

MAURICEVILLE MUNICIPAL UTILITY DISTRICT
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2020

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS §

COUNTY OF Orange §

I, Tim McCarver, President of the Mauriceville Municipal Utility District hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the Board of Directors of the District on the 16 day of March, 2021 its annual report for the year or period ended December 31, 2020 and that copies of the annual audit have been filed in the District office, located at 15509 FM 1442 Orange, TX 77632. The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code.

Date: March 16, 2021

By: 

(Signature of District Representative)

Tim McCarver, President
(Typed Name and Title of above
District Representative)

Sworn to and subscribed to before me this 16 day of March, 2021



Christina Davis
(Signature of Notary)

My commission expires on 10/01 2022, Notary Public in and for the State of Texas.

J. Pat O'Neill, III, CPA
Michael W. Kiefer, CPA
Troy W. Domingue, CPA

**Wathen,
DeShong
& Juncker,**
L.L.P.
CPAs & BUSINESS ADVISORS

Stanley (Chip) Majors, Jr., CPA, CITP, CGMA
Jane P. Burns, CPA, CDFA
Jeremy R. Triska, CPA

March 3, 2021

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mauriceville Municipal Utility District
Orange, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Mauriceville Municipal Utility District as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise the Mauriceville Municipal Utility District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mauriceville Municipal Utility District as of December 31, 2020, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and the Statement of Revenues, Expenses and Changes in Net Position – Budget and Actual page 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information on pages 4 through 8 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 this information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The required supplementary information on page 22 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Mauriceville Municipal Utility District's basic financial statements. The Texas Supplementary Information listed in the Table of Contents on pages 23 through 32 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary Information listed in the Table of Contents 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 current year financial information included in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedules of Services and Rates and Board Members, Key Personnel and Consultants have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on this information.

Wathen, DeShong & Juncker, L.L.P.

WATHEN, DeSHONG & JUNCKER, L.L.P.
Certified Public Accountants

MAURICEVILLE MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis For the Year Ended December 31, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Mauriceville Municipal Utility District, we offer readers of the Mauriceville Municipal Utility District financial statements this narrative overview and analysis of the financial activities of the Mauriceville Municipal Utility District for the fiscal year ended December 31, 2020. We encourage readers to consider the information presented here in conjunction with the independent auditor's report and the District's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The liabilities of the Mauriceville Municipal Utility District exceeded its assets as of December 31, 2020, by \$550,735 (net position).
- The Mauriceville Municipal Utility District's total net position increased by \$1,140,927. The District had expenses associated with all activities totaling \$3,146,376 and total revenues were \$4,287,303.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Mauriceville Municipal Utility District's basic financial statements. These financial statements are comprised of two components: 1) financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Financial statements. The financial statements are designed to provide readers with a broad overview of the Mauriceville Municipal Utility District's finances, in a manner similar to a private-sector business.

The District utilizes one fund to conduct all activities of the District.

The Statement of Net Position presents information on all of the Mauriceville Municipal Utility District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decrease in net position may serve as a useful indicator of whether the financial position of the Mauriceville Municipal Utility District is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., earned but unused vacation).

The Statement of Cash Flows reconciles the change in cash and cash equivalents for the year under audit to the account activity for accounts in the Statement in Net Position and Statement of Activities. The Statement of Cash Flows is presented in the direct method and segregated by operating, investing, and financing activities. The end of year cash balance per the Statement of Cash Flows is reconciled to the cash and cash equivalents balances on the Statement of Net Position.

The financial statements can be found on pages 9 through 11 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 12 through 21.

Other information. In addition to the basic financial statements and accompanying notes, required supplementary information presents a budgetary comparison schedule for the District to demonstrate compliance with the budget. This required supplementary information can be found on page 22.

MAURICEVILLE MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis
For the Year Ended December 31, 2020

Financial Statement Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Mauriceville Municipal Utility District, liabilities exceeded assets by \$550,735 at December 31, 2020. The District's net position increased by \$1,140,927 and \$1,348,480 for the years ended December 31, 2020 and December 31, 2019, respectively.

STATEMENT OF NET POSITION

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Current and other assets	\$ 3,217,243	\$ 3,158,954	\$ 58,289
Capital assets	<u>5,506,520</u>	<u>5,650,043</u>	<u>(143,523)</u>
Total assets	<u>8,723,763</u>	<u>8,808,997</u>	<u>(85,234)</u>
Current and other liabilities	1,917,837	1,832,666	85,171
Long-term liabilities	<u>7,356,661</u>	<u>8,667,993</u>	<u>(1,311,332)</u>
Total liabilities	<u>9,274,498</u>	<u>10,500,659</u>	<u>(1,226,161)</u>
Net Position			
Unrestricted	<u>(550,735)</u>	<u>(1,691,662)</u>	<u>1,140,927</u>
Total net position	<u>\$ (550,735)</u>	<u>\$ (1,691,662)</u>	<u>\$ 1,140,927</u>

Unrestricted net position is impacted by the deficit in capital assets net of related debt. See Footnote 11 in the notes to the financial statements.

MAURICEVILLE MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis
For the Year Ended December 31, 2020

STATEMENT OF ACTIVITIES

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Revenues			
Program revenues			
Fees for services	\$ 4,174,179	\$ 3,916,444	\$ 257,735
General revenues			
Insurance recovery & grants	81,413	312,298	(230,885)
Other revenue	1,478	137,673	(136,195)
Investment income	30,233	42,719	(12,486)
Total revenues	<u>4,287,303</u>	<u>4,409,134</u>	<u>(121,831)</u>
Expenses			
Water and sewer	2,190,667	2,047,642	143,025
Interest on long-term debt	390,069	431,268	(41,199)
Amortization of bond discount	23,668	23,668	-
Loss on disposal of assets	11,301	19,404	(8,103)
Disaster repair expenses	-	19,357	(19,357)
Depreciation	530,671	519,315	11,356
Total expenses	<u>3,146,376</u>	<u>3,060,654</u>	<u>85,722</u>
Increase in net position	1,140,927	1,348,480	(207,553)
Net position - beginning	<u>(1,691,662)</u>	<u>(3,040,142)</u>	<u>1,348,480</u>
Net position - ending	<u>\$ (550,735)</u>	<u>\$ (1,691,662)</u>	<u>\$ 1,140,927</u>

As the result of current operations, the District's total net position increased by \$1,140,927 during the current fiscal year.

Budgetary Highlights

Amendments were made to the original budget and became effective December 16, 2020. The budget revisions are presented in the amended column of the Statement of Revenues, Expenses and Changes in Net Position - Budget to Actual, which can be found on page 22. Operating revenues were in excess of budgeted amounts by 1.23%. Operating expenses (excluding depreciation) were in excess of budgeted amounts by 3.30%.

MAURICEVILLE MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis For the Year Ended December 31, 2020

Capital Assets

The Mauriceville Municipal Utility District's investment in capital assets at December 31, 2020, was \$5,506,520 net of accumulated depreciation. This investment in capital assets includes land, buildings, machinery and equipment, and represents a net decrease of \$143,523 after considering current depreciation expense of \$530,671.

