TAX EXEMPTION."
- Paying Agent/Registrar:** The Bank of New York Mellon Trust Company, N.A., Houston, Texas.
- Payment Record:** This is the third series of bonds to be issued by the District. The District has never defaulted in the payment of interest and principal on its Outstanding Bonds. See "FINANCIAL STATEMENT."
- Risk Factors:** The Bonds are subject to certain investment considerations as set forth in this Official Statement. Prospective purchasers should carefully examine this Official Statement with respect to the investment security of the Bonds, particularly the sections captioned "RISK FACTORS" and "LEGAL MATTERS."
- Qualified Tax Exempt Obligations:** The District will designate the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. See "TAX EXEMPTION – Qualified Tax-Exempt Obligations."
- Municipal Bond Rating:** In connection with the sale of the Bonds, the District has made application to Moody's which assigned the underlying rating of "Baa3" on the Bonds based upon the District's underlying credit without bond insurance. An explanation of the significance of such rating may be obtained from Moody's. The rating reflects only the view of Moody's and the District makes no representation as to the appropriateness of such rating. See "MUNICIPAL BOND RATING."
- Bond Insurance:** The District has applied to AG and BAM for qualification of the Bonds for bond insurance. The Underwriter may bid for the Bonds with or without bond insurance. If the Underwriter bids for the Bonds with bond insurance, the cost of the bond insurance premium must be paid for by the Underwriter. Information relative to the cost of the insurance premium will be available from the bond insurance companies on the day of the sale. See "BOND INSURANCE."

THE DISTRICT

- Authority:** The District is a political subdivision of the State of Texas located within the City of League City, Texas (the "City") in Galveston County, created on June 14, 2013, by an act of the Texas Legislature codified at Texas Special District Local Laws Code Annotated Chapter 3917 (the "Act"). The District has the rights, powers, privileges, authority and functions of districts created pursuant to Article III, Sections 52 and 52-a, and Article

XVI, Section 59 of the Texas Constitution and operates pursuant to the Act, as well as Chapter 375, Texas Local Government Code, as amended. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality (the "TCEQ"), which has authority over the issuance of bonds for waterworks, sanitary sewer, and drainage facilities by the District including the Bonds. The TCEQ does not exercise authority over the District's issuance of road bonds. See "THE DISTRICT."

Description and Location:

The District currently includes approximately 470 acres and is located within the corporate limits of The City of League City (the "City"). The District lies approximately 25 miles south of the Houston central business district and is located 3 miles west of the Gulf Freeway (I-45). The District is bounded on the north by FM 518, on the east by Maple Leaf Drive, on the south by open farm land near FM 517, and on the west by McFarland Drive and Windemere Road. Access to the District is provided by FM 517 and League City Parkway.

Development of the District:

A summary of the approximate land use in the District as of May 15, 2024:

<u>Type of Land Use</u>	<u>Approximate Acres</u>	
Developed and Improved Residential Acreage	341.30	(a)
Additional Developable Acreage	113.95	(b)
School Site	<u>14.86</u>	
TOTAL	470.11	

- (a) Represents land located within Westwood, Sections 2-11 and Section 12. Includes recreation facilities, detention ponds, drainage rights-of-way, flood plain acreage, pipeline easements, road rights-of-way, and property that is owned by the Homeowners Association that is located within the platted sections referenced above.
- (b) Represents land that may be developed at some point in the future.

Status of Residential Building Development:

As of May 15, 2024, there were 941 completed homes, 122 homes under construction, and 87 vacant developed lots available for homebuilding.

Homebuilders in the District:

Homebuilders that have been or are currently active in the District include D.R. Horton, Castlerock Homes, K Hovnanian, Lennar Homes, Cervelle Homes, Coventry Homes and Gehan Homes. Homes have been or are currently being marketed in the District in the \$250,000 - \$735,000 price range.

Agreement with League City:

The District entered into an Interlocal Project Development and Financing Agreement with the City dated September 10, 2015 (the "Agreement"). Pursuant to the Agreement: (1) the City consented to the creation of the District within the City limits of the City; (2) the District assumes responsibility for acquiring and constructing for the benefit of, and for the ultimate conveyance to the City: (a) the water distribution, (b) wastewater collection, and (c) drainage facilities to serve development occurring within the boundaries of the District (the "Facilities"); and (3) the City agreed to accept the Facilities for operation and maintenance in consideration for the District's financing, acquisition and construction of the Facilities. The City agrees to charge residents of the District the same water and wastewater rates that the City charges in other parts of the City.

The Agreement provides that the Facilities shall be designed and constructed in accordance with the City's requirements and criteria. The City agrees to provide the District with its ultimate requirements for water supply capacity and wastewater treatment capacity. See "INTERLOCAL PROJECT DEVELOPMENT AND FINANCING AGREEMENT WITH THE CITY".

Description of the Developer:

The owner and principal developer of the land within the District is Westwood Development LLP., a Texas limited liability partnership (herein "Westwood" or the "Developer"). Westwood was established for the purpose of developing the land located within the District and approximately 95 acres that are a part of Westwood Master Planned Community but located outside of the boundaries of the District. The entire Westwood Master Planned Community is located in the City. The General Partner of the Developer is Mr. Travis Bowie Campbell, who has over thirty years of experience in the land and building development business. The Developer has no land loans or development loans that are secured by the land located within the District. According to the Developer, future development costs will be paid for by equity contributions of the Developer.

SELECTED FINANCIAL INFORMATION
(Unaudited)

7/1/2024 Estimated Taxable Value	\$479,664,946	(a)
2024 Certified Taxable Value	\$438,346,370	(b)
Direct Debt		
Outstanding Bonds	\$20,400,000	
The Bonds	<u>\$8,015,000</u>	
Total Direct Debt (See "DISTRICT DEBT")	\$28,415,000	
Estimated Overlapping Debt (See "DISTRICT DEBT")	<u>\$17,862,898</u>	
Direct and Estimated Overlapping Debt (See "DISTRICT DEBT")	\$46,277,898	
Percentage of Direct Debt to:		
7/1/2024 Estimated Taxable Value	5.92%	
2024 Certified Taxable Value	6.48%	
Percentage of Direct and Estimated Overlapping Debt to:		
7/1/2024 Estimated Taxable Value	9.65%	
2024 Certified Taxable Value	10.56%	
2024 Tax Rate Per \$100 of Assessed Value		
Road Debt Service Tax	\$0.13	
Debt Service Tax	\$0.24	
Maintenance Tax	<u>\$0.59</u>	
Total 2024 Tax Rate	\$0.96	
Cash and Temporary Investment Balances as of August 31, 2024		
General Fund	\$3,696,096	
Road Debt Service Fund	\$404,906	(c)
Debt Service Fund	\$398,727	(d)

-
- (a) Reflects data supplied by Galveston Central Appraisal District ("GALCAD"). The Estimated Taxable Value as of 7/1/2024 was prepared by GALCAD and provided to the District for informational purposes only. See "TAX DATA" and "TAXING PROCEDURES."
- (b) The figure above represents the value of the fully certified property according to GALCAD (\$421,175,466) plus approximately 87% of the value of property that is still going through the certification process (\$19,629,168). See "TAX DATA - Analysis of Tax Base."
- (c) Neither Texas law nor the District's Road Bond Resolution requires that the District maintain any particular balance in the Road Debt Service Fund. See "TAX DATA - Tax Adequacy of Tax Revenue."
- (d) Neither Texas law nor the District's Bond Resolution requires that the District maintain any particular balance in the Debt Service Fund. See "TAX DATA - Tax Adequacy of Tax Revenue."

DEBT SERVICE REQUIREMENTS

The following sets forth the District's outstanding debt service and the debt service requirements on the Bonds.

<u>Year</u>	<u>Outstanding Debt Service</u>	<u>The Bonds</u>		<u>Total Debt Service Requirements*</u>
		<u>Principal</u>	<u>Interest*</u>	
2024	\$1,076,893	-	-	\$1,076,893
2025	\$1,110,143	-	\$376,705	\$1,486,848
2026	\$1,117,143	-	\$376,705	\$1,493,848
2027	\$1,122,930	\$200,000	\$372,005	\$1,694,935
2028	\$1,102,843	\$200,000	\$362,605	\$1,665,448
2029	\$1,131,468	\$225,000	\$352,618	\$1,709,086
2030	\$1,109,218	\$225,000	\$342,043	\$1,676,261
2031	\$1,086,780	\$250,000	\$330,880	\$1,667,660
2032	\$1,113,718	\$250,000	\$319,130	\$1,682,848
2033	\$1,117,562	\$275,000	\$306,793	\$1,699,355
2034	\$1,123,156	\$275,000	\$293,868	\$1,692,024
2035	\$1,127,843	\$300,000	\$280,355	\$1,708,198
2036	\$1,131,843	\$300,000	\$266,255	\$1,698,098
2037	\$1,110,234	\$325,000	\$251,568	\$1,686,802
2038	\$1,137,687	\$325,000	\$236,293	\$1,698,980
2039	\$1,138,812	\$350,000	\$220,430	\$1,709,242
2040	\$1,138,968	\$375,000	\$203,393	\$1,717,361
2041	\$1,138,437	\$375,000	\$185,768	\$1,699,205
2042	\$1,137,218	\$400,000	\$167,555	\$1,704,773
2043	\$1,159,937	\$425,000	\$148,168	\$1,733,105
2044	\$1,181,187	\$450,000	\$127,605	\$1,758,792
2045	\$1,176,343	\$450,000	\$106,455	\$1,732,798
2046	\$1,172,875	\$475,000	\$84,718	\$1,732,593
2047	\$1,195,500	\$500,000	\$61,805	\$1,757,305
2048	\$1,167,500	\$525,000	\$37,718	\$1,730,218
2049	<u>\$1,164,250</u>	<u>\$540,000</u>	<u>\$12,690</u>	<u>\$1,716,940</u>
TOTALS	\$29,490,488	\$8,015,000	\$5,824,123	\$43,329,611

Maximum Annual Debt Service Requirements (2044)..... \$1,758,792*

\$0.39 Tax Rate on 7/1/2024 Estimated Taxable Value of \$479,664,946
 @ 95% collections produces..... \$1,777,159*

\$0.43 Tax Rate on 2024 Certified Taxable Value of \$438,346,370
 @ 95% collections produces..... \$1,790,645*

See "TAX DATA – Tax Adequacy of Tax Revenue."

* Preliminary, subject to change

OFFICIAL STATEMENT

relating to

\$8,015,000

WESTWOOD MANAGEMENT DISTRICT

(A political subdivision of the State of Texas located within Galveston County, Texas)

UNLIMITED TAX BONDS

SERIES 2024

INTRODUCTION

This Official Statement provides certain information in connection with the issuance of its \$8,015,000 Unlimited Tax Bonds, Series 2024 by Westwood Management District (the "District"). The District is located inside the City of League City (the "City").

The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution and general laws of the State of Texas, including but not limited to Chapter 375, Texas Local Government Code, as amended, a resolution (the "Bond Resolution") adopted by the Board of Directors of the District, and an election held within the District on November 5, 2013.

This Official Statement includes descriptions of the Bonds, the Bond Resolution, certain agreements between the City and the District, the District's financial condition, the Developer in the District, and the District. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE ONLY SUMMARIES AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from Bond Counsel upon payment of duplication costs thereof.

RISK FACTORS

General

The Bonds are obligations of the District and are not obligations of the State of Texas, Galveston County, the City, or any other political subdivision. The Bonds are payable from a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District. See "THE BONDS – Source of and Security for Payment." The investment quality of the Bonds depends on the ability of the District to collect all taxes levied against the taxable property within the District and, in the event of foreclosure of the District's tax lien, on the marketability of the property and the ability of the District to sell the property at a price sufficient to pay taxes levied by the District and by other overlapping taxing authorities to justify continued payment of taxes by property owners or that there will be a market for the property. The District cannot and does not make any representations that over the life of the Bonds the taxable property within the District will accumulate or maintain taxable values sufficient to maintain property taxes to pay debt service at current levels.

Marketability

The District has no understanding (other than the initial reoffering yields) with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the spread between the bid and asked price of more traditional issuers as such bonds are generally bought, sold, or traded in the secondary market.

Tax Collections

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through foreclosure may be impaired by: (a) repetitive, annual expensive collections procedures, (b) a federal bankruptcy court's stay of tax collection procedures, (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. While the District has a lien on taxable property within the District for taxes levied against such property, or (d) the taxpayer's right to redeem the property within six (6) months for commercial property and two (2) years for residential and all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two (2) other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six (6) years; and,

second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

District's Dependence on Future Development and Potential Impact on District Tax Rates

Assuming no further construction of single-family building development within the District other than that which has been constructed, the value of such land and improvements currently located and under construction within the District could be a major determinant of the ability of the District to collect, and the willingness of property owners to pay, ad valorem taxes levied by the District. Assuming no increase or decrease from the 2024 Certified Taxable Value and no use of other District funds; the total Debt Service tax rate of \$0.43 per \$100 of Assessed Value at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirements. Assuming no increase or decrease from the 7/1/2024 Estimated Taxable Value and no use of other District funds; the total Debt Service tax rate of \$0.39 per \$100 of Assessed Value at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirements. Additionally, because the City provides water and sewer service to the District, the District does not receive payment for such service from its residents. Consequently, the District's only source of revenue to fund monthly operating costs is the District's operations and maintenance tax levy. Pursuant to its Interlocal Agreement with the City, the District may not levy a combined debt service and operations and maintenance tax levy that exceeds \$1.00 per \$100 valuation without prior written consent of the City. See "TAX DATA – City Consent to Tax Rate." The Developer has entered into an agreement with the District indicating the Developer's obligation to make advances to the District's General Fund such that the District's total tax rate can be maintained at \$1.00 per \$100 of taxable value. See "TAX DATA – Principal Taxpayers."

The current combined debt service tax rate is \$0.37 per \$100 assessed valuation.

