

Mauriceville Municipal  
Utility District  
Orange, Texas

Annual Financial Statement

For the Year Ended December 31, 2015

**R&A** Charles E. Reed & Associates, P.C.  
Certified Public Accountants & Consultants

**Mauriceville Municipal  
Utility District  
Orange, Texas**

**Annual Financial Statement**

**For the Year Ended December 31, 2015**

**Mauriceville Municipal Utility District  
Orange, Texas**

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# ANNUAL FILING AFFIDAVIT

**STATE OF TEXAS**  
**COUNTY OF ORANGE**

I, \_\_\_\_\_ of the Mauriceville  
(Name of Duly Authorized District Representative)

Municipal Utility District, hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors on the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, its annual report for the fiscal period ended \_\_\_\_\_ and that copies of the annual audit report have been filed in the District's office, located at

\_\_\_\_\_  
(Address of District's Office)

This filing affidavit and the attached copy of the audit report will be submitted to the Texas Commission on Environmental Quality to satisfy the annual filing requirements of Texas Water Code Section 49.194.

Date: \_\_\_\_\_, \_\_\_\_\_ By: \_\_\_\_\_  
(Signature of District Representative)

\_\_\_\_\_  
(Typed Name and Title of District Representative)

Sworn to and subscribed to before me this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

(Seal)

\_\_\_\_\_  
(Signature of Notary)

My Commission Expires On: \_\_\_\_\_,  
Notary Public in the State of Texas.



Charles E. Reed & Associates, P.C.

Certified Public Accountants & Consultants

Member

American Institute of  
Certified Public Accountants

Texas Society of  
Certified Public Accountants

AICPA Private  
Companies Practice Section

## INDEPENDENT AUDITOR'S REPORT

Board of Directors and General Manager of  
Mauriceville Municipal Utility District  
Mauriceville, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Mauriceville Municipal Utility District, which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

### **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 misstatements, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of the 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 Mauriceville Municipal Utility District as of December 31, 2015, and the changes in its net assets and its 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires 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 an assurance.

### *Texas Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mauriceville Municipal Utility District's basic financial statements, the information Texas Supplementary information listed in the Table of Contents are required by Texas Commission of Environmental Quality's Water Districts Financial Management Guide; presented for purposes of additional analysis and are not a required part of the basic financial statements. This information is the responsibility of the Mauriceville Municipal Utility District's management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### *Other Information*

Generally Accepted Accounting Principles require a comparison of the actual historical statement of activities or change in net assets to the original and amended budgets and this information is not part of the Basic Financial Statements as listed in the Table of Contents 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.

This information is the responsibility of the Mauriceville Municipal Utility District's management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Yours v *Charles E. Reed & Associates, P.C.*

Charles E. Reed & Associates, P.C.  
Certified Public Accountants  
May 11, 2016

## **Mauriceville Municipal Utility District**

Orange, Texas

### **Management's Discussion and Analysis**

For the year ended December 31, 2015

As management of the Mauriceville Municipal Utility District's (the District), we offer readers of the District financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2015. Please read in conjunction with the basic financial statements and the accompanying notes to the financial statements.

### **Financial Highlights**

- As a result of this year's operations, liabilities exceeded assets by \$5,032,522 (deficit) for the fiscal year reported. This compares to the previous year when liabilities exceeded assets by \$5,703,241 (deficit). The net assets increased by \$670,719.
- Net Position is comprised of accumulated operating deficits and the following factors affected the current year's deficit:
  - 1) The book value of all assets at December 31, 2015 was \$7,309,859. This amount for the prior year was \$10,548,985.
  - 2) The decrease in value is due to the non-cash expense of depreciation despite the debt reduction of \$1,135,000.
- Total spending for all District activities for 2015 was \$2,054,069 and the prior year was \$2,300,725. The Decrease is \$246,656.
- The District grew by 43 water and 34 sewer customers for the year.