CAPITAL ASSETS

	2020	2019	Change
Land	\$ 745,548	\$ 745,548	\$ -
Buildings and improvements	580,741	575,831	4,910
Water system	9,223,266	9,121,863	101,403
Sewer system	17,221,454	17,318,329	(96,875)
Machinery and equipment	561,757	507,834	53,923
Automobiles and trucks	317,861	318,230	(369)
Furniture and fixtures	24,176	24,176	-
Total at historical cost	28,674,803	28,611,811	62,992
Total accumulated depreciation	(23,168,283)	(22,961,768)	(206,515)
Net capital assets	\$ 5,506,520	\$ 5,650,043	\$ (143,523)

Long-Term Debt

At December 31, 2020, the Mauriceville Municipal Utility District had \$8.81 million in bonds outstanding as shown below. Mauriceville Municipal Utility District's bonds presently carry a Standard and Poor's Investor Services rating of "AA".

LONG-TERM DEBT

	2020	2019	Change
Bonds payable	\$ 8,810,000	\$ 10,100,000	\$ (1,290,000)
Unamortized bond discount	(142,007)	(165,675)	23,668
	\$ 8,667,993	\$ 9,934,325	\$ (1,266,332)

For the fiscal year ended December 31, 2020, interest expense was \$390,069.

MAURICEVILLE MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis For the Year Ended December 31, 2020

Economic Factors and Next Year's Budgets

Service fees and other operating revenues are budgeted at \$4,254,213 for the fiscal year ending December 31, 2021 as compared to actual operating revenue \$4,174,179 for the fiscal year just ended.

Operating expenses, prior to capital outlay, debt principal and interest, and depreciation are budgeted at \$2,248,045 for the fiscal year ending December 31, 2021 as compared to actual operating expenses of \$2,190,667 (which excludes depreciation expense) for the fiscal year just ended.

Requests for Information

This financial report is designed to provide a general overview of the Mauriceville Municipal Utility District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Mauriceville Municipal Utility District General Manager, Bradley Haeggquist, 15509 FM 1442, Orange, Texas 77632.

BASIC FINANCIAL STATEMENTS

MAURICEVILLE MUNICIPAL UTILITY DISTRICT

STATEMENT OF NET POSITION

DECEMBER 31, 2020

CURRENT ASSETS	
Cash	\$ 205,660
Accounts receivable, net of allowance for doubtful accounts	
Service accounts	510,471
FEMA	19,511
Prepaid dues	5,868
Current portion of long term note receivable	18,000
Inventory	117,024
Restricted cash	404,135
	<hr/>
Total current assets	1,280,669
NONCURRENT ASSETS	
Restricted	
Cash	140,202
Investments	1,694,699
Capital assets	
Land	745,548
Other capital assets, net of accumulated depreciation	4,760,972
Note receivable, net of current portion	101,673
	<hr/>
Total noncurrent assets	7,443,094
	<hr/>
Total assets	8,723,763
CURRENT LIABILITIES	
Accounts payable	53,980
Accrued liabilities	75,556
Interest payable	44,463
Current portion, bonds payable	1,311,332
Compensated absences	28,371
Customer deposits	404,135
	<hr/>
Total current liabilities	1,917,837
NONCURRENT LIABILITIES	
Bonds payable - noncurrent	7,356,661
	<hr/>
Total noncurrent liabilities	7,356,661
	<hr/>
Total liabilities	9,274,498
NET POSITION	
Unrestricted	(550,735)
	<hr/>
TOTAL NET POSITION	\$ (550,735)

The accompanying notes are an integral part
of these financial statements.

MAURICEVILLE MUNICIPAL UTILITY DISTRICT

STATEMENT OF ACTIVITIES

DECEMBER 31, 2020

OPERATING REVENUES	
Service fees	\$ 3,769,873
Tap connection fees	348,314
Miscellaneous	<u>55,992</u>
Total operating revenues	<u>4,174,179</u>
OPERATING EXPENSES	
Personnel	1,352,578
Professional services	74,336
Purchased and contract services	47,957
Consumable supplies and materials	465,525
Recurring operating expenses	250,271
Depreciation	<u>530,671</u>
Total operating expenses	<u>2,721,338</u>
OPERATING INCOME	<u>1,452,841</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest on investments	30,233
Interest expense	(390,069)
Amortization of bond discount	(23,668)
FEMA/Grants	30,316
Insurance recoveries	51,097
Other revenue	1,478
Loss on disposal of assets	<u>(11,301)</u>
Total non-operating revenues (expenses)	<u>(311,914)</u>
INCREASE IN NET POSITION	1,140,927
NET POSITION, beginning of period	<u>(1,691,662)</u>
NET POSITION, end of period	<u>\$ (550,735)</u>

The accompanying notes are an integral part
of these financial statements.

MAURICEVILLE MUNICIPAL UTILITY DISTRICT

STATEMENT OF CASH FLOWS

DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 4,193,992
Payments to suppliers	(799,107)
Payments to employees	<u>(1,361,068)</u>
Net cash provided by operating activities	<u>2,033,817</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES	
Customer security deposits	<u>8,837</u>
Net cash provided (used) by non-capital and related financing activities	<u>8,837</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments for capital assets	(398,449)
Insurance recoveries	51,097
FEMA/ grant income	10,805
Payment for interest on long-term debt	(395,806)
Retirement of long-term debt	<u>(1,290,000)</u>
Net cash provided (used) by capital and related financing activities	<u>(2,022,353)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends on investments	<u>30,233</u>
Net cash provided (used) by investing activities	<u>30,233</u>
INCREASE (DECREASE) IN CASH	50,534
CASH AND CASH EQUIVALENTS, beginning of period	<u>2,394,162</u>
CASH AND CASH EQUIVALENTS, end of period	<u><u>\$ 2,444,696</u></u>
Reconciliation of changes in net position to net cash provided by operating activities	
Changes in net position	\$ 1,140,927
Adjustments to reconcile changes in net position to net cash provided by operating activities	
Depreciation and amortization	554,339
Interest income	(30,233)
Interest expense	390,069
Insurance recoveries	(51,097)
Loss on disposal of assets	11,301
FEMA/Grants	(30,316)
Changes in working capital	
Receivables	27,172
Inventory	(15,942)
Prepaid expenses	526
Accounts payable	23,753
Accrued liabilities	21,808
Compensated absences	<u>(8,490)</u>
Net cash provided by operating activities	<u><u>\$ 2,033,817</u></u>
Reconciliation of Statement of Cash Flows to Statement of Net Position	
Cash	\$ 205,660
Restricted cash	544,337
Restricted investments	<u>1,694,699</u>
	<u><u>\$ 2,444,696</u></u>

The accompanying notes are an integral part
of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

MAURICEVILLE MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Mauriceville Municipal Utility District (the "District") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Reporting entity

On July 1, 1995, Mauriceville Special Utility District began operating the water system which was previously operated by the Mauriceville Water Supply Corporation. The District acquired title to the assets from Mauriceville Water Supply Corporation. on April 11, 1996, at the time of the issuance of Utility System Revenue Bonds. The Mauriceville Water Supply Corporation ceased operations upon the transfer of assets to the Mauriceville Special Utility District.

The Mauriceville Special Utility District was organized pursuant to the provisions of Section 59 of Article XVI of the Constitution of Texas by Order of the Texas Natural Resource Conservation Commission on Docket No. 94-0492-DIS and operates under Chapter 65 of the Texas Water Code, as amended. On July 25, 2007, the Texas Commission on Environmental Quality (TCEQ) approved the application for conversion of Mauriceville Special Utility District to a municipal utility district operating under Texas Water Code Chapter 54. The conversion permits the District, with voter approval, to levy and collect a property tax to meet bonded debt service requirements.

The District provides service to the unincorporated area of Mauriceville, Texas, and the incorporated areas of Orange and Vidor, Texas, which includes customers residing in Orange, Jasper and Newton counties. The District is governed by a Board of Directors consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District.