Funding of Operating Costs

According to its agreement with the City, all water and sanitary sewer facilities serving the District will be owned and maintained by the City; however the District will retain ownership of the storm sewer and drainage system, which includes underground sewers, channels and detention ponds and will be responsible for their maintenance. The City provides water and sewer services to all customers within the District and bills for such services monthly. The District's only source of revenue to maintain its facilities and administer the District is the annual operations and maintenance tax levied on all property owners. In 2024 the District levied a \$0.60 per \$100 assessed valuation tax rate for operations and maintenance, but such rate is expected to decrease in 2025 and beyond as the District issues more bonds and the debt service tax rate sufficient to pay annual debt service increases, so that the combined tax rate remains less than \$1.00 per \$100 assessed valuation, as required by the City. There can be no guarantee that the District will be able to set a sufficient operations and maintenance tax rate in the future to pay all its operations and maintenance costs within the \$1.00 combined tax rate limit set by the City and within the limitations set by state law. See "TAXING PROCEDURES—Rollback of Operation and Maintenance Tax Rate." The Act provides that no later than 2037 the District will convey all its facilities to the homeowner's association for maintenance. See "Consolidation/Dissolution."

Registered Owners' Remedies

If the District defaults in the payment of principal of, interest on, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages. Even if such sovereign immunity were waived and a judgment against the District for money damages were obtained, the judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of, and interest on, the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Specifically, the District may voluntarily file a petition for protection from creditors under the federal bankruptcy laws. During the pendency of the bankruptcy proceedings, the remedy of mandamus would not be available to the Registered Owners unless authorized by a federal bankruptcy judge.

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (a) is generally authorized to file for federal bankruptcy protection by the State law; (b) is insolvent or unable to meet its debts as they mature; (c) desires to effect a plan to adjust such debts; and (d) has either obtained the agreement of, or negotiated in good faith with, its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must obtain the approval of the Texas commission on Environmental Quality ("TCEQ") prior

to filing bankruptcy. Such law requires that the TCEQ investigate the financial condition of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature. The District may not be placed into bankruptcy involuntarily.

Notwithstanding noncompliance by a district with Texas law requirements, a district could file a voluntary bankruptcy petition under Chapter 9, thereby invoking the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be appealable, the concomitant delay and loss of remedies to the Registered Owners could potentially and adversely impair the value of the Registered Owners' claim.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against the district.

Approval of the Bonds

As required by law, the Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement.

Economic Factors

The continued growth of taxable values in the District is directly related to the housing and building industry. The housing and building industry has historically been a cyclical industry, affected by both short-term and long-term interest rates, availability of mortgage and development funds, labor conditions, and general economic conditions. A return to relatively high mortgage interest rates similar to those experienced in the past may adversely affect the availability and desirability of mortgage financing for new homes, hence reducing demand by homebuilders for lots within the District.

Interest rates and the availability of mortgage and development funds have a direct impact on construction activity, particularly the short-term interest rates at which developers and builders are able to obtain financing for development or building costs. Interest rate levels may affect the developers' or builders' ability to complete development or building plans. Long-term interest rates affect home purchasers' ability to qualify for and afford the total financing costs of a new home. The continuation of long-term interest rates at higher levels may negatively affect home sales and the rate of growth of taxable values in the District.

The Houston metropolitan area has, in the past, experienced increased unemployment, business failures, and slow absorption of office space. These factors, if they recur, could affect the demand for new residential home construction and commercial development and hence the growth of property values in the District. An oversupply of homes, along with a decreased demand in new housing because of general economic conditions or relatively high interest rates, may have an adverse impact on sale prices for homes and, consequently, may materially adversely affect property values or, in some instances, cause builders to abandon homebuilding plans altogether.

The housing industry in the Houston area is competitive and the District can give no assurance that current building programs will be completed. The competitive position of the Developer in the sale of their developed lots or, respectively, that of present and prospective builders in the construction of single-family residential houses, is affected by most of the factors discussed herein. Such a competitive position is directly related to tax revenues to be received by the District and the growth and maintenance of taxable values in the District.

Alternative sites are available for the construction of single-family residential improvements and within the market area in which the District is located. Such sites could pose competition to the continued homebuilding development and commercial development on comparable sites within the District.

Potential Effects of Oil Price Fluctuations on the Houston Area

The recent fluctuations in oil prices in the U.S. and globally, which at times have led to the lowest such prices in three decades, may lead to adverse conditions in the oil and gas industry, including but not limited to reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. As previously stated, the Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's operations and maintenance expenses that are payable from ad valorem taxes.

Landowners/Developer under No Obligation to the District

Neither the Developer nor any other landowner within the District has any commitments or obligations to proceed at any particular rate or according to any specified plan with the development of land or the construction of additional commercial improvements in the District. Currently, there is no restriction on any landowner's right (including the Developer's) to sell its land. Failure to construct taxable improvements on developed tracts of land currently available in the District and failure of other landowners to improve their developed tracts would restrict the rate of growth of taxable value in the District. The District is also dependent upon certain principal taxpayers for the timely payment of ad valorem taxes, and the District cannot predict what their future financial condition will be or what effect, if any, such conditions may have on their ability to pay taxes. See "TAX DATA –Principal Taxpayers."

Future Debt

The District's voters have authorized the issuance of unlimited tax bonds for various purposes as reflected in the table below:

<u>Amount</u>	<u>Purpose</u>
\$33,110,928	For certain water, sanitary sewer, and storm water facilities
\$25,692,790	For certain road facilities
\$15,490,909	For certain parks and recreational facilities
\$49,666,392	For refunding water, sanitary sewer, and stormwater facility bonds
\$38,539,185	For refunding road facility bonds
\$23,236,364	For refunding parks and recreational facility bonds

After the issuance of the Bonds, the District will have \$15,377,790 unlimited tax road bonds that will remain authorized but unissued and \$14,095,928 unlimited tax bonds that currently remain authorized but unissued for certain water, sanitary sewer and storm water facilities. Additionally, all of the other bond amounts noted in the table above will remain authorized but unissued. By agreement with League City, the District shall not issue bonds with a maturity later than 2049.

In addition to the bonds already authorized by District voters, the District has the right to issue additional new money bonds as may hereafter be approved by both the Board and the voters of the District and may issue refunding bonds without additional elections so long as they do not exceed the principal amount of then outstanding bonds. Such additional new money bonds or refunding bonds would be issued on a parity with the Bonds. Any future new money bonds to be issued by the District (other than road bonds) must also be approved by the TCEQ.

Financing Parks and Recreational Facilities

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the approval of the bonds by the Attorney General of Texas would be required. The District has prepared a park plan and conducted a park and recreational facilities bond election.

Current law may be changed in a manner to increase the amount of bonds that may be issued as related to a percentage of the value of taxable property or to allow a higher or lower maintenance tax rate for such purposes. The levy of taxes for such purposes may dilute the security for the Bonds.

Further, the principal amount of bonds issued for acquiring and or/constructing parks and recreational facilities may not exceed one percent of the District's certified taxable assessed valuation, unless, effective June 14, 2021, the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not three percent of the value of the taxable property in the District.

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Resolution on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX EXEMPTION."

Changes in Tax Legislation

Certain tax legislation, whether currently proposed or proposed in the future, may directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

Inclement Weather

The District is located approximately 27 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase the District's tax rate. Further, there can

be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District would be adversely affected.

Ponding (or Pluvial) Flooding - Ponding, or pluvial, flooding occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can exceed the drainage capacity of a drainage system, which may result in water within the drainage system becoming trapped and diverted onto streets and nearby property until it is able to reach a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam, levee or reservoir.

River (or Fluvial) Flood - occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheetflow overland. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash floods are very dangerous and destructive not only because of the force of the water, but also the hurtling debris that is often swept up in the flow. They can occur within minutes or a few hours of excessive rainfall. They can also occur even if no rain has fallen, for instance, after a levee or dam has failed, or after a sudden release of water by a debris or ice jam. Controlled releases from a dam or levee also could potentially create a flooding condition in rivers or man-made drainage systems (canals or channels) downstream.

Coastal (or Storm Surge Flooding) - Coastal, or storm surge flooding, occurs when sea levels or water levels in estuarial rivers, bayous and channels rise to abnormal levels in coastal areas, over and above the regular astronomical tide, caused by forces generated from a severe storm's wind, waves, and lower atmospheric pressure. Storm surge is extremely dangerous, because it is capable of flooding large swaths of coastal property and causing catastrophic destruction. This type of flooding may be exacerbated when storm surge coincides with a normal high tide.

Recent Winter Weather Event - Between February 14 and February 19, 2021, the State of Texas experienced a severe winter storm causing widespread, record breaking cold temperatures throughout the State. As a result of the winter storm, there were widespread disruptions to the operations of Texas electric and gas utilities, which have been widely reported in the press, and approximately four million Texas residents lost power for significant portions of the week. The power outages caused water pipes to burst, resulting in damage to many structures, and in some areas affected the safety of the public water supply for a period of time. The President declared a major disaster in the State, making disaster assistance from the Federal Emergency Management Agency ("FEMA") available to homeowners and businesses which sustained damage. The District did not experience any financial loss related to the storm. While the District continues to assess the overall impact of the storm, the District does not anticipate a material adverse impact on its operations or financial condition as a result of the storm. There are special taxing procedures for areas declared to be disaster area which could affect the amount of taxes due and when they are collected. See "TAXING PROCEDURES—Valuation of Property for Taxation" and "—Tax Payment Installments."

Environmental Regulations

Wastewater treatment, water supply, storm sewer facilities and construction activities within the District are subject to complex environmental laws and regulations at the federal, state and local levels that may require or prohibit certain activities that affect the environment, such as:

- Requiring permits for construction and operation of water wells, wastewater treatment and other facilities;
- Restricting the manner in which wastes are treated and released into the air, water and soils;
- Restricting or regulating the use of wetlands or other properties; or
- Requiring remedial action to prevent or mitigate pollution.

Sanctions against a municipal utility district or other type of special purpose district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the TCEQ may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston-Galveston-Brazoria area ("HGB Area")—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under two separate federal ozone standards: the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the "2008 Ozone Standard"), and the EPA's most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the "2015 Ozone Standard"). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

The HGB Area is currently designated as a "severe" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2027. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the

relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB Area is currently designated as a “moderate” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2024. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) for the HGB Area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB Area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the HGB Area to reach attainment with the ozone standards by the EPA’s attainment deadlines. These additional controls could have a negative impact on the HGB Area’s economic growth and development.

Water Supply & Discharge Issues. Water supply and discharge regulations that municipal utility districts, including the District, may be required to comply with involve: (1) groundwater well permitting and surface water appropriation; (2) public water supply systems; (3) wastewater discharges from treatment facilities; (4) storm water discharges; and (5) wetlands dredge and fill activities. Each of these is addressed below:

Certain governmental entities regulate groundwater usage in the HGB Area. A municipal utility district or other type of special purpose district that (i) is located within the boundaries of such an entity that regulates groundwater usage, and (ii) relies on local groundwater as a source of water supply, may be subject to requirements and restrictions on the drilling of water wells and/or the production of groundwater that could affect both the engineering and economic feasibility of district water supply projects.

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system.

Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future. Further, the EPA has established a NPDWR for six (6) Per- and Polyfluoroalkyl Substances (“PFAS”), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000) (“CGP”), with an effective date of March 5, 2023, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. The CGP has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 Permit, if the District’s inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

Operations of utility districts, including the District, are also potentially subject to requirements and restrictions under the CWA regarding the use and alteration of wetland areas that are within the “waters of the United States.” The District must obtain a permit from the United States Army Corps of Engineers (“USACE”) if operations of the District require that wetlands be filled, dredged, or otherwise altered.

In 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of “waters of the United States” and significantly restricted the reach of federal jurisdiction under the CWA. Under the *Sackett* decision, “waters of the United States” includes only geographical features that are described in ordinary parlance as “streams, oceans, rivers, and lakes” and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection. Subsequently, the EPA and USACE issued a final rule amending the definition of “waters of the United States” under the CWA to conform with the Supreme Court’s decision.

While the *Sackett* decision and subsequent regulatory action removed a great deal of uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

Bond Insurance Risk Factors

The District has applied for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds. If such policy is issued, investors should be aware of the following risk factors:

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable bond insurance policy (the “Policy”) for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by an issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the policy insurer (the “Bond Insurer”) at such time and in such amounts as would have been due absent such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

Default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer’s consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer’s financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of “BOND INSURANCE” herein.

The obligations of the Bond Insurer are contractual obligations and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the District nor the Underwriter have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Issuer to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See “Bond Insurance” herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

Atlas 14

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States (“Atlas 14”). Floodplain boundaries within the Service Area may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the Service Area. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

USE OF BOND PROCEEDS

The Proceeds from the sale of the Bonds will be used to: (1) reimburse the Developer (as defined herein) for certain water, sewer drainage facilities in the District; (2) fund engineering, testing, and contingency costs related to number 1 above; (3) fund certain related Developer interest costs; and (4) pay certain costs of issuance of the Bonds.

The Engineer has advised the District that the proceeds listed below should be sufficient to finance certain water, sewer and drainage facilities construction costs previously incurred by the Developer. The District's present estimate of the use of proceeds of the Bonds is as follows:

CONSTRUCTION COSTS	TOTAL AMOUNT (a)
Developer Contribution Items	
Westwood, Section 9 – W, WW, D	\$1,655,759
Westwood, Section 10 – W, WW, D	\$2,622,858
Westwood, Section 12 – W, WW, D	\$1,302,343
Westwood Recreational Center – W, WW, D	\$199,495
Engineering and Testing	<u>\$833,656</u>
Total Developer Construction Items	\$6,614,111
TOTAL CONSTRUCTION COSTS	\$6,614,111
NON-CONSTRUCTION COSTS	
Legal Fees	\$80,150
Financial Advisor Fees	\$80,150
Developer Interest	\$760,475
Bond Discount	\$240,450
Bond Issuance Expense	\$73,923
Bond Application Report	\$57,538
Bond Management Fee	\$80,150
Attorney General Fee	\$8,015
TCEQ Fee	\$20,038
Contingency	<u>\$0</u> (b)
TOTAL NON-CONSTRUCTION COSTS	<u>\$1,400,889</u>
TOTAL BOND ISSUE REQUIREMENT	<u>\$8,015,000</u>

(a) TCEQ rules require, with certain exceptions, that developers contribute to the District's construction program a minimum of 30% of the construction costs of certain system facilities. The TCEQ granted the District a waiver of such rule.

(b) The TCEQ Order requires the District to designate any surplus bond proceeds resulting from the sale of the bonds at a lower interest rate than the rate initially projected in the District's Bond Application to the TCEQ as a contingency line item in the Official Statement.

