

IN THE OPINION OF BOND COUNSEL (AS DEFINED HEREIN), BASED UPON AN ANALYSIS OF EXISTING LAWS, REGULATIONS, RULINGS AND COURT DECISIONS, AND ASSUMING, AMONG OTHER MATTERS, THE ACCURACY OF CERTAIN REPRESENTATIONS AND COMPLIANCE WITH CERTAIN COVENANTS, INTEREST ON THE BONDS (AS DEFINED HEREIN) IS EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986. IN THE FURTHER OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS NOT A SPECIFIC PREFERENCE ITEM FOR PURPOSES OF FEDERAL INDIVIDUAL ALTERNATIVE MINIMUM TAX. BOND COUNSEL OBSERVES THAT, FOR TAX YEARS BEGINNING AFTER DECEMBER 31, 2022, INTEREST ON THE BONDS INCLUDED IN ADJUSTED FINANCIAL STATEMENT INCOME OF CERTAIN CORPORATIONS IS NOT EXCLUDED FROM THE FEDERAL CORPORATE ALTERNATIVE MINIMUM TAX. BOND COUNSEL EXPRESSES NO OPINION REGARDING ANY OTHER TAX CONSEQUENCES RELATED TO THE OWNERSHIP OR DISPOSITION OF, OR THE AMOUNT, ACCRUAL OR RECEIPT OF INTEREST ON, THE BONDS. SEE "TAX MATTERS" HEREIN.

The District has designated the Bonds as "qualified tax-exempt obligations" for purposes of the calculation of interest expense by financial institutions which may own the Bonds. See "TAX MATTERS -- Qualified Tax-Exempt Obligations for Financial Institutions."

**NEW ISSUE
BOOK-ENTRY-ONLY
CUSIP Base No. 961820**

**RATINGS: (S&P-AG) "AA" (stable outlook)
(See "BOND INSURANCE" herein)
(Underlying Rating: Not Rated)**

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT

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

\$3,655,000

UNLIMITED TAX BONDS, SERIES 2025

Bonds Dated: December 1, 2025

Due: May 1, as shown on inside cover

The \$3,655,000 Unlimited Tax Bonds, Series 2025 (the "Bonds") are obligations solely of Westwood Shores Municipal Utility District (the "District") and are not obligations of the State of Texas; Trinity County, Texas; the City of Trinity, Texas; or any other political subdivision or agency. See "THE BONDS--Source of and Security for Payment."

Interest on the Bonds will accrue from December 1, 2025, will be payable May 1, 2026 and each November 1 and May 1 thereafter (each an "Interest Payment Date"), and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are issuable only in fully registered form in principal denominations of \$5,000 or integral multiples thereof initially registered solely in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds, until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, the Bonds shall be payable to Cede & Co., which will in turn, remit such amount to DTC participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS--Book-Entry-Only System."

Principal of, interest on and the redemption price for the Bonds are payable by UMB Bank, N.A., Houston, Texas or any successor paying agent/registrar (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check mailed on or before the Interest Payment Date to registered owners (the "Registered Owners") shown on the records of the Paying Agent/Registrar on the fifteenth (15th) day of the month preceding each Interest Payment Date or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owner at the risk and expense of the Registered Owner. See "THE BONDS--Description."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY INC.



SEE INSIDE COVER PAGE FOR MATURITY SCHEDULE

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an 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 subject to special risk factors described herein. See "RISK FACTORS." **Neither the State of Texas, Trinity County, Texas, the City of Trinity, Texas, nor any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds.**

The Bonds will be delivered when, as, and if issued by the District and accepted by the initial purchaser of the Bonds (the "Underwriter"), subject, amongst other things, to the approval of the Bonds by the Attorney General of the State of Texas and by the approval of certain legal matters by Mitchell, Zientek & Scruggs, LLP, The Woodlands, Texas, Bond Counsel and Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected on December 30, 2025.

MATURITY SCHEDULE

Bonds Dated: December 1, 2025

Due: May 1, as shown below

<u><i>Maturity</i></u>	<u><i>Amount</i></u>	<u><i>Interest Rate</i></u>	<u><i>Initial Yield(a)</i></u>	<u><i>CUSIP (b)</i></u>	<u><i>Maturity</i></u>	<u><i>Amount</i></u>	<u><i>Interest Rate</i></u>	<u><i>Initial Yield(a)</i></u>	<u><i>CUSIP (b)</i></u>
2031	\$85,000	8.000%	3.200%	961820KR7	2040(c)	\$150,000	4.250%	4.300%	961820LA3
2032(c)	90,000	8.000%	3.250%	961820KS5	2041(c)	330,000	4.375%	4.400%	961820LB1
2033(c)	100,000	8.000%	3.300%	961820KT3	2042(c)	345,000	4.500%	4.500%	961820LC9
2034(c)	105,000	7.375%	3.350%	961820KU0	2043(c)	360,000	4.500%	4.550%	961820LD7
2035(c)	110,000	4.000%	3.700%	961820KV8	2044(c)	380,000	4.500%	4.600%	961820LE5
2036(c)	110,000	4.000%	3.800%	961820KW6	2045(c)	440,000	4.625%	4.630%	961820LF2
2037(c)	120,000	4.000%	3.900%	961820KX4	2046(c)	465,000	4.625%	4.660%	961820LG0
2038(c)	125,000	4.000%	4.000%	961820KY2	2047(c)	205,000	4.625%	4.680%	961820LH8
2039(c)	135,000	4.125%	4.150%	961820KZ9					

(a) Initial yield represents the initial reoffering yield to the public which has been established by the Underwriter for public offerings and which subsequently may be changed. The initial yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest from December 1, 2025 is to be added to the price.

(b) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

(c) Bonds maturing on or after May 1, 2032, are subject to redemption prior to maturity at the option of the District, as a whole or, from time to time, in part, on November 1, 2031, or on any date thereafter, at par plus accrued interest from the most recent Interest Payment Date to the date fixed for redemption. See “THE BONDS—Optional Redemption.”

Assured Guaranty Inc. (“AG”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under the heading “BOND INSURANCE” and “APPENDIX B—Specimen Municipal Bond Insurance Policy.”

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT	3
SALE AND DISTRIBUTION OF THE BONDS	3
Prices and Marketability	3
Securities Laws	4
Underwriter	4
Municipal Bond Rating	4
SUMMARY	5
The District	5
The Bonds	5
Financial Highlights	7
THE BONDS	8
Description	8
Use of Proceeds	9
Book-Entry-Only System	10
Registration, Transfer and Exchange	11
Optional Redemption	12
Ownership	12
Source of and Security for Payment	12
Replacement of Paying Agent/Registrar	13
Authority for Issuance	13
Outstanding Debt	13
Issuance of Additional Debt	13
Defeasance	14
Mutilated, Lost, Stolen or Destroyed Bonds	14
Annexation and Consolidation	14
Amendments to the Bond Order	14
Registered Owners' Remedies and Effects of Bankruptcy	15
Bankruptcy Limitation to Registered Owners' Rights	15
Legal Investment and Eligibility to Secure Public Funds in Texas	16
BOND INSURANCE	16
Bond Insurance Policy	16
Assured Guaranty Inc.	16
THE DISTRICT	19
Authority	19
Description	19
Management of the District	19
Development	20
DISTRICT DEBT	21
Debt Statement	21
Estimated Overlapping Debt	22
Historical Operations of the Debt Service Fund	23
Debt Service Schedule	24
TAX PROCEDURES	25
Authority To Levy Taxes	25
Property Subject to Taxation by the District	25
Valuation of Property for Taxation	26
District and Taxpayer Remedies	27
Assessment and Levy	27
Collection	28
Rollback of Operation and Maintenance Tax Rate	28
District's Rights in the Event of Tax Delinquencies	29
Tax Exemption for Property Damaged by Disaster	30

Tax Payment Installments after Disaster	30
The Effect of FIRREA on Tax Collections of the District	30
TAX DATA	31
General	31
Tax Collection History	31
Estimated Overlapping Taxes	32
Tax Rate Calculations	32
Analysis of Tax Base	33
Principal Taxpayers	34
THE SYSTEM	34
Regulation.	34
Description of the System.	34
Rate Order.	35
Historical Operations of the General Operating Fund.	36
RISK FACTORS.	37
General	37
Factors Affecting Taxable Values and Tax Payments.	37
Extreme Weather Events	38
Specific Flood Type Risks	39
Dependence on the Oil and Gas Industry	39
Potential Effects of Oil Price Volatility on the Houston Area.	39
Production of Net Revenues	39
Overlapping Tax Rates	39
Tax Collection Limitations	39
Registered Owners' Remedies.	40
Bankruptcy Limitation to Registered Owners' Rights.	40
Environmental Regulations.	40
Changes in Tax Legislation.	42
2025 Legislative Session.	42
Continuing Compliance with Certain Covenants	43
Marketability.	43
Financing Parks and Recreational Facilities	43
Tax Payment Installments after Disaster.	43
Increase in Costs of Building Materials and Labor Shortages	44
Cybersecurity	44
Approval of the Bonds	44
LEGAL MATTERS	44
Legal Review	45
No-Litigation Certificate.	45
No Material Adverse Change	45
Legal Opinions	45
TAX MATTERS.	45
Qualified Tax-Exempt Obligations for Financial Institutions	47
CONTINUING DISCLOSURE OF INFORMATION	47
Annual Reports	47
Event Notices	48
Availability of Information From EMMA.	48
Limitations and Amendments	49
Compliance with Prior Undertakings	49
PREPARATION OF OFFICIAL STATEMENT	49
General	49
Consultants	49
Updating the Official Statement	50
Certification of Official Statement	50
APPENDIX A–Financial Statements of the District	
APPENDIX B–Specimen Municipal Bond Insurance Policy	

USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the District or the Underwriter 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 or the Underwriter.

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 qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, orders, 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 the District, c/o Mitchell, Zientek & Scruggs, LLP, 24624 Interstate 45 N, Suite 200, The Woodlands, Texas 77386 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 condition of the District or other matters described herein since the date hereof. 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 and thereafter only as specified in "PREPARATION OF OFFICIAL STATEMENT-- Updating the Official Statement" and "CONTINUING DISCLOSURE OF INFORMATION."

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this offering document for any purpose.

SALE AND DISTRIBUTION OF THE BONDS

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 prior to delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has 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 Underwriter or control regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the sole 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 WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of special district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional governmental entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission (the "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. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold 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 or qualification provisions in such other jurisdictions.

Underwriter

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets (the "Underwriter") bearing the interest rates shown on the inside cover page hereof, at a price of 97.004497% of the par value thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 4.811296% as calculated pursuant to Chapter 1204, Texas Government Code, as amended (the "IBA" method).

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 inside cover page hereof. The initial offering price may be changed from time to time by the Underwriter within the guidelines prescribed by applicable laws and regulations of the SEC.

Municipal Bond Rating

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned its municipal bond rating of "AA" (stable outlook) to the Bonds as a result of a municipal bond insurance policy issued by Assured Guaranty Inc. at the time of delivery of the Bonds (see "BOND INSURANCE" and "APPENDIX B—Specimen Municipal Bond Insurance Policy"). An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the views of S&P and the District makes no representation as to the appropriateness of such rating.

Other than the rating assigned as a result of a municipal bond insurance policy issued by Assured Guaranty Inc., the District has made no application for a municipal bond rating of the Bonds, nor is it expected that the District would have been successful in receiving an investment grade rating had such application been made.

The District can make no assurance that the S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P, if in the sole judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

SUMMARY

The following information is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement, reference to which is made for all purposes. This summary should not be detached and should be used in conjunction with more complete information contained herein.

- The District -

Description	Westwood Shores Municipal Utility District (the “District”), a political subdivision of the State of Texas created by order of the Texas Water Commission, predecessor to the Texas Commission on Environmental Quality (“TCEQ”), by Order dated May 23, 1972, is located entirely in Trinity County, Texas, approximately 2 miles east of the City of Trinity, Texas, 22 miles northeast of the City of Huntsville, Texas, and 94 miles northeast of the City of Houston, Texas. Created with 672.44 acres of land, the District annexed the adjacent Westwood Shores Municipal Utility District No. 2 on July 23, 1976, resulting in 1,236.23 acres of land currently within the District.
Development	Land within the District has been developed as the residential subdivisions of Westwood Shores, with 1,057.288 acres comprised of 3,835 lots; 57.944 acres of Marina Village, an RV Park; and 121.00 acres of streets, easements, parks, recreation centers and open space. As of September 1, 2025, there were 809 active residential customers and 3,026 vacant lots.
Authority	The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. See "THE DISTRICT-Authority."

- The Bonds -

Description	The \$3,655,000 Unlimited Tax Bonds, Series 2025 (the “Bonds”) bear interest at the rates per annum set forth on the inside cover page hereof, from December 1, 2025, and are payable May 1, 2026, and each November 1 and May 1 thereafter until the earlier of maturity or prior redemption (each, an “Interest Payment Date”). The Bonds mature serially on May 1 in the years 2031 through 2047, both inclusive, in the principal amounts set forth on the inside cover page hereof. Bonds scheduled to mature on or after May 1, 2032, are subject to optional redemption at the option of the District on any date on or after November 1, 2031, at a price of par plus accrued interest to the date of redemption. See "THE BONDS--Description" and "--Optional Redemption."
Source of and Security for Payment	Principal of and interest on the Bonds are payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property within the District. The Bonds are obligations of the District and are not obligations of Trinity County, Texas, the State of Texas, the City of Trinity, Texas, or any political subdivision other than the District. See "THE BONDS — Source of and Security for Payment."
Use of Proceeds	Proceeds of the Bonds will be used to provide for improvements to the water plants, water distribution system, the sanitary sewer collection system, reimbursement to the general fund for prior emergency construction, land acquisition, contingencies and engineering, one year's capitalized interest and costs of issuance of the Bonds. See "THE BONDS — Use of Proceeds."
Tax-Exemption	In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the bonds is excluded from gross income for federal income tax purposes under Section 103 of the internal revenue code of 1986. In the further opinion of bond counsel, interest on the bonds is not a specific preference item for purposes of federal individual alternative minimum tax. Bond counsel observes that, for tax years beginning after December 31, 2022, interest on the bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the bonds. See “TAX MATTERS” herein.

Outstanding Bonds	<p>In addition to bonds issued by the District that have been retired or refunded, the District has previously issued \$1,825,000 Unlimited Tax Bonds, Series 2010B (the “Series 2010B Bonds”); \$1,635,000 Unlimited Tax Refunding Bonds, Series 2017 (the “Series 2017 Refunding Bonds”); \$1,560,000 Unlimited Tax Bonds, Series 2020A (the “Series 2020A Bonds”); \$1,400,000 Unlimited Tax Bonds, Series 2020B Bonds (the “Series 2020B Bonds”)’ and \$775,00 Unlimited Tax Bonds, Series 2024 (the “Series 2024 Bonds”).</p> <p>As of October 1, 2025, \$675,000 of the Series 2010B Bonds; \$740,000 of the Series 2017 Refunding Bonds; \$1,195,000 of the Series 2020A Bonds; \$1,075,000 of the Series 2020B Bonds; and \$740,000 of the Series 2024 Bonds remain outstanding (collectively, the “Outstanding Bonds”).</p>
Qualified Tax-Exempt Obligations	<p>The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, and represents that the total amount of tax-exempt bonds (including the Bonds) issued by it during the calendar year 2025 is not reasonably expected to exceed \$10,000,000. See "TAX MATTERS--Qualified Tax-Exempt Obligations for Financial Institutions."</p>
Payment Record	<p>The District has never defaulted on the payment of any bond obligation. See “DISTRICT DEBT.”</p>
Book-Entry-Only System	<p>The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal 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 (as defined herein) to Cede & Co. and Cede & Co. will make distribution of the amounts so paid to the beneficial owners of the Bonds (see “THE BONDS--Book-Entry-Only System”).</p>
Bond Counsel	<p>Mitchell, Zientek & Scruggs, LLP, The Woodlands, Texas, Bond Counsel. See “LEGAL MATTERS.”</p>
Disclosure Counsel	<p>Orrick, Herrington & Sutcliffe LLP, Houston, Texas.</p>
Financial Advisor	<p>Blitch Associates, Inc., Houston, Texas.</p>
Municipal Bond Rating and Municipal Bond Insurance	<p>S&P has assigned a municipal rating of “AA” (stable outlook) as a result of a municipal bond insurance policy issued by Assured Guaranty Inc. See “SALE AND DISTRIBUTION OF THE BONDS–Municipal Bond Rating,” “BOND INSURANCE” and “APPENDIX B–Specimen Municipal Bond Insurance Policy.”</p> <p>The District has made no application for a municipal bond rating of the Bonds, nor is it expected that the District would have been successful in receiving an investment grade rating had such application been made.</p>

RISK FACTORS

THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THE ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, INCLUDING PARTICULARLY THE SECTION CAPTIONED “RISK FACTORS.”