The following is a summary of the District's significant accounting policies:

The District has adopted Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity". In accordance with this statement, a financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

As required by generally accepted accounting principles, these financial statements present the activities of the District which is considered to be the primary government as well as the reporting entity. There are no other organizations which meet the criteria for inclusion herein as part of the financial reporting entity.

MAURICEVILLE MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes, if any were levied, would be recognized as revenue in the year for which they were levied. Grants and similar items are recognized as revenue when eligibility requirements imposed by the provider have been met.

Operating revenues and expenses are distinguished from non-operating items. Operating revenue and expenses generally result from providing services and from producing and delivering goods in connection with the District's ongoing operations. The principal operating revenues of the District are charges to customers for water and sewer services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Using Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates.

Budgetary Control

The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts shown on the budget to actual statements are as originally adopted or as amended by the District.

Inventory

Inventory is valued at cost, determined by actual physical count. Consumable supplies are considered an expense when purchased.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported by category in the financial statements. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government is depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	5 - 40
Improvements other than buildings	10 - 40
Equipment	3 - 15

MAURICEVILLE MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Vacation

All employees shall be eligible to receive vacation leave after completion of an initial three-month evaluation period, but vacation cannot be taken nor paid upon separation during the first year of employment. After the first anniversary of employment, vacation leave is credited to the employee's account on the first day of each calendar year.

Vacation accrues at the end of the first year of continuous service. Regular employees earn vacation leave in accordance with the following schedule:

- 1 to 4 years of employment – earns 10 days per year
- 5 to 10 years of employment – earns 15 days per year
- Over 10 years of employment – earns 20 days per year

Unused vacation leave of up to 20 days may be carried over to the District's next fiscal year with the approval of the General Manager. Beginning January 1, 2020 and all subsequent years, all unused vacation days over and above the allowable 20 days will be paid to the employee at the rate of \$40 a day on the 1st pay period of the new year.

Personal/Sick Leave

Regular full-time employees are entitled to personal leave beginning on the first date of employment. Qualified employees accrue 4 hours of personal leave each pay period. Unused personal leave of up to 20 days may be carried over to the District's next fiscal year with the approval of the General Manager. Beginning January 1, 2020 and all subsequent years, all unused personal days over and above the allowable 20 days will be paid to the employee at the rate of \$40 a day on the 1st pay period of the new year.

The District's liability as of December 31, 2020 for compensated absences is \$28,371, which was accrued and reported on the face of the financials.

Restricted Assets

Resources set aside for the repayment of revenue bonds, are classified as restricted assets on the Statement of Net Position because their use is limited by applicable bond covenants. Restricted resources are used first to fund related appropriations and unrestricted resources are used after restricted resources are depleted.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers all cash on deposit with banks and all highly liquid investments (including restricted assets) to be cash and cash equivalents.

MAURICEVILLE MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Accounts Receivable

Accounts receivable from water and wastewater services are presented net of the allowance for doubtful accounts of \$16,656 at December 31, 2020. The increase in the allowance has been netted against charges for service revenue.

Risk Management and Participation in Risk Pools

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are protected by participation in the Texas Municipal League Intergovernmental Risk Pool. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage.

Subsequent Events

In accordance with ASC 855, the management of Mauriceville Municipal Utility District has evaluated subsequent events through March 3, 2021, the date on which the financial statements were available for issue.

On January 12, 2021, the District was notified of an amendment to its Public Assistance subgrant completed by the Texas Division of Emergency Management (TDEM) in the amount of \$19,511. The amendment was in relation to a Federal Emergency Management Agency (FEMA) claim from Hurricane Harvey. The District has recorded the amount of the amendment as receivable and revenue as of December 31, 2020.

2) **CASH AND INVESTMENTS**

Texas statute and the District's investment policy authorize the District to invest in U.S. Treasury bills, notes, and bonds, which are backed by the full faith and credit of the United States government, U.S. governmental agency securities, and insured or collateralized time deposits issued by banks domiciled in the State of Texas.

At year-end, the carrying amount of the District's deposits was \$749,997, and balance of the deposits per the financial institution was \$775,911. The Certificates of Deposits carrying amount and balance per the financial institution was \$1,694,699 at December 31, 2020. All deposits as of the financial statement date were insured by FDIC coverage or collateralized by a letter of credit and pledged securities held by the depository's agent in the District's name.

The District addresses its credit risk, custodial credit risk and concentration of credit risk by investing only in local financial institution instruments that are fully insured or collateralized. The District addresses its interest rate risk by investing primarily in short-term instruments.

Investments made by the District are summarized below:

<u>Investment</u>	<u>Amount</u>
Certificate of deposit - Local Financial Institution	\$ 564,757
Certificate of deposit - Local Financial Institution	564,757
Certificate of deposit - Local Financial Institution	<u>565,185</u>
	<u><u>\$ 1,694,699</u></u>

MAURICEVILLE MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

2) **CASH AND INVESTMENTS (CONTINUED)**

Cash and investments are reported in the financial statements as follows:

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
Unrestricted	\$ 205,660	\$ -	\$ 205,660
Restricted			
Interest and Sinking Fund	140,202	-	140,202
Bond Reserve Fund	-	1,694,699	1,694,699
Customer Meter Deposits	404,135	-	404,135
	<u>\$ 749,997</u>	<u>\$ 1,694,699</u>	<u>\$ 2,444,696</u>

The Board of Directors of Mauriceville Municipal Utility District has elected to use Certificates of Deposit as a component of the Reserve Fund required by the Bond Orders associated with the issuance of revenue refunding bonds of 2011.

3) **PROPERTY TAXES**

On July 25, 2007, the Texas Commission on Environmental Quality (TCEQ) approved the application for conversion of Mauriceville Special Utility District to a municipal utility district operating under Texas Water Code Chapter 54. The conversion permits the District, with voter approval, to levy and collect a property tax to meet bonded debt service requirements. No tax has been levied since the conversion to Mauriceville Municipal Utility District.

MAURICEVILLE MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

4) CAPITAL ASSETS

A summary of changes in the capital assets for the primary government for the year ended December 31, 2020 was as follows:

	Balance January 1, 2020	Additions	Retirements	Balance December 31, 2020
Capital assets, not being depreciated				
Land	\$ 745,548	\$ -	\$ -	\$ 745,548
Total capital assets, not being depreciated	745,548	-	-	745,548
Capital assets, being depreciated				
Buildings	575,831	6,452	1,542	580,741
Improvements other than buildings	25,318,758	304,255	299,727	25,323,286
Machinery and equipment	1,971,674	87,742	34,188	2,025,228
Total capital assets, being depreciated	27,866,263	398,449	335,457	27,929,255
Less accumulated depreciation				
Buildings	50,710	15,193	1,542	64,361
Improvements other than buildings	22,381,132	434,386	306,724	22,508,794
Machinery and equipment	529,926	81,092	15,890	595,128
Total accumulated depreciation	22,961,768	530,671	324,156	23,168,283
Total capital assets, being depreciation, net	4,904,495	(132,222)	11,301	4,760,972
Capital assets, net	\$ 5,650,043	\$ (132,222)	\$ 11,301	\$ 5,506,520
Total depreciation expense		\$ 530,671		

MAURICEVILLE MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2020

5) LONG-TERM DEBT

The District issues revenue bonds to provide funds for the acquisition and construction of major capital facilities. Revenue bonds currently outstanding at December 31, 2020 are as follows:

Revenue Bonds

\$19,355,000 Series 2011 Revenue Refunding Bonds due in annual principal installments of \$1,115,000 to \$1,615,000 through November 15, 2026; with interest from 2.0% to 4.25%