INTERLOCAL PROJECT DEVELOPMENT AND FINANCING AGREEMENT WITH THE CITY

The City and the District entered into an Interlocal Project Development and Financing Agreement dated September 10, 2015 (the "Agreement"). Pursuant to the Agreement: (1) the City consented to the creation of the District within the City limits of the City; (2) the District assumes responsibility for acquiring and constructing for the benefit of and for the ultimate conveyance to the City the water distribution, wastewater collection, and roadways/related facilities, and sidewalks to serve development occurring within the boundaries of the District (the "Conveyed Facilities"); and (3) the City agreed to accept the Conveyed Facilities for operation and maintenance in consideration for the District's financing, acquisition and construction of the Conveyed Facilities. The City agrees to charge residents of the District the same water and wastewater rates that the City charges in other parts of the City.

The Agreement provides that the Facilities, which includes the Conveyed Facilities and the Retained Facilities, which include property held by the District in fee simple for drainage and detention purposes, open spaces, trails, parks, play areas and recreational facilities, will be designed and constructed in accordance with the City's requirements and criteria. The Agreement further provides that the City will provide the District with the amount of water and sewer capacity set forth in the Agreement, which the parties agree is the currently expected ultimate water and sewer capacity needs of the District.

The Agreement provides that the District is authorized to issue bonds to finance the construction and acquisition of Facilities, as described in its Capital Improvement Plan. Bonds may be sold by the District only with the approval of the City Council of the City, and the District may not issue Bonds with a final maturity later than 2049.

DESCRIPTION OF THE SYSTEM SERVING THE DISTRICT

Description of the System and Regulations

All facilities serving the District have been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, as applicable among others, the TCEQ, Galveston County, and the City. Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision. According to the District's engineer, the Flood Hazard Boundary Map currently in effect, published by the Federal Emergency Management Agency (FEMA), which covers land located in the District, indicates that none of the developed and improved land in the District is located within the 100-year floodplain.

Water Plant, Wastewater Treatment Plant, and Drainage System

The District's water supply and wastewater treatment capacity is all provided by the City pursuant to the terms of the Agreement. The Agreement provides that the City will provide the District with 1,404 equivalent single-family connections ("ESFCs") of water supply and wastewater treatment capacity to serve the ultimate build out of the District. Proceeds of future District bond issues will be used to reimburse the Developer for certain water supply, wastewater collection, drainage facilities as well as certain water supply and wastewater treatment capacity fees previously paid to the City by the Developer.

Drainage System

The underground storm sewer trunk facilities serving the District have been completed to serve approximately 500 acres in the District. Additionally, the District's drainage system currently includes collection systems, detention facilities, and drainage channels that carry water to Magnolia Creek and then outfalls to Clear Creek which then outfalls directly into Galveston Bay. A detention pond facility has been constructed with capacity adequate to serve the build out of the District given currently anticipated future building development in the District. The District is responsible for maintaining the drainage facilities in the District.

100-Year Flood Plain

No land within the District lies within the current Federal Emergency Management Agency Flood Plain Maps. According to the Engineer, there is no land in the District located in the 100 Year Floodplain. None of the improved acreage or land within the District that is planned to be built upon is located within the 100 Year Floodplain. Portions of the District are susceptible to coastal flooding in the event of a hurricane or related tidal surge. According to the Developer and the District Engineer, approximately 5 single family homes in the District were flooded during Hurricane Harvey. Since the time of the flooding the City has made additional drainage improvements in the area around the 5 homes; there has been no flooding in homes in that area since Hurricane Harvey. No homes in the District were flooded during Tropical Storm Imelda. See "RISK FACTORS – Hurricane Harvey" and "– Inclement Weather."

As mentioned elsewhere herein, during Hurricane Harvey there was no interruption of water and sewer service in the District and there was no flooding damage or significant wind damage to any of the facilities serving the District. See "RISK FACTORS – Hurricane Harvey."

THE DISTRICT

Authority

The District is a political subdivision of the State of Texas located within the City of League City, Texas (the "City") in Galveston County, created on June 14, 2013, by an act of the Texas Legislature codified at Texas Special District Local Laws Code Annotated

Chapter 3917 (the “Act”). The District has the rights, powers, privileges, authority and functions of districts created pursuant to Article III, Sections 52 and 52-a, and Article XVI, Section 59 of the Texas Constitution and operates pursuant to the Act, as well as Chapter 372, 375, and 505, Texas Local Government Code, as amended. The District is subject to the continuing supervision of the TCEQ, which has authority over the issuance of bonds for waterworks, sanitary sewer, and drainage facilities by the District including the Bonds. The TCEQ does not exercise authority over the District’s issuance of road bonds.

Under certain circumstances, the District is authorized to construct, develop, and maintain park and recreational facilities, and to construct roads. In addition, the District is authorized to establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and to provide such facilities and services to the customers of the District.

The TCEQ exercises continuing supervisory jurisdiction over the District. In order to obtain the consent of the City, within whose corporate limits the District lies, to the District’s creation, the District has agreed to observe certain City requirements. These requirements limit the purposes for which the District may sell bonds for the acquisition and improvement of waterworks, wastewater, and drainage facilities, road facilities, and park and recreational facilities; limit the net effective interest rate on such bonds and other terms of such bonds; and require the City’s approval of certain of the District’s construction plans and specifications.

Description/Location

The District currently includes approximately 470 acres and is located within the corporate limits of the City of League City (the “City”). The District lies approximately 25 miles south of the Houston central business district and is located 3 miles west of the Gulf Freeway (I-45). The District is bounded on the north by FM 518, on the east by Maple Leaf Drive, on the south by open farm land near FM 517, and on the west by McFarland Drive and Windemere Road. Access to the District is provided by FM 518 and League City Parkway and Maple Leaf Drive.

Summary of Land Use in the District

A summary of the approximate land use in the District as of May 15, 2024, appears in the following table:

<u>Type of Land Use</u>	<u>Approximate Acres</u>	
Developed and Improved Residential Acreage	341.30	(a)
Additional Developable Acreage	113.95	(b)
School Site	<u>14.86</u>	
TOTAL	470.11	

(a) Represents land located within Westwood, Sections 2-11 and Section 12. Includes recreation facilities, detention ponds, drainage rights-of-way, flood plain acreage, pipeline easements, road rights-of-way, and property that is owned by the Homeowners Association that is located within the platted sections referenced above.

(b) Represents land that may be developed at some point in time in the future.

Status of Residential Development in the District

The following table lists the approximate status of single-family home building development within the District as of May 15, 2024.

<u>Subdivision/Section</u>	<u>Approximate Lot Acres*</u>	<u>Total Lots</u>	<u>Homes</u>		
			<u>Completed</u>	<u>Under Construction</u>	<u>Vacant Lots</u>
Westwood, Section 2 (a)	21.59	94	94	0	0
Westwood, Section 3 (b)	25.71	90	90	0	0
Westwood, Section 4 (c)	23.93	94	94	0	0
Westwood, Section 5 (d)	28.57	110	110	0	0
Westwood, Section 6 (e)	28.20	119	119	0	0
Westwood, Section 7 (f)	36.45	126	126	0	0
Westwood, Section 8 (g)	29.94	113	113	0	0
Westwood, Section 9 (h)	36.33	135	124	11	0
Westwood, Section 10 (i)	29.50	118	71	29	18
Westwood, Section 11 (j)	14.90	62	0	0	62
Westwood, Section 12 (k)	19.79	89	0	82	7
TOTAL	294.91 (l)	1,150	941	122	87

- (a) Homes in this section were constructed by Gehan, Castlerock, and K. Hovnanian and have generally been marketed in the \$250,000 – \$375,000 price range.
- (b) Homes in this section were constructed by Gehan, Castlerock, and K. Hovnanian and have generally been marketed in the \$250,000 – \$375,000 price range. The acreage above excluded approximately 3.12-acre commercial reserve that may be developed in the future.
- (c) Homes in this section were constructed by Gehan, Castlerock, K. Hovnanian, and Lennar and have generally been marketed in the \$275,000 – \$385,000 price range.
- (d) Homes in this section were constructed by Castlerock, K. Hovnanian, Lennar, and D.R. Horton and have generally been marketed in the \$275,000 – \$385,000 price range.
- (e) Homes in this section were constructed by Castlerock, K Hovnanian, Lennar and D.R. Horton, and marketed in the \$369,000 – \$526,000.
- (f) Homes in this section were constructed by Castlerock, K. Hovnanian, and D.R. Horton and have generally been marketed in the \$275,000 - \$385,000 price range. The acreage figure above excludes a 6.41-acre commercial reserve that may be developed in the future.
- (g) Homes in Section 8 were constructed by Castlerock, K. Hovnanian, D.R. Horton, and Cervelle Homes and were marketed in the \$275,000 – \$385,000 price range.
- (h) Homes in Section 9 were constructed by Castlerock, D.R. Horton, K. Hovnanian, and Lennar and were marketed in the \$459,990 – \$605,990 price range.
- (i) Homes in Section 10 were constructed by Castlerock, K. Hovnanian, and Lennar and were marketed in the \$459,990 – \$605,990 price range.
- (j) The Section 11 lots are fully developed (as of September 15, 2024); it is currently anticipated that homebuilding on such lots will begin during the fourth quarter of 2025.
- (k) The lots in Section 12 are substantially complete; it is currently expected that Coventry Homes, D.R. Horton, K. Hovnanian and Lennar began homebuilding in this section in November 2023 and marketing homes in the \$490,000 - \$735,000 price range.
- (l) The figure above excludes approximately 24.11 acres of commercial reserves (that are not located on any of the sections referenced above) that may be developed in the future.

* Represents the acreage in each section used for developed lots excludes certain park areas and drainage/detention facilities

MANAGEMENT OF THE DISTRICT

The District is governed by a board of directors (the "Board") which has control over and management supervision of all of the affairs of the District. Directors serve staggered four-year terms, and are appointed by the Mayor and City Council of the City based upon nominations by the Board. All of the Directors are qualified to serve as directors of the District. The current members and officers of the Board, along with their titles on the Board, are listed below.

<u>Name</u>	<u>Title</u>	<u>Expires June</u>
Maria Morales	President	2025
Javier M. Martinez	Vice President	2025
Scott Short	Secretary	2027
Rudy Graham	Assistant Secretary	2025
Norma Ramos	Director	2027
E.L. Ted O'Rourke	Director	2027

General Manager - Hawes Hill & Associates, LLP ("Hawes Hill") is a Houston based firm engaged by the District for the daily oversight of operations within the District. David Hawes is the Managing Partner of Hawes Hill and is responsible for managing all company operations. David Hawes holds a B.A. degree from the University of Texas and a Master of Public Administration from the University of Houston. He has been involved in special district management since 1996. Mr. Hawes brings over 25 years of experience working directly with local and national developers and builders in creating residential and commercial developments.

The District has contracted for bookkeeping, tax assessing and collecting services, engineering, legal, financial advisory service, and annual auditing of its books as follows:

Tax Assessor/Collector – The District receives tax appraisal and tax collection services from Galveston Central Appraisal District. The District also engages the Galveston County Tax Office from time to time to provide certain tax roll monitoring services. The Galveston County Tax Office is employed under an annual contract and represents approximately 80 other utility districts.

Bookkeeper - The District's Bookkeeper is ETI Bookkeeping.

Auditor – The financial statements of the District as of December 31, 2023, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot PLLC, independent auditors, as stated in their report appeared herein. See "APPENDIX A" for a copy of the District's December 31, 2023, audited financial statements.

Engineer - The consulting engineer for the District is J. Morales, Inc. (the "Engineer").

Financial Advisor - The GMS Group, L.L.C., serves as Financial Advisor to the District, and is paid an hourly fee for certain work performed for the District and a contingent fee to be computed on each separate issuance of the bonds if and when such bonds are delivered.

Bond Counsel – Hunton Andrews Kurth LLP serves as Bond Counsel to the District and as counsel for the District on matters other than the issuance of bonds. Fees paid for the Bond Counsel services will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

Disclosure Counsel – Norton Rose Fulbright US LLP, Houston, Texas, has been engaged by the District to serve as Disclosure Counsel on certain matters related to the sale and delivery of the Bonds, but such advice should not be relied upon by the purchasers as a due diligence undertaking on their behalf.

DISTRICT INVESTMENT POLICY

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield in its portfolio. Funds of the District are invested in short-term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral, evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate the inclusion of long-term securities or derivative products in the District portfolio.

General Fund Operating History

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. The information included in the table below relating to the District's operations is provided for information purposes only.

	<u>Fiscal Year Ended (a)</u>				
	<u>2023</u>	<u>2022</u>	<u>2021*</u>	<u>2020</u>	<u>2019</u>
REVENUES					
Property taxes	\$1,671,799	\$2,004,977	\$1,659,366	\$1,285,960	\$910,403
Penalty and Interest	-	\$0	\$3,004	\$1,602	\$979
Miscellaneous Revenues	<u>\$103,842</u>	<u>\$30,082</u>	<u>\$50,575</u>	<u>\$1,026</u>	<u>\$853</u>
TOTAL REVENUES	<u>\$1,775,641</u>	<u>\$2,035,059</u>	<u>\$1,712,945</u>	<u>\$1,288,588</u>	<u>\$912,235</u>
EXPENDITURES					
Service Operations:					
Professional Fees	\$37,282	\$53,217	\$172,622	\$23,208	\$80,353
Contracted Services	\$101,235	\$107,312	\$56,885	\$63,857	\$43,271
Repairs and Maintenance	\$286,764	\$151,941	\$384,737	\$391,599	\$138,415
Other	\$149,179	\$111,985	\$94,654	\$65,593	\$17,508
Bond Issuance Costs	-	\$14,000	\$77,604		
Capital Outlay	<u>\$16,160</u>	<u>\$3,570,053</u>	<u>\$2,832,581</u>	<u>\$4,941,121</u>	<u>\$7,817,841</u>
TOTAL EXPENDITURES	<u>\$590,620</u>	<u>\$4,008,508</u>	<u>\$3,619,083</u>	<u>\$5,485,378</u>	<u>\$8,097,388</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>\$1,185,021</u>	<u>(\$1,973,449)</u>	<u>(\$1,906,138)</u>	<u>(\$4,196,790)</u>	<u>(\$7,185,153)</u>
OTHER FINANCING SOURCES					
Developer Advances	-	<u>\$2,052,000</u>	<u>\$2,150,000</u>	<u>\$3,524,692</u>	<u>\$6,885,779</u>
NET CHANGE IN FUND BALANCE	<u>\$1,185,021</u>	<u>\$78,551</u>	<u>\$243,862</u>	<u>(\$672,098)</u>	<u>(\$299,374)</u>
BEGINNING FUND BALANCE (DEFICIT)	<u>(\$851,223)</u>	<u>(\$729,679)</u>	<u>(\$973,541)</u>	<u>(\$301,443)</u>	<u>(\$2,069)</u>
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>(\$200,095)</u>	<u>-</u>	<u>-</u>	<u>-</u>
ENDING FUND BALANCE (DEFICIT) (b)	<u>\$333,798</u>	<u>(\$851,223)</u>	<u>(\$729,679)</u>	<u>(\$973,541)</u>	<u>(\$301,443)</u>

(a) Data taken from the District audited financial statement.