**- Financial Highlights -
(Unaudited)**

2025 Taxable Assessed Valuation (100% of Market Value)	\$182,320,552	(a)
Direct Debt		
Outstanding Bonds (As of October 1, 2025)	\$4,425,000	
The Bonds	<u>3,655,000</u>	
Total Direct Debt	8,080,000	
Estimated Overlapping Debt	<u>4,341,219</u>	(b)
Total Direct and Estimated Overlapping Debt	<u>\$12,421,219</u>	
Direct Debt Ratios:		
Direct Debt to Value	4.43%	
Direct & Estimated Overlapping Debt to Value	6.81%	
2025 Tax Rate per \$100 of Assessed Value		
Debt Service	\$0.3850	
Maintenance	<u>0.2951</u>	
Total	<u>\$0.6801</u>	
	<u>Current</u>	<u>Total</u>
2024 Tax Collection Percentage	89.51%	94.78%
Five-Year Average (2020/2024) Collection Percentage	90.69%	94.57%
Combined Average Annual Debt Service Requirements (2026/47)	\$511,889	(c)
Combined Maximum Annual Debt Service Requirements (2030)	\$697,806	(c)
Tax Rate Required to pay such Requirements at 98% Collection		
Average (2026/2047)	\$0.296	
Maximum (2030)	\$0.403	
Fund Balances as of September 15, 2025 (Cash & Investments)		
General Fund	\$958,271	
Debt Service Fund	\$238,919	(d)
Capital Projects Fund	\$3,170,280	(e)

(a) Represents the taxable assessed valuation in the District as of January 1, 2025, as certified by the Trinity Central Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."

(b) See "DISTRICT DEBT--Estimated Overlapping Debt."

(c) Such requirements are on the Bonds and the Outstanding Bonds.

(d) At closing, the District will deposit from Bond proceeds, one year's interest on the Bonds.

(e) At closing, the District will deposit funds into the Capital Projects Fund. See "THE BONDS--Use of Proceeds."

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
\$3,655,000
UNLIMITED TAX BONDS, SERIES 2025

This Official Statement of Westwood Shores Municipal Utility District (the "District") is provided to furnish certain information with respect to the sale by the District of its \$3,655,000 Unlimited Tax Bonds, Series 2025 (the "Bonds") to the winning bidder for the Bonds (the "Underwriter"). The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas, an order of the Texas Commission on Environmental Quality ("TCEQ"), and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"), Article XVI, Section 59 of the Texas Constitution and Chapter 54, Texas Water Code, as amended and various elections held within the District. See "THE BONDS."

This Official Statement includes descriptions of the Bonds, the Bond Order and certain other information about 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 which may be obtained by contacting the District, c/o Mitchell , Zientek & Scruggs, LLP, located at 24624 Interstate 45 N, Suite 200, The Woodlands, Texas 77386.

THE BONDS

Description

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order. A copy of the Bond Order may be obtained upon request to the District and payment of the applicable copying charges.

The Bonds will mature on May 1 of the years and in principal amounts, and will bear interest from December 1, 2025, at the rates per annum, set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable on May 1, 2026, and semiannually thereafter on each November 1 and May 1 thereafter until the earlier of maturity or redemption (each an "Interest Payment Date"). Principal of and interest on the Bonds will be payable to Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"), by the paying agent/registrar, initially UMB Bank, N.A., Houston, Texas (the "Paying Agent/Registrar"). Cede & Co. will make distribution of the principal and interest so paid to the beneficial owners of the Bonds. For so long as DTC shall continue to serve as securities depository for the Bonds, all transfers of beneficial ownership interest will be made by book-entry only and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of the Bonds is to receive, hold or deliver any Bond certificate.

If at any time, DTC ceases to hold the Bonds as securities depository, then principal of the Bonds will be payable to the registered owner at maturity or redemption upon presentation and surrender at the principal payment office of the Paying Agent/Registrar. Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to the Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the "Record Date"). The Bonds of each maturity will be issued in fully-registered form only in the principal amount of \$5,000 or any integral multiple thereof.

If the specified date for any payment of principal (or redemption price) or interest on the Bonds shall be a Saturday, Sunday or legal holiday or equivalent (other than a moratorium) for banking institutions generally in the City of Houston, Texas metropolitan area, such payment may be made on the next succeeding date which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payments.

Use of Proceeds

Proceeds of the Bonds will be used to provide for improvements to the water plants, water distribution system, the sanitary sewer collection system, reimbursement to the general fund for prior emergency construction, land acquisition, contingencies and engineering, one year's capitalized interest and costs of issuance of the Bonds.

The costs outlined below have been provided by Civil Grade Engineers, the District's consulting engineer (the "Engineer"), and reflect those costs approved by the Texas Commission on Environmental Quality ("TCEQ").

Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor. *Amounts indicated below may not add due to rounding.*

Construction Costs

Water Plant No. 1 Improvements	\$855,000
Water Distribution System Improvements	137,000
Sanitary Sewer Collection System Improvements	740,852
Contingencies	519,855
Engineering	356,552
Emergency Construction Reimbursement	480,000
Land Acquisition Expenses	<u>10,000</u>
Total Construction Costs	\$3,099,259

Non-Construction Costs

Legal Fees	\$91,375
Financial Advisor	59,050
Capitalized Interest (One year)	174,888
Contingencies	20,138
Bond Discount (3.00%)	109,650
Bond Issuance Expenses	41,848
Bond Application Report Costs	40,000
Attorney General (0.10%)	3,655
TCEQ Bond Issuance Fee (0.25%)	<u>9,138</u>
Total Non-Construction Costs	<u>\$555,741</u>

The Bonds

\$3,655,000

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. The Engineer has advised the District that the proceeds of the sale of the Bonds should be sufficient to pay the costs of the above-described facilities; however, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

Book-Entry-Only System

This section describes how ownership of the Bonds are to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC, while the Bonds 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 believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, 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 Bonds), 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 Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds 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 the Bonds, in the aggregate principal amount of such issue, 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 certificates. 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 a 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 companies 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 Bonds under the DTC system must be made by or through DTC Participants, which will receive a credit for such purchases on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct or 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 interest in the Bonds 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 certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not

effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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.

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Bonds 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 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 nor its nominee, the Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent/Registrar, disbursement of such payments to Direct Participants shall 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 securities depository with respect to the Bonds at any time by giving reasonable notice to the District or Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

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

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to Registered Owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to Registered Owners under the Bond Order will be given only to DTC. Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District, the Financial Advisor, nor the Underwriter.

Registration, Transfer and Exchange

In the event the Book-Entry-Only System is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the corporate trust office of the Paying Agent/Registrar in Houston, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be

transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner.

The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of \$5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Optional Redemption

The District reserves the right, at its option, to redeem the Bonds maturing on or after May 1, 2032, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof on November 1, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the Paying Agent/Registrar shall select by lot those Bonds to be redeemed.

At least thirty (30) days prior to the date fixed for any such redemption a written notice of such redemption shall be given to the Registered Owner of each Bond or a portion thereof being called for redemption by depositing such notice in the United States mail, first class, postage prepaid, addressed to each such Registered Owner at his address shown on the registration books of the Paying Agent/Registrar; provided, however, that the failure to receive such notice shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or the portions thereof which are to be so redeemed, plus accrued interest to the date fixed for redemption. If a portion of any Bond shall be redeemed, a substitute Bond having the same maturity date, bearing interest at the same rate, in any integral multiple of \$5,000, and in aggregate principal amount equal to the unredeemed position thereof, will be issued to the Registered Owner upon the surrender of the Bonds being redeemed, at the expense of the District, all as provided for in the Bond Order.

Ownership

The District, the Paying Agent/Registrar and any agent of either may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of receiving payment of the principal and the interest thereon, and for all other purposes, whether or not such Bond is overdue. Neither the District, the Paying Agent/Registrar nor any agent of either shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the owner of any Bond in accordance with the Bond Order shall be valid and effective and shall discharge the liability of the District and the Paying Agent/Registrar for such Bond to the extent of the sums paid.

Source of and Security for Payment

The Bonds (together with any additional unlimited tax or combination unlimited tax bonds as may hereafter be issued) are payable as to principal and interest from the proceeds of a continuing, direct, annual ad valorem tax without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Order, the District covenants to levy annually a tax sufficient in amount to pay principal of and interest on the Bonds, full allowance being made for delinquencies and costs of collection. Collected taxes will be placed in the District's Debt Service Fund

and used solely to pay principal and interest on the Bonds, the Outstanding Bonds and on any additional bonds payable from taxes which may be issued. See “Issuance of Additional Debt” below.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Order for the replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall act in the same capacity as the previous Paying Agent/Registrar. In order to act as Paying Agent/Registrar for the Bonds, any paying agent/registrar selected by the District shall be a national or state banking institution, organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority.

Authority for Issuance

\$9,870,000 in waterworks and sewer system combination unlimited tax and revenue bonds were authorized at elections held within the District on July 20, 1972 and August 14, 1976 and \$12,000,000 of unlimited tax bonds were authorized in elections held within the District on May 9, 2009 and May 4, 2024 (collectively, the “Bond Elections”), for the purpose of providing, owning, operating and maintaining improvements and facilities consistent for which the District was created. All bonds authorized in the 1972, 1976 and 2009 elections have been issued. The Bonds constitute the second issuance of the \$7,000,000 unlimited tax bonds authorized in the May 4, 2024 election, with \$2,570,000 in principal amount remaining authorized but unissued after issuance of the Bonds. See “Issuance of Additional Debt.”

The Bonds are issued pursuant to the Bond Order, an order of the TCEQ, Chapters 54, Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution.

Outstanding Debt

In addition to bonds issued by the District that have been retired or refunded, the District has previously issued \$1,825,000 Unlimited Tax Bonds, Series 2010B (the “Series 2010B Bonds”); \$1,635,000 Unlimited Tax Refunding Bonds, Series 2017 (the “Series 2017 Refunding Bonds”); \$1,560,000 Unlimited Tax Bonds, Series 2020A (the “Series 2020A Bonds”); \$1,400,000 Unlimited Tax Bonds, Series 2020B (the “Series 2020B Bonds”); and \$775,000 Unlimited Tax Bonds, Series 2024 (the “Series 2024 Bonds”).

As of October 1, 2025, \$675,000 of the Series 2010B Bonds; \$740,000 of the Series 2017 Refunding Bonds; \$1,195,000 of the Series 2020A Bonds; \$1,075,000 of the Series 2020B Bonds; and \$740,000 of the Series 2024 Bonds remain outstanding (collectively, the “Outstanding Bonds”). The District has timely made payments due on the Outstanding Bonds.

Issuance of Additional Debt

The District may issue additional bonds to provide those improvements for which the District was created. \$2,570,000 unlimited tax bonds authorized by the District’s voters will remain unissued after issuance of the Bonds. The District has no plans to sell additional bonds within the next twelve months.

According to the Engineer (herein defined), the remaining authorized but unissued bonds will be sufficient to extend the waterworks system (the “System”) to the remaining undeveloped acres within the District. Depending upon the rate of development and increases in assessed valuation of taxable property within the District and the amount, maturity schedule and time of issuance of such additional bonds, increases in the District’s annual tax rate may be required to provide for the payment of the principal of and interest on such additional bonds, including the Bonds. Additional tax bonds and/or tax and revenue bonds may be voted on in the future. The Board is further empowered to borrow money for any lawful purpose and pledge the revenues of the System therefor and to issue bond anticipation notes and tax anticipation notes.

The Bond Order imposes no limitation on the amount of additional bonds which may be issued by the District. Any additional bonds issued by the District may be on a parity with the Bonds, and may dilute the security of the Bonds.

Defeasance

The Bond Order provides that the obligation of the District to make money available to pay the principal of and interest on the Bonds may be terminated by the deposit of money and/or non-callable direct or indirect obligations of the United States of America, sufficient for such purpose, in the manner described in the Bond Order.

Mutilated, Lost, Stolen or Destroyed Bonds

The District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Annexation and Consolidation

The District is located entirely within the extraterritorial jurisdiction of the City of Trinity, Texas (the "City"). Under prior Texas law, a municipality could annex and dissolve a utility district located within its extraterritorial jurisdiction without consent of the district or its residents. Under House Bill 347 approved in 2019 during the 86th Regular Legislative Session ("HB 347"), (a) a municipality may annex a district with a population of less than 200 residents only if: (i) the municipality obtains consent to annex the district through a petition signed by more than 50% of the registered voters of the district, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation; and (b) a municipality may annex a district with a population of 200 residents or more only if: (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation. Notwithstanding the foregoing, a municipality may annex an area if each owner of land in the area requests annexation. As of the date hereof, the District had an estimated population in excess of 200, thus triggering the voter approval and/or landowner consent requirements discussed in clause (b) above. The described election and petition process does not apply, however, during the term of a strategic partnership agreement between a municipality and a district specifying the procedures for annexation of all or a portion of the District.

The District has the right to consolidate with other districts and, in connection therewith, to provide for the consolidation of its System with the water and sewer systems of the district or districts with which it is consolidating. Should any such consolidation occur, the net revenues from the operation of the consolidated system would be applied to the payment of principal, interest, redemption price and bank charges on the combination unlimited tax and revenue bonds of the District, if any, and of the district or districts with which the District is consolidated without prejudice to any series of bonds, except that bonds with subordinate liens on net revenues shall continue to be subordinate. No representations are made that the District will ever consolidate its System with other systems.

Amendments to the Bond Order

The District may, without the consent of or notice to any Registered Owners, amend the Bond Order in any manner not detrimental to the interests of the Registered Owners, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the written consent of the Registered Owners of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to or rescind any of the provisions of the Bond Order; provided that, without the consent of the Registered Owners of all of the Bonds affected, no such amendment, addition or rescission may (a) extend the time or times of payment of the principal of and interest (or accrual of interest) on the Bonds, or reduce the principal amount thereof or the rate of interest thereon or in any other

way modify the terms of payment of the principal of or interest on the Bonds, (b) give preference of any Bond over any other Bond, or (c) extend any waiver of default to subsequent defaults. In addition, a state, consistent with federal law, may in the exercise of its police power make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

Registered Owners' Remedies and Effects of Bankruptcy

The Bond Order provides that, in the event the District defaults in the observance or performance of any covenant in the Bond Order, including payment when due of the principal of and interest on the Bonds, any Registered Owner may apply for a writ of mandamus from a court of competent jurisdiction requiring the Board or other officers of the District to observe or perform any covenants, obligations or conditions prescribed by the Bond Order. Such right is in addition to other rights of the Registered Owners of the Bonds that may be provided by the laws of the State of Texas.

The Bond Order does not provide additional remedies to a Registered Owner. Specifically, the Bond Order does not provide for appointment of a trustee to protect and enforce the interests of the Registered Owners or for the acceleration of maturity of the Bonds upon the occurrence of a default in the District's obligations. Consequently, the remedy of mandamus may have to be relied upon from year to year by the Registered Owners.

Under Texas law, no judgment obtained against the District may be enforced by execution or a levy against the District's public purpose property. The Registered Owners cannot themselves foreclose on taxable property within the District or sell property within the District in order to pay principal of and interest on the Bonds. In addition, the enforceability of the rights and remedies of the Registered Owners may be subject to limitation pursuant to federal bankruptcy laws or other similar laws affecting the rights of creditors of political subdivisions.

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. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946, if the District: (1) is generally authorized to file for federal bankruptcy protection by State law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debt; and (4) 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, a water control and improvement district such as the District must obtain approval of the TCEQ prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that 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.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts, and the Bankruptcy Court would confirm the District's plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interests of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner 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 such Registered Owner's claim against the District.

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is quoted from Section 49.186, 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 districts, 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 districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured 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.