\$ 8,810,000

Annual Debt Service

Annual debt service requirement to maturity for the revenue bond is as follows:

Due During Years Ending December 31,	Principal	Unamortized Discount	Net Book Value (Bonds Payable Less Discount)	Interest Expense (Cash Paid Plus Amortization)	Total Principal and Interest
2021	\$ 1,335,000	\$ 23,668	\$ 1,311,332	\$ 373,574	\$ 1,684,906
2022	1,385,000	23,668	1,361,332	325,180	1,686,512
2023	1,435,000	23,668	1,411,332	273,243	1,684,575
2024	1,490,000	23,668	1,466,332	215,843	1,682,175
2025	1,550,000	23,668	1,526,332	156,243	1,682,575
2026	1,615,000	23,667	1,591,333	92,305	1,683,638
	<u>\$ 8,810,000</u>	<u>\$ 142,007</u>	<u>\$ 8,667,993</u>	<u>\$ 1,436,388</u>	<u>\$ 10,104,381</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Revenue Bonds 2011 Series	\$ 10,100,000	\$ -	\$ 1,290,000	\$ 8,810,000	\$ 1,335,000
Less unamortized discount	165,675	-	23,668	142,007	23,668
Total bonded debt	<u>\$ 9,934,325</u>	<u>\$ -</u>	<u>\$ 1,266,332</u>	<u>\$ 8,667,993</u>	<u>\$ 1,311,332</u>

MAURICEVILLE MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

5) **LONG-TERM DEBT (CONTINUED)**

Pledge of Revenues

The bonds constitute special obligations of the District and are payable solely from and ratably secured by an irrevocable first lien on and pledge of the Net Revenues resulting from the operation of the District's water system.

Compliance with Reserve Fund and Sinking Fund Requirements

The District's 2011 Bond Orders require a Reserve Fund equal to the annual debt service requirement of \$1,684,906. The District met that requirement at December 31, 2020 with three certificates of deposit totaling \$1,694,699.

The District's 2011 Bond Orders require an Interest and Sinking Fund equal to the pro rata accumulation of the next remaining debt service payment. The District met that requirement at December 31, 2020 with an Interest and Sinking Fund checking account balance of \$140,202.

Compliance with Service Rate and Gross Revenue Requirements

The District's 2011 Bond Orders require that service rates be sufficient to generate an operating income before depreciation and amortization equal to or greater than 130% of the annual debt service requirement. The District had a \$206,866 shortfall for the year ended December 31, 2020.

6) **OTHER REQUIRED DISCLOSURES**

Generally accepted accounting principles require disclosure, as part of the basic financial statements, of certain information:

- A) Segment information for certain enterprise funds. This requirement is effectively met in this report because the District maintains only fund.
- B) Professional services exceeded budget by \$24,836; purchased and contract services exceeded budget by \$17,957; consumable supplies and materials exceeded budget by \$75,106.
 - o The board approved emergency expenditures for repairs relating to Hurricane Laura in the areas of personnel expenses and consumable supplies and materials. Since the District considers disaster related expenses to be a non-budgeted event, the District's budget was not revised to reflect the board approved increases in expenses.

7) **PENSION COSTS**

The District and its employees do not participate in any public retirement system provided by the State of Texas or any of its political subdivisions.

The Board of Directors approved the District's participation in a Section 457 plan in the year ended December 31, 2000. On July 1, 2007, the plan changed from an Enterprise Plan to an Expert Plan with American Funds. This change was supported by employee vote at a May 17, 2007 board meeting. The plan is qualified and the contributions are considered deferred compensation for the employees. Since the amount contributed is not subject to the general creditors of the District, the funds are not presented in the financial statements. The District contributes 7% of each employee's base pay. The contribution percentage is determined each year as part of the budget process and the District has no obligation to make this contribution in future years. The amount paid in 2020 was \$64,853.

MAURICEVILLE MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

8) **COMMITMENTS AND CONTINGENCIES**

The District is a party to various claims and legal actions arising in the ordinary course of operations. In the opinion of management, all such matters are adequately covered by insurance or if not so covered, are without merit, or involve such amounts that unfavorable disposition would not have a material effect on the operation of the District.

9) **TAX ABATEMENTS**

The District does not levy taxes and has not awarded any Tax Abatement Agreements under Texas Property Redevelopment and Tax Abatement Tax Code Chapter 312.

10) **CONTINGENCY**

The Federal Emergency Management Agency (FEMA) is assisting the District in recovering costs associated with Tropical Storm Harvey. The total amount of FEMA reimbursements is unknown at this time. The District has not recognized revenue or recorded a receivable for potential amounts to be received from FEMA.

11) **DEFICIT IN NET POSITION**

In the mid 1990's, the District, upon determining to offer sewer service to its current and future water customers, issued approximately \$16.7 million in water and sewer system revenue bonds to the Texas Water Development Board (TWDB) for the construction of a sanitary sewer collection and treatment system. The District's debt was originally issued with increasing debt service requirements over the life of the bonds with the expectation that an increase in customer base would result in additional revenues. Because the customer increase did not meet expectations, by 2005 the District was facing significant increases in rates to meet its debt service obligations. With consistent annual expenditures in excess of revenue necessary to meet debt service requirements, the shortfall resulted in a deficit in net position of the District.

In 2005, the District requested its sole bondholder, the TWDB, to restructure the District's debt with a level debt service structure. Because of federal regulations governing some of the loans to the District, TWDB was limited in its ability to accommodate the District but was able to provide partial relief through interest deferral. In 2011, the District was granted the ability to issue Revenue Refunding Bonds which extended the term of the existing debt schedule by five years and reduced the annual debt service requirement and yielded a net present value savings of \$1,175,795 for 2011. Since the restructuring of the District's debt service requirements in 2011, the District has consistently demonstrated the ability to operate with revenues exceeding expenditures.

12) **RECLASSIFICATION OF PRIOR PERIOD PRESENTATION**

Certain prior period balances have been reclassified for consistency with the current year presentation. There is no impact on net assets and no prior period adjustment is necessary.

MAURICEVILLE MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

13) **SOUTH NEWTON WATER SUPPLY CORPORATION**

The District provides sewer services to the customers of the South Newton Water Supply Corporation (South Newton). In the year ended December 31, 2016 the District completed improvements to the sewer plant mandated by Texas Commission on Environmental Quality. The District entered into an agreement with South Newton to recover a portion of the costs associated with the plant upgrade. Per the agreement, South Newton will pay the District \$1,500 per month until a total of \$146,672.97 has been paid. In the year ended December 31, 2020, the District received payments of \$18,000, leaving a receivable balance of \$119,673 at year-end, of which \$18,000 is considered a current asset.