(b) As of August 31, 2024, the District has a cash and invest balance in the General Fund of \$3,696,096. For the fiscal year ending December 31, 2024, the District is projecting revenues of \$1,981,200 and expenditures of \$777,400.

*Fifteen-month period, the District's current fiscal year ends on December 31, 2024.

AERIAL PHOTOGRAPH



THE DEVELOPER

Role of the Developer

In general, the activities of developers in a municipal management district such as the District include purchasing the land within a district, designing the streets in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities, and selling improved lots and commercial reserves to builders, other developers, or other third parties. In most instances, a developer will be required to pay up to 30% of the cost of financing certain water, wastewater, and drainage facilities in the utility district exclusive of water and sewage treatment plants unless a waiver from this requirement is requested and obtained from the TCEQ by the District, pursuant to the rules of the TCEQ. In addition, a developer is ordinarily the major taxpayer within a district during the property development phase and the developer's inability to pay the taxes assessed on its property within a district would have a materially adverse effect on the revenues of the district. The relative success or failure of a developer to perform development activities within a utility district may have a profound effect on the ability of the district to generate sufficient tax revenues to service and retire all tax bonds issued by the district. While a developer generally commits to pave streets and pay its allocable portion of the costs of utilities to be financed by the utility district through a specific bond issue, a developer is generally under no obligation to a district to undertake development activities with respect to other property that it owns within a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land that the developer owns within a district.

Description of the Developer

The owner and principal developer of the land within the District is Westwood Development LLP., a Texas limited liability partnership (herein "Westwood" or the "Developer"). Westwood was established for the purpose of developing the land located within the District and, approximately 95 acres that are a part of the Westwood Master Planned Community but located outside of the boundaries of the District. The entire Westwood Master Planned Community is located in The City of League City. The General Partner of the Developer is Mr. Travis Bowie Campbell, who has over thirty years of experience in land and building development business. The Developer has no land loans or development loans that are secured by the land located within the District. According to the Developer, future development costs will be paid for by equity contributions of the Developer.

DISTRICT DEBT

7/1/2024 Estimated Taxable Value	\$479,664,946	(a)
2024 Certified Taxable Value	\$438,346,370	(b)
Direct Debt		
Outstanding Debt	\$20,400,000	
The Bonds	<u>\$8,015,000</u>	
Total Direct Debt	\$28,415,000	
Estimated Overlapping Debt	<u>\$17,862,898</u>	
Direct and Estimated Overlapping Debt	\$46,277,898	
Percentage of Direct Debt to:		
7/1/2024 Estimated Taxable Value	5.92%	
2024 Certified Taxable Value	6.48%	
Percentage of Direct and Estimated Overlapping Debt to:		
7/1/2024 Estimated Taxable Value	9.65%	
2024 Certified Taxable Value	10.56%	
2024 Tax Rate Per \$100 of Assessed Value		
Road Debt Service Tax	\$0.13	
Debt Service Tax	\$0.24	
Maintenance Tax	<u>\$0.59</u>	
Total 2024 Tax Rate	\$0.96	

-
- (a) Reflects data supplied by GALCAD. The Estimated Taxable Value as of 7/1/2024 was prepared by GALCAD and provided to the District for informational purposes only. See "TAX DATA" and "TAXING PROCEDURES."
- (b) The figure above represents the value of the fully certified property according to GALCAD (\$421,175,466) plus approximately 87% of the value of property that is still going through the certification process (\$19,629,168). See "TAX DATA - Analysis of Tax Base."

Estimated Overlapping Debt

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in the "Texas Municipal Reports," published by the Municipal Advisory Council of Texas and from information obtained directly from certain jurisdictions. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds, the amount of which has not been reported. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

<u>Taxing Jurisdiction</u>	<u>Outstanding Debt</u>	<u>Overlapping Debt</u>	
		<u>Overlapping %</u>	<u>Amount</u>
Galveston County	\$158,754,634	0.67%	\$1,065,269
City of League City	\$267,685,000	2.51%	\$6,720,521
Clear Creek Independent School District	\$941,640,000	1.07%	\$10,077,108
Total Estimated Overlapping Debt			\$17,862,898
The District (a)			\$28,415,000
Total Direct and Estimated Overlapping Debt			\$46,277,898

(a) Includes the Bonds.

TAX DATA

Tax Levy and Collections

The following table sets forth the historical tax information collection experience of the District for the years 2019 through 2023. The tax collection figures below represent tax collections as of June 30, 2024. Such table has also been prepared based upon information from District records. Reference is made to such records for further and complete information.

<u>Tax Year</u>	<u>Taxable Value</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Cumulative Tax Collections</u>	<u>Tax Year Ended September 30</u>
2023	\$333,953,881	\$0.97	\$3,239,353	99%	2024
2022	\$274,289,612	\$0.99	\$2,715,467	100%	2023
2021	\$222,749,253	\$1.00	\$2,227,493	100%	2022
2020	\$166,022,288	\$1.00	\$1,660,223	100%	2021
2019	\$120,711,586	\$1.00	\$1,207,116	100%	2020

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance and operation of the District and its facilities. Such tax is in addition to taxes that the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. The District's voters authorized a maintenance tax of up to \$1.50 per \$100.00 of assessed Value at an election held on November 5, 2013. See "Tax Rate Distribution" herein.

City Consent to Tax Rate

Pursuant to the Agreement, the District may not levy a combined debt service and operation and maintenance tax rate that exceeds \$1.00 per \$100 in valuation without the written consent of the City. The foregoing limitation does not apply, however, to the extent the District must levy a greater debt service tax to provide for the payment of its bonds. To the extent that the District's debt service tax rate equals or exceeds \$1.00 per \$100 in valuation, the District may not levy an operation and maintenance tax without the prior written consent of the City.

Tax Rate Distribution

The following table sets forth the tax rate distribution of the District for the years 2020 through 2024.

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Road Debt Service	\$0.13	\$0.17	\$0.00	\$0.00	\$0.00
Debt Service	\$0.24	\$0.20	\$0.38	\$0.10	\$0.00
Maintenance/Operations	\$0.59	\$0.60	\$0.61	\$0.90	\$1.00
Total	\$0.96	\$0.97	\$0.99	\$1.00	\$1.00

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District can establish an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Tax Code.

Principal Taxpayers

The list of principal taxpayers for 2024 and the other information provided by this table were provided by GALCAD to the District's Tax Assessor/Collector based on certified tax rolls net of any exemptions from taxation. This table does not reflect any corrections pursuant to subsequent action of GALCAD.

<u>Property Owner</u>	<u>Property Description</u>	<u>Property Value</u>	<u>% of Total</u>
Campbell T B (a)	Land & Improvement	\$7,532,210	1.72%
Castlerock Communities LP	Land & Improvement	\$4,072,834	0.93%
K Hovnanian Houston Westwood LLC	Land & Improvement	\$3,661,898	0.84%
Micro Star Properties LLC	Land & Improvement	\$2,190,030	0.50%
Lennar Homes of Texas	Land & Improvement	\$2,034,290	0.46%
DR Horton-Texas Ltd	Land & Improvement	\$1,627,994	0.37%
DFH Coventry LLC	Land & Improvement	\$1,548,105	0.35%
Homeowner	Home	\$906,760	0.21%
Homeowner	Home	\$714,380	0.16%
Homeowner	Home	<u>\$703,260</u>	<u>0.16%</u>
TOTALS		\$24,991,761	5.70%

(a) Represents the Developer of the District.

Analysis of Tax Base

Based on information provided to the District by GALCAD and its Tax Assessor/Collector, the following represents the composition of property comprising the gross tax roll Values and the deferrals for 2019 through 2023, and includes certain information relative to the 2024 tax year.

<u>Tax Roll Year</u>	<u>Land</u>	<u>Improvements</u>	<u>Personal Property</u>	<u>Gross Values</u>	<u>Exemptions</u>	<u>Taxable Values</u>	
2024	\$108,766,450	\$406,203,454	\$377,080	\$515,346,984	\$94,171,518	\$421,175,466	(a)
2023	\$62,192,479	\$366,316,492	\$278,410	\$428,787,381	\$94,833,500	\$333,210,625	
2022	\$50,734,610	\$290,096,975	\$231,360	\$341,062,945	\$66,773,333	\$274,289,612	
2021	\$43,856,056	\$231,964,296	\$183,600	\$276,003,952	\$53,254,699	\$222,749,253	
2020	\$42,584,760	\$173,081,661	\$183,400	\$215,849,821	\$49,827,533	\$166,022,288	
2019	\$35,571,780	\$88,430,813	\$135,030	\$124,137,623	\$3,426,037	\$120,711,586	

(a) Reflects only the portion of the January 1, 2024 Certified Taxable Value that is presently certified on the District's tax roll and therefore excludes \$19,629,168 of uncertified taxable value that is still in the certification process; such amount of uncertified value represents GALCAD's estimate of the taxable value that will ultimately be certified on the District's tax roll after successful protest. The District is authorized by law to levy taxes only against certified values. See "TAX PROCEDURES."

Estimated Overlapping Taxes

The following table sets forth all 2023 taxes levied by overlapping taxing jurisdictions and the District’s 2024 tax rate. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges, or any other levy by entities other than political subdivisions.

<u>Taxing Jurisdictions</u>	<u>2023 Tax Rate</u>
Clear Creek Independent School District	\$0.974600
Galveston County	\$0.334147
Galveston County Road and Flood District	\$0.007753
City of League City	<u>\$0.396783</u>
Overlapping Taxes	\$1.713283
 The District (2024)	 <u>\$0.960000</u>
Total Direct & Overlapping Taxes	\$2.673283

Tax Adequacy of Tax Revenue

The calculations shown below are solely for the purpose of illustration, no transfers of surplus funds from the District’s Operating Fund to the Debt Service Fund, and no increase or decrease in taxable values mentioned in the table below. The calculations utilize a tax rate adequate to service the District’s maximum annual total debt service requirements after issuance of the Bonds.

Maximum Annual Debt Service Requirements (2044)	\$1,758,792
Requires a \$0.39 debt service tax rate on the 7/1/2024 Estimated Taxable Value at 95% collections.....	\$1,777,159
Requires a \$0.43 debt service tax rate on the 2024 Certified Taxable Value at 95% collections.....	\$1,790,645

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal and interest on the Bonds and any additional bonds payable from taxes that the District may hereafter issue and to pay the expenses of assessing and collecting such taxes. See “RISK FACTORS – Future Debt.” The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully in this Official Statement under the caption “THE BONDS - Source of and Security for Payment.” Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system, a portion of its road system and for the payment of certain contractual obligations if authorized by the voters in the District. See “TAX DATA – Maintenance Tax.”

Tax Code and County-Wide Appraisal District

Title 1 of the Texas Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here. The Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units in a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Appraisal District has the responsibility for appraising property for all taxing units within the county. Such appraisal values are subject to review and change by the Galveston County Central Appraisal District (the “Appraisal Review Board”). The Texas Comptroller of Public Accounts may provide for the administration and enforcement of uniform standards and procedures for appraisal of property.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to, property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and of certain disabled persons, and travel trailers, to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant

exemptions to disabled veterans, or certain surviving dependents of disabled veterans if requested, but only to the maximum extent of \$5,000 to \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to the exemption for the full amount of the residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran is entitled to an exemption for the full value of the veteran's residence homestead to which the disabled veterans' exemption applied including the surviving spouse of a disabled veteran who would have qualified for such exemption if it had been in effect on the date the disabled veteran died. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homesteads in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization at no cost to the veteran. This exemption will also apply to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death. Such exemption would be transferrable to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

The District has never adopted an order granting an exemption to the elderly and disabled.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to 20% of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the assessor and collector of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. The District has never adopted an order granting a general residential homestead exemption.

Freeport Goods and Goods-in-Transit Exemptions: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas) and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas that are destined to be forwarded outside of Texas and that are detained in Texas for assembling, storing, manufacturing, processing, or fabricating for fewer than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. Such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Galveston County or the City may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City, Galveston County, nor the District, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt property from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to 10 years, all or any part of any increase in the assessed Value of property covered by the agreement over its assessed Value in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction, including the District, has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 100% of market value, as such is defined in the Property Tax Code. A residence homestead is required to be appraised solely on the basis of its value as a residence homestead regardless of whether residential use is considered to be the highest and best use of the property.

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business are valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space, or timberland designation or residential real property inventory designation must apply for the designation, and the chief appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special Value as to taxation by some political subdivisions while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use, open space land, and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone-wide or county-wide basis. The District, however, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses to formally include such values on its appraisal roll.

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

Tax Payment Installments After Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a designated disaster area or emergency area and whose property has been damaged as a direct result of the disaster or emergency, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction, such as the District, if the taxpayer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

Additionally, the Property Tax Code authorizes a taxing jurisdiction such as the District, solely at the jurisdiction's discretion to adopt a similar installment payment option for taxes imposed on property that is located within a designated disaster area or emergency area and is owned or leased by certain qualified business entities, regardless of whether the property has been damaged as a direct result of the disaster or emergency.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the Value of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continues to accrue during the period of deferral.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code classifies districts differently based on the current operation and maintenance tax rate or on the percentage of projected build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified herein as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all land, improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

Special Taxing Units. Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

Developed Districts. Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

Developing Districts. Districts that do not meet the classification of a Special Taxing Unit or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax rate imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

The District. A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District is made by the Board of Directors on an annual basis. It was determined that the District was a Developing District for the 2024 tax year. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See "TAX DATA – Estimated Overlapping Taxes." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property and land designated for agricultural use and six months for all other property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six months for commercial property, within two years for residence homesteads and land designated for agricultural use, and six months for all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records), or by bankruptcy proceedings that restrict the collection of taxpayer debts. See "RISK FACTORS - Tax Collections."