### **Overview of the Financial Statements**

This annual report consist of three parts - management's discussion and analysis (this section); the Financial Section (basic financial statements); and Texas Required Supplemental Information. The financial section includes notes that disclose in more detail the financial operations and position of the District than is presented in the financial statements.

The comparative Statement of Net Assets and comparative Statement of Revenues, Expenses and Change in Net Assets (activity) provide both long range and short term information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). This financial section reports net assets and how they have changed.

## FIANCIAL ANALYSIS AS A WHOLE

Net assets increased by \$670,719 as a result of this year's operations. The District's overall financial position increased during 2015. The balance in net assets represents the accumulated results of all past years' operations. It means that if the District paid off all of its bills today, including all of the non-capital assets, there would be a deficit of \$5,032,522. More detail is provided in the following sections on budget and financial trends.

Net Assets – The table below summarizes the Comparative Statement of Net Assets.

**Table A-1**  
Mauriceville Municipal District  
Condensed Statement of Net Position

	<u>2015</u>	<u>2014</u>
Current assets	\$ 216,980	\$ 963,463
Restricted Assets	1,946,605	1,946,393
Capital Assets	7,309,859	7,639,129
Total Assets	9,473,444	10,548,985
Long -term Debt Outstanding	13,518,208	14,632,697
Other Liabilities	1,903,189	1,619,529
Total Liabilities	15,421,397	16,252,226
Net Position:		
Invested in Capital Assets, net of Related Debt	(7,540,646)	(8,128,568)
Restricted	1,946,605	1,946,393
Unrestricted	561,519	478,934
Total Net Position	<u>\$ (5,032,522)</u>	<u>\$ (5,703,241)</u>

### Changes in net position

The table below summarizes the changes in Net Assets. As can be seen in Table 2 the District's revenues decreased slightly and the District's cash expenses also decreased. When considered together this presents a challenge for management to increase revenues without increasing costs.

**Table A-2**  
Condensed Statement of Activities

	<u>2015</u>	<u>2014</u>
Operating Income	\$ 3,848,000	\$ 3,803,500
Non-Operating Income	32,464	93,809
Total Revenues	3,880,464	3,897,309
Depreciation and Amortization	1,155,590	1,135,167
Service Operations Expenses	1,501,693	1,711,909
Debt Service Expenses	552,462	588,816
Total Expenses	3,209,745	3,435,892
Increase/(Decrease) in Net Position	<u>\$ 670,719</u>	<u>\$ 461,417</u>



## BUDGETARY HIGHLIGHTS

As required by state statute, the District adopts an annual budget to include operating, debt and capital expenditures.

**Table A-3**  
Condensed Statement of Activities - Budget to Actual  
Year Ended Dec. 31, 2015

	Amended Budget	Actual
Operating Income	\$ 3,749,670	\$ 3,848,000
Non-Operating Income	43,338	32,464
Total Revenue	3,793,008	3,880,464
Depreciation and Amortization	-	1,155,590
Service Operations Expenses	1,629,521	1,501,693
Debt Service Expenses	554,880	552,462
Total Expenses	2,184,401	3,209,745
Change in Net Position	\$ 1,608,607	\$ 670,719

Depreciation was not budgeted but is presented at actual for comparability and presentation.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

The cost of property, plant and equipment, net of accumulated depreciation as of December 31, 2015 was \$7,309,859. Major additions include a new chlorinator system at the Waste Water Treatments plant, new grinder pumps, replacement lines, new meters, replacement meters, and a truck.

The capitalized pumps includes acquisition of 71 new grinder pumps. Also included is the in-house refurbishment of 353 grinder pumps. The waste water treatment plant project includes a 40ft by 16ft chlorine contact chamber, a 14ft by 6ft de-chlore chamber, a 12ft by 10ft pre-fabricated building for controls chlorine and sulphur dioxide. The system was built for maximum capacity and will operate through both phases of our permit, and was built to meet the e-coli standards by TCEQ.