No representation is made that the Bonds will be suitable for or acceptable to financial or public entities for investment or collateral purposes. No representation is made concerning other laws, rules, regulations, or investment criteria which apply to or which might be utilized by any of such persons or entities to limit the acceptability or suitability of the Bonds for any of the foregoing purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

Most political subdivisions in the State of Texas are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose a requirement consistent with such act that the Bonds have a rating of not less than "A" or its equivalent to be legal investments for such entity's funds. The District makes no representation that the Bonds will be acceptable to banks, savings and loan associations or public entities for investment purposes or to secure deposits of public funds. The District has made no investigation of other laws, regulations or investment criteria which might apply to or otherwise limit the suitability of the Bonds for investment or collateral purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability of the Bonds for investment or collateral purposes.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Inc. ("AG") will issue its Municipal Bond Insurance Policy (the "Policy") for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as Appendix B to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, Maryland, California, Connecticut or Florida insurance law.

Assured Guaranty Inc.

AG is a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL" and together with its subsidiaries, "Assured Guaranty"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets and participates in the asset management business through ownership interests in Sound Point Capital

Management, LP and certain of its investment management affiliates. Only AG is obligated to pay claims under the insurance policies AG has issued, and not AGL or any of its shareholders or affiliates.

AG's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A1" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AG should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AG in its sole discretion. In addition, the rating agencies may at any time change AG's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AG. AG only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AG on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Merger of Assured Guaranty Municipal Corp. Into Assured Guaranty Inc.

On August 1, 2024, Assured Guaranty Municipal Corp., a New York domiciled financial guaranty insurance company and an affiliate of AG ("AGM"), merged with and into AG, with AG as the surviving company (such transaction, the "Merger"). Upon the Merger, all liabilities of AGM, including insurance policies issued or assumed by AGM, became obligations of AG.

Current Financial Strength Ratings

On August 4, 2025, KBRA announced that it had affirmed AG's insurance financial strength rating of "AA+" (stable outlook).

On June 30, 2025, S&P announced it had affirmed AG's financial strength rating of "AA" (stable outlook).

On July 10, 2024, Moody's, following Assured Guaranty's announcement of the Merger, announced that it had affirmed AG's insurance financial strength rating of "A1" (stable outlook).

AG can give no assurance as to any further ratings action that S&P, Moody's and/or KBRA may take. For more information regarding AG's financial strength ratings and the risks related thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2024.

Capitalization of AG

At September 30, 2025:

- * The policyholders' surplus of AG was approximately \$3,268 million.

- * The contingency reserve of AG was approximately \$1,481 million.

- * The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately \$2,431 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG and (ii) the net unearned premium reserves and net deferred ceding commissions of AG's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK"), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus, contingency reserve, and net unearned premium reserves and net deferred ceding commission income of AG were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AG are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2024 (filed by AGL with the SEC on February 28, 2025);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2025 (filed by AGL with the SEC on May 9, 2025);
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2025 (filed by AGL with the SEC on August 8, 2025); and
- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2025 (filed by AGL with the SEC on November 7, 2025).

All information relating to AG included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Inc.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AG included herein under the caption "BOND INSURANCE – Assured Guaranty Inc." or included in a document incorporated by reference herein (collectively, the "AG Information") shall be modified or superseded to the extent that any subsequently included AG Information (either directly or through incorporation by reference) modifies or supersedes such previously included AG Information. Any AG Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AG makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under the heading "BOND INSURANCE".

THE DISTRICT

Authority

The District was created pursuant to Article 16, Section 59 of the Texas Constitution by the Texas Water Commission, predecessor to the TCEQ, effective May 23, 1972. The District is vested with all of the rights, privileges, authority, and functions conferred by the general laws of the State applicable to municipal utility districts, including without limitation those conferred by Chapter 54, Texas Water Code, as amended. The District is empowered to purchase, construct, operate, acquire, own and maintain all water and wastewater facilities, improvements and the control and diversion of storm water. The District is additionally empowered to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and to issue bonds for such purposes, after approval by the City and the TCEQ and the District's voters of the District's plans in such regard. The District is subject to the continuing supervisory jurisdiction of the TCEQ.

Description

The District is located entirely in Trinity County, Texas, approximately 2 miles east of the City of Trinity, Texas, 22 miles northeast of the City of Huntsville, Texas, and 94 miles northeast of the City of Houston, Texas. Created with 672.44 acres of land, the District annexed the adjacent Westwood Shores Municipal Utility District No. 2 on July 23, 1976, resulting in 1,236.23 acres of land currently within the District.

Management of the District

The District is governed by the Board, consisting of five (5) directors, which has management control over and management supervision of all affairs of the District. All Board members own property within the District. Directors are elected to serve four-year staggered terms, with elections held on the first Saturday in November in an even numbered year. The current members and officers of the Board are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires November</u>
Joan Gallagher	President	2026
Robert Stoddard	Vice President	2026
Bryan Holmes	Secretary	2028
Sidney Craig	Assistant Secretary	2028
Donald Brunswick	Director	2028

In addition, the District contracts for the services indicated below:

Auditor - The District's audited financial statements for the year ended June 30, 2025 were prepared by McCall Gibson Swedlund Barfoot Ellis PLLC, Houston, Texas, Certified Public Accountants. See "APPENDIX A—Financial Statements of the District."

General and Bond Counsel - The District employs Mitchell, Zientek & Scruggs, LLP, The Woodlands, Texas, as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of Bonds actually issued and sold; and therefore, such fees are contingent on the sale and delivery of the Bonds. See "LEGAL MATTERS."

Disclosure Counsel - The District employs Orrick Herrington & Sutcliffe LLP, Houston, Texas, as Disclosure Counsel in connection with the issuance of the Bonds. The legal fees to be paid to Disclosure Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of Bonds actually issued and sold; and therefore, such fees are contingent on the sale and delivery of the Bonds.

Financial Advisor - The District's financial advisor is Blitch Associates, Inc., Houston, Texas.

Bookkeeper - The District's Bookkeeper is EEPB, Houston, Texas.

Engineer - The consulting engineer for the District is Civil Grade Engineers, Houston, Texas.

Operator - The District's System is operated by H2O Innovations, Spring, Texas.

Tax Assessor/Collector - The District's tax assessor/collector is Gary Gallant, Trinity/Groveton Consolidated Tax Office, Groveton, Texas.

Development

Land within the District has been developed as the residential subdivisions of Westwood Shores, with 1,057.288 acres comprised of 3,835 lots; 57.944 acres of Marina Village, an RV Park; and 121.00 acres of streets, easements, parks, recreation centers and open space. As of September 1, 2025, there were 809 active residential customers and 3,026 vacant lots.

(Remainder of page intentionally left blank)

DISTRICT DEBT

Debt Statement

2025 Taxable Assessed Valuation (100% of Market Value)	\$182,320,552	(a)
Direct Debt		
Outstanding Bonds (As of October 1, 2025)	\$4,425,000	
The Bonds	<u>3,655,000</u>	
Total Direct Debt	8,080,000	
Estimated Overlapping Debt	<u>4,341,219</u>	(b)
Total Direct and Estimated Overlapping Debt	<u><u>\$12,421,219</u></u>	
Direct Debt Ratios:		
Direct Debt to Value	4.43%	
Direct & Estimated Overlapping Debt to Value	6.81%	
Combined Average Annual Debt Service Requirements (2026/47)	\$511,889	(c)
Combined Maximum Annual Debt Service Requirements (2030)	\$697,806	(c)
Fund Balances as of September 25, 2025 (Cash & Investments)		
General Fund	\$958,271	
Debt Service Fund	\$238,919	(d)
Capital Projects Fund	\$3,170,280	(e)

-
- (a) Represents the taxable assessed valuation in the District as of January 1, 2025, as certified by the Appraisal District. See "TAX PROCEDURES, below."
- (b) See "Estimated Overlapping Debt," below.
- (c) Such requirements are on the Bonds and the Outstanding Bonds.
- (d) At closing, the District will deposit from Bond proceeds, one year's interest on the Bonds.
- (e) At closing, the District will deposit funds into the Capital Projects Fund. See "THE BONDS–Use of Proceeds."

Estimated Overlapping Debt

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. This information is based upon data secured from the individual jurisdiction and/or the Texas Municipal Reports. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance or for other purposes. See "TAX DATA--Estimated Overlapping Taxes."

<u><i>Jurisdiction</i></u>	<u><i>Debt As Of October 1, 2025</i></u>	<u><i>Overlapping Percent</i></u>	<u><i>Overlapping Amount</i></u>
Trinity County	None	12.225%	\$0
Trinity Hospital District	None	12.225%	0
Trinity Independent School District	\$13,410,000	32.373%	<u>4,341,219</u>
Estimated Overlapping Debt			\$4,341,219
The District (The Bonds)			<u>8,080,000</u>
Total Direct & Estimated Overlapping Debt			<u><u>\$12,421,219</u></u>

(Remainder of page intentionally left blank)

Historical Operations of the Debt Service Fund

The following statement sets forth in condensed form the historical operations of the District's Debt Service Fund. Such information has been prepared based upon information obtained from the District's audited financial statements. Reference is made to such statements for further and complete information. See "APPENDIX A--Financial Statements of the District."

	<i><u>Fiscal Year Ended June 30,</u></i>				
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenues					
Property Taxes	\$526,575	\$552,826	\$536,232	\$295,757	\$333,397
Other Revenue	<u>49,601</u>	<u>55,160</u>	<u>33,865</u>	<u>16,020</u>	<u>1,118</u>
Total Revenues	\$576,176	\$607,986	\$570,097	\$311,777	\$334,515
Expenditures					
Principal	\$430,000	\$390,000	\$385,000	\$365,000	\$365,000
Interest	79,511	81,780	88,941	94,709	106,992
Costs of Collection	<u>90,794</u>	<u>89,681</u>	<u>70,427</u>	<u>54,742</u>	<u>64,176</u>
Total Expenditures	<u>\$600,305</u>	<u>\$561,461</u>	<u>\$544,368</u>	<u>\$514,451</u>	<u>\$536,168</u>
Net Revenues (Expenditures)	(\$24,129)	\$46,525	\$25,729	(\$202,674)	(\$201,653)
Other Sources/Uses					
Transfer In/Out	<u>0</u>	<u>0</u>	<u>41,000</u>	<u>195,099</u>	<u>214,801</u>
Total Net Changes	(\$24,129)	\$46,525	\$66,729	(\$7,575)	\$13,148
Fund Balance - July 1	\$270,941	\$224,416	\$157,687	\$213,987	\$200,839
Prior Period Adjustment	<u>0</u>	<u>0</u>	<u>0</u>	<u>(48,725)</u>	<u>0</u>
Fund Balance - June 30	<u>\$246,812</u>	<u>\$270,941</u>	<u>\$224,416</u>	<u>\$157,687</u>	<u>\$213,987</u>
Cash/Investments - June 30	<u>\$222,149</u>	<u>\$256,676</u>	<u>\$73,442</u>	<u>\$6,713</u>	<u>\$211,429</u>

Debt Service Schedule

The following sets forth the debt service requirements on the Outstanding Bonds and the Bonds (Note: Totals may not add due to rounding):

<u>Year</u>	<u>Outstanding Debt Service</u>	<u>The Bonds Principal</u>	<u>The Bonds Interest</u>	<u>The Bonds Total D/S</u>	<u>Grand Total Debt Service</u>
2026	\$514,853		\$160,314	\$160,314	\$675,167
2027	516,353		174,888	174,888	691,241
2028	522,323		174,888	174,888	697,211
2029	517,855		174,888	174,888	692,743
2030	522,919		174,888	174,888	697,806
2031	221,744	\$85,000	171,488	256,488	478,232
2032	219,494	90,000	164,488	254,488	473,981
2033	217,079	100,000	156,888	256,888	473,967
2034	214,456	105,000	149,016	254,016	468,471
2035	216,718	110,000	142,944	252,944	469,662
2036	218,855	110,000	138,544	248,544	467,399
2037	215,923	120,000	133,944	253,944	469,867
2038	217,886	125,000	129,044	254,044	471,930
2039	214,729	135,000	123,759	258,759	473,488
2040	206,237	150,000	117,788	267,788	474,025
2041	38,851	330,000	107,381	437,381	476,233
2042	37,852	345,000	92,400	437,400	475,252
2043	41,766	360,000	76,538	436,538	478,304
2044	40,592	380,000	59,888	439,888	480,480
2045	0	440,000	41,163	481,163	481,163
2046	0	465,000	20,234	485,234	485,234
2047	<u>0</u>	<u>205,000</u>	<u>4,741</u>	<u>209,741</u>	<u>209,741</u>
	<u>\$4,916,454</u>	<u>\$3,655,000</u>	<u>\$2,690,107</u>	<u>\$6,345,107</u>	<u>\$11,261,561</u>

Combined Average Annual Debt Service (2026/2047)

\$ 511,889

Combined Maximum Annual Debt Service (2030)

\$ 697,806

TAX 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 sufficient amount to pay the principal of and interest on the District's Outstanding Bonds, the Bonds and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The Board is also authorized to levy and collect annual ad valorem taxes for the administration, operation and maintenance of the District and its properties and for the payment of certain contractual obligations other than bonds if such taxes are authorized by vote of the District's electors at an election. At an election held within the District on May 4, 2002, the voters in the District authorized the levy of a maintenance and operation tax of not to exceed \$1.25 per \$100 assessed valuation. For the 2025 tax year, a maintenance and operation tax of \$0.2951 per \$100 assessed value was levied within the District.

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; however, no effort is expected to be made to levy taxes against tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt real property include 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; non-profit cemeteries; certain household goods, family supplies and personal effects; and certain property owned by qualified charitable, religious, veterans, youth, fraternal, or educational organizations. Goods, wares, ores, and merchandise (other than oil, gas or petroleum products) that are acquired in or imported into the state and forwarded out of state within 175 days thereafter are also exempt. Property owned by a disabled veteran or by the spouse or certain children of a deceased disabled veteran or a veteran who died while on active duty is exempt to between \$5,000 and \$12,000 depending on the disability rating of the veteran. State law further mandates a complete exemption for the residential homestead of disabled veterans determined to be 100% disabled by the U.S. Department of Veterans Affairs. Subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled such exemption on the same property to which the disabled veteran's exemption applied, including, effective January 1, 2016, the surviving spouse of a disabled veteran who would have qualified for such an exemption if such an exemption 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 homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. 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, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferred 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.

If approved by the Board or through a process of petition and referendum by the District's voters, residence homesteads of certain persons who are disabled or at least 65 years old are exempt to the extent of \$3,000 or such higher amount, as the Board or the District's voters may approve. The District's tax assessor 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. The District currently grants a homestead exemption of \$4,000 to persons who are 65 years of age or older.

Residential Homestead Exemptions: The Board also may exempt up to 20% of the market value of residential homesteads from ad valorem taxation. Such exemption would be in addition to any other applicable exemptions provided by law. However, if ad valorem taxes have previously been pledged for the payment of debt and the granting of the homestead exemption would impair the obligation or the contract by which the debt was created, then the Board may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged. The Board currently grants no percentage homestead exemption.

Freeport Goods Exemption: Freeport goods are goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas and other petroleum products, which have been acquired or brought into the state for assembling, storing, manufacturing, repair, maintenance, processing or fabricating or used to repair or maintain aircraft of a certified air carrier and will be shipped out of the state within 175 days. As the result of a state constitutional amendment passed by Texas voters on November 7, 1989, good in transit (“freeport goods”) are exempted from taxation by the District effective January 1, 1990.

Goods-In-Transit Exemption: Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of “goods-in-transit.” “Goods-in-transit” is defined by a provision of the Property Tax Code, which is effective for tax year 2011 and prior applicable years, as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. For tax year 2012 and subsequent years, such Goods-In-Transit Exemption is limited to tangible personal property acquired in or imported into Texas for storage purposes and which 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. The Property Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. A taxpayer may receive only one of the Freeport exemptions or the goods-in-transit exemptions for items of personal property. The District has taken official action to not provide such exemptions.

Reinvestment Zone: Trinity County may designate all or part of the area within the District as a reinvestment zone, and the District, Trinity County and Trinity Independent School District may thereafter enter into tax abatement agreements with owners of real property within the zone. The tax abatement agreements may exempt from ad valorem taxation by the applicable taxing jurisdiction, for a period of up to 10 years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation 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 a comprehensive plan. None of the area within the District has been designated as a reinvestment zone to date.