Tax Payment Installments

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the tax payer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

In addition, under the Texas Tax Code, solely at the District's discretion, quarterly payments of ad valorem taxes on all taxable personal property of a business that lost money during a declared disaster or emergency regardless of whether the property was directly damaged as a result of the disaster or emergency are allowed.

The Effect of FIRREA on Tax Collections of the District

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties, interest, or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

To the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes or may affect the valuation of such property.

CONSOLIDATION/DISSOLUTION

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets (such as cash and the utility system) and liabilities (such as the Bonds) with the assets and liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

Dissolution

Under Texas law, the territory within the District may be dissolved by the City without the consent of the District or its residents, in which case the District would be dissolved and the City would assume the District's assets and functions and obligations, including the Bonds; however, in the Agreement, the City agreed not to dissolve the District prior to December 31, 2037 until (i) at least 90% of the District's Facilities have been developed; and (ii) the developers developing Facilities have been reimbursed by the District in accordance with their respective developer reimbursement agreements.

The Act provides that the Board of the District may dissolve the District regardless of whether the District has debt and if by December 31, 2037, the District has not been dissolved, the District will dissolve on that date. The Agreement requires the District and the Westwood Homeowners' Association to enter into an agreement to provide for the conveyance of ownership of and maintenance responsibility for the Retained Facilities to the Homeowners' Association from and after the dissolution of the District. If the District has debt when it is dissolved, the District will remain in existence solely for the purpose of discharging its debts. The dissolution is effective when all debts have been discharged. The Agreement provides that the District will not issue Bonds with a final maturity later than 2049.

No Arbitrage

The District will certify as of the date the Bonds are delivered and paid for that, based upon all facts and estimates then known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees, and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants in the Bond Resolution that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds, and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

THE BONDS

General

The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes terms, conditions, and provisions for the payment of the principal of, and interest, on the Bonds by the District. Set forth below is a summary of certain provisions of the Bond Resolution. Capitalized terms in such summary are used as defined in the Bond Resolution. Such summary is not a complete description

of the entire Bond Resolution and is qualified in its entirety by reference to the Bond Resolution, a copy of which is available from the District's Bond Counsel upon request.

The Bonds will be dated and will bear interest from October 1, 2024, at the per annum rates shown on the cover page hereof. The Bonds are fully registered, serial bonds maturing on April 1 in the years and in the principal amounts set forth on the cover page hereof. Interest on the Bonds is payable April 1, 2025, and each October 1 and April 1 thereafter until the earlier of maturity or redemption. The Record Date on the Bonds is the 15th day of the calendar month next preceding the interest payment date.

The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 of the principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of the Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds, will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

In the event that the Book-Entry-Only System is discontinued, interest on the Bonds shall be payable by check on or before each interest payment date, mailed by the Paying Agent/Registrar to the registered owners ("Registered Owners") as shown on the bond register (the "Register") kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Optional Redemption

The Bonds maturing on or after April 1, 2031, are subject to redemption prior to scheduled maturity at the option of the District, in whole or from time to time in part, on April 1, 2030 and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the redemption date. In the event the Bonds are to be redeemed in part, the maturities and principal amounts to be redeemed shall be selected by the District. In the event of redemption of fewer than all of the Bonds of a particular maturity, the Paying Agent/Registrar, on behalf of the District, will select the Bonds of such maturity to be redeemed by lot or by such other customary method as the Paying Agent/Registrar deems fair and appropriate or while the Bonds are in Book-Entry-Only form the portions to be redeemed shall be selected by DTC in accordance with its procedures.

Source of and Security for Payment

The Bonds are secured by, and payable from, the levy of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property in the District. In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Registrar fees, and Appraisal District fees. The Bonds are obligations of the District and are not the obligations of the State of Texas, Galveston County, the City, or any entity other than the District.

Defeasance

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest, and redemption price thereon in any manner permitted by law. Under current tax law such discharge may be accomplished either: (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of and all interest to accrue on the Bonds to maturity or redemption, or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision or a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and that mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

Funds

The Bond Resolution confirms the existence of the Debt Service Fund and the proceeds from all taxes levied, appraised, and collected for and on account of the Bonds authorized by the Bond Resolution, shall be deposited as collected in such fund.

Accrued interest on the Bonds shall be deposited into the Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds shall be deposited into the Capital Projects Fund to be used for the purpose of reimbursing the Developer for certain water, sewer, and drainage construction and land acquisition costs paying the costs of issuance of the Bonds. Any monies remaining in the Capital Projects Fund will be used as described in the Resolution or ultimately transferred to the Debt Service Fund.

Paying Agent/Registrar

Pursuant to the Bond Resolution, the initial paying agent/registrar with respect to the Bonds is The Bank of New York Mellon Trust Company, N.A., in Houston, Texas. The District will maintain at least one Registrar, where the Bonds may be surrendered for transfer and/or for exchange or replacement for other Bonds, any outstanding bonds, and for the purpose of maintaining the Bond Register on behalf of the District. The Registrar is required at all times to be a duly qualified banking corporation or association organized and doing business under the laws of the United States of America, or of any state thereof, and subject to supervision or examination by federal or state banking authorities.

The District reserves the right and authority to change any paying agent/registrar and, upon any such change, the District covenants and agrees in the Bond Resolution to promptly cause written notice thereof, specifying the name and address of such successor paying agent/registrar, to be sent to each Registered Owner of the Bonds by United States mail, first class, postage prepaid.

Registration and Transfer

In the event the Book-Entry-Only System should be discontinued, the Bonds will be transferable only on the Bond Register kept by the Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount of Bonds of the same maturity and of any authorized denomination upon surrender of the Bonds to be exchanged at the operations office of the Registrar in Houston, Texas. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds. Every Bond presented or surrendered for transfer is required to be duly endorsed, or be accompanied by a written instrument of transfer, in a form satisfactory to the Registrar. Neither the Registrar nor the District is required (1) to transfer or exchange any Bond during the period beginning at the opening of business on a Record Date (defined herein) and ending at the close of business on the next succeeding interest payment date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within 30 calendar days of the redemption date. No service charge will be made for any transfer or exchange, but the District or the Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Lost, Stolen, or Destroyed Bonds

In the event the Book-Entry-Only System is discontinued, the District has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds, or receipt of satisfactory evidence of such destruction, loss, or theft and receipt by the District and the Registrar of security or indemnity as may be required by either of them to keep them harmless. The District will require payment of taxes, governmental charges, and expenses in connection with any such replacement.

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is quoted from Section 49.186 of the Texas Water Code, and is applicable to the District:

- “(a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of authorities, public agencies, and bodies politic.
- (b) A district’s bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of authorities, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any un-matured interest coupons attached to them.”

The Public Funds Collateral Act (Chapter 2257, Texas Government Code) also provides that bonds of the District (including the Bonds) are eligible as collateral for public funds.

Issuance of Additional Bonds

The District’s voters have authorized the issuance of unlimited tax bonds for various purposes as reflected in the table below:

<u>Amount</u>	<u>Purpose</u>
\$33,110,928	For certain water, sanitary sewer, and storm water facilities
\$25,692,790	For certain road facilities
\$15,490,909	For certain parks and recreational facilities
\$49,666,392	For refunding water, sanitary sewer, and storm water facility bonds
\$38,539,185	For refunding road facility bonds
\$23,236,364	For refunding parks and recreational facility bonds

After the issuance of the Bonds, the District will have \$15,377,790 of unlimited tax road bonds that will remain authorized but unissued and \$14,095,928 unlimited tax bonds that currently remain authorized but unissued for certain water, sanitary sewer and storm

water facilities. Additionally, all of the other bond amounts noted in the table above will remain authorized but unissued. By agreement with League City, the District shall not issue bonds with a maturity later than 2049.

The District has the right to issue additional new money bonds as may hereafter be approved by both the Board and the voters of the District and may issue refunding bonds without additional elections so long as they do not exceed the principal amount of then outstanding bonds. Such additional new money bonds or refunding bonds would be issued on a parity with the Bonds. Any future new money bonds to be issued by the District (except future road bonds) must be approved by the TCEQ. Further, the principal amount of parks and recreational facilities bonds sold by the District is limited to one percent of the District's certified taxable assessed valuation, unless effective June 14, 2021, the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not three percent of the value of the taxable property in the District.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Securities is to be transferred and how the principal of, premium, if any, Maturity Value, and interest on the Securities are to be paid to and credited by DTC while the Securities are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor, and the Underwriter believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

The District and the Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Securities, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Securities), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Securities. The Securities will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Securities, each in the aggregate principal amount or Maturity Value, as the case may be, of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Securities under the DTC system must be made by or through Direct Participants, who will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive securities representing their ownership interests in Securities except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners.

The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory

or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If fewer than all of the Securities within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, securities are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, securities will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor or the Underwriter takes any responsibility for the accuracy thereof. Termination by the District of the DTC Book-Entry-Only System may require consent of DTC Participants under DTC Operational Arrangements.

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriter a transcript (the "Transcript") of certain certified proceedings incident to the issuance and authorization of the Bonds. Such Transcript will include the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax, levied without limit as to rate or amount, upon all taxable property in the District. The District will also furnish the approving legal opinion of Hunton Andrews Kurth, Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without limitation as to rate or amount, against all taxable property within the District and that, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations for the purpose of determining the alternative minimum tax imposed on corporations. Bond Counsel's fees for services rendered with respect to the sale of the Bonds are contingent upon the issuance and delivery of the Bonds. Certain legal matters will be passed upon for the District by Norton Rose Fulbright US LLP, Houston, Texas, Disclosure Counsel.

Legal Review

In its capacity as Bond Counsel, Hunton Andrews Kurth LLP has reviewed the information appearing in this Official Statement under the captions "CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12," "INTERLOCAL PROJECT DEVELOPMENT AND FINANCING AGREEMENT WITH THE CITY," "THE DISTRICT - Authority," "TAXING PROCEDURES," "CONSOLIDATION/DISSOLUTION," "THE BONDS," "LEGAL MATTERS - Legal Opinions" (to the extent such section relates to the opinion of Bond Counsel) and " - Legal Review," "TAX EXEMPTION," and "REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS" solely to determine whether such information fairly summarizes the documents and legal matters referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement, nor has it investigated of the affairs of the District for the purpose of passing upon the accuracy or completeness of any of the other information contained herein. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility

for, or an expression of opinion of any kind, with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

Hunton Andrews Kurth LLP also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with issuance of the Bonds are based on a percentage of the Bonds actually issued, sold, and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

No-Litigation Certificate

On the date of delivery of the Bonds, the District will execute and deliver a certificate to the effect that there is not pending, and to the knowledge of the District, there is not threatened any litigation affecting the validity of the Bonds, the levy and/or collection of taxes for the payment thereof, the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

The obligations of the Underwriter to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the Official Statement.

TAX EXEMPTION

Opinion of Bond Counsel

In the opinion of Hunton Andrews Kurth LLP, Bond Counsel, under current law, interest on the Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum income tax, and (c) is taken into account by applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. No other opinion is expressed by Bond Counsel regarding the tax consequences of the ownership of or the receipt or accrual of interest on the Bonds.

Bond Counsel's opinion is given in reliance upon certifications by representatives of the District as to certain facts relevant to both the opinion and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and is subject to the condition that there is compliance subsequent to the issuance of the Bonds with all requirements of the Code that must be satisfied in order for interest thereon to remain excludable from gross income for federal income tax purposes. The District has covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds. Failure by the District to comply with such covenants, among other things, could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue.

Customary practice in the giving of legal opinions includes not detailing in the opinion all the assumptions, limitations and exclusions that are a part of the conclusions therein. See "Statement on the Role of Customary Practice in the Preparation and Understanding of Third-Party Legal Opinions", 63 Bus. Law. 1277 (2008) and "Legal Opinion Principles", 53 Bus. Law. 831 (May 1998). Purchasers of the Bonds should seek advice or counsel concerning such matters as they deem prudent in connection with their purchase of Bonds.

Bond Counsel's opinion represents its legal judgment based in part upon the representations and covenants referenced therein and its review of current law, but is not a guarantee of result or binding on the Internal Revenue Service (the "Service") or the courts. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may come to Bond Counsel's attention after the date of its opinion or to reflect any changes in law or the interpretation thereof that may occur or become effective after such date.

Alternative Minimum Tax

Individuals – Bond Counsel's opinion states that under current law interest on the Bonds is not an item of reference and is not subject to the alternative minimum tax on individuals.

Applicable Corporations – Bond Counsel's opinion also states that under current law interest on the Bonds is taken into account by applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. Under current law, an "applicable corporation" generally is a corporation with average annual adjusted financial statement income for a 3-taxable-year period ending after December 31, 2021 that exceeds \$1 billion.

Other Tax Matters

In addition to the matters addressed above, prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including without limitation financial institutions, property and casualty insurance companies, S corporations, foreign corporations subject to the branch profits tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability and impact of such consequences.

Prospective purchasers of the Bonds should consult their own tax advisors as to the status of interest on the Bonds under the tax laws of any state, local, or foreign jurisdiction.

The Service has a program to audit state and local government obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the Service does audit the Bonds, under current Service procedures, the Service will treat the District as the taxpayer and the owners of the Bonds will have only limited rights, if any, to participate.

There are many events that could affect the value and liquidity or marketability of the Bonds after their issuance, including but not limited to public knowledge of an audit of the Bonds by the Service, a general change in interest rates for comparable securities, a change in federal or state income tax rates, federal or state legislative or regulatory proposals affecting state and local government securities and changes in judicial interpretation of existing law. In addition, certain tax considerations relevant to owners of Bonds who purchase Bonds after their issuance may be different from those relevant to purchasers upon issuance. Neither the opinion of Bond Counsel nor this Official Statement purports to address the likelihood or effect of any such potential events or such other tax considerations and purchasers of the Bonds should seek advice concerning such matters as they deem prudent in connection with their purchase of Bonds.

Original Issue Discount

Some of the Bonds may be sold at initial sale prices that are less than their respective stated redemption prices payable at maturity (collectively, the "Discount Bonds"). The excess of (i) the stated redemption price at maturity of each maturity of the Discount Bonds, over (ii) the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of each maturity of the Discount Bonds is sold will constitute original issue discount. Original issue discount will accrue for federal income tax purposes on a constant-yield-to-maturity method based on regular compounding; and a holder's basis in such a Bond will be increased by the amount of original issue discount treated for federal income tax purposes as having accrued on the Bond while the holder holds the Bond.