REQUIRED SUPPLEMENTARY INFORMATION

MAURICEVILLE MUNICIPAL UTILITY DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BUDGET AND ACTUAL DECEMBER 31, 2020

	Original Budget	Final Budget	Actual	Final Budget Variance Favorable (Unfavorable)
REVENUES				
Service fees	\$ 3,784,900	\$ 3,784,900	\$ 3,769,873	\$ (15,027)
Tap connection fees	294,000	294,000	348,314	54,314
Miscellaneous	44,600	44,600	55,992	11,392
Total operating revenues	4,123,500	4,123,500	4,174,179	50,679
EXPENSES				
Personnel	1,355,750	1,355,750	1,352,578	3,172
Professional services	49,500	49,500	74,336	(24,836)
Purchased and contract services	30,000	30,000	47,957	(17,957)
Consumable supplies and materials	391,000	390,419	465,525	(75,106)
Recurring operating expenses	315,000	295,000	250,271	44,729
Depreciation and amortization	-	-	530,671	(530,671)
Total operating expenses	2,141,250	2,120,669	2,721,338	(600,669)
OPERATING INCOME (LOSS) - BUDGET BASIS	1,982,250	2,002,831	1,452,841	(549,990)
NON-OPERATING REVENUES (EXPENSES)				
Interest on investments	47,500	47,500	30,233	(17,267)
Interest expense	(395,056)	(395,056)	(390,069)	4,987
Amortization of bond discount	-	-	(23,668)	(23,668)
FEMA/Grants	10,000	20,804	30,316	9,512
Insurance recoveries	-	-	51,097	51,097
Other revenue	-	-	1,478	1,478
Loss on disposal of assets	-	-	(11,301)	(11,301)
Total non-operating revenues (expenses)	(337,556)	(326,752)	(311,914)	14,838
CHANGE IN NET POSITION - BUDGET BASIS	\$ 1,644,694	\$ 1,676,079	1,140,927	\$ (535,152)
NET POSITION, beginning of period			(1,691,662)	
NET POSITION, end of period			\$ (550,735)	

In accordance with the terms of the District's 2011 Bond Orders, operating income before depreciation and amortization (\$1,452,841 + \$530,671 = \$1,983,512) should have exceeded 130% of the annual debt service requirement (\$1,684,906 x 1.30 = \$2,190,378). As discussed in Footnote 5, the District had a shortfall of \$206,866.

See Independent Auditor's Report on Supplementary Information.

TEXAS SUPPLEMENTARY INFORMATION

MAURICEVILLE MUNICIPAL UTILITY DISTRICT

SCHEDULE OF SERVICES AND RATES

DECEMBER 31, 2020

1. Services provided by the District:

<input checked="" type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input type="checkbox"/> Drainage
<input checked="" type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input type="checkbox"/> Irrigation
<input type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection	<input type="checkbox"/> Security
<input type="checkbox"/> Solid Waste/Garbage	<input type="checkbox"/> Flood Control	<input type="checkbox"/> Roads
<input type="checkbox"/> Participants in joint venture, regional system and/or wastewater service (other than emergency interconnect)		
<input type="checkbox"/> Other		

2. Retail rates based on 5/8" meter: Retail rates not applicable

The most prevalent type of meter (if not a 5/8"): 5/8" is most prevalent

Based on Rate Order dated September 1, 2009:

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels		
Water	26.12	-	Y	-	-	to	-
				4.89	0	to	7,999
				5.18	8,000	to	Plus
Wastewater	29.35	-	Y	-	-	to	-
				4.25	0	to	7,999
				4.50	8,000	to	Plus
Surcharge	NA						
Does the District employ winter averaging for wastewater usage?				Yes		No	X
Total water and wastewater charges per 10,000 gallons usage (including surcharges)				\$ 75.61			

3. Retail service providers: Number of retail and/or wastewater⁽¹⁾ connections within the District as of the fiscal year end. Provide actual number and single-family equivalents (ESFC) as noted:

	Active Connections	Active ESFC	Inactive Connections (ESFC) ⁽²⁾	Total
Single family				
Water	3,397	3,397	Unknown	3,397
Sewer	2,641	2,727	Unknown	2,727
Multifamily	29	128	Unknown	128
Commercial	78	83	-	83
Other - recreational centers, government and VFD	1	1	-	1
	3,505	3,609	-	3,609

See Independent Auditor's Report on Supplementary Information.

MAURICEVILLE MUNICIPAL UTILITY DISTRICT

SCHEDULE OF SERVICES AND RATES

DECEMBER 31, 2020

(CONTINUED)

4. Total water consumption (rounded to the nearest 1,000) during the fiscal year:
Gallons pumped into system: 252,292,000
Gallons billed to customers: 192,747,100
5. Standby fees: Does the District assess standby fees? Yes _____ No X
Have standby fees been levied in accordance with Water Code Section 49.231 thereby constituting a lien on a property? Yes _____ No X
6. Anticipated sources of funds to be used by debt service payments in the District's following year:

	Amount
Debt service tax receipts	\$ -
Surplus construction funds	-
Water and/or wastewater revenue	1,684,906
Standby fees	-
Debt service fund balance to be used	-
Interest revenues	-
Other funds in excess of required payments	-
Total Anticipated Funds to be used	<u>\$ 1,684,906</u>
7. Location of District: County(ies) in which District is located. Orange, Jasper, Newton County
Is the general membership of the board appointed by an office outside the District? Yes _____ No X
Is the District located within a city? Entirely _____ Partly X Not at all _____
City(ies) in which District is located? City of Orange, City of Vidor
Is the District located within a city's extra territorial jurisdiction (ETJ)?
Entirely _____ Partly X Not at all _____
ETJ's in which District is located? City of Orange, City of Vidor
Outside the District? Yes _____ No X
Name of Contact Brad Haeggquist Phone Number (409)745-4882
Title General Manager

(1) Number of connections relates to water service if water service is provided. Otherwise, number of wastewater connections is provided.

(2) "Inactive" means that water and sewer connections were made but service is not being provided.

See Independent Auditor's Report on Supplementary Information.

MAURICEVILLE MUNICIPAL UTILITY DISTRICT

SCHEDULE OF OPERATING EXPENSES

DECEMBER 31, 2020

OPERATING EXPENSES

Personnel (including benefits)	<u>\$ 1,352,578</u>
Professional fees	
Auditing & accounting	16,500
Legal	13,000
Engineering	9,233
Other professional fees	<u>35,603</u>
Total professional fees	<u>74,336</u>
Purchased and contracted services	
Other contracted services	<u>47,957</u>
Total contracted services	<u>47,957</u>
Consumable supplies and materials	
Fuel, chemicals and other	259,023
Repair and maintenance	<u>206,502</u>
Total consumable supplies and materials	<u>465,525</u>
Recurring operating expenses	
Utilities	77,683
Insurance	43,769
Other administrative expenses	<u>128,819</u>
Total administrative expenses	<u>250,271</u>
Depreciation and amortization	<u>530,671</u>
TOTAL OPERATING EXPENSES	<u>2,721,338</u>
Interest expense	390,069
Amortization of bond discount	23,668
Loss on disposal of assets	<u>11,301</u>
Total non-operating expenses	<u>425,038</u>
TOTAL EXPENSES	<u>\$ 3,146,376</u>

See Independent Auditor's Report on Supplementary Information.

MAURICEVILLE MUNICIPAL UTILITY DISTRICT

SCHEDULE OF TEMPORARY INVESTMENTS

DECEMBER 31, 2020

Institution - Investment	Identification or Certificate Number	Interest Rate	Maturity Date	Balances at End of Year	
				Unrestricted	Restricted
First Financial Bank - CD	120040000452	2.75%	11/05/2021	\$ -	\$ 564,757
First State Bank of Texas - CD	1023270346	2.12%	11/25/2022	-	564,757
First State Bank of Texas - CD	1024376199	1.50%	11/17/2022	-	565,185
				<u>\$ -</u>	<u>\$ 1,694,699</u>

The Board of Directors of Mauriceville Municipal Utility District has elected to use Certificates of Deposit as a component of the Reserve Fund required by the Bond Orders associated with the issuance of revenue refunding bonds of 2011.

See Independent Auditor's Report on Supplementary Information.