Valuation of Property for Taxation

The Texas Property Tax Code (the "Property Tax Code") establishes an appraisal district (the “Appraisal District”) and an appraisal review board in each county of the State of Texas. The Appraisal District is governed by a board of directors which is elected by the governing bodies of cities, towns, the county, school districts and, if entitled to vote, the conservation and reclamation districts that participate in the Appraisal District, and of the county. The board of directors selects a chief appraiser to manage the appraisal office of the Appraisal District. The Appraisal Districts are responsible for appraising property within the District, subject to review by their respective Appraisal Review Boards (the "Appraisal Review Boards"). The appraisal roll approved by the Appraisal Review Boards must be used by the District in establishing its tax rolls and tax rate. The valuation and assessment of taxable property within the District is governed by the Property Tax Code.

During the 2nd Special Session, convened on June 27, 2023, the Texas Legislature passed Senate Bill 2 (“SB 2”), which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the “Subjected Property”) whose appraised values are not more than \$5,000,000 (the “Maximum Property Value”) to an amount not to exceed the lesser of: (1) the market

value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2024 tax year, through December 31, 2026, the Appraisal Cap may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in consumer price index, as applicable, to the Maximum Property Value. SB 2 was signed into law by the Governor of Texas (the "Governor") on July 22, 2023. The provisions described hereinabove took effect January 1, 2024, after the constitutional amendment proposed by H.J.R. 2, 88th Legislature, 2nd Called Session, 2023, was approved by voters at an election held on November 7, 2023.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a timely petition for review in district court. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Assessment and Levy

Generally, all taxable property in the District (other than any qualifying agricultural or timber land) must be appraised at 100% of market value as of January 1 of each tax year, subject to review and approval by the Appraisal Review Board. However, houses held for sale by a developer or builder which remain unoccupied, are not leased or rented, and produce no income are required to be assessed at the price for which they would sell as a unit to a purchaser who would continue the owner's business. Valuation of houses at inventory level in future years could reduce the assessed value of developer and builder house inventory within the District. Certain land may be appraised at less than market value under the Property Tax Code. Upon application of a landowner, land which qualifies as "open-space land" is appraised based on the category of land, agriculture and hunting or recreational leases. Once an appraisal roll is prepared and approved by the Appraisal Review Board it is used by the District in establishing its tax rate.

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 (3) 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 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 chief appraiser must give written notice to each owner if the appraised value of their property is greater than it was in the preceding year, if the appraised value of the property is greater than the value rendered by the property owner, or if the property was not on the appraisal roll in the preceding year. In addition, the chief appraiser must give written notice to each property owner whose property was reappraised in the current year or if ownership of the property changed during the preceding year. The Appraisal Review Board has the ultimate responsibility for determining the value of all taxable property within the District; however, any owner who has timely filed notice with the appropriate Appraisal Review Board may appeal the final determination by the Appraisal Review Board by filing suit in Texas district court. Prior to such appeal and prior to the delinquency date, however, the owner must pay the tax due on the amount of value of the property involved that is not in dispute or the amount of tax paid in the prior year, whichever is greater, or the amount of tax due under the order from which the appeal is taken. In the event of such suit, the value of the property is determined by the court, or a jury if requested by any party. Additionally, the District is entitled to challenge certain

matters before the Appraisal Review Board, including the level of appraisals of a certain category of property, the exclusion of property from the appraisal records, or the grant in whole or in part of a partial exemption. The District may not, however, protest a valuation of individual property.

The rate of taxation is set by the Board of the District based upon the valuation of property within the District as of the preceding January 1 and based upon the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations.

The District is responsible for the levy and collection of its taxes and will continue to do so unless the Board or the qualified voters of the District at an election held for such purpose determines to transfer such functions to the Appraisal District or another taxing unit.

Collection

Taxes are due on receipt of the tax bill and become delinquent after January 31 of the following year. However, a person over 65 years of age is entitled by law to pay current taxes on his residence homestead in installments or to defer taxes without penalty during the time he owns and occupies the property as his residence homestead. The date of the delinquency of a tax bill may be postponed if the tax bill is mailed after January 10. Delinquent taxes are subject to a six percent (6%) penalty for the first month of delinquency, one percent (1%) for each month thereafter to June 30 and twelve percent (12%) total if any taxes are unpaid on July 1. Delinquent taxes also accrue interest at the rate of one percent (1%) per month during the period they remain outstanding. In addition, if the District engages an attorney for collection of delinquent taxes, the Board may impose a further penalty not to exceed twenty percent (20%) on all taxes, penalty and interest unpaid on July 1.

Taxes levied by the District are a personal obligation of the person who owns or acquires the property on January 1 of the year for which the tax is imposed. The District has a statutory lien for unpaid taxes on real property against which the taxes are assessed. In the event a taxpayer fails to make timely payment of taxes due the District, the District may file suit to foreclose its lien securing payment of the tax, to enforce personal liability for the tax, or both. The District's tax lien is on a parity with the tax liens of the other state and local jurisdictions levying taxes on property within the District. 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. In the absence of such federal law, the District's tax lien takes priority over a lien of the United States. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other federal, state and local taxing jurisdictions, by effects of the foreclosure sale price attributable to market conditions, by taxpayer redemption rights, or by bankruptcy proceedings which restrain the collection of a taxpayer's debts.

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 in writing 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 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 as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all 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 are classified herein as "Developing Districts." The

impact each classification has on the ability of a district to increase its maintenance and operations is described for each classification below. Debt service 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 a rollback 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 maintenance and operations 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 Property 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 maintenance and operations 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 the previous year's maintenance and operations tax rate.

The District

A determination as to a district's status as a Special Taxing Unit, Developed District, or Developing District will be made on an annual basis. The Board determined the District to be a "Developing District" for purposes of setting the 2025 tax rate. 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 in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. See "TAX DATA—Estimated Overlapping Taxes." A tax lien on real property takes priority over the claims 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 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. 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 or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within two years for residential and agricultural property and six months for commercial property and all other types of property after the purchaser's deed at the foreclosure sale is filed in the county records.

Tax Exemption for Property Damaged by Disaster

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% 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 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.

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.

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.

TAX DATA

General

All taxable property within the District is subject to the assessment, levy and collection by the District of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Outstanding Bonds, the Bonds, and any future tax-supported bonds which may be issued from time to time as may be authorized. Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal and interest on the Bonds when due. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds.

Tax Collection History

The following table indicates the collection history for taxes assessed by the District:

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Debt Tax</u>	<u>M&O Tax</u>	<u>Total Tax</u>	<u>Tax Levy</u>	<u>Percent Current</u>	<u>Percent Total</u>	<u>Yr End June 30</u>
2015	\$82,227,346	\$0.3250	\$0.5850	\$0.9100	\$748,271	85.85%	92.90%	2016
2016	87,139,824	0.3560	0.5340	0.8900	800,129	85.23%	91.84%	2017
2017	89,873,685	0.3560	0.5340	0.8900	834,555	87.35%	90.26%	2018
2018	97,089,529	0.3560	0.5340	0.8900	850,082	86.62%	88.36%	2019
2019	107,426,893	0.3400	0.4800	0.8200	913,090	90.24%	93.05%	2020
2020	111,493,891	0.2707	0.4854	0.7561	843,368	91.54%	94.06%	2021
2021	116,863,009	0.2663	0.4337	0.7000	817,343	91.62%	94.29%	2022
2022	136,970,872	0.4250	0.2352	0.6602	901,917	90.29%	93.06%	2023
2023	162,274,486	0.3551	0.2849	0.6400	1,035,122	90.49%	96.66%	2024
2024	178,569,893	0.3101	0.2838	0.5939	1,059,647	89.51%	94.78%	2025
2025	182,320,552	0.3850	0.2951	0.6801	1,239,962	In	Process	2026

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, a tax lien attaches to property to secure the payment of all taxes, penalty, and interest for the year, on January 1 of that year. The tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions, certain taxing jurisdictions are authorized by Texas law to assess, levy, and collect ad valorem taxes for operation, maintenance, administrative, and/or general revenue purposes.

<u><i>Taxing Entities</i></u>	<u><i>2025 Tax Rates</i></u>
Trinity County	\$0.5390
Trinity Hospital District	0.1276
Trinity Independent School District	<u>0.8812</u>
Overlapping Taxes	\$1.5478
The District	<u>0.6801</u>
Total Direct & Overlapping Taxes	<u><u>\$2.2279</u></u>

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed valuation which would be required to meet certain debt service requirements if no growth in the District's tax base occurs beyond the 2025 Taxable Value (\$182,320,552). The calculations assume collection of 98% of taxes levied and the sale of no additional bonds (other than the Bonds and the Outstanding Bonds) by the District.

Combined Average Annual Debt Service Requirements (2026/2047)	\$511,889
Tax Rate of \$0.296 on the 2025 Taxable Value produces	\$512,685
Combined Maximum Annual Debt Service Requirements (2030)	\$697,806
Tax Rate of \$0.403 on the 2025 Taxable Value produces	\$698,014

Analysis of Tax Base

Based on information provided to the District by its Tax Assessor/Collector, the following represents the composition of property comprising the tax roll valuations for each of the years indicated:

	<u>2025 Amount</u>	<u>2025 %'s</u>	<u>2024 Amount</u>	<u>2024 %'s</u>
Land	\$21,383,692	10.92%	\$20,595,748	10.55%
Improvements	171,682,220	87.68%	172,485,174	88.38%
Personal Property	<u>2,742,799</u>	1.40%	<u>2,080,192</u>	1.07%
Subtotal	\$195,808,711		\$195,161,114	
Less: Exemptions	<u>(13,448,159)</u>		<u>(16,591,221)</u>	
Total Taxable Value	<u>\$182,320,552</u>		<u>\$178,569,893</u>	
	<u>2023 Amount</u>	<u>2023 %'s</u>	<u>2022 Amount</u>	<u>2022 %'s</u>
Land	\$20,603,667	11.46%	\$19,944,121	12.97%
Improvements	157,196,844	87.41%	131,800,129	85.71%
Personal Property	<u>2,043,749</u>	1.14%	<u>2,029,593</u>	1.32%
Subtotal	\$179,844,260		\$153,773,843	
Less: Exemptions	<u>(18,100,256)</u>		<u>(17,205,394)</u>	
Total Taxable Value	<u>\$161,744,004</u>		<u>\$136,568,449</u>	

Note: Values shown above may reflect original certified amounts and may differ from those shown elsewhere herein.

(Remainder of page intentionally left blank)

Principal Taxpayers

<u>Name of Taxpayer</u>	<u>Type of Property</u>	<u>2025 Taxable Ass'd Value</u>	<u>% of Total</u>	<u>2024 Taxable Ass'd Value</u>	<u>% of Total</u>
Westwood Shores POA	Lots	\$1,256,151	0.69%	\$1,208,346	0.68%
Entergy Texas Inc	Electric Utility	1,076,950	0.59%	1,010,550	0.57%
Homeowner	Residence	807,344	0.44%	840,651	0.47%
Homeowner	Residence	786,378	0.43%	821,959	0.46%
Homeowner	Residence	707,381	0.39%	718,954	0.40%
Homeowner	Residence	697,424	0.38%	692,172	0.39%
Homeowner	Residence	661,919	0.36%	698,456	0.39%
Homeowner	Residence	659,140	0.36%	680,616	0.38%
Homeowner	Residence	654,625	0.36%	(a)	
Homeowner	Residence	641,455	0.35%	663,310	0.37%
Homeowner	Residence	(a)		652,981	0.37%
Total--Top Ten		<u>\$7,948,767</u>	<u>4.36%</u>	<u>\$7,987,995</u>	<u>4.47%</u>

(a) Not among top ten this year.

THE SYSTEM

Regulation

The District's System has 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, among others, the TCEQ, the City and the Trinity County Engineering Department. During construction, facilities are subject to inspection by the District's Engineer and the foregoing governmental agencies.

Operation of the District's 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.

Description of the System

According to the District's Engineer, the total number of connections projected for the District at full development is 3,835 equivalent connections. A description of the primary components of the System follows and is based upon information supplied by the Engineer based on drawings and data furnished by others.

- Water System -

The District obtains water from two (2) water plants. Water Plant 1 disinfects and stores groundwater drawn from two (2) on-site wells. Water Well No. 1 has a design capacity of 90 gallons per minute (gpm), while Water Well No. 2 has a design capacity of 247 gpm. Water Plant 2 stores purchased surface water from the Trinity Rural Water Supply Corporation (TRWSC) as needed. Under the current contract, the District can receive up to 288,000 gallons per day.

The District has an existing interconnect with Trinity Rural Water Supply Corporation that discharges treated surface water into the ground storage tank located at Water Plant No. 2.

- Wastewater System -

The District currently operates a 257,000 gpd wastewater treatment facility.

- Stormwater Drainage -

Storm drainage within the District is primarily managed through natural watercourses, except in certain areas where culverts and other infrastructure are necessary for streets to cross these watercourses. Some culverts are also provided within the district to allow drainage to cross streets. Runoff from lots flows toward the streets and is conveyed through grassy swales or valleys alongside the streets, as they do not have curbs or gutters.

For areas within the District that border Lake Livingston, special provisions apply. The Trinity River Authority has acquired flood easements extending up to the maximum flood level, as indicated in the plats. Any structures built within these easement areas must be constructed above the designated flood level of Lake Livingston.

Rate Order

The District's utility rate order, subject to change from time to time by the Board, was amended effective March 18, 2024, and is summarized in part below:

-Water Rates-

<i>Residential</i>	
Minimum Charge	\$78.50 minimum
First 3,000 gallons	\$7.50/1,000 gallons
Next 3,000 gallons	\$8.50/1,000 gallons
Next 3,000 gallons	\$9.50/1,000 gallons
Over 9,000 gallons	\$10.50/1,000 gallons

-Sewer Rates-

Minimum Charge of \$78.50

(Remainder of page intentionally left blank)

Historical Operations of the General Operating Fund

The following statement sets forth in condensed form the historical operations of the District's General Operating Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such information has been prepared based upon information obtained from the District's audited financial statements, reference to which is made for further and complete information.

	<i><u>Fiscal Year Ended June 30,</u></i>				
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenues					
Property Taxes	\$479,882	\$445,404	\$303,085	\$474,894	\$459,901
Water/Sewer Service	1,887,377	1,967,416	1,496,334	752,159	752,869
Standby Charges	0	0	0	45,240	48,006
Tap Connections	71,383	47,831	111,098	106,039	0
Other Revenues	<u>353,027</u>	<u>161,391</u>	<u>116,902</u>	<u>85,146</u>	<u>403,595</u>
Total Revenues	\$2,791,669	\$2,622,042	\$2,027,419	\$1,463,478	\$1,664,371
Expenses					
Personnel	\$91,424	\$108,212	\$111,717	\$239,014	\$568,428
Professional Fees	405,670	301,367	172,329	101,453	38,142
Contracted Services	275,533	282,542	323,849	244,450	13,608
Utilities	55,288	55,117	61,209	55,206	52,706
Water Purchase	200,928	222,238	289,933	202,744	376,598
Repairs/Maintenance	928,956	959,369	355,100	334,080	143,060
Other Expenses	<u>437,141</u>	<u>631,585</u>	<u>334,755</u>	<u>222,432</u>	<u>95,330</u>
Total Expenditures	<u>\$2,394,940</u>	<u>\$2,560,430</u>	<u>\$1,648,892</u>	<u>\$1,399,379</u>	<u>\$1,287,872</u>
Net Revenue (Expense)	<u>\$396,729</u>	<u>\$61,612</u>	<u>\$378,527</u>	<u>\$64,099</u>	<u>\$376,499</u>
Other Sources/Uses					
Capital Outlay	(69,856)	(88,298)	(14,224)	0	(192,872)
Lease Proceeds/Debt Service	0	0	(59,762)	(30,894)	40,814
Transfer In/Out	0	0	(41,100)	(197,649)	
Bond Costs	0	0	0	0	(252,024)
Bond Forgiveness	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,230,197</u>
Total Net Changes	326,873	(26,686)	263,441	(164,444)	3,202,614
Fund Balance, July 1	438,681	465,367	201,926	3,461,753	408,678
Prior Period Adjustment	0	0	0	(3,095,383)	0
Sale of Fixed Assets	0	0	0	0	65,262
Other Transfers In/Out	<u>26,898</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(214,801)</u>
Fund Balance, June 30	<u>792,452</u>	<u>\$438,681</u>	<u>\$465,367</u>	<u>\$201,926</u>	<u>\$3,461,753</u>
Ending Cash/Inv (a)	\$765,969	\$693,494	\$522,188	\$332,935	\$361,575
Percentage of Expenditures	<u>31.98%</u>	<u>27.09%</u>	<u>31.67%</u>	<u>23.79%</u>	<u>28.08%</u>
Ending Active Customers	<u>824</u>	<u>836</u>	<u>840</u>	<u>754</u>	<u>753</u>

(a) Exclusive of customer deposits.