Under the Code, for purposes of determining a holder's adjusted basis in a Discount Bond, original issue discount treated as having accrued while the holder holds the Bond will be added to the holder's basis. Original issue discount will accrue on a constant-yield-to-maturity method based on semiannual compounding. The adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of a Discount Bond.

Prospective purchasers of Discount Bonds should consult their own tax advisors as to the calculation of accrued original issue discount and the state and local tax consequences of owning or disposing of such Bonds.

Bond Premium

Bonds purchased, whether upon issuance or otherwise, for an amount (excluding any amount attributable to accrued interest) in excess of their principal amount will be treated for federal income tax purposes as having amortizable bond premium. A holder's basis in such a Bond must be reduced by the amount of premium which accrues while such Bond is held by the holder. No deduction for such amount will be allowed, but it generally will offset interest on the Bonds while so held. Purchasers of such Bonds should consult their own tax advisors as to the calculation, accrual and treatment of amortizable bond premium and the state and local tax consequences of holding such Bonds.

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District will designate the Bonds as "qualified tax-exempt obligations" and will represent that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2024 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2024.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

The offer and sale of the Bonds have not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein, and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

OFFICIAL STATEMENT

Sources of Information

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector, and other sources that are believed to be reliable, but no representation is made as to the accuracy or completeness of the information derived from such other sources. The summaries of the statutes, orders, resolutions, engineering, and other related reports set forth in the Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

Consultants

In approving this Official Statement, the District has relied upon the following consultants:

Engineer - The information contained in this Official Statement relating to engineering matters generally and to the description of the System and in particular that information included in the sections entitled "DESCRIPTION OF THE SYSTEM SERVING THE DISTRICT," "USE OF BOND PROCEEDS," and certain engineering matters included in "THE DISTRICT – Description, Location" " – Summary of Land Uses in the District," and "- Status of Residential Development in the District" has been provided by J. Morales, Inc., and has been included in reliance upon the authority of such firm as an expert in the field of civil engineering.

Tax Assessor/Collector - The information contained in this Official Statement relating to, the information contained in the section captioned "TAX DATA," has been provided by the Appraisal District and by the Galveston County Tax Office in reliance upon their authority as experts in the field of tax assessing, appraising and collecting taxes.

Auditor - The financial statements of the District as of December 31, 2023, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot PLLC, independent auditors, as stated in their report appeared herein. See "APPENDIX A" for a copy of the District's December 31, 2023, audited financial statements.

Continuing Availability of Financial Information

Pursuant to Texas law, the District has its financial statements prepared in accordance with generally accepted accounting principles and has its financial statements audited by a certified public accountant in accordance with generally accepted auditing standards within 120 days after the close of its fiscal year. The District's audit report is required to be filed with the TCEQ within 135 days after the close of its fiscal year.

The District's financial records and audited financial statements are available for public inspection during regular business hours at the office of the District and copies will be provided on written request, to the extent permitted by law, upon payment of copying charges. Requests for copies should be addressed to the District in care of Hawes Hill & Associates, 9610 Long Point Road, Suite 150, Houston, TX 77055.

Certification as to Official Statement

The Board of Directors of the District, acting in its official capacity and in reliance upon the consultants listed above and certain certificates of representation to be provided to the Board, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements, and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading. The information, descriptions, and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation of such matters and makes no representation as to the accuracy or completeness thereof.

Updating of Official Statement

The District will keep the Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information comes to its attention, in the other matters described in the Official Statement, until the delivery of the Bonds. All information with respect to the resale of the Bonds shall be the responsibility of the Underwriters.

MISCELLANEOUS

All estimates, statements, and assumptions in this Official Statement and the Appendices hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statement in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated is intended as such and not a representation of fact and no representation is made that any such statement will be realized.

This Official Statement was approved by the Board of Directors of Westwood Management District as of the date shown on the cover page.

APPENDIX A

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023

**WESTWOOD MANAGEMENT DISTRICT
GALVESTON AND HARRIS COUNTIES, TEXAS
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2023**

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-8
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	9-10
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	11
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	12-13
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	14
NOTES TO THE FINANCIAL STATEMENTS	15-26
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND	28
SUPPLEMENTARY INFORMATION REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
GENERAL FUND EXPENDITURES	30
INVESTMENTS	31
TAXES LEVIED AND RECEIVABLE	32-33
LONG-TERM DEBT SERVICE REQUIREMENTS	34-36
CHANGES IN LONG-TERM DEBT BOND DEBT	37-38
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	39-42
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	43-44

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

(To be included in the Final Official Statement, if applicable)

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708

PO Box 29584
Austin, TX 78755-5126
(512) 610-2209
www.mgsbpllc.com
E-Mail: mgsb@mgsbpllc.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Westwood Management District
Galveston and Harris Counties, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Westwood Management District (the "District") as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 the District as of December 31, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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.

Board of Directors
Westwood Management District

Supplementary 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 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

March 13, 2024

**WESTWOOD MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

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 year ended December 31, 2023. 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 Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. 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 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 three governmental fund types. The General Fund accounts for resources not accounted for in another fund, maintenance tax revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**WESTWOOD MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

FUND FINANCIAL STATEMENTS (Continued)

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 funds. 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.

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 Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in the Fund Balances 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") and other supplementary information. 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 and deferred inflows of resources exceeded assets by \$6,556,741 as of December 31, 2023. The following is a comparative analysis of government-wide changes in net position:

**WESTWOOD MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2023	2022	Change Positive (Negative)
Current and Other Assets	\$ 5,709,973	\$ 4,014,624	\$ 1,695,349
Intangible Assets (Net of Accumulated Amortization)	29,728,192	22,489,373	7,238,819
Capital Assets (Net of Accumulated Depreciation)	4,151,452	9,023,576	(4,872,124)
Total Assets	<u>\$ 39,589,617</u>	<u>\$ 35,527,573</u>	<u>\$ 4,062,044</u>
Due to Developer	\$ 21,344,736	\$ 16,368,736	\$ (4,976,000)
Bonds Payable	20,851,944	21,291,032	439,088
Other Liabilities	690,881	1,758,805	1,067,924
Total Liabilities	<u>\$ 42,887,561</u>	<u>\$ 39,418,573</u>	<u>\$ (3,468,988)</u>
Deferred Inflows of Resources	<u>\$ 3,258,797</u>	<u>\$ 2,727,739</u>	<u>\$ (531,058)</u>
Net Position:			
Net Investment in Capital Assets	\$ (7,058,707)	\$ (5,917,239)	\$ (1,141,468)
Restricted	165,857	148,977	16,880
Unrestricted	336,109	(850,477)	1,186,586
Total Net Position	<u>\$ (6,556,741)</u>	<u>\$ (6,618,739)</u>	<u>\$ 61,998</u>

The following table provides a summary of the District's operations for the years ended December 31, 2023 and December 31, 2022. The District conveys completed assets to the Westwood Home Owners' Association while recording a liability to the Developer for those same assets, which contributes to the Net Position negative balance.

	Summary of Changes in the Statement of Activities		
	2023	2022	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,715,868	\$ 2,227,571	\$ 488,297
Other Revenues	137,473	40,818	96,655
Total Revenues	<u>\$ 2,853,341</u>	<u>\$ 2,268,389</u>	<u>\$ 584,952</u>
Expenses for Services	<u>2,791,343</u>	<u>3,844,769</u>	<u>1,053,426</u>
Change in Net Position	\$ 61,998	\$ (1,576,380)	\$ 1,638,378
Net Position, Beginning of Year	<u>(6,618,739)</u>	<u>(5,042,359)</u>	<u>(1,576,380)</u>
Net Position, End of Year	<u>\$ (6,556,741)</u>	<u>\$ (6,618,739)</u>	<u>\$ 61,998</u>

**WESTWOOD MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of December 31, 2023, were \$1,909,050, an increase of \$2,225,623 from the prior fiscal year.

The General Fund fund balance increased by \$1,185,021, primarily due to property tax revenues exceeding operating and capital costs.

The Debt Service Fund fund balance increased by \$11,853, primarily due to property tax revenues.

The Capital Projects Fund fund balance increased by \$1,028,749, primarily due to developer advances exceeding capital costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board adopted an unappropriated budget for the current year. Actual revenues were \$69,741 more than budgeted revenues. Actual expenditures were \$159,780 less than budgeted expenditures. This resulted in a positive budget variance of \$229,521. See the budget to actual comparison for further information.

CAPITAL ASSEST AND INTANGIBLE ASSETS

Capital assets as of December 31, 2023, total \$2,890,531 (net of accumulated depreciation) which consists of a Recreation Center which the District owns, but which is operated by the Homeowners Association. The District has construction in progress of \$1,260,921 for ongoing capital projects. Additionally, the District entered into an agreement (see Note 10) with the City of League City, Texas (the "City") whereby water facilities, sanitary sewer facilities, drainage facilities and roads have been conveyed to the City for operation and maintenance for the benefit of District residents. As of December 31, 2023, intangible assets constructed and conveyed to the City totaled \$29,728,192 (net of accumulated amortization).

**WESTWOOD MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

LONG-TERM DEBT ACTIVITY

As of December 31, 2023, the District had total bond debt payable of \$20,875,000. The changes in the debt position of the District during the period ended December 31, 2023, are summarized as follows:

Bond Debt Payable, January 1, 2023	\$ 21,315,000
Less: Bond Principal Paid	<u>440,000</u>
Bond Debt Payable, December 31, 2023	<u>\$ 20,875,000</u>

The District's Series 2021 Road Bonds do not carry an underlying or insured rating. The Series 2022 Bond do not carry an underlying rating but do have an insured rating of "AA" by virtue of bond insurance issued by Build America Mutual Assurance Company.

The District has recorded a payable to its Developer of \$21,344,736 for operating advances and completed construction projects. The Developer has incurred additional costs for projects which were not complete as of December 31, 2023. 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 FUNDS BALANCE SHEET
DECEMBER 31, 2023**

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 399,300	\$
Investments	2,046,891	399,698
Cash with Tax Assessor	190,920	
Receivables:		
Property Taxes	1,642,563	1,012,927
Due from Other Funds		148,783
Construction in Progress		
Intangible Assets - Right to Receive Service (Net of Accumulated Amortization)		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 4,279,674	\$ 1,561,408
LIABILITIES		
Accounts Payable	\$ 24,098	\$
Accrued Interest Payable		
Due to Developer		
Retainage Payable		
Due to Other Funds	1,903,716	
Long Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 1,927,814	\$ -0-
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 2,018,062	\$ 1,244,485
FUND BALANCES		
Restricted for Authorized Construction	\$	\$
Restricted for Debt Service		316,923
Unassigned	333,798	
TOTAL FUND BALANCES	\$ 333,798	\$ 316,923
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,279,674	\$ 1,561,408
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 17,674	\$ 416,974	\$	\$ 416,974
	2,446,589		2,446,589
	190,920		190,920
	2,655,490		2,655,490
1,754,933	1,903,716	(1,903,716)	
		1,260,921	1,260,921
		29,728,192	29,728,192
		2,890,531	2,890,531
<u>\$ 1,772,607</u>	<u>\$ 7,613,689</u>	<u>\$ 31,975,928</u>	<u>\$ 39,589,617</u>
\$ 431,572	\$ 455,670	\$	\$ 455,670
		152,505	152,505
		21,344,736	21,344,736
82,706	82,706		82,706
	1,903,716	(1,903,716)	
		475,000	475,000
		20,376,944	20,376,944
<u>\$ 514,278</u>	<u>\$ 2,442,092</u>	<u>\$ 40,445,469</u>	<u>\$ 42,887,561</u>
<u>\$ -0-</u>	<u>\$ 3,262,547</u>	<u>\$ (3,750)</u>	<u>\$ 3,258,797</u>
\$ 1,258,329	\$ 1,258,329	\$ (1,258,329)	\$
	316,923	(316,923)	
	333,798	(333,798)	
<u>\$ 1,258,329</u>	<u>\$ 1,909,050</u>	<u>\$ (1,909,050)</u>	<u>\$ - 0 -</u>
<u>\$ 1,772,607</u>	<u>\$ 7,613,689</u>		
		\$ (7,058,707)	\$ (7,058,707)
		165,857	165,857
		336,109	336,109
		<u>\$ (6,556,741)</u>	<u>\$ (6,556,741)</u>

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

**WESTWOOD MANAGEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2023**

Total Fund Balances - Governmental Funds		\$ 1,909,050
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets and intangible assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.</p>		33,879,644
<p>Deferred inflows of resources related to property tax revenues for the 2022 and prior tax levies became part of recognized revenue in the governmental activities of the District.</p>		3,750
<p>Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:</p>		
Due to Developer	\$ (21,344,736)	
Accrued Interest Payable	(152,505)	
Bonds Payable	(20,851,944)	(42,349,185)
Total Net Position - Governmental Activities		\$ (6,556,741)

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

THIS PAGE INTENTIONALLY LEFT BLANK

WESTWOOD MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES		
Property Taxes	\$ 1,671,799	\$ 1,041,148
Penalty and Interest		4,557
Investment and Miscellaneous Revenues	<u>103,842</u>	<u>28,853</u>
TOTAL REVENUES	<u>\$ 1,775,641</u>	<u>\$ 1,074,558</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 37,282	\$ 850
Contracted Services	101,235	1,500
Repairs and Maintenance	286,764	
Depreciation and Amortization		
Other	149,179	2,994
Capital Outlay	16,160	
Debt Service:		
Bond Principal		440,000
Bond Interest		<u>617,361</u>
TOTAL EXPENDITURES/EXPENSES	<u>\$ 590,620</u>	<u>\$ 1,062,705</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 1,185,021</u>	<u>\$ 11,853</u>
OTHER FINANCING SOURCES AND USES		
Developer Advances	<u>\$ -0-</u>	<u>\$ -0-</u>
NET CHANGE IN FUND BALANCES	\$ 1,185,021	\$ 11,853
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JANUARY 1, 2023	<u>(851,223)</u>	<u>305,070</u>
FUND BALANCES/NET POSITION - DECEMBER 31, 2023	<u>\$ 333,798</u>	<u>\$ 316,923</u>

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$	\$ 2,712,947	\$ 2,921	\$ 2,715,868
	4,557		4,557
221	132,916		132,916
<u>\$ 221</u>	<u>\$ 2,850,420</u>	<u>\$ 2,921</u>	<u>\$ 2,853,341</u>
\$ 118,347	\$ 156,479	\$	\$ 156,479
	102,735		102,735
530,685	817,449		817,449
		947,031	947,031
874	153,047		153,047
3,297,566	3,313,726	(3,313,726)	
	440,000	(440,000)	
	617,361	(2,759)	614,602
<u>\$ 3,947,472</u>	<u>\$ 5,600,797</u>	<u>\$ (2,809,454)</u>	<u>\$ 2,791,343</u>
<u>\$ (3,947,251)</u>	<u>\$ (2,750,377)</u>	<u>\$ 2,812,375</u>	<u>\$ 61,998</u>
<u>\$ 4,976,000</u>	<u>\$ 4,976,000</u>	<u>\$ (4,976,000)</u>	<u>\$ -0-</u>
\$ 1,028,749	\$ 2,225,623	\$ (2,225,623)	\$
		61,998	61,998
229,580	(316,573)	(6,302,166)	(6,618,739)
<u>\$ 1,258,329</u>	<u>\$ 1,909,050</u>	<u>\$ (8,465,791)</u>	<u>\$ (6,556,741)</u>

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

**WESTWOOD MANAGEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023**

Net Change in Fund Balances - Governmental Funds \$ 2,225,623

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. 2,921

Governmental funds do not account for depreciation or amortization. However, in the Statement of Net Position, capital assets are depreciated and intangible assets are amortized and expense is recorded in the Statement of Activities. (947,031)

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. 3,313,726

Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities. 440,000

Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end. 2,759

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. (4,976,000)

Change in Net Position - Governmental Activities \$ 61,998

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

WESTWOOD MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

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
DECEMBER 31, 2023

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
DECEMBER 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Governmental Fund

The District has three governmental funds and considers each to be a major fund.