MAURICEVILLE MUNICIPAL UTILITY DISTRICT

ANALYSIS OF TAXES LEVIED AND RECEIVABLE

DECEMBER 31, 2020

Mauriceville Special Utility District converted to a Municipal Utility District on July 25, 2007. The District has the authority to levy tax with voter approval. As of year-end, the District had taken no such action and therefore, had no taxes receivable at December 31, 2020.

See Independent Auditor's Report on Supplementary Information.

MAURICEVILLE MUNICIPAL UTILITY DISTRICT

DEBT SERVICE REQUIREMENTS BY YEARS

DECEMBER 31, 2020

Due During Years Ending December 31,	Revenue Refunding Bonds Series 2011 Issued \$19,355,000				Total Principal and Interest
	May 15,	November 15,			
	Interest	Interest	Principal		
2021	\$ 174,953	\$ 174,953	\$ 1,335,000	\$ 1,684,906	
2022	150,756	150,756	1,385,000	1,686,512	
2023	124,788	124,787	1,435,000	1,684,575	
2024	96,088	96,087	1,490,000	1,682,175	
2025	66,288	66,287	1,550,000	1,682,575	
2026	34,319	34,319	1,615,000	1,683,638	
	<u>\$ 647,192</u>	<u>\$ 647,189</u>	<u>\$ 8,810,000</u>	<u>\$ 10,104,381</u>	

See Independent Auditor's Report on Supplementary Information.

MAURICEVILLE MUNICIPAL UTILITY DISTRICT

ANALYSIS OF CHANGES IN LONG-TERM DEBT DECEMBER 31, 2020

	<u>Bond Issues</u> <u>Series 2011</u>	<u>Total</u>
Interest rates	2.0% - 4.25%	
Dates interest payable	5/15 - 11/15	
Maturity dates	11/15/2026	
Bonds outstanding, beginning of current period	\$ 10,100,000	\$ 10,100,000
New bond proceeds	-	-
Retirements, principal	<u>1,290,000</u>	<u>1,290,000</u>
Bonds outstanding, end of current period	<u>\$ 8,810,000</u>	<u>\$ 8,810,000</u>
Interest paid during current period	<u>\$ 395,056</u>	<u>\$ 395,056</u>

Paying agent's name and address:

U.S. Trust Co., 2001 Ross Avenue, Dallas, Texas 75201

Bond authority	<u>Tax</u> <u>Bonds</u>	<u>Refund</u> <u>Bonds</u>
Amount authorized by voters	\$ -	\$ 19,355,000
Amount issued	-	19,355,000
Remaining to be issued	-	-
Debt service fund cash and temporary investment balances as of December 31, 2020		\$ 1,834,901
Average annual debt service payment (principal and interest) for remaining term of all debt		\$ 1,684,064

See Independent Auditor's Report on Supplementary Information.

MAURICEVILLE MUNICIPAL UTILITY DISTRICT

COMPARATIVE STATEMENT OF REVENUES AND EXPENSES FOR THE FIVE YEARS ENDED DECEMBER 31, 2020

	Amounts				
	2020	2019	2018	2017	2016
Operating revenues					
Charges for service	\$ 3,769,873	\$ 3,593,063	\$ 3,576,639	\$ 3,634,757	\$ 3,506,740
Tap and connection fees	348,314	291,312	268,294	242,915	222,511
Inspection and miscellaneous fees	55,992	32,069	61,147	25,264	191,790
Total revenues	<u>4,174,179</u>	<u>3,916,444</u>	<u>3,906,080</u>	<u>3,902,936</u>	<u>3,921,041</u>
Expenses					
Personnel	1,352,578	1,224,146	1,015,532	925,255	870,904
Professional fees	74,336	72,551	83,145	79,171	34,452
Purchased and contracted services	47,957	45,185	122,021	324,185	273,821
Consumable supplies and materials	465,525	471,559	345,800	171,265	408,144
Recurring operating expenses	245,353	222,463	276,361	220,213	-
Bad debt expense	4,918	11,738	(2,073)	6,590	20,576
Depreciation and amortization	530,671	519,315	705,870	1,075,308	1,132,626
Total expenses	<u>2,721,338</u>	<u>2,566,957</u>	<u>2,546,656</u>	<u>2,801,987</u>	<u>2,740,523</u>
Excess (expenses)	<u>1,452,841</u>	<u>1,349,487</u>	<u>1,359,424</u>	<u>1,100,949</u>	<u>1,180,518</u>
Nonoperating Revenues (Expenses)					
Gain/(loss) on disposition of assets	(11,301)	(19,404)	(125,945)	37,396	-
Disaster repair expenses	-	(19,357)	(29,245)	(274,088)	-
Interest income	30,233	42,719	22,270	13,299	8,452
FEMA/Grants	30,316	145,187	23,393	20,000	-
Insurance recoveries	51,097	167,111	227,098	128,626	-
Other revenue	1,478	137,673	-	15,346	7,557
Interest expense on revenue bonds	(390,069)	(431,268)	(473,167)	(487,720)	(530,419)
Amortization of bond discount	(23,668)	(23,668)	(23,668)	(20,219)	-
Debt service fees	-	-	(750)	-	-
Total nonoperating revenues	<u>(311,914)</u>	<u>(1,007)</u>	<u>(380,014)</u>	<u>(567,360)</u>	<u>(514,410)</u>
Net income (loss)	<u>\$ 1,140,927</u>	<u>\$ 1,348,480</u>	<u>\$ 979,410</u>	<u>\$ 533,589</u>	<u>\$ 666,108</u>
Total active retail water and/or wastewater connections	<u>3,505</u>	<u>3,387</u>	<u>3,346</u>	<u>3,251</u>	<u>3,351</u>

See Independent Auditor's Report on Supplementary Information.

Percent of Fund Total Revenues				
2020	2019	2018	2017	2016
90.3%	91.8%	91.5%	93.2%	89.4%
8.3%	7.4%	6.9%	6.2%	5.7%
1.3%	0.8%	1.6%	0.6%	4.9%
99.9%	100.0%	100.0%	100.0%	100.0%
32.4%	31.3%	26.0%	23.7%	22.2%
1.8%	1.9%	2.1%	2.0%	0.9%
1.1%	1.2%	3.1%	8.3%	7.0%
11.2%	12.0%	8.9%	4.4%	10.4%
5.9%	5.7%	7.1%	5.6%	0.0%
0.1%	0.3%	-0.1%	0.2%	0.5%
12.7%	13.3%	18.1%	27.6%	28.9%
65.2%	65.7%	65.2%	71.8%	69.9%
34.7%	34.3%	34.8%	28.2%	30.1%
-0.3%	-0.5%	-3.2%	1.0%	0.0%
0.0%	-0.5%	-0.7%	-7.0%	0.0%
0.7%	1.1%	0.6%	0.3%	0.2%
0.7%	3.7%	0.6%	0.5%	0.0%
1.2%	4.3%	5.8%	3.3%	0.0%
0.1%	11.2%	0.0%	1.7%	0.9%
0.0%	0.0%	0.0%	0.0%	0.0%
-9.3%	-11.0%	-12.1%	-12.5%	-13.5%
-0.6%	-0.6%	-0.6%	-0.5%	0.0%
0.0%	0.0%	0.0%	0.0%	0.0%
-7.5%	7.7%	-9.6%	-13.2%	-12.4%
27.2%	42.0%	25.2%	15.0%	17.7%

MAURICEVILLE MUNICIPAL UTILITY DISTRICT

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

DECEMBER 31, 2020

Complete District Mailing Address: Mauriceville Municipal Utility District
15509 FM 1442
Orange, TX 77632