RISK FACTORS

General

The Bonds, which are obligations of the District and are not obligations of the State of Texas; Trinity County, Texas; the City of Trinity, Texas, or any other political subdivision, will be secured by a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. At this point in the development of the District, the potential increase in taxable values of property is directly related to the demand for commercial and residential development, not only because of general economic conditions, but also due to particular factors discussed below.

The volatility in oil prices in the U.S. and globally 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 the proceeds of an annual 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 share of operations and maintenance expenses payable from ad valorem taxes.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The growth of taxable values in the District is directly related to the vitality of the commercial development and housing and building industry in the Houston metropolitan area. The housing and building industry has historically been a cyclical industry, affected by both short and long-term interest rates, availability of mortgage and development funds, labor conditions and general economic conditions. During the late 1980s, an oversupply of single-family residential housing in the Houston metropolitan market and the general downturn in the Houston economy adversely affected the local residential development and construction industries. In addition to a decline in housing demand, mortgage foreclosure by private banks and government and financial institutions depressed housing prices and the value of residential real estate in the Houston metropolitan area. The Houston economy is still dependent on energy prices and a precipitous decline in such prices could result in additional adverse effects on the economy.

Maximum Impact on District Rates: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2025 Taxable Valuation is \$182,320,552. See "TAX DATA." After issuance of the Bonds, the combined maximum annual debt service requirement on the Bonds and the Outstanding Bonds (2030) is \$697,806 and the combined average annual debt service requirements on the Bonds and the Outstanding Bonds (2026/2047) is \$511,889. Assuming no increase or decrease from the 2025 Taxable Valuation and no use of funds other than tax collections, tax rates of \$0.403 and \$0.296 per \$100 assessed valuation at a 98% collection rate against the 2024 Assessed Valuation would be necessary to pay the combined maximum and combined annual debt service requirements, respectively. The Board levied a 2025 tax rate of \$0.385 for debt service purposes and \$0.2951 for maintenance purposes. See "DISTRICT DEBT—Debt Service Schedule" and "TAX DATA--Tax Rate Calculations."

Natural Disaster Declarations: The Governor of the State of Texas, Greg Abbott, issued a Severe Weather Disaster Declaration on April 30, 2024, which was subsequently amended on May 2, 2024, May 7, 2024, May 15, 2024, and May 20, 2024, certifying the severe storms and flooding that began on April 26, 2024 caused widespread and severe property damage, injury, or loss of life and declaring a disaster in several counties through out the State of Texas, including Trinity County, Texas, in which the District is located. Additionally, the President of the United States of America, Joe Biden, issued a Major Disaster Declaration declaring a major disaster exists in the State of Texas as a result of severe weather and flooding beginning April 26, 2024 and making federal funding available to affected individuals in seven counties

in the State of Texas, including Trinity County, Texas, in which the District is located. Property in the District damaged by natural disasters in a declared disaster area may impact the taxable values of the property and the timing of tax payments by the tax payer. See “TAX PROCEDURES – Temporary Tax Exemptions for Property Damaged by Disaster” and “TAX PROCEDURES – Tax Payment Installments after Disaster” and “Extreme Weather Events.”

Extreme Weather Events

The greater Houston area, including the District, is subject to occasional severe weather events, including tornadoes, flooding, tropical storms, and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected.

The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e., a “500-year flood” event) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 25, 2017, and brought historic levels of rainfall during the successive four days. According to the District’s Operator no homes within the District nor any District facilities were flooded.

The District cannot predict the effect that additional extreme weather events may have upon the District and the Gulf Coast. Additional extreme weather events have the potential to cause damage within the District and along the Gulf Coast generally that could have a negative effect on taxable assessed valuations in the District and the economy of the District and the region.

The heavy rainstorms that began April 26, 2024 through May 20, 2024 and Hurricane Beryl on July 8, 2024 resulted in flooding in the Trinity County, Texas area, including the District. To the District’s best knowledge, the District reports no homes were flooded, water and sewer service was not interrupted and no System operations were interrupted.

If a future weather event significantly damaged taxable property within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase in 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 or other casualty 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 could be adversely affected.

Specific Flood Type Risks

Ponding (or Pluvial) Flood: 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.

Riverine (or Fluvial) Flood: Riverine, or fluvial, flooding 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 sheet-flow over land. 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 flooding can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or drainage systems downstream.

National Weather Service Atlas 14 Rainfall Study: 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 District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. 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.

Dependence on the Oil and Gas Industry

Adverse developments in economic conditions, particularly in the oil and gas industry, could adversely impact the businesses of taxpayers and the property values in the District, resulting in less local tax revenue. The State of Texas may be particularly at risk from any global slowdown in the oil and gas industry, given the prevalence of international trade in the State of Texas and the risk of contraction in the oil and gas industry and spillover effects into other industries. Should oil prices remain depressed over a long period of time or other adverse developments in economic conditions were to occur, particularly in the oil and gas industry, these businesses could be adversely impacted.

Potential Effects of Oil Price Volatility on the Houston Area

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 within the District. The District cannot predict the impact that negative conditions in the oil industry could have on property values in the District.

Production of Net Revenues

The Net Revenues, if any, to be derived from the operation of the System are entirely dependent upon sales of water and sewer services to current and future residents and users of the System and related operating expenses. The District does not expect that the operation of the System will produce Net Revenues sufficient to make a significant contribution, if any, to the District’s debt service requirements. An audit of the District’s accounts for the fiscal year ended July 31, 2024, is included as "APPENDIX A" to this Official Statement. See "THE SYSTEM – Historical Operations of the General Operating Fund."

Overlapping Tax Rates

Consideration should be given to the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The combination of the District’s tax rate and the overlapping taxing entities’ tax rates is higher than the combined tax rates levied upon certain other comparable developments in the market area. Consequently, an increase in the District’s tax rate above those anticipated above may have an adverse impact on future development or the construction of taxable improvements in the District. See “DISTRICT DEBT--Estimated Overlapping Debt” and “TAX DATA--Estimated Overlapping Taxes.”

Tax Collection Limitations

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 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 such foreclosure may be impaired by (a) collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions limiting the proceeds from a foreclosure sale of taxable property. 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. Because ownership of the land within the District may become highly fragmented among a number of taxpayers, 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.

Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Order does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee 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. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further 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. For example, a Chapter IX bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of 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. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owner's remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivisions.

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 a Registered Owner 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 Owner's claim against a district.

The District may not be placed into bankruptcy involuntarily.

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; and
- 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 “serious” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2027. 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 August 15, 2024. 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.

On May 25, 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 actions 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.

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.

2025 Legislative Session

The 89th Regular Legislative Session convened on January 14, 2025, and concluded on June 2, 2025. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor of Texas (the "Governor") may call one or more special sessions, at the Governor's discretion, each lasting no more than

30 days, and for which the Governor sets the agenda. During this time, the Legislature may enact laws that materially change current laws affecting ad valorem tax matters, including rollback elections for maintenance tax increases, and other matters which could adversely affect the marketability or market value of the Bonds. On June 23, 2025, the Governor called a special session to begin on July 21, 2025, and ended on August 15, 2025. No legislation was passed during the first special session. The Governor immediately called a second special session which began on August 15, 2025 and concluded on September 4, 2025. No legislation affecting property taxes was passed during the second special session, and no third special session has been called at this time. The District can make no representations or predictions regarding any actions the Texas Legislature may take or the effect of any such actions.

Continuing Compliance with Certain Covenants

The Bond Order contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure by the District to comply with such covenants on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance.

Marketability

The District has no understanding (other than the initial reoffering yields) with the initial purchaser of the Bonds (the “Underwriter”) regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the difference between the bid and asked price of other bonds which are more generally bought, sold or traded in the secondary market. See “SALE AND DISTRIBUTION OF THE BONDS--Prices and Marketability.”

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 following actions would be required: (a) preparation of a detailed park plan; (b) authorization of park bonds by the qualified voters in the District; (c) approval of the park project and bonds by the TCEQ; and (d) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent (1%) of the value of the taxable property in the District, unless the District meets certain feasibility, requirements under the TCEQ rules in which case the outstanding principal amounts of such bonds issued by the District may exceed an amount equal to one percent (1%) but not three percent (3%) of the value of the taxable property in the District. The Board has not considered authorizing the preparation of a park plan or calling a park bond election at this time.

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.

Tax Payment Installments after Disaster

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.

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.

Increase in Costs of Building Materials and Labor Shortages

As a result of supply issues, shipping constraints, and ongoing trade disputes (including tariffs), there have been recent substantial increases in the cost of lumber and other building materials, causing many homebuilders and general contractors to experience budget overruns. Further, the unpredictable nature of current trade policy (including the threatened imposition of tariffs) may impact the ability of the Developer or homebuilders in the District to estimate costs. Additionally, immigration policies may affect the State's workforce, and any labor shortages that could occur may impact the rate of construction within the District. Uncertainty surrounding availability and cost of materials may result in decreased levels of construction activity, and may restrict the growth of property values in the District. The District makes no representations regarding the probability of development or homebuilding continuing in a timely manner or the effects that current or future economic or governmental circumstances may have on any plans of the Developer or homebuilders.

Competition: The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. In addition to competition for new single-family home sales from other developments, there are numerous previously-owned single-family homes in more established commercial centers and neighborhoods closer to the City of Houston, Texas that are for sale. Such existing developments could represent additional competition for new development proposed to be constructed within the District. The competitive position of any developer or principal landowners in the sale of land, and the sale or leasing of residences is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District will be implemented or, if implemented, will be successful.

Location and Access: The District is located 22 miles northeast of the City of Huntsville, Texas, and 94 miles northeast of the City of Houston, Texas. Many of the single-family developments with which the District competes are in a more developed state and have lower taxes. As a result, particularly during times of increased competition, any developer within the District may be at a competitive disadvantage to the developers in other single-family projects located closer to major urban centers or in a more developed state. See "THE DISTRICT" and "STATUS OF DEVELOPMENT."

Cybersecurity

The District's consultants use digital technologies to collect taxes, hold funds and process disbursements. These systems necessarily hold sensitive protected information that is valued on the black market. As a result, the electronic systems and networks of organizations like the District's consultants are considered targets for cyber-attacks and other potential breaches of their systems. To the extent the District is determined to be the party responsible for various electronic systems or suffers a loss of funds due to a security breach, there could be a material adverse effect on the District's finances. Insurance to protect against such breaches is limited.

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General, however, does not pass upon or guarantee the security of the Bonds as an investment, nor has the Attorney General passed upon the adequacy or accuracy of the information contained in this Official Statement.

LEGAL MATTERS

The District will furnish the Underwriter a transcript of certain certified proceedings held incident to the authorization and issuance of the Bonds, including a certified copy of the approving 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. The District will also furnish the legal opinion of Mitchell, Zientek & Scruggs, LLP, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are legal, valid and binding obligations of the District and are excludable from gross income for federal income tax purposes under existing statutes,

regulations, published rulings and court decisions as described below under “TAX EXEMPTION.” Such opinion will express no opinions with respect to the sufficiency of the security for or the marketability of the Bonds.

Legal Review

Bond Counsel has reviewed the information appearing in this Official Statement under the sections captioned: “THE BONDS” (except the subsection “--Book-Entry-Only System”), “THE DISTRICT--Description,” “TAX PROCEDURES--Authority to Levy Taxes,” “LEGAL MATTERS - Legal Opinions,” “LEGAL MATTERS--Legal Review;” “CONTINUING DISCLOSURE OF INFORMATION” (except the subsection “--Compliance with Prior Undertakings”), solely to determine whether such information fairly summarizes matters of law with respect to the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement, nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. 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 of the information contained herein, other than the matters discussed immediately above.

The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

No-Litigation Certificate

On the date of delivery of the Bonds to the Underwriter, the District will execute and deliver to the Underwriter a certificate to the effect that no litigation of any nature has been filed or is pending, as of that date, of which the District has notice, to restrain or enjoin the issuance or delivery of the Bonds, or which would affect the provisions made for their payment or security, or in any manner question the validity of the Bonds.

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 subsequent to the date of sale from that set forth or contemplated in the Preliminary Official Statement, as it may have been supplemented or amended through the date of sale.

Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District secured by the proceeds of an ad valorem tax levied, without limit as to rate or amount, upon all taxable property in the District and, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, the legal opinion of Bond Counsel to the effect that (1) the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, and (2) are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement.

TAX MATTERS

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on

the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that, for tax years beginning after December 31, 2022, interest on the Tax-Exempt Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265 of the Code provides, in general, that interest expense incurred to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner thereof. In addition, interest expense incurred by certain owners that are "financial institutions" within the meaning of such section and which is allocable to tax-exempt obligations acquired after August 7, 1986, is completely disallowed as a deduction for taxable years beginning after December 31, 1986. Section 265(b) of the Code provides an exception to this rule for interest expense incurred by financial institutions and allocable to tax-exempt obligations (other than private activity bonds) which are designated by an issuer, such as the District, as "qualified tax-exempt obligations." An issue may be designated as "qualified tax-exempt obligations" only where the amount of such issue, when added to all other tax-exempt obligations (other than private activity bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed \$10,000,000. The District, pursuant to the Bond Order, has designated the Bonds "qualified tax-exempt obligations."

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission ("SEC") regarding the District's continuing disclosure obligations because the District does not have more than \$10,000,000 in aggregate amount of bonds outstanding and no person is committed by contract or other agreement with respect to payment of the bonds. As required by Rule 15c2-12, and in the Bond Order, the District has 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 agreement, the District will be obligated to provide certain updated financial information and operating data annually, audited financial statements and timely notice of specified material events, in an electronic format as prescribed by the Municipal Securities Rulemaking Board ("MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system for such purpose.

Annual Reports

The District will provide certain updated financial information and operating data to certain information vendors annually. The financial information and operating data which will be provided is found in the annual audit report, within six months after the end of each of its fiscal years. Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six (6) month period, and audited financial statements when and if the audit report becomes available.

The District's current fiscal year end is June 30. Accordingly, it must provide updated information by December 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

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 within the meaning of CFR §240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the SEC Rule 15c2-12 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 within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, 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 within the meaning of the Rule, any of which reflect financial difficulties. 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 Order makes any provision for debt service reserves or liquidity enhancement. 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."

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District; and the District intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of Financial Obligation in this subcaption to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018 (the "2018 Release") and any further written guidance provided by the SEC or its staff with respect to the amendment to the Rule effected by the 2018 Release.

Availability of Information From EMMA

Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org. The District has agreed in the Bond Order to provide the foregoing information only to the MSRB through EMMA. The information will be available to holders of Bonds only if the holders comply with the procedures of the MSRB or obtain the information through securities brokers who do so.

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 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 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 from time to time 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 type of operations of the District, if but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as any changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any qualified professional unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. 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 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 so provided. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgement that such provisions of the Rule are invalid, and the District also may amend its continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Compliance with Prior Undertakings

The District has not previously made a continuing disclosure agreement in accordance with SEC Rule 15c2-12.

PREPARATION OF OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the District's records, the District's Engineer, the Appraisal District, the District's Tax Assessor/Collector and other sources believed to be reliable. The District, however, makes no representation as to the accuracy or completeness of the information derived from such sources. The summaries of the statutes, resolutions, orders, agreements and engineering and other related reports set forth in this 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

The information contained in this Official Statement relating to the physical characteristics of the District and engineering matters and, in particular, that engineering information included in the sections captioned "THE DISTRICT" and "THE SYSTEM" has been provided by the District's Engineer and has been included herein in reliance upon the authority of such firm as experts in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning historical breakdown of District valuations, principal taxpayers and collection rates contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" has been provided by the Appraisal District and the

District's Tax Assessor/Collector and has been included herein in reliance upon their authority as experts in the field of tax assessing and collecting.

The financial statements contained in "APPENDIX A—Financial Statements of the District" have been included in reliance upon the accompanying report of the District's Auditor.

Updating the Official Statement

If, subsequent to the date of the Official Statement, the District learns, or is notified by the Underwriter, of any adverse event which causes the Official Statement to be materially misleading, unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds to the Underwriter) until all of the Bonds have been sold to ultimate customers.