General Fund - To account for resources not required to be accounted for in another fund, maintenance tax revenues, operating costs and general expenditures.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund – To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

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 the 2022 and prior taxes collected during the period October 1, 2022 to December 31, 2023. The 2023 tax levy has been fully deferred to meet the District’s planned expenditures in the 2024 fiscal year.

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. As of December 31, 2023, the General Fund owes the Debt Service Fund \$148,783 for an excess transfer of maintenance tax collections and the General Fund owes the Capital Projects Fund \$1,754,933 for developer advances received for construction costs.

WESTWOOD MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Intangible 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.

Intangible assets include the costs of water facilities, sanitary sewer facilities, drainage facilities and roads constructed within the District which are conveyed to the City for operation and maintenance for the benefit of District residents. Intangible assets are amortized using the straight-line method over 40 years.

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and final budget amounts compared to the actual amounts of revenues and expenditures for the current year.

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:

WESTWOOD MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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 nonspendable fund balances.

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.

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 period. 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
DECEMBER 31, 2023**

NOTE 3. LONG-TERM DEBT

	<u>Series 2021 Road</u>	<u>Series 2022</u>
Amount Outstanding – December 31, 2023	\$10,125,000	\$10,750,000
Interest Rates	1.25% -3.00%	2.00% - 5.00%
Maturity Dates – Serially Beginning/Ending	April 1, 2024/2049	April 1, 2024/2049
Interest Payment Dates	April 1/ October 1	April 1/ October 1
Callable Dates	April 1, 2027*	April 1, 2030*

* Or any date thereafter, in whole or in part, at a price equal to the principal amount to be redeemed plus accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2021 term bonds maturing on April 1, 2029, April 1, 2045, and April 1, 2049 are subject to mandatory redemption beginning April 1, 2028, April 1, 2042, and April 1, 2046, respectively. Series 2022 term bonds maturing on April 1, 2039, April 1, 2041, April 1, 2045, and April 1, 2049 are subject to mandatory redemption beginning April 1, 2038, April 1, 2040, April 1, 2042, and April 1, 2046, respectively.

The following is a summary of transactions regarding the changes in long-term liabilities for the year ended December 31, 2023:

	<u>January 1, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31, 2023</u>
Bonds Payable	\$ 21,315,000	\$	\$ 440,000	\$ 20,875,000
Unamortized Discounts	(116,543)		(4,436)	(112,107)
Unamortized Premiums	92,575		3,524	89,051
Total Bonds Payable, Net	<u>\$ 21,291,032</u>	<u>\$ -0-</u>	<u>\$ 439,088</u>	<u>\$ 20,851,944</u>
		Amount Due Within One Year		\$ 475,000
		Amount Due After One Year		<u>20,376,944</u>
		Total Bonds Payable, Net		<u>\$ 20,851,944</u>

**WESTWOOD MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3. LONG-TERM DEBT (Continued)

As of December 31, 2023, the debt service requirements on the bond outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 475,000	\$ 601,894	\$ 1,076,894
2025	525,000	585,144	1,110,144
2026	550,000	567,144	1,117,144
2027	575,000	547,932	1,122,932
2028	575,000	527,844	1,102,844
2029-2033	3,250,000	2,308,752	5,558,752
2034-2038	3,850,000	1,780,766	5,630,766
2039-2043	4,525,000	1,188,377	5,713,377
2044-2048	5,400,000	493,397	5,893,397
2049	1,150,000	14,250	1,164,250
	<u>\$ 20,875,000</u>	<u>\$ 8,615,500</u>	<u>\$ 29,490,500</u>

As of December 31, 2023, the District had authorized but unissued bonds in the amount of \$22,110,928 for utility facilities, \$15,377,790 for road facilities, \$15,490,909 for park and recreational facilities and \$111,441,941 for refunding purposes.

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

During the year ended December 31, 2023, the District levied an ad valorem debt service tax at the rate of \$0.37 per \$100 of assessed valuation, (\$0.20 for utilities and \$0.17 for roads), which resulted in a tax levy of \$1,243,046 on the adjusted taxable valuation of \$335,951,829 for the 2023 tax year. The bond resolutions require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

WESTWOOD MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross debt proceeds, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of the issuance of the debt.

The bond resolutions state that the District is required to provide to the state information depository continuing disclosure of annual financial information and operating data with respect to the District. The information is of the general type included in the annual audit report and must be filed within six months after the end of each fiscal year of the District.

NOTE 5. 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 year end, the carrying amount of the District's deposits was \$416,974 and the bank balance was \$419,390. 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.

**WESTWOOD MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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.

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Hermes, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool meets the criteria established in GASB Statement No. 79 and measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

As of December 31, 2023, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 year
<u>GENERAL FUND</u>		
TexPool	\$2,046,891	\$2,046,891
<u>DEBT SERVICE FUND</u>		
TexPool	399,698	399,698
TOTAL INVESTMENTS	\$2,446,589	\$2,446,589

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2023, the District’s investments in TexPool were rated AAAM by Standard and Poor’s. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexPool to have a maturity of less than one year due to the face the share positions can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

**WESTWOOD MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 6. CAPITAL ASSETS AND INTANGIBLE ASSETS

As of December 31, 2023, the District recorded \$2,890,531 (net of accumulated depreciation) relating to a Recreation Center which the District owns, but which the Home Owners Association operates. The District has construction in progress of \$1,260,921 for ongoing capital projects.

	January 1, 2023	Increases	Decreases	December 31 , 2023
Capital Assets Not Being Depreciated				
Construction in Progress	\$ 6,049,655	\$ 3,313,726	\$ 8,102,460	\$ 1,260,921
Capital Assets Subject to Depreciation				
Recreation Center	\$ 3,335,580	\$	\$ -0-	\$ 3,335,580
Less Accumulated Depreciation				
Recreation Center	\$ 361,659	\$ 83,390	\$ -0-	\$ 445,049
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 2,973,921</u>	<u>\$ (83,390)</u>	<u>\$ -0-</u>	<u>\$ 2,890,531</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 9,023,576</u>	<u>\$ 3,230,336</u>	<u>\$ 8,102,460</u>	<u>\$ 4,151,452</u>

The Developer has financed the construction of water facilities, sanitary sewer facilities, drainage facilities and roads which serve District residents. These facilities, as completed, have been conveyed to the City in accordance with the Interlocal Agreement (see Note 10). In exchange for conveyance of these assets, the City agrees to provide services to residents of the District. Intangible asset activity for the year ended December 31, 2023, is as follows:

	January 1, 2023	Increases	Decreases	December 31 , 2023
Intangible Assets Subject to Amortization				
Water, Sanitary Sewer and Drainage	\$ 13,274,003	\$	\$	\$ 13,274,003
Roads	11,924,865	8,102,460		20,027,325
Total Intangible Assets Subject to Amortization	<u>\$ 25,198,868</u>	<u>\$ 8,102,460</u>	<u>\$ - 0 -</u>	<u>\$ 33,301,328</u>
Less Accumulated Amortization				
Water, Sanitary Sewer and Drainage	\$ 1,356,735	\$ 391,558	\$	\$ 1,748,293
Roads	1,352,760	472,083		1,824,843
Total Accumulated Amortization	<u>\$ 2,709,495</u>	<u>\$ 863,641</u>	<u>\$ - 0 -</u>	<u>\$ 3,573,136</u>
Total Intangible Assets, Net of Accumulated Amortization	<u>\$ 22,489,373</u>	<u>\$ 7,238,819</u>	<u>\$ - 0 -</u>	<u>\$ 29,728,192</u>

WESTWOOD MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 7. 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 current year, the District levied an ad valorem maintenance tax rate of \$0.60 per \$100 of assessed valuation, which resulted in a tax levy of \$2,015,751 on the adjusted taxable valuation of \$335,951,829 for the 2023 tax year. The 2023 tax levy has been fully deferred until the 2024 fiscal year. The District did not levy a parks and recreational facilities tax during the current year.

NOTE 8. UNREIMBURSED COSTS

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 \$21,344,736 for operating advances and completed construction projects. The Developer has incurred additional costs for projects which were not complete as of December 31, 2023. Reimbursement for these costs will come from future bond sales. The following table summarizes the current year activities related to unreimbursed developer costs:

Due to Developer, beginning of year	\$ 16,368,736
Additions	<u>4,976,000</u>
Due to Developer, end of year	<u>\$ 21,344,736</u>

NOTE 9. 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.

**WESTWOOD MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

**NOTE 10. 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”). The Development Agreement was amended on January 19, 2022. 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
DECEMBER 31, 2023

**WESTWOOD MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 1,680,700	\$ 1,671,799	\$ (8,901)
Investment and Miscellaneous Revenues	<u>25,200</u>	<u>103,842</u>	<u>78,642</u>
TOTAL REVENUES	<u>\$ 1,705,900</u>	<u>\$ 1,775,641</u>	<u>\$ 69,741</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 54,200	\$ 37,282	\$ 16,918
Contracted Services	111,000	101,235	9,765
Repairs and Maintenance	470,000	286,764	183,236
Other	115,200	149,179	(33,979)
Capital Outlay	<u>16,160</u>	<u>16,160</u>	<u>(16,160)</u>
TOTAL EXPENDITURES	<u>\$ 750,400</u>	<u>\$ 590,620</u>	<u>\$ 159,780</u>
NET CHANGE IN FUND BALANCE	\$ 955,500	\$ 1,185,021	\$ 229,521
FUND BALANCE(DEFICIT) - JANUARY 1, 2023	<u>(851,223)</u>	<u>(851,223)</u>	<u> </u>
FUND BALANCE - DECEMBER 31, 2023	<u>\$ 104,277</u>	<u>\$ 333,798</u>	<u>\$ 229,521</u>

See accompanying independent auditor's report.

THIS PAGE INTENTIONALLY LEFT BLANK

WESTWOOD MANAGEMENT DISTRICT
SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
DECEMBER 31, 2023

**WESTWOOD MANAGEMENT DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2023**

PROFESSIONAL FEES:	
Auditing	\$ 15,250
Legal	21,332
Financial Advisor	<u>700</u>
TOTAL PROFESSIONAL FEES	<u>\$ 37,282</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 17,710
Bookkeeping	14,525
Administrative Services	66,000
Tax Collection and Tax Roll Management	<u>3,000</u>
TOTAL CONTRACTED SERVICES	<u>\$ 101,235</u>
REPAIRS AND MAINTENANCE	<u>\$ 286,764</u>
CAPITAL OUTLAY	<u>\$ 16,160</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 10,200
Insurance	39,465
Other	<u>99,514</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 149,179</u>
TOTAL EXPENDITURES	<u><u>\$ 590,620</u></u>

See accompanying independent auditor's report.

**WESTWOOD MANAGEMENT DISTRICT
INVESTMENTS
DECEMBER 31, 2023**

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 2,046,891	\$ -0-
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 191,228	
TexPool	XXXX0005	Varies	Daily	208,470	
TOTAL DEBT SERVICE FUND				<u>\$ 399,698</u>	<u>\$ -0-</u>
TOTAL - ALL FUNDS				<u>\$ 2,446,589</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

**WESTWOOD MANAGEMENT DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Maintenance Taxes		Debt Service Taxes
TAXES RECEIVABLE -			
JANUARY 1, 2023	\$ 1,147,229		\$ 714,285
Adjustments to Beginning			
Balance	<u>(7,363)</u>	\$ 1,139,866	<u>(4,507)</u> \$ 709,778
Original 2023 Tax Levy	\$ 1,797,667		\$ 1,108,561
Adjustment to 2023 Tax Levy	<u>218,084</u>	<u>2,015,751</u>	<u>134,485</u> <u>1,243,046</u>
TOTAL TO BE			
ACCOUNTED FOR		\$ 3,155,617	\$ 1,952,824
TAX COLLECTIONS:			
Prior Years	\$ 1,137,555		\$ 708,339
Current Year	<u>375,499</u>	<u>1,513,054</u>	<u>231,558</u> <u>939,897</u>
TAXES RECEIVABLE -			
DECEMBER 31, 2023		<u>\$ 1,642,563</u>	<u>\$ 1,012,927</u>
TAXES RECEIVABLE BY			
YEAR:			
2023		\$ 1,640,252	\$ 1,011,488
2022		2,309	1,439
2021		<u>2</u>	<u> </u>
TOTAL		<u>\$ 1,642,563</u>	<u>\$ 1,012,927</u>

See accompanying independent auditor's report.