District Business Telephone Number: (409) 745-4882

<u>Name and Address</u>	<u>Term of Office Date Elected or Date Hired</u>	<u>Salary</u>	<u>Expense Reimbursements</u>	<u>Title at Year-End</u>	<u>Resident of District</u>
Board Members					
Tim McCarver 5570 Colony Lane Orange, Texas 77632	05/2018 12/2022	\$ -	\$ -	President	Yes
Michael West 4846 Len Dr. Orange, Texas 77632	05/2018 12/2022	\$ -	\$ -	Vice- President	Yes
Ted Williams PO Box 707 Mauriceville, Texas 77626	10/2016 06/2024	\$ -	\$ -	Treasurer	Yes
Russell Love 7477 Circle 6 Orange, Texas 77632	06/2016 06/2024	\$ -	\$ -	Director	Yes
Jay Scheiderer 5343 Michelle Road Orange, Texas 77632	05/2016 06/2024	\$ -	\$ -	Director	Yes

Key Administrative Personnel

Bradley Haeggquist 2625 Mansfield Ferry Rd. Vidor, Texas 77662	05/2018 Present	\$ 102,740	\$ 146	General Manager	No
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NOTE: No director is disqualified from serving on the board of the District under the Texas Water Code.

See Independent Auditor's Report on Supplementary Information.

MAURICEVILLE MUNICIPAL UTILITY DISTRICT

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS DECEMBER 31, 2020 (CONTINUED)

<u>Name and Address</u>	<u>Term of Office Date Elected or Date Hired</u>	<u>Fees and Expense Reimbursements December 31, 2020</u>	<u>Title at Year-End</u>	<u>Resident of District</u>
Consultants				
Barron Law Office, PLLC 108 North 7th Street Orange, Texas 77630	11/2016	\$ 12,000	Attorney	N/A
Keri Michutka, CPA 1906 Texas Avenue Bridge City, Texas 77611	01/2019	\$ 900	CPA	N/A
Wathen, DeShong & Juncker, LLP 4140 Gladys Avenue, Suite 101 Beaumont, Texas 77706	11/2018	\$ 16,500	Independent Auditor	N/A
LJA Engineering, Inc. 905 Orleans Street Beaumont, Texas 77701	04/2016	\$ 12,233	Engineer	N/A

See Independent Auditor's Report on Supplementary Information.

J. Pat O'Neill, III, CPA
Michael W. Kiefer, CPA
Troy W. Domingue, CPA

**Wathen,
DeShong
& Juncker,**
L.L.P.
CPAs & BUSINESS ADVISORS

Stanley (Chip) Majors, Jr., CPA, CITP, CGMA
Jane P. Burns, CPA, CDFA
Jeremy R. Triska, CPA

March 3, 2021

To the Board of Directors
Mauriceville Municipal Utility District
Orange, Texas

We are pleased to present this report related to our audit of the financial statements of the Mauriceville Municipal Utility District for the year ended December 31, 2020. Professional standards require that certain matters be communicated to you in your oversight capacity for the Mauriceville Municipal Utility District's financial reporting process.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties. We appreciate the opportunity to be of service to the Mauriceville Municipal Utility District.

Very truly yours,

Wathen, DeShong & Juncker, L.L.P.

WATHEN, DeSHONG & JUNCKER, L.L.P.
Certified Public Accountants

Required Communications

Statement on Auditing Standards No. 114 requires the auditor to communicate certain matters to make those charged with governance aware of matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. The following summarizes these communications.

Area	Comments
Auditor's Responsibility Under Professional Standards	<p>Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our arrangement letter dated March 17, 2020.</p>
Accounting Practices	<p>Adoption of, or Change in, Accounting Policies</p> <p>Management has the ultimate responsibility for the appropriateness of the accounting policies used by Mauriceville Municipal Utility District. The Organization did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period.</p> <p>Significant or Unusual Transactions</p> <p>We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p>Alternative Treatments Discussed with Management</p> <p>We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period.</p>
Management's Judgments and Accounting Estimates	<p>Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. Significant accounting estimates reported in the financial statements as of and for the fiscal year ended December 31, 2020 included earned but unbilled utility service revenue, and current depreciation expense.</p>

Area	Comments
Audit Adjustments	Audit adjustments recorded by the Mauriceville Municipal Utility District are attached.
Disagreements with Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations with Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed with Management	The District's 2011 Bond Orders require that service rates be sufficient to generate an operating income greater than 130% of annual debt service requirements. We discussed with management the shortfall in the annual debt service requirement for the year ended December 31, 2020, and what further action was needed.
Difficulties Encountered in Performing the Audit	We did not encounter any difficulties in dealing with management during the audit.

40800 Mauriceville Municipal Utility District**8010****Year End: December 31, 2020****Journal Entries: Adjusting****Date: 1/1/2020 To 12/31/2020**

Added to CW	Prepared by JRT 2/18/2021	Reviewed by
Partner Review	Prepared by	Other Review

Number	Date	Account No	Name	Reference	Debit	Credit
1	12/31/2020	41180	Road Bores			9,480.00
1	12/31/2020	63105	Contractor Services		9,480.00	
Reclassify contractor expenses relating to Road Bores from an offset of revenue to expense.						
2	12/31/2020	41626	TMLIRP (Laura)			15,578.38
2	12/31/2020	60200	Salaries		9,147.38	
2	12/31/2020	61500	Fuel Costs		6,431.00	
Relasssify proceeds from insurance claims to present as gross as opposed to net amounts.						
3	12/31/2020	10451	A/R - FEMA		19,511.49	
3	12/31/2020	41610	FEMA (Hurricane Harvey)			19,511.49
Record receivable from TDEM for FEMA PW 1314 amendment relating to Hurricane Harvey claim.						
4	12/31/2020	10460	Current Portion of South Newton Receivable	5220	18,000.00	
4	12/31/2020	19000	South Newton Sewer Receivable	5220		18,000.00
Record current year portion of receivable from South Newton Co.						
5	12/31/2020	20200	Accounts Payable	6106		2,201.70
5	12/31/2020	67000	TCEQ Fees	6106	2,201.70	
To move old year items posted in 2021 into AP as of 12/31/2020.						
6	12/31/2020	10426	Allowance Doubtful Acct			4,004.02
6	12/31/2020	63400	Bad Debt Expense		4,004.02	
Adjust recorded estimated allowance for doubtful accounts						
7	12/31/2020	20470	Payable to Contractor	6108	1,656.00	
7	12/31/2020	73000	Capital Improvement Acct.	6108		1,656.00
Amount paid in 2020 of outstanding balance payable to contractor.						
8	12/31/2020	16400	Storage Shed			1,541.50
8	12/31/2020	16600	Equipment & Tools			7,133.00
8	12/31/2020	16800	Transportation Equipment			27,055.00
8	12/31/2020	17300	Sewer Lines & Pumps			299,727.00

3/3/2021

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40800 Mauriceville Municipal Utility Di:**8010-1****Year End: December 31, 2020****Journal Entries: Adjusting****Date: 1/1/2020 To 12/31/2020**

Added to CW	Prepared by JRT 2/18/2021	Reviewed by
Partner Review	Prepared by	Other Review