Certification of Official Statement

The District, acting through the Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements and descriptions pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the Board has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in light of the circumstances under which they are made, not misleading; however, the Board can give no assurance as to the accuracy or completeness of the information derived from sources other than the District. This Official Statement is duly certified and approved by the Board of Directors of Westwood Shores Municipal Utility District as of the date specified on the first page hereof.

/s/ Joan Gallagher
President, Board of Directors
Westwood Shores Municipal Utility District

ATTEST:

/s/ Bryan Holmes
Secretary, Board of Directors
Westwood Shores Municipal Utility District

APPENDIX A—Financial Statements of the District

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT

TRINITY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2025

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	9-12
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	13
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	14-15
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	16
NOTES TO THE FINANCIAL STATEMENTS	17-29
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL-GENERAL FUND	31
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)	
SERVICES AND RATES	33-35
GENERAL FUND EXPENDITURES	36-37
INVESTMENTS	38
TAXES LEVIED AND RECEIVABLE	39-40
LONG-TERM DEBT SERVICE REQUIREMENTS	41-46
CHANGES IN LONG-TERM BOND DEBT	47-48
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	49-52
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	53-54

McCall Gibson Swedlund Barfoot Ellis PLLC

Certified Public Accountants

*Chris Swedlund
Noel W. Barfoot
Joseph Ellis
Ashlee Martin*

*Mike M. McCall
(retired)
Debbie Gibson
(retired)*

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Westwood Shores Municipal Utility District
Trinity County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Westwood Shores Municipal Utility District (the "District") as of and for the year ended June 30, 2025, 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 June 30, 2025, 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 Shores Municipal
Utility 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, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot Ellis PLLC

McCall Gibson Swedlund Barfoot Ellis PLLC
Certified Public Accountants
Houston, Texas

October 20, 2025

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2025

Management's discussion and analysis of Westwood Shores Municipal Utility District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2025. 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 the District's assets, liabilities, and, if applicable, deferred inflows and outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service 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 SHORES MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025**

FUND FINANCIAL STATEMENTS (Continued)

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 Fund Balances to the Statement of Activities explains the differences between the two presentations and assists 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, assets exceeded liabilities by \$5,549,935 as of June 30, 2025. A portion of the District's net position reflects its net investment in capital assets (water and wastewater facilities as well as vehicles and equipment less any debt used to acquire those assets that is still outstanding).

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

A comparative analysis of government-wide changes in net position is presented below:

	Summary of Changes in the Statement of Net Position		
	2025	2024	Change Positive (Negative)
Current and Other Assets	\$ 5,472,139	\$ 4,291,431	\$ 1,180,708
Capital Assets	<u>4,851,857</u>	<u>5,076,936</u>	<u>(225,079)</u>
Total Assets	<u>\$ 10,323,996</u>	<u>\$ 9,368,367</u>	<u>\$ 955,629</u>
Long-Term Debt Payable	\$ 4,425,000	\$ 4,080,000	\$ (345,000)
Other Liabilities	<u>349,061</u>	<u>1,044,758</u>	<u>695,697</u>
Total Liabilities	<u>\$ 4,774,061</u>	<u>\$ 5,124,758</u>	<u>\$ 350,697</u>
Net Position:			
Net Investment in Capital Assets	\$ 3,527,537	\$ 2,595,644	\$ 931,893
Restricted	773,757	776,629	(2,872)
Unrestricted	<u>1,248,641</u>	<u>871,336</u>	<u>377,305</u>
Total Net Position	<u><u>\$ 5,549,935</u></u>	<u><u>\$ 4,243,609</u></u>	<u><u>\$ 1,306,326</u></u>

The following table provides a summary of the District's operations for the years ending June 30, 2025, and June 30, 2024.

	Summary of Changes in the Statement of Activities		
	2025	2024	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,051,864	\$ 986,819	\$ 65,045
Charges for Services	2,022,534	2,114,616	(92,082)
Other Revenues	<u>1,221,233</u>	<u>222,283</u>	<u>998,950</u>
Total Revenues	<u>\$ 4,295,631</u>	<u>\$ 3,323,718</u>	<u>\$ 971,913</u>
Expenses for Services	<u>2,989,305</u>	<u>3,029,704</u>	<u>40,399</u>
Change in Net Position	\$ 1,306,326	\$ 294,014	\$ 1,012,312
Net Position, Beginning of Year	<u>4,243,609</u>	<u>3,949,595</u>	<u>294,014</u>
Net Position, End of Year	<u><u>\$ 5,549,935</u></u>	<u><u>\$ 4,243,609</u></u>	<u><u>\$ 1,306,326</u></u>

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2025

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of June 30, 2025, were \$4,139,944, an increase of \$1,831,614 from the prior year.

The General Fund fund balance increased by \$353,771, primarily due to property tax and service revenue exceeding operating and capital costs.

The Debt Service Fund fund balance decreased by \$24,129, primarily due to the structure of the District's debt service requirements.

The Capital Projects Fund fund balance increased by \$1,501,972, primarily due to proceeds of bonds issued in the current year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were \$304,969 higher than budgeted revenues, actual expenditures were higher than budgeted expenditures by \$313,264, which resulted in a positive budget variance of \$18,603. See the budget to actual comparison for analysis of variances.

CAPITAL ASSETS

Capital assets as of June 30, 2025, total \$4,851,857 (net of accumulated depreciation) and include land, buildings, vehicles and equipment as well as the water and wastewater systems.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2025	2024	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 21,571	\$ 21,571	\$ -
Construction in Progress	834,687	793,687	41,000
Capital Assets, Net of Accumulated Depreciation:			
Roads	3,082	3,669	(587)
Furniture and Equipment	6,531	9,385	(2,854)
Vehicles and Equipment	56,439	84,392	(27,953)
Buildings and Improvements	172,880	181,378	(8,498)
Water System	2,227,535	2,357,437	(129,902)
Wastewater System	1,529,132	1,625,417	(96,285)
Total Net Capital Assets	<u>\$ 4,851,857</u>	<u>\$ 5,076,936</u>	<u>\$ (225,079)</u>

**WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025**

LONG-TERM DEBT ACTIVITY

As of June 30, 2025, the District had total bond debt payable of \$4,425,000. The changes in the debt position of the District during the fiscal year ended June 30, 2025, are summarized as follows:

Bond Debt Payable, July 1, 2024	\$ 4,080,000
Add: Bond Sale - Series 2024	775,000
Less: Bond Principal Paid	<u>430,000</u>
Bond Debt Payable, June 30, 2025	<u><u>\$ 4,425,000</u></u>

The District's bonds do not carry an insured rating and the District does not have an underlying rating.

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 Shores Municipal Utility District, 75 Cottonwood, Trinity, Texas 75862.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2025

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash	\$ 214,740	\$ 8,649
Investments	700,663	213,500
Receivables:		
Property Taxes	456,189	540,031
Service Accounts (Net Allowance for Doubtful Accounts of \$0)	158,179	-
Other	17,400	-
Due from Other Funds	59,564	24,663
Land	-	-
Construction in Progress	-	-
Capital Assets (Net of Accumulated Depreciation)	-	-
TOTAL ASSETS	<u>\$ 1,606,735</u>	<u>\$ 786,843</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 9,958	\$ 233,347	\$ -	\$ 233,347
3,152,830	4,066,993	-	4,066,993
-	996,220	-	996,220
-	158,179	-	158,179
-	17,400	-	17,400
-	84,227	(84,227)	-
-	-	21,571	21,571
-	-	834,687	834,687
-	-	3,995,599	3,995,599
<u>\$ 3,162,788</u>	<u>\$ 5,556,366</u>	<u>\$ 4,767,630</u>	<u>\$ 10,323,996</u>

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

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2025

	<u>General Fund</u>	<u>Debt Service Fund</u>
LIABILITIES		
Accounts Payable	\$ 183,997	\$ -
Accrued Interest Payable	-	-
Due to Other Funds	24,663	-
Security Deposits	149,434	-
Long-Term Liabilities:		
Bonds Payable, Due Within One Year	-	-
Bonds Payable, Due After One Year	-	-
TOTAL LIABILITIES	<u>\$ 358,094</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	<u>\$ 456,189</u>	<u>\$ 540,031</u>
FUND BALANCES		
Restricted for Authorized Construction	\$ -	\$ -
Restricted for Debt Service	-	246,812
Unassigned	<u>792,452</u>	<u>-</u>
TOTAL FUND BALANCES	<u>\$ 792,452</u>	<u>\$ 246,812</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 1,606,735</u></u>	<u><u>\$ 786,843</u></u>
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
\$ 2,544	\$ 186,541	\$ -	\$ 186,541
-	-	13,086	13,086
59,564	84,227	(84,227)	-
-	149,434	-	149,434
-	-	440,000	440,000
-	-	3,985,000	3,985,000
<u>\$ 62,108</u>	<u>\$ 420,202</u>	<u>\$ 4,353,859</u>	<u>\$ 4,774,061</u>
<u>\$ -</u>	<u>\$ 996,220</u>	<u>\$ (996,220)</u>	<u>\$ -</u>
\$ 3,100,680	\$ 3,100,680	\$ (3,100,680)	\$ -
-	246,812	(246,812)	-
-	792,452	(792,452)	-
<u>\$ 3,100,680</u>	<u>\$ 4,139,944</u>	<u>\$ (4,139,944)</u>	<u>\$ -</u>
<u>\$ 3,162,788</u>	<u>\$ 5,556,366</u>		
		\$ 3,527,537	\$ 3,527,537
		773,757	773,757
		<u>1,248,641</u>	<u>1,248,641</u>
		<u>\$ 5,549,935</u>	<u>\$ 5,549,935</u>

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

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2025

Total Fund Balances - Governmental Funds	\$	4,139,944
------------------------------------------	----	-----------

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		4,851,857
----------------------------------------------------------------------------------------------------------------------------------------------------------	--	-----------

Deferred inflows of resources related to property tax revenues on delinquent taxes for the 2024 and prior tax levies became part of recognized revenue in the governmental activities of the District.		996,220
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	---------

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:

Accrued Interest Payable	\$ (13,086)	
Bonds Payable	(4,425,000)	(4,438,086)
		(4,438,086)
Total Net Position - Governmental Activities	\$	5,549,935

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

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 479,882	\$ 526,575
Water Service	1,062,109	-
Wastewater Service	825,268	-
Penalty and Interest	29,118	34,656
Tap Connection and Inspection Fees	71,383	-
Investment and Miscellaneous Revenues	<u>323,909</u>	<u>14,945</u>
TOTAL REVENUES	<u>\$ 2,791,669</u>	<u>\$ 576,176</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Personnel	\$ 91,424	\$ -
Professional Fees	405,670	11,839
Contracted Services	275,533	78,955
Purchased Water	200,928	-
Utilities	55,288	-
Repairs and Maintenance	928,956	-
Depreciation	-	-
Other	437,141	-
Capital Outlay	69,856	-
Debt Service:		
Bond Issuance Costs		-
Bond Principal	-	430,000
Bond Interest	<u>-</u>	<u>79,511</u>
TOTAL EXPENDITURES/EXPENSES	<u>\$ 2,464,796</u>	<u>\$ 600,305</u>
EXCESS (DEFICIENCY) OF REVENUES OVER		
EXPENDITURES/EXPENSES	<u>\$ 326,873</u>	<u>\$ (24,129)</u>
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	\$ 26,898	\$ -
Proceeds from Issuance of Long-Term Debt	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 26,898</u>	<u>\$ -</u>
NET CHANGE IN FUND BALANCES	\$ 353,771	\$ (24,129)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JULY 1, 2024	<u>438,681</u>	<u>270,941</u>
FUND BALANCES/NET POSITION - JUNE 30, 2025	<u><u>\$ 792,452</u></u>	<u><u>\$ 246,812</u></u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$ -	\$ 1,006,457	\$ 45,407	\$ 1,051,864
-	1,062,109	-	1,062,109
-	825,268	-	825,268
-	63,774	-	63,774
-	71,383	-	71,383
<u>75,747</u>	<u>414,601</u>	<u>806,632</u>	<u>1,221,233</u>
\$ <u>75,747</u>	\$ <u>3,443,592</u>	\$ <u>852,039</u>	\$ <u>4,295,631</u>
\$ -	\$ 91,424	\$ -	\$ 91,424
46,677	464,186	-	464,186
-	354,488	-	354,488
-	200,928	-	200,928
-	55,288	-	55,288
-	928,956	-	928,956
-	-	272,049	272,049
-	437,141	-	437,141
39,511	109,367	(46,970)	62,397
42,321	42,321		42,321
-	430,000	(430,000)	-
<u>-</u>	<u>79,511</u>	<u>616</u>	<u>80,127</u>
\$ <u>128,509</u>	\$ <u>3,193,610</u>	\$ <u>(204,305)</u>	\$ <u>2,989,305</u>
\$ <u>(52,762)</u>	\$ <u>249,982</u>	\$ <u>1,056,344</u>	\$ <u>1,306,326</u>
\$ (26,898)	\$ -	\$ -	\$ -
<u>1,581,632</u>	<u>1,581,632</u>	<u>(1,581,632)</u>	<u>-</u>
\$ <u>1,554,734</u>	\$ <u>1,581,632</u>	\$ <u>(1,581,632)</u>	\$ <u>-</u>
\$ 1,501,972	\$ 1,831,614	\$ (1,831,614)	\$ -
1,598,708	2,308,330	1,306,326	1,306,326
<u>1,598,708</u>	<u>2,308,330</u>	<u>1,935,279</u>	<u>4,243,609</u>
\$ <u>3,100,680</u>	\$ <u>4,139,944</u>	\$ <u>1,409,991</u>	\$ <u>5,549,935</u>

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

**WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025**

Net Change in Fund Balances - Governmental Funds	\$ 1,831,614
Amounts reported for governmental activities in the Statement of Activities are	
Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	45,407
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets and right-of-use assets are depreciated and depreciation expenses are recorded in the Statement of Activities.	534,583
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.	46,970
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.	430,000
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.	(616)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	<u>(1,581,632)</u>
Change in Net Position - Governmental Activities	<u><u>\$ 1,306,326</u></u>

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

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1. CREATION OF DISTRICT

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

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 elected 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 set 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 SHORES MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

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 SHORES MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

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 a Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

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, customer service 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 revenues reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

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

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

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over one year. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	<u>Years</u>
Buildings and Improvements	5-39
Land Improvements	15
Furniture and equipment	3-40
Rolling stock	5-10
Water and wastewater lines	30
Water and wastewater systems	7-30

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 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 budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

Payments are made into the Social Security system for employees of the District. In addition, other retirement plan arrangements have been made as further described in Note 11. The Internal Revenue Service has determined that the directors are considered employees for federal payroll tax purposes only. Directors do not participate in the retirement plan.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

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

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any 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 fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

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

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTE 3. LONG-TERM DEBT

	<u>Series 2010B</u>	<u>Refunding Series 2017</u>	<u>Series 2020A</u>	<u>Series 2020B</u>	<u>Series 2024</u>
Amounts Outstanding – June 30, 2025	\$675,000	\$740,000	\$1,195,000	\$1,075,000	\$740,000
Interest Rates	2.90% - 3.20%	2.39%	0.45% - 1.68%	0.50% - 1.73%	0.80% - 2.96%
Maturity Dates – Serially Beginning/Ending	May 1, 2026/2030	May 1, 2026/2030	May 1, 2026/2040	May 1, 2026/2040	May 1, 2026/2044
Interest Payment Dates	November 1/ May 1	November 1/ May 1	November 1/ May 1	November 1/ May 1	November 1/ May 1
Callable Dates	May 1, 2020*	May 1, 2021*	November 1, 2030*	November 1, 2030*	May 1, 2035*

* On any date thereafter, at a price equal to the par value plus accrued interest from the most recent interest payment date to the date fixed for redemption.

As of June 30, 2025, the District has authorized bond authority of \$6,225,000.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended June 30, 2025:

	July 1, 2024	Additions	Retirements	June 30, 2025
Bonds Payable	\$ 4,080,000	\$ 775,000	\$ 430,000	\$ 4,425,000
			Amount Due Within One Year	\$ 440,000
			Amount Due After One Year	3,985,000
			Bonds Payable, Net	\$ 4,425,000

As of June 30, 2025, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2026	\$ 440,000	\$ 78,513	\$ 518,513
2027	450,000	70,209	520,209
2028	465,000	61,353	526,353
2029	470,000	52,036	522,036
2030	485,000	42,247	527,247
2031-2035	955,000	135,616	1,090,616
2036-2040	1,010,000	65,168	1,075,168
2041-2044	150,000	11,235	161,235
	\$ 4,425,000	\$ 516,377	\$ 4,941,377

All outstanding bonds are direct placement bonds.