**WESTWOOD MANAGEMENT DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
PROPERTY VALUATIONS:				
Land	\$ 63,231,079	\$ 50,734,610	\$ 43,856,056	\$ 42,584,760
Improvements	366,502,261	290,096,975	231,964,296	173,081,661
Personal Property	278,410	231,360	183,600	183,400
Exemptions	<u>(94,059,921)</u>	<u>(65,536,028)</u>	<u>(53,237,412)</u>	<u>(49,827,533)</u>
TOTAL PROPERTY VALUATIONS	<u>\$335,951,829</u>	<u>\$275,526,917</u>	<u>\$222,766,540</u>	<u>\$166,022,288</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.37	\$ 0.38	\$ 0.10	\$ 0.00
Maintenance Tax	<u>0.60</u>	<u>0.61</u>	<u>0.90</u>	<u>1.00</u>
TAX RATE PER \$100 VALUATION:	<u>\$ 0.97</u>	<u>\$ 0.99</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>
ADJUSTED TAX LEVY*	<u>\$ 3,258,797</u>	<u>\$ 2,727,739</u>	<u>\$ 2,230,619</u>	<u>\$ 1,660,317</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>18.63 %</u>	<u>99.86 %</u>	<u>99.99 %</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
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2023**

SERIES - 2021 ROAD BONDS

Due During Fiscal Years Ending December 31	Principal Due April 1	Interest Due April 1/ October 1	Total
2024	\$ 200,000	\$ 260,081	\$ 460,081
2025	250,000	257,081	507,081
2026	250,000	253,456	503,456
2027	275,000	249,244	524,244
2028	275,000	244,156	519,156
2029	300,000	238,406	538,406
2030	300,000	232,406	532,406
2031	300,000	226,219	526,219
2032	325,000	219,375	544,375
2033	350,000	211,563	561,563
2034	350,000	203,031	553,031
2035	375,000	193,969	568,969
2036	375,000	184,594	559,594
2037	375,000	174,984	549,984
2038	400,000	164,813	564,813
2039	400,000	154,063	554,063
2040	425,000	142,719	567,719
2041	450,000	130,688	580,688
2042	450,000	117,750	567,750
2043	475,000	103,875	578,875
2044	525,000	88,875	613,875
2045	525,000	73,125	598,125
2046	525,000	57,375	582,375
2047	550,000	41,250	591,250
2048	550,000	24,740	574,740
2049	550,000	8,250	558,250
	<u>\$ 10,125,000</u>	<u>\$ 4,256,088</u>	<u>\$ 14,381,088</u>

See accompanying independent auditor's report.

**WESTWOOD MANAGEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2023**

S E R I E S - 2 0 2 2

Due During Fiscal Years Ending December 31	Principal Due April 1	Interest Due April 1/ October 1	Total
2024	\$ 275,000	\$ 341,813	\$ 616,813
2025	275,000	328,063	603,063
2026	300,000	313,688	613,688
2027	300,000	298,688	598,688
2028	300,000	283,688	583,688
2029	325,000	268,063	593,063
2030	325,000	251,813	576,813
2031	325,000	235,563	560,563
2032	350,000	219,344	569,344
2033	350,000	206,000	556,000
2034	375,000	195,125	570,125
2035	375,000	183,875	558,875
2036	400,000	172,250	572,250
2037	400,000	160,250	560,250
2038	425,000	147,875	572,875
2039	450,000	134,750	584,750
2040	450,000	121,250	571,250
2041	450,000	107,750	557,750
2042	475,000	94,469	569,469
2043	500,000	81,063	581,063
2044	500,000	67,313	567,313
2045	525,000	53,219	578,219
2046	550,000	40,500	590,500
2047	575,000	29,250	604,250
2048	575,000	17,750	592,750
2049	600,000	6,000	606,000
	<u>\$ 10,750,000</u>	<u>\$ 4,359,412</u>	<u>\$ 15,109,412</u>

See accompanying independent auditor's report.

**WESTWOOD MANAGEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2023**

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2024	\$ 475,000	\$ 601,894	\$ 1,076,894
2025	525,000	585,144	1,110,144
2026	550,000	567,144	1,117,144
2027	575,000	547,932	1,122,932
2028	575,000	527,844	1,102,844
2029	625,000	506,469	1,131,469
2030	625,000	484,219	1,109,219
2031	625,000	461,782	1,086,782
2032	675,000	438,719	1,113,719
2033	700,000	417,563	1,117,563
2034	725,000	398,156	1,123,156
2035	750,000	377,844	1,127,844
2036	775,000	356,844	1,131,844
2037	775,000	335,234	1,110,234
2038	825,000	312,688	1,137,688
2039	850,000	288,813	1,138,813
2040	875,000	263,969	1,138,969
2041	900,000	238,438	1,138,438
2042	925,000	212,219	1,137,219
2043	975,000	184,938	1,159,938
2044	1,025,000	156,188	1,181,188
2045	1,050,000	126,344	1,176,344
2046	1,075,000	97,875	1,172,875
2047	1,125,000	70,500	1,195,500
2048	1,125,000	42,490	1,167,490
2049	1,150,000	14,250	1,164,250
	<u>\$ 20,875,000</u>	<u>\$ 8,615,500</u>	<u>\$ 29,490,500</u>

See accompanying independent auditor's report.

**WESTWOOD MANAGEMENT DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2023**

Description	Original Bonds Issued	Bonds Outstanding January 1, 2023
Westwood Management District Unlimited Tax Road Bonds - Series 2021	\$ 10,315,000	\$ 10,315,000
Westwood Management District Unlimited Tax Bonds - Series 2022	<u>11,000,000</u>	<u>11,000,000</u>
TOTAL	<u>\$ 21,315,000</u>	<u>\$ 21,315,000</u>

Bond Authority:	Utility Tax Bonds	Road Bonds	Parks and Recreational Bonds
Amount Authorized by Voters	\$ 33,110,928	\$ 25,692,790	\$ 15,490,909
Amount Issued	<u>11,000,000</u>	<u>10,315,000</u>	<u> </u>
Remaining to be Issued	<u>\$ 22,110,928</u>	<u>\$ 15,377,790</u>	<u>\$ 15,490,909</u>

Debt Service Fund cash, investments and cash with paying agent balances as of
December 31, 2023: \$ 399,698

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 1,134,250

See Note 3 for interest rate, interest payment dates and maturity dates.

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				<u>Bonds Outstanding December 31, 2023</u>	<u>Paying Agent</u>
<u>Bonds Sold</u>	<u>Retirements</u>				
	<u>Principal</u>	<u>Interest</u>			
\$	\$ 190,000	\$ 262,424	\$ 10,125,000	The Bank of New York Mellon Trust Company N.A. Dallas, TX	
	<u>250,000</u>	<u>354,937</u>	<u>10,750,000</u>	The Bank of New York Mellon Trust Company N.A. Dallas, TX	
<u>\$ - 0 -</u>	<u>\$ 440,000</u>	<u>\$ 617,361</u>	<u>\$ 20,875,000</u>		

Refunding Bonds

\$ 111,441,941

\$ 111,441,941

See accompanying independent auditor's report.

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

	Amounts		
	2023	2022	2021*
REVENUES			
Property Taxes	\$ 1,671,799	\$ 2,004,977	\$ 1,659,366
Penalty and Interest			3,004
Investment and Miscellaneous Revenues	<u>103,842</u>	<u>30,082</u>	<u>50,575</u>
TOTAL REVENUES	<u>\$ 1,775,641</u>	<u>\$ 2,035,059</u>	<u>\$ 1,712,945</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 37,282	\$ 53,217	\$ 172,622
Contracted Services	101,235	107,312	56,885
Repairs and Maintenance	286,764	151,941	384,737
Other	149,179	111,985	94,654
Bond Issuance Costs		14,000	77,604
Capital Outlay	<u>16,160</u>	<u>3,570,053</u>	<u>2,832,581</u>
TOTAL EXPENDITURES	<u>\$ 590,620</u>	<u>\$ 4,008,508</u>	<u>\$ 3,619,083</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 1,185,021</u>	<u>\$ (1,973,449)</u>	<u>\$ (1,906,138)</u>
OTHER FINANCING SOURCES			
Developer Advances	<u>\$ - 0 -</u>	<u>\$ 2,052,000</u>	<u>\$ 2,150,000</u>
NET CHANGE IN FUND BALANCE	\$ 1,185,021	\$ 78,551	\$ 243,862
BEGINNING FUND BALANCE (DEFICIT)	(851,223)	(729,679)	(973,541)
PRIOR PERIOD ADJUSTMENT	<u> </u>	<u>(200,095)</u>	<u> </u>
ENDING FUND BALANCE (DEFICIT)	<u>\$ 333,798</u>	<u>\$ (851,223)</u>	<u>\$ (729,679)</u>

*Fifteen-month period.

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2020	2019	2023	2022	2021*	2020	2019
\$ 1,285,960	\$ 910,403	94.2 %	98.5 %	96.8 %	99.8 %	99.8 %
1,602	979			0.2	0.1	0.1
<u>1,026</u>	<u>853</u>	<u>5.8</u>	<u>1.5</u>	<u>3.0</u>	<u>0.1</u>	<u>0.1</u>
<u>\$ 1,288,588</u>	<u>\$ 912,235</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 23,208	\$ 80,353	2.1 %	2.6 %	10.1 %	1.8 %	8.8 %
63,857	43,271	5.7	5.3	3.3	5.0	4.7
391,599	138,415	16.1	7.5	22.5	30.4	15.2
65,593	17,508	8.4	5.5	5.5	5.1	1.9
			0.7	4.5		
<u>4,941,121</u>	<u>7,817,841</u>	<u>0.9</u>	<u>175.4</u>	<u>165.4</u>	<u>383.5</u>	<u>857.0</u>
<u>\$ 5,485,378</u>	<u>\$ 8,097,388</u>	<u>33.2 %</u>	<u>197.0 %</u>	<u>211.3 %</u>	<u>425.8 %</u>	<u>887.6 %</u>
<u>\$ (4,196,790)</u>	<u>\$ (7,185,153)</u>	<u>66.8 %</u>	<u>(97.0) %</u>	<u>(111.3) %</u>	<u>(325.8) %</u>	<u>(787.6) %</u>
<u>\$ 3,524,692</u>	<u>\$ 6,885,779</u>					
\$ (672,098)	\$ (299,374)					
(301,443)	(2,069)					
<u>\$ (973,541)</u>	<u>\$ (301,443)</u>					

See accompanying independent auditor's report.

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

	Amounts		
	2023	2022	2021*
REVENUES			
Property Taxes	\$ 1,041,148	\$ 222,684	\$
Penalty and Interest	4,557	2,401	4,389
Investment and Miscellaneous Revenues	28,853	6,860	35
TOTAL REVENUES	<u>\$ 1,074,558</u>	<u>\$ 231,945</u>	<u>\$ 4,424</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 3,844	\$ 404	\$ 1,395
Debt Service Principal	440,000		
Debt Service Interest and Fees	618,861	472,952	81,251
TOTAL EXPENDITURES	<u>\$ 1,062,705</u>	<u>\$ 473,356</u>	<u>\$ 82,646</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 11,853</u>	<u>\$ (241,411)</u>	<u>\$ (78,222)</u>
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	\$	\$ 361,187	\$ 263,516
NET CHANGE IN FUND BALANCE	\$ 11,853	\$ 119,776	\$ 185,294
BEGINNING FUND BALANCE	<u>305,070</u>	<u>185,294</u>	<u></u>
ENDING FUND BALANCE	<u>\$ 316,923</u>	<u>\$ 305,070</u>	<u>\$ 185,294</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

*Fifteen-month period.

See accompanying independent auditor's report.

		Percentage of Total Revenue				
<u>2020</u>	<u>2019</u>	<u>2023</u>	<u>2022</u>	<u>2021*</u>	<u>2020</u>	<u>2019</u>
\$	\$	96.9 %	96.0 %	%	%	%
		0.4 %	1.0 %	99.2 %	%	%
		2.7	3.0	0.8		
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>%</u>	<u>%</u>
		0.4 %	0.2 %	31.5 %	%	%
		40.9				
		57.7	204.0	1,836.7		
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>99.0 %</u>	<u>204.2 %</u>	<u>1,868.2 %</u>	<u>%</u>	<u>%</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>1.0 %</u>	<u>(104.2) %</u>	<u>(1,768.2) %</u>	<u>N/A %</u>	<u>N/A %</u>
<u>\$ -0-</u>	<u>\$ -0-</u>					
<u>\$ -0-</u>	<u>\$ -0-</u>					
<u>\$ -0-</u>	<u>\$ -0-</u>					
<u>N/A</u>	<u>N/A</u>					
<u>N/A</u>	<u>N/A</u>					

See accompanying independent auditor's report.

**WESTWOOD MANAGEMENT DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2023**

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 Appointed)	Fees of Office for the year ended December 31, 2023	Expense Reimbursements for the year ended December 31, 2023	<u>Title</u>
Maria Morales	06/21 06/25 (Appointed)	\$ 1,800	\$ -0-	President
Javier Martinez	06/21 06/25 (Appointed)	\$ 1,800	\$ -0-	Vice President
Scott Short	06/23 06/27 (Appointed)	\$ 1,800	\$ -0-	Secretary
Rudy Graham	04/23 06/25 (Appointed)	\$ 1,350	\$ -0-	Director
E.L. Ted O' Rourke	06/23 06/27 (Appointed)	\$ 1,650	\$ -0-	Director
Norma Ramos	06/23 06/27 (Appointed)	\$ 1,500	\$ -0-	Director

Submission date of most recent District Registration Form: February 28, 2024

See accompanying independent auditor's report.

**WESTWOOD MANAGEMENT DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2023**

<u>Consultants:</u>	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2023</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	05/16/18	\$ 9,177	General Counsel
McCall Gibson Swedlund Barfoot PLLC	10/06/15	\$ 15,250	Auditor
ETI Bookkeeping Services	07/15/20	\$ 15,581	Bookkeeper
Hawes Hill & Associates, LLP	04/16/14	\$ 70,331	Administrative Services
J. Morales, Inc.	08/19/15	\$ 513,086	Engineer
The GMS Group, LLC	01/30/2019	\$ 700	Financial Advisor
Galveston County	07/23/14	\$ 173	Tax Assessor/ Collector

See accompanying independent auditor's report.

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

(To be included in the Final Official Statement, if applicable)