Number	Date	Account No	Name	Reference	Debit	Credit
8	12/31/2020	18415	Acc Deprec Storage Shed		1,541.50	
8	12/31/2020	18420	Acc Deprec Equip. & Tools		3,329.00	
8	12/31/2020	18430	A/D Transportation Equip.		12,561.00	
8	12/31/2020	18440	A/D Sewer Grinder Pumps		306,724.00	
8	12/31/2020	88888	Loss on Disposal of Assets		11,301.00	
Record disposals of fixed assets						
10	12/31/2020	41627	TMLIRP			23,575.00
10	12/31/2020	41627	TMLIRP			11,496.32
10	12/31/2020	41627	TMLIRP			447.50
10	12/31/2020	61400	Small Tools and Supplies		3,746.33	
10	12/31/2020	73000	Capital Improvement Acct.		23,575.00	
10	12/31/2020	73000	Capital Improvement Acct.		7,749.99	
10	12/31/2020	73000	Capital Improvement Acct.		447.50	
Reclass insurance reimbursements as income						
11	12/31/2020	16100	Building Admin & Shop		3,771.73	
11	12/31/2020	16100	Building Admin & Shop		2,680.00	
11	12/31/2020	16600	Equipment & Tools		61,056.02	
11	12/31/2020	17300	Sewer Lines & Pumps		202,852.95	
11	12/31/2020	17400	Wells		44,376.46	
11	12/31/2020	17800	Water Lines & Tanks		37,038.75	
11	12/31/2020	17800	Water Lines & Tanks		19,988.45	
11	12/31/2020	70700	New Meters Only			32,118.75
11	12/31/2020	70701	Replacing New Meters			4,920.00
11	12/31/2020	70750	Grinder Replace/Repair			61,185.00
11	12/31/2020	70760	Parts Washer			200.14
11	12/31/2020	70800	Capitalized Grinder Purch			141,467.81
11	12/31/2020	73000	Capital Improvement Acct.			109,204.21
11	12/31/2020	73000	Capital Improvement Acct.			19,988.45
11	12/31/2020	75020	R&M Build Maintenance			2,680.00
Record 2020 fixed asset additions						
12	12/31/2020	18405	Acc Deprec Buildings			15,193.00
12	12/31/2020	18410	Acc Deprec Office Equip.			2,748.00
12	12/31/2020	18412	Acc Deprec Computers			1,486.00
12	12/31/2020	18420	Acc Deprec Equip. & Tools			40,666.00
12	12/31/2020	18425	Acc Deprec Communication			1,036.00
12	12/31/2020	18430	A/D Transportation Equip.			35,156.00
12	12/31/2020	18440	A/D Sewer Grinder Pumps			235,694.00
12	12/31/2020	18445	A/D Sewer Plant			22,255.00
12	12/31/2020	18460	A/D Water Wells			33,762.00

40800 Mauriceville Municipal Utility Dis**8010-2****Year End: December 31, 2020****Journal Entries: Adjusting****Date: 1/1/2020 To 12/31/2020**

Added to CW	Prepared by JRT 2/18/2021	Reviewed by
Partner Review	Prepared by	Other Review

Number	Date	Account No	Name	Reference	Debit	Credit
12	12/31/2020	18480	A/D Lines & Storage			142,675.00
12	12/31/2020	63600	Depriciation		530,671.00	
Record 2020 Depreciation expense						
					1,343,842.27	1,343,842.27
			Net Income (Loss)	1,140,926.83		

Mauriceville Municipal Utility District

Board of Directors

Tim McCarver, President
Glenn Michael West, Vice President
Ted Williams, Treasurer
Jay Scheiderer, Director
Russell Love, Director

Brad Haeggquist, General Manager
P.O. Box 1000
Mauriceville, TX 77626
Main Office: 409-745-4882
Fax Number: 409-745-4591

March 3, 2021

Wathen, DeShong & Juncker, LLP
4140 Gladys Ave, Suite 101
Beaumont TX 77706

This representation letter is provided in connection with your audit of the financial statements of Mauriceville Municipal Utility District which comprise the statement of net position as of December 31, 2020 and the related statements of activities, cash flows, and the related notes to the financial statements for the year ended December 31, 2020. We confirm that we are responsible for the fair presentation in the financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, as of March 3, 2021, the following representations made to you during your audit:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated March 17, 2020, for the preparation and fair presentation of the financial statements referred to above in accordance with accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
5. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
7. The following have been properly recorded and/or disclosed in the financial statements if applicable:
 - a. Guarantees, whether written or oral, under which Mauriceville Municipal Utility District is contingently liable.
 - b. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
 - c. All other liens or encumbrances on assets and all other pledges of assets.
 - d. Amounts of contractual obligations for plant construction and/or purchase of real property, equipment, other assets, and intangibles.

Mauriceville Municipal Utility District

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- e. Investments in debt and equity securities, including their classification as trading, available for sale, and held to maturity.
- f. All liabilities that are subordinated to any other actual or possible liabilities of Mauriceville Municipal Utility District.
- g. All leases and material amount of rental obligations.
- h. All significant estimates and material concentrations known to management that are required to be disclosed in accordance with the Risks and Uncertainties Topic of the FASB Accounting Standards Codification. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur that would significantly disrupt normal finances within the next year.
- i. Assets and liabilities measured at fair value in accordance with the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification.

Information Provided

- 8. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 9. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- 10. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
- 11. We have no knowledge of allegations of fraud or suspected fraud, affecting the entity's financial statements involving:
 - a. Management.
 - b. Employees who have significant roles in the internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
- 12. We have no knowledge of any allegations of fraud or suspected fraud affecting Mauriceville Municipal Utility District's financial statements received in communications from employees, former employees, analysts, regulators, or others.
- 13. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

Mauriceville Municipal Utility District

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P.O. Box 1000

Mauriceville, TX 77626

Main Office: 409-745-4882

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14. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.
15. We have disclosed to you the identity of the entity's related parties and all the related-party relationships and transactions of which we are aware.
16. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the District's ability to record, process, summarize, and report financial data.
17. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
18. We have no plans or intentions that may materially affect the carrying value or classification of assets. In that regard:
 - a. Mauriceville Municipal Utility District has no significant amounts of idle property and equipment or permanent excess plant capacity.
 - b. Mauriceville Municipal Utility District has no plans or intentions to discontinue the operations of any subsidiary or division or to discontinue any significant product lines.
19. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:
 - a. To reduce receivables to their estimated net collectable amounts.
20. There are no:
 - a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Environmental Protection Agency in connection with any environmental contamination.
 - b. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by the Contingencies Topic of the FASB Accounting Standards Codification.
21. Mauriceville Municipal Utility District has satisfactory title to all owned assets.
22. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
23. With respect to supplementary information presented in relation to the financial statements as a whole:
 - a. We acknowledge our responsibility for the presentation of such information.
 - b. We believe such information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.

Mauriceville Municipal Utility District

Board of Directors

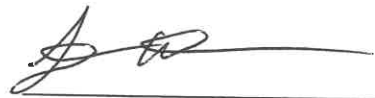
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24. With respect to Statement of Revenues and Expenses-Actual Compared to Budget presented to supplement the basic financial statements:
- We acknowledge our responsibility for the presentation of such required supplementary information.
 - We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by accounting principles generally accepted in the United States of America.
 - The methods of measurement or presentation have not changed from those used in the prior period.
25. We are responsible for determining that significant events or transactions that have occurred since the balance sheet date and through March 3, 2021, have been recognized or disclosed in the financial statements. No events or transactions have occurred subsequent to the balance sheet date and through March 3, 2021 that would require recognition or disclosure in the financial statements. We further represent that as of March 3, 2021, the financial statements were complete in a form and format that complied with accounting principles generally accepted in the United States of America, and all approvals necessary for issuance of the financial statements had been obtained.
26. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.



General Manager
Brad Haeggquist



Board President
Tim McCarver