During the year ended June 30, 2025, the District levied an ad valorem debt service tax rate of \$0.3101 per \$100 of assessed valuation, which resulted in a tax levy of \$551,004 on the adjusted taxable valuation of \$178,569,893 for the 2024 tax year. The bond orders 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 8 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 levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The bond orders state that the District is required to provide continuing disclosure of certain general financial information included in an annual audit to certain information repositories. The audit, which includes audited annual financial statements, is to be provided at the end of each fiscal year and shall continue to be provided through the life of the bonds.

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 proceeds of the bonds, 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 each issue.

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 fiscal year end, the carrying amount of the District's deposits was \$233,347 and the bank balance was \$247,806. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at June 30, 2025, as listed below:

	<u>Cash</u>
GENERAL FUND	\$ 214,740
DEBT SERVICE FUND	8,649
CAPITAL PROJECTS FUND	<u>9,958</u>
TOTAL DEPOSITS	<u>\$ 233,347</u>

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments

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

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

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 Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures 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.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of June 30, 2025, 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	\$ 700,663	\$ 700,663
<u>DEBT SERVICE FUND</u>		
TexPool	213,500	213,500
<u>CAPITAL PROJECTS FUND</u>		
TexPool	20,294	20,294
Money Market Mutual Funds	<u>3,132,536</u>	<u>3,132,536</u>
TOTAL INVESTMENTS	<u><u>\$ 4,066,993</u></u>	<u><u>\$ 4,066,993</u></u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2025, the District's investments in TexPool and money market mutual funds 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 and money market mutual funds to have maturities of less than one year due to the fact the share positions can be redeemed each day at the discretion of the District.

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.

NOTE 6. 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 from which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 7. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2025 is as follows:

	July 1, 2024	Increases	Decreases	June 30, 2025
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 21,571	\$ -	\$ -	\$ 21,571
Construction in Progress	793,687	41,000	-	834,687
Total Capital Assets Not Being Depreciated	\$ 815,258	\$ 41,000	\$ -	\$ 856,258
Capital Assets Subject to Depreciation				
Roads	\$ 52,742	\$ -	\$ -	\$ 52,742
Furniture and Equipment	219,386	-	-	219,386
Rolling Stock	91,870	-	-	91,870
Vehicles and Equipment	192,801	-	-	192,801
Buildings and Improvements	312,988	-	-	312,988
Water System	4,982,236	-	-	4,982,236
Wastewater System	3,470,630	5,970	-	3,476,600
Distribution Lines and Connections	4,785,249	-	-	4,785,249
Total Capital Assets Subject to Depreciation	\$ 14,107,902	\$ 5,970	\$ -	\$ 14,113,872
Less Accumulated Depreciation				
Roads	\$ 49,073	\$ 587	\$ -	\$ 49,660
Furniture and Equipment	210,001	2,854	-	212,855
Rolling Stock	91,870	-	-	91,870
Vehicles and Equipment	108,409	27,953	-	136,362
Buildings and Improvements	131,610	8,498	-	140,108
Water System	2,624,799	129,902	-	2,754,701
Wastewater System	1,845,213	102,255	-	1,947,468
Distribution Lines and Connections	4,785,249	-	-	4,785,249
Total Accumulated Depreciation	\$ 9,846,224	\$ 272,049	\$ -	\$ 10,118,273
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 4,261,678	\$ (266,079)	\$ -	\$ 3,995,599
Total Capital Assets, Net of Accumulated Depreciation	\$ 5,076,936	\$ (225,079)	\$ -	\$ 4,851,857

NOTE 8. MAINTENANCE TAX

On May 4, 2002, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.25 per \$100 of assessed valuation of taxable property within the District. During the year ended June 30, 2025, the District levied an ad valorem maintenance tax rate of \$0.2838 per \$100 of assessed valuation, which resulted in a tax levy of \$504,273 on the adjusted taxable valuation of \$178,569,893 for the 2024 tax year. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District's water and sewer system.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 9. SURFACE WATER SUPPLY CONTRACT

On November 3, 2011, the District entered into a contract with the Trinity Rural Water Supply Corporation ("TRWS") for the right of the District to purchase specified amounts of treated water from TRWS. The District is required to construct transmission facilities and upon completion, convey ownership of the transmission facilities to TRWS. The District is obligated to pay a water reservation charge of \$13,982 per month which is subject to change by TRWS annually. In addition to other charges, the District must pay a volumetric rate for all treated water delivered by TRWS to the District. The volumetric rate has been set at \$2.10 per 1,000 gallons for the initial year of the agreement and may be changed by TRWS annually (currently \$3.25 per 1,000 gallons). Maximum daily amounts of treated water that TRWS is obligated to sell to the District has been set at 288,000 gallons per day through September 2032.

NOTE 10. COMPENSATED ABSENCES

The District provides vacation time for its employees with one year or more tenure at the rate of two weeks of vacation time after one year of service, and three weeks of vacation after five years of service. Unused vacation time is paid if the employee separates from service. At June 30, 2025, the District's employees had accumulated 195 hours of unused vacation time. Based upon current employee pay rates, \$4,210 of accumulated unpaid employee vacation benefits have been accrued as of June 30, 2025.

Effective May 17, 2021, the District adopted a personal time off (PTO) policy allowing for 40 hours of personal time on January 1st of each calendar year. Any unused PTO will be banked the same as vacation time. Any earned but unused PTO is paid at separation. At June 30, 2025, the District's employees had accumulated 77 hours of unused PTO. Based upon current employee pay rates, \$1,666 of accumulated unpaid employee PTO benefits have been accrued as of June 30, 2025.

NOTE 11. RETIREMENT PLAN

The District offers its employees a Simple IRA plan where the District contributes a 3% match up to \$1,800 in matching funds per employee. Contributions under this plan amounted to \$1,393 for the year ended June 30, 2025.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 12. TOWER LEASE AGREEMENT

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

NOTE 13. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

As of June 30, 2025, the General Fund recorded a payable in the amount of \$24,663 to the Debt Service Fund for debt service tax collections and the Capital Projects Fund recorded a payable in the amount of \$59,564 to the General Fund for capital costs.

NOTE 14. BOND SALE

On December 11, 2024, the District issued its \$1,581,632 Unlimited Tax Bonds, Series 2024, of which \$806,632 of the principal was forgiven. Proceeds from the bond sale will be used for certain water and wastewater related projects in the district. As of June 30, 2025, these funds remain in escrow. Additional proceeds were used to pay issuance costs of the bonds.

NOTE 15. PRINCIPAL FORGIVENESS AGREEMENT

On August 15, 2024, the District entered into a principal forgiveness agreement with the Texas Water Development Board (the "TWDB"). The District submitted an application to the TWDB for financial assistance in the amount of \$1,581,632 from the Drinking Water State Revolving Fund to finance the planning, acquisition, design and construction of certain water system improvements for the project. The TWDB determined that the District qualifies for principal forgiveness in the amount of \$806,632. These funds will remain in escrow until applicable requirements and conditions are met per this agreement.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2025

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 450,000	\$ 479,882	\$ 29,882
Water Service	1,092,000	1,062,109	(29,891)
Wastewater Service	828,000	825,268	(2,732)
Penalty and Interest	24,000	29,118	5,118
Tap Connection and Inspection Fees	35,900	71,383	35,483
Investment and Miscellaneous Revenues	<u>56,800</u>	<u>323,909</u>	<u>267,109</u>
TOTAL REVENUES	<u>\$ 2,486,700</u>	<u>\$ 2,791,669</u>	<u>\$ 304,969</u>
EXPENDITURES			
Service Operations:			
Personnel	\$ 108,800	\$ 91,424	\$ 17,376
Professional Fees	315,000	405,670	(90,670)
Contracted Services	222,260	275,533	(53,273)
Purchased Water	169,792	200,928	(31,136)
Utilities	63,000	55,288	7,712
Repairs and Maintenance	652,000	928,956	(276,956)
Other	524,680	437,141	87,539
Capital Outlay	<u>96,000</u>	<u>69,856</u>	<u>26,144</u>
TOTAL EXPENDITURES	<u>\$ 2,151,532</u>	<u>\$ 2,464,796</u>	<u>\$ (313,264)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 335,168</u>	<u>\$ 326,873</u>	<u>\$ (8,295)</u>
OTHER FINANCING SOURCES(USES)			
Transfers In(Out)	<u>\$ -</u>	<u>\$ 26,898</u>	<u>\$ 26,898</u>
NET CHANGE IN FUND BALANCE	\$ 335,168	\$ 353,771	\$ 18,603
FUND BALANCE - JULY 1, 2024	<u>438,681</u>	<u>438,681</u>	<u>-</u>
FUND BALANCE - JUNE 30, 2025	<u><u>\$ 773,849</u></u>	<u><u>\$ 792,452</u></u>	<u><u>\$ 18,603</u></u>

See accompanying independent auditor's report.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
JUNE 30, 2025

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT

SERVICES AND RATES

FOR THE YEAR ENDED JUNE 30, 2025

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

<u> X </u>	Retail Water	<u> </u>	Wholesale Water	<u> </u>	Drainage
<u> X </u>	Retail Sewer	<u> </u>	Wholesale Wastewater	<u> </u>	Irrigation
<u> </u>	Parks/Recreation	<u> </u>	Fire Protection	<u> </u>	Security
<u> </u>	Solid Waste/Garbage	<u> </u>	Flood Control	<u> </u>	Roads
<u> </u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u> </u>	Other (specify): _____				

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

Based on the rate order effective March 18, 2024.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	\$ 78.50	N/A	N	\$ 7.50 \$ 8.50 \$ 9.50 \$ 10.50	0 – 3,000 3,001 to 6,000 6,001 to 9,000 9,001 and up
WASTEWATER:	\$ 78.50	N/A	Y	N/A	N/A
SURCHARGE:					
Commission	0.5% of				
Regulatory	actual				
Assessments	water and sewer bill				

District employs winter averaging for wastewater usage?	<u> </u>	<u> X </u>
	Yes	No

Total monthly charges per 10,000 gallons usage: Water: \$165.50 Wastewater: \$78.50 Surcharge: \$1.22

See accompanying independent auditor's report.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2025

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾"	<u>932</u>	<u>816</u>	x 1.0	<u>816</u>
1"	<u>3</u>	<u>3</u>	x 2.5	<u>7.5</u>
1½"			x 5.0	
2"	<u>3</u>	<u>3</u>	x 8.0	<u>24</u>
3"	<u>1</u>	<u>1</u>	x 15.0	<u>15</u>
4"			x 25.0	
6"	<u>1</u>	<u>1</u>	x 50.0	<u>50</u>
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>940</u>	<u>824</u>		<u>912.5</u>
Total Wastewater Connections	<u>938</u>	<u>822</u>	x 1.0	<u>822</u>

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited):

Gallons pumped into the system:	33,123,000	Water Accountability Ratio: 63.25% (Gallons billed/Gallons pumped and purchased)
Gallons purchased:	8,185,000	From Trinity Rural Water Supply Corporation
Gallons billed to customers:	26,127,000	

See accompanying independent auditor's report.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2025

4. STANDBY FEES (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes ☐ No ☒

Does the District have Operation and Maintenance standby fees? Yes ☐ No ☒

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes ☒ No ☐

County in which District is located:

Trinity County, Texas

Is the District located within a city is extraterritorial jurisdiction (ETJ)?

Entirely ☒ Partly ☐ Not at all ☐

ETJ in which district is located:

City of Trinity, Texas

Are Board Members appointed by an office outside the District?

Yes ☐ No ☒

See accompanying independent auditor's report.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2025

PERSONNEL EXPENDITURES (Including Benefits)	\$ 91,424
PROFESSIONAL FEES:	
Auditing	\$ 25,000
Engineering	123,039
Legal	<u>257,631</u>
TOTAL PROFESSIONAL FEES	<u>\$ 405,670</u>
PURCHASED WATER SERVICE	<u>\$ 200,928</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 54,110
Operations	<u>221,423</u>
TOTAL CONTRACTED SERVICES	<u>\$ 275,533</u>
UTILITIES:	
Electricity	\$ 48,495
Telephone	<u>6,793</u>
TOTAL UTILITIES	<u>\$ 55,288</u>
REPAIRS AND MAINTENANCE	<u>\$ 928,956</u>
ADMINISTRATIVE EXPENDITURES:	
Insurance	\$ 54,784
Office Supplies and Postage	62,439
Travel and Meetings	1,370
Other	<u>7,408</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 126,001</u>
CAPITAL OUTLAY	<u>\$ 69,856</u>
TAP CONNECTIONS	<u>\$ 38,450</u>

See accompanying independent auditor's report.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2025

OTHER EXPENDITURES:

Auto and Vehicle Expenditures	\$ 74,504
Chemicals	109,320
Laboratory Fees	41,579
Permit Fees	13,756
Sludge Hauling	16,894
Other	<u>16,637</u>

TOTAL OTHER EXPENDITURES	<u>\$ 272,690</u>
--------------------------	-------------------

TOTAL EXPENDITURES	<u><u>\$ 2,464,796</u></u>
--------------------	----------------------------

Number of persons employed by the District	<u>1</u>	Full-Time	<u>2</u>	Part-Time
--------------------------------------------	----------	-----------	----------	-----------

See accompanying independent auditor's report.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
INVESTMENTS
JUNE 30, 2025

<u>Fund</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	XXXX0005	Varies	Daily	\$ 700,663	\$ -
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 213,500	\$ -
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0010	Varies	Daily	\$ 20,294	\$ -
Money Market Mutual Fund	XXXX1482	Varies	Daily	1,274,719	-
Money Market Mutual Fund	XXXX1483	Varies	Daily	116,040	-
Money Market Mutual Fund	XXXX1485	Varies	Daily	235,562	-
Money Market Mutual Fund	XXXX3527	Varies	Daily	727,113	-
Money Market Mutual Fund	XXXX3528	Varies	Daily	305,531	-
Money Market Mutual Fund	XXXX3529	Varies	Daily	473,571	-
TOTAL CAPITAL PROJECTS FUND				\$ 3,152,830	\$ -
TOTAL - ALL FUNDS				\$ 4,066,993	\$ -

See accompanying independent auditor's report.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>	
TAXES RECEIVABLE -				
JULY 1, 2024	\$	432,656	\$	518,157
Adjustments to Beginning				
Balance		<u>(858)</u>		<u>(2,555)</u>
	\$	431,798	\$	515,602
Original 2024 Tax Levy	\$	506,361	\$	553,286
Adjustment to 2024 Tax Levy		<u>(2,088)</u>		<u>(2,282)</u>
		<u>504,273</u>		<u>551,004</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 936,071		\$ 1,066,606
TAX COLLECTIONS:				
Prior Years	\$	26,647	\$	31,338
Current Year		<u>453,235</u>		<u>495,237</u>
		<u>479,882</u>		<u>526,575</u>
TAXES RECEIVABLE -				
JUNE 30, 2025		<u>\$ 456,189</u>		<u>\$ 540,031</u>
TAXES RECEIVABLE BY				
YEAR:				
2024	\$	51,038	\$	55,767
2023		25,408		31,668
2022		17,179		31,042
2021		28,681		17,611
2020		29,340		16,362
2019		27,771		19,671
2018		30,366		20,244
2017		28,629		19,086
2016		27,984		18,656
2015		29,433		16,352
2014		26,650		18,628
2013		23,710		19,321
2012		21,570		17,560
2011		17,193		18,460
2010 and Prior		<u>71,237</u>		<u>219,603</u>
TOTAL	\$	<u>456,189</u>	\$	<u>540,031</u>

See accompanying independent auditor's report.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2025

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 178,569,893</u>	<u>\$ 162,274,486</u>	<u>\$ 136,970,872</u>	<u>\$ 116,863,009</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.3101	\$ 0.3551	\$ 0.4250	\$ 0.2663
Maintenance	<u>0.2838</u>	<u>0.2849</u>	<u>0.2352</u>	<u>0.4337</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.5939</u>	<u>\$ 0.6400</u>	<u>\$ 0.6602</u>	<u>\$ 0.7000</u>
ADJUSTED TAX LEVY*	<u>\$ 1,055,277</u>	<u>\$ 1,035,122</u>	<u>\$ 901,917</u>	<u>\$ 817,343</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>89.88 %</u>	<u>94.49 %</u>	<u>94.65 %</u>	<u>94.34 %</u>

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

Maintenance Tax – Maximum tax rate of \$1.25 per \$100 of assessed valuation approved by voters on May 4, 2002.

See accompanying independent auditor's report.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

S E R I E S - 2 0 1 0 B				
Due During Fiscal Years Ending June 30	Principal Due May 1	Interest Due November 1/ May 1	Total	
2026	\$ 125,000	\$ 20,957	\$	145,957
2027	130,000	17,270		147,270
2028	135,000	13,305		148,305
2029	140,000	9,120		149,120
2030	145,000	4,640		149,640
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
2041				
2042				
2043				
2044				
	<u>\$ 675,000</u>	<u>\$ 65,292</u>	<u>\$</u>	<u>740,292</u>

See accompanying independent auditor's report.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

REFUNDING SERIES - 2017			
Due During Fiscal Years Ending June 30	Principal Due May 1	Interest Due November 1/ May 1	Total
2026	\$ 140,000	\$ 17,686	\$ 157,686
2027	145,000	14,340	159,340
2028	150,000	10,875	160,875
2029	150,000	7,290	157,290
2030	155,000	3,705	158,705
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
	<u>\$ 740,000</u>	<u>\$ 53,896</u>	<u>\$ 793,896</u>

See accompanying independent auditor's report.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

S E R I E S - 2 0 2 0 A			
Due During Fiscal Years Ending June 30	Principal Due May 1	Interest Due November 1/ May 1	Total
2026	\$ 75,000	\$ 14,808	\$ 89,808
2027	75,000	14,298	89,298
2028	75,000	13,713	88,713
2029	75,000	13,080	88,080
2030	80,000	12,346	92,346
2031	80,000	11,494	91,494
2032	80,000	10,546	90,546
2033	80,000	9,502	89,502
2034	80,000	8,386	88,386
2035	80,000	7,222	87,222
2036	80,000	6,022	86,022
2037	80,000	4,794	84,794
2038	85,000	3,498	88,498
2039	85,000	2,125	87,125
2040	85,000	714	85,714
2041			
2042			
2043			
2044			
	<u>\$ 1,195,000</u>	<u>\$ 132,548</u>	<u>\$ 1,327,548</u>

See accompanying independent auditor's report.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

S E R I E S - 2 0 2 0 B			
Due During Fiscal Years Ending June 30	Principal Due May 1	Interest Due November 1/ May 1	Total
2026	\$ 65,000	\$ 13,888	\$ 78,888
2027	65,000	13,414	78,414
2028	70,000	12,853	82,853
2029	70,000	12,226	82,226
2030	70,000	11,530	81,530
2031	70,000	10,749	80,749
2032	70,000	9,885	79,885
2033	70,000	8,936	78,936
2034	70,000	7,925	77,925
2035	75,000	6,833	81,833
2036	75,000	5,670	80,670
2037	75,000	4,482	79,482
2038	75,000	3,267	78,267
2039	75,000	2,018	77,018
2040	80,000	692	80,692
2041			
2042			
2043			
2044			
	<u>\$ 1,075,000</u>	<u>\$ 124,368</u>	<u>\$ 1,199,368</u>

See accompanying independent auditor's report.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

S E R I E S - 2 0 2 4			
Due During Fiscal Years Ending June 30	Principal Due May 1	Interest Due November 1/ May 1	Total
2026	\$ 35,000	\$ 11,174	\$ 46,174
2027	35,000	10,887	45,887
2028	35,000	10,607	45,607
2029	35,000	10,320	45,320
2030	35,000	10,026	45,026
2031	40,000	9,718	49,718
2032	40,000	9,286	49,286
2033	40,000	8,842	48,842
2034	40,000	8,382	48,382
2035	40,000	7,910	47,910
2036	45,000	7,418	52,418
2037	45,000	6,909	51,909
2038	45,000	6,387	51,387
2039	45,000	5,856	50,856
2040	35,000	5,316	40,316
2041	35,000	4,347	39,347
2042	35,000	3,356	38,356
2043	40,000	2,348	42,348
2044	40,000	1,184	41,184
	<u>\$ 740,000</u>	<u>\$ 140,273</u>	<u>\$ 880,273</u>

See accompanying independent auditor's report.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending June 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2026	\$ 440,000	\$ 78,513	\$ 518,513
2027	450,000	70,209	520,209
2028	465,000	61,353	526,353
2029	470,000	52,036	522,036
2030	485,000	42,247	527,247
2031	190,000	31,961	221,961
2032	190,000	29,717	219,717
2033	190,000	27,280	217,280
2034	190,000	24,693	214,693
2035	195,000	21,965	216,965
2036	200,000	19,110	219,110
2037	200,000	16,185	216,185
2038	205,000	13,152	218,152
2039	205,000	9,999	214,999
2040	200,000	6,722	206,722
2041	35,000	4,347	39,347
2042	35,000	3,356	38,356
2043	40,000	2,348	42,348
2044	40,000	1,184	41,184
	<u>\$ 4,425,000</u>	<u>\$ 516,377</u>	<u>\$ 4,941,377</u>

See accompanying independent auditor's report.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JUNE 30, 2025

Description	Original Bonds Issued	Bonds Outstanding July 1, 2024
Westwood Shores Municipal Utility District Unlimited Tax Bonds - Series 2010B	\$ 1,825,000	\$ 795,000
Westwood Shores Municipal Utility District Unlimited Tax Refunding Bonds - Series 2017	1,635,000	875,000
Westwood Shores Municipal Utility District Unlimited Tax Bonds - Series 2020A	1,560,000	1,270,000
Westwood Shores Municipal Utility District Unlimited Tax Bonds - Series 2020B	1,400,000	1,140,000
Westwood Shores Municipal Utility District Unlimited Tax Bonds - Series 2024	<u>775,000</u>	<u>-</u>
TOTAL	<u>\$ 7,195,000</u>	<u>\$ 4,080,000</u>
Bond Authority:	<u>Tax Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 21,870,000	\$ 4,205,000
Amount Issued	<u>15,645,000</u>	<u>4,205,000</u>
Remaining to be Issued	<u>\$ 6,225,000</u>	<u>\$ -</u>
Debt Service Fund cash and investment balances as of June 30, 2025:		<u>\$ 222,149</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 260,072</u>

See accompanying independent auditor's report.

Current Year Transactions					Paying Agent
Bonds Sold	Retirements		Bonds Outstanding June 30, 2025		
	Principal	Interest			
\$ -	\$ 120,000	\$ 24,438	\$ 675,000	Computershare Corporate Trust Houston, TX	
-	135,000	20,913	740,000	TIB The Independent Bankers Bank, NA Houston, Texas	
-	75,000	15,206	1,195,000	The Bank of New York Mellon Trust Co. Houston, Texas	
-	65,000	14,265	1,075,000	The Bank of New York Mellon Trust Co. Houston, Texas	
775,000	35,000	-	740,000	The Bank of New York Mellon Trust Co. Houston, Texas	
\$ 775,000	\$ 430,000	\$ 74,822	\$ 4,425,000		

See accompanying independent auditor's report.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2025	2024	2023
REVENUES			
Property Taxes	\$ 479,882	\$ 445,404	\$ 303,085
Water Service	1,062,109	1,108,020	933,379
Wastewater Service	825,268	859,396	562,955
Standby Fees	-	-	-
Other Fees	-	-	-
Penalty and Interest	29,118	48,051	26,144
Tap Connection and Inspection Fees	71,383	47,831	111,098
Investment and Miscellaneous Revenues	<u>323,909</u>	<u>113,340</u>	<u>90,758</u>
TOTAL REVENUES	<u>\$ 2,791,669</u>	<u>\$ 2,622,042</u>	<u>\$ 2,027,419</u>
EXPENDITURES			
Personnel	\$ 91,424	\$ 108,212	\$ 111,717
Professional Fees	405,670	301,367	172,329
Contracted Services	275,533	282,542	323,849
Purchased Water	200,928	222,238	289,933
Utilities	55,288	55,117	61,209
Repairs and Maintenance	928,956	959,369	355,100
Other	437,141	631,585	334,755
Capital Outlay	69,856	88,298	14,224
Debt Service:			
Lease Principal	-	-	57,957
Lease Interest	-	-	1,805
Bond Issuance Costs	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 2,464,796</u>	<u>\$ 2,648,728</u>	<u>\$ 1,722,878</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 326,873</u>	<u>\$ (26,686)</u>	<u>\$ 304,541</u>
OTHER FINANCING SOURCES (USES)			
Lease Proceeds	\$ -	\$ -	\$ -
Transfers In(Out)	<u>26,898</u>	<u>-</u>	<u>(41,100)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 26,898</u>	<u>\$ -</u>	<u>\$ (41,100)</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ 353,771</u></u>	<u><u>\$ (26,686)</u></u>	<u><u>\$ 263,441</u></u>

Note: Fiscal year 2021 information provided by prior auditor

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2022	2021	2025	2024	2023	2022	2021
\$ 474,894	\$ 453,134	17.2 %	17.0 %	14.9 %	32.5 %	26.2 %
514,899	534,145	38.0	42.3	46.0	35.2	30.9
237,260	218,724	29.6	32.8	27.8	16.2	12.6
45,240	48,006				3.1	2.8
-	180,364					10.4
25,928	6,767	1.0	1.8	1.3	1.8	0.4
106,039	-	2.6	1.8	5.5	7.2	
59,218	288,493	11.6	4.3	4.5	4.0	16.7
<u>\$ 1,463,478</u>	<u>\$ 1,729,633</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 239,014	\$ 568,428	3.3 %	4.1 %	5.5 %	16.3 %	32.9 %
101,453	38,142	14.5	11.5	8.5	6.9	2.2
244,450		9.9	10.8	16.0	16.7	
202,744	376,598	7.2	8.5	14.3	13.9	21.8
55,206	52,706	2.0	2.1	3.0	3.8	3.0
334,080	168,126	33.3	36.6	17.5	22.8	9.7
222,432	83,872	15.7	24.1	16.5	15.2	4.8
-	192,872	2.5	3.4	0.7		11.2
28,531	30,995			2.9	1.9	1.8
2,363	-			0.1	0.2	
-	221,029					12.8
<u>\$ 1,430,273</u>	<u>\$ 1,732,768</u>	<u>88.4 %</u>	<u>101.1 %</u>	<u>85.0 %</u>	<u>97.7 %</u>	<u>100.2 %</u>
\$ 33,205	\$ (3,135)	<u>11.6 %</u>	<u>(1.1) %</u>	<u>15.0 %</u>	<u>2.3 %</u>	<u>(0.2) %</u>
\$ -	\$ 40,814					
<u>(197,649)</u>	<u>(214,801)</u>					
\$ (197,649)	\$ (173,987)					
<u>\$ (164,444)</u>	<u>\$ (177,122)</u>					

See accompanying independent auditor's report.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2025	2024	2023
REVENUES			
Property Taxes	\$ 526,575	\$ 552,826	\$ 536,232
Penalty and Interest	34,656	51,318	33,754
Investment and Miscellaneous Revenues	<u>14,945</u>	<u>3,842</u>	<u>111</u>
TOTAL REVENUES	<u>\$ 576,176</u>	<u>\$ 607,986</u>	<u>\$ 570,097</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 81,139	\$ 82,295	\$ 70,202
Debt Service Principal	430,000	390,000	385,000
Debt Service Interest and Fees	<u>89,166</u>	<u>89,166</u>	<u>89,166</u>
TOTAL EXPENDITURES	<u>\$ 600,305</u>	<u>\$ 561,461</u>	<u>\$ 544,368</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (24,129)</u>	<u>\$ 46,525</u>	<u>\$ 25,729</u>
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ -	\$ -	\$ 41,000
Proceeds from Issuance of Long-Term Debt	-	-	-
Transfer to Refunding Escrow Agent	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,000</u>
NET CHANGE IN FUND BALANCE	<u>\$ (24,129)</u>	<u>\$ 46,525</u>	<u>\$ 66,729</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>824</u>	<u>836</u>	<u>840</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>822</u>	<u>833</u>	<u>840</u>

Note: Fiscal year 2021 information provided by prior auditor

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2022	2021	2025	2024	2023	2022	2021
\$ 295,757	\$ 333,397	91.4 %	91.0 %	94.1 %	94.9 %	99.7 %
15,035	-	6.0	8.4	5.9	4.8	
985	1,118	2.6	0.6		0.3	0.3
<u>\$ 311,777</u>	<u>\$ 334,515</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 54,487	\$ 64,176	14.1 %	13.5 %	12.3 %	17.5 %	19.2 %
365,000	365,000	74.6	64.1	67.5	117.1	109.1
94,964	106,992	15.5	14.7	15.6	30.5	32.0
<u>\$ 514,451</u>	<u>\$ 536,168</u>	<u>104.2 %</u>	<u>92.3 %</u>	<u>95.4 %</u>	<u>165.1 %</u>	<u>160.3 %</u>
\$ (202,674)	\$ (201,653)	<u>(4.2) %</u>	<u>7.7 %</u>	<u>4.6 %</u>	<u>(65.1) %</u>	<u>(60.3) %</u>
\$ 195,099	\$ 214,801					
-	-					
<u>-</u>	<u>-</u>					
<u>\$ 195,099</u>	<u>\$ 214,801</u>					
<u>\$ (7,575)</u>	<u>\$ 13,148</u>					
<u>754</u>	<u>753</u>					
<u>754</u>	<u>753</u>					

See accompanying independent auditor's report.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2025

District Mailing Address - Westwood Shores Municipal Utility District
75 Cottonwood
Trinity, TX 75862

District Telephone Number - (936) 594-3411

Board Members	Term of Office (Elected or Appointed)	Fees of office for the year ended June 30, 2025	Expense Reimbursements for the year ended June 30, 2025	Title
Joan Gallagher	11/22 11/26 (Elected)	\$ -0-	\$ -0-	President
Robert Stoddard	11/22 11/26 (Elected)	\$ 2,250	\$ 48	Vice President
John Wolf	11/20 11/24 (Elected)	\$ 600	\$ -0-	Past Secretary
James Atkinson	11/20 11/24 (Elected)	\$ 300	\$ -0-	Past Assistant Secretary
Bryan Holmes	11/24 11/28 (Elected)	\$ 1,950	\$ 25	Secretary
Donald Brunswick	11/24 11/28 (Elected)	\$ 1,500	\$ 143	Director
Sidney Craig	11/24 11/28 (Elected)	\$ 1,200	\$ 812	Assistant Secretary

Note: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developer or with any of the District's consultants.

Submission date of most recent District Registration Form: July 20, 2023

See accompanying independent auditor's report.

WESTWOOD SHORES MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2025

	<u>Date Hired</u>	<u>Fees/ Compensation for the fiscal year ended June 30, 2025</u>	<u>Title</u>
Consultants:			
Mitchell, Zientek & Scruggs, LLP	11/15/21	\$ 70,785	General Counsel
		\$ 19,375	Bond Counsel
The Carlton Law Firm PLLC	12/23/24	\$ 112,035	Litigation Support
McCall Gibson Swedlund Barfoot PLLC	08/01/22	\$ 25,000	Auditor
EEPB Company	12/13/23	\$ 57,544	Bookkeeper
Civil Grade Engineers	03/21/22	\$ 221,210	Engineer
Blitch Associates, Inc.	03/25/24	\$ 7,750	Financial Advisor
H2O Innovation Operation & Maintenance, LLC	12/16/24	\$ 223,419	Operator
Precision Utility, LLC	10/18/23	\$ 444,056	Prior Operator
Trinity County Tax Assessor/Collector	03/24/23	\$ 14,899	Tax Collector
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/23/24	\$ 11,839	Delinquent Tax Attorney

See accompanying independent auditor's report.

APPENDIX B—Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY INC. ("AG"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AG, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AG shall have received Notice of Nonpayment, AG will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AG, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AG. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AG shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AG shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AG which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AG may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AG pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AG and shall not be deemed received until received by both and (b) all payments required to be made by AG under this Policy may be made directly by AG or by the Insurer's Fiscal Agent on behalf of AG. The Insurer's Fiscal Agent is the agent of AG only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AG to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AG agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AG to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AG, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY INC.

By _____
Authorized Officer

1633 Broadway, New York, N.Y. 10019

(212) 974-0100

Form 500 (8/24)