Changes in capital assets were as follows:

**Table A-4**  
Schedule of Changes in Capital Assets

	<b>Balance 12/31/14</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance 12/31/15</b>
Land	\$ 745,548	\$ -	\$ -	\$ 745,548
Construction in Progress	-	391,420	-	391,420
Buildings	473,499	-	-	473,499
Water and Sewer Systems	24,781,759	390,599	(102,844)	25,069,514
Machinery & Equipment	400,982	-	(57,860)	343,122
Vehicles	238,044	25,082	(47,017)	216,109
Office Equipment	55,481	-	(20,178)	35,303
Total Assets	<u>\$ 26,695,313</u>	<u>\$ 807,101</u>	<u>\$ (227,899)</u>	<u>\$ 27,274,515</u>
Less Depreciation	<u>(19,056,332)</u>	<u>(1,136,223)</u>	<u>227,899</u>	<u>(19,964,656)</u>
Fixed Assets Net of Accumulated Depreciation	<u>\$ 7,638,981</u>	<u>\$ (329,122)</u>	<u>\$ -</u>	<u>\$ 7,309,859</u>

Additional information on the changes in fixed assets and accumulates depreciation is found in the notes to the financial statements.

## LONG TERM DEBT

Bonded debt was reduced by \$1,135,000 of principal payments. Debt interest of \$548,691 was paid in 2015.

During 2015 the District financed construction of the wastewater treatment plant chlorinator by means of an installment loan for \$300,000 from First Fidelity Bank. The annual interest rate is 2.30% for a term of 36 months. The District has elected to pay the loan in 21 installments. Principal was repaid in 2015 in the amount of \$101,557 and interest expense was \$3,774.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

There was no increase in water or sewer rates in 2015. The district continues to strive to manage its finances through cost savings and more efficient operations.

During 2015 the District secured funds needed to move forward with construction of the chlorine treatment facility at the waste water treatment plant. This project involves building a chamber for chlorine treatment to treat the e-coli levels of wastewater and de-chlor chamber to remove the chlorine residual for future permit regulations. In addition, a facility is being constructed to house control, chlorine injection equipment and Sulphur dioxide injection equipment. Completion of the facility, expected in early 2016, will allow the district to produce proper treatment levels per the TCEQ standards.

The district is also working to become more efficient in using the electronic dispatching system for service orders. Personnel continue to examine expenditures and explore available options to decrease costs and man hours.

## **BUDGET 2016**

Goals for the 2016 budget year are:

- Completion of the wastewater treatment project and finding the most effective ways to operate the system for efficiency as well as cost.
- Implementation of new website with updated options for our customers.
- Updating the District's payment options for customers, including choices such as online checks, automatic drafts, etc.
- Continued exploration of options to reduce costs and improve and expand the District.

The District has budgeted 2016 income at \$3,820,502. Against this, expenses of \$2,256,694 have been budgeted. In addition, the District plans to reduce debt by \$1,332,297 and spend approximately \$440,800 on capital improvements.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This annual financial report is designed to provide our citizens, customers, and others with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Mauriceville Municipal Utility District General Manager, Brian Gipson, FM Road 1442, Orange Texas 77632; Phone (409) 745-4797.

## FINANCIAL STATEMENTS

Exhibit A

MAURICEVILLE MUNICIPAL UTILITY DISTRICT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2015

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 442,094
Service Revenues Receivable	553,902
Inventory	136,415
Total Current Assets	<u>1,132,411</u>

Temporarily Restricted Assets:

Cash and Cash Equivalents Restricted for Bond Reserve	<u>1,946,605</u>
Total Temporarily Restricted Assets	<u>1,946,605</u>

Capital Assets (Net of Accum. Depreciation)

Land	745,548
Construction in Process	391,420
Buildings	368,247
Water and Sewer Systems	5,636,666
Machinery and Equipment	93,924
Vehicles and Office Equipment	74,054
Total Capital Assets	<u>7,309,859</u>

TOTAL ASSETS \$ 10,388,875

LIABILITIES:

Current Liabilities:

Accounts Payable	\$ 104,633
Accrued Liabilities	29,533
Accrued Interest Payable	67,392
Current Portion of Note Payable	177,297
Current Portion of Revenue Bonds Payable	<u>1,155,000</u>
Total Current Liabilities	<u>1,533,855</u>

Long-Term Liabilities

Customer Deposits	369,334
Note Payable	21,145
Revenue Bonds Payable	13,750,000
Unamortized Premiums (Discounts) on Bonds	<u>(252,937)</u>
Total Long-Term Liabilities	<u>13,887,542</u>

TOTAL LIABILITIES \$ 15,421,397

NET POSITION

Unrestricted (5,032,522)

Total Net Position \$ (5,032,522)

The accompanying notes are an integral part of this statement.

**Exhibit B**

MAURICEVILLE MUNICIPAL UTILITY DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015

**REVENUES:****Program Revenues:**

Charges for Service - Water	\$ 1,945,625
- Sewer	1,489,547
- Service Fees	162,658
Tap Connection Fees and Road Bores	250,170
Total Program Revenues	<u>3,848,000</u>

**General Revenues:**

Interest on Temporary Investments	5,253
Gain on Sale of Equipment	15,216
Miscellaneous Revenues	11,995
Total General Revenues	<u>32,464</u>
Total Revenues	<u>\$ 3,880,464</u>

**EXPENSES:****Service Operations:**

Water and Sewer Service	\$ 391,522
Salaries, Benefits, & Payroll Taxes	911,839
Professional Fees	56,424
Administrative Expenses	141,908

**Debt Service:**

Interest and Fiscal Charges	552,462
Depreciation and Amortization	1,155,590
Total Expenses	<u>\$ 3,209,745</u>

Change in Net Position	\$ 670,719
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Total Net Position - January 1, 2015	<u>(5,703,241)</u>
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Total Net Position - December 31, 2015	<u><u>\$ (5,032,522)</u></u>
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The accompanying notes are an integral part of this statement.

**Exhibit C**

MAURICEVILLE MUNICIPAL UTILITY DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (Decrease) in Net Assets	\$ 670,719
Adjustments to Reconcile Net Assets to Net Cash Provided by Operating Activities	
Amortization and Depreciation	1,155,590
(Increase) Decrease in Operating Assets:	
Accounts Receivable	(26,730)
Inventories	(18,333)
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	75,586
Accrued Liabilities	10,279
Accrued Interest	(1,422)
Customer Deposits	2,067
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,867,756
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Property, Plant, and Equipment	(807,101)
NET CASH USED BY INVESTING ACTIVITIES	(807,101)
CASH FLOWS FROM FINANCING ACTIVITIES	
Funds Borrowed from Bank	300,000
Repayment of Funds Borrowed from Bank	(101,558)
Repayment of Bonded Debt	(1,135,000)
NET CASH USED BY FINANCING ACTIVITIES	(936,558)
NET INCREASE (DECREASE) IN CASH	124,097
CASH AT BEGINNING OF YEAR	2,264,602
CASH AT END OF YEAR	\$ 2,388,699

The accompanying notes are an integral part of this statement.

**MAURICEVILLE MUNICIPAL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 1 – GENERAL STATEMENT**

The Mauriceville Special Municipal 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 in Docket No. 94-0492-DIS and operated under Chapter 65 of the Texas Water Code, as amended. On July 25, 2007 the Texas Commission on Environmental Quality (TCEQ) conducted a hearing on an application for conversion of Mauriceville Special Municipal District to a municipal utility district operating under Texas Water Code Chapter 54. The TCEQ accepted the District's application and allowed conversion to a municipal utility district. This conversion permits the District, with voter approval, to levy and collect a property tax to meet the impending increases in the bonded debt service requirements.

An election was held in and throughout the District on January 21, 1995, confirming the creation of the MSUD. The District's first bonds were authorized by issuance effective April 11, 1996. On July 1, 1995, Mauriceville Special Utility District began operating the water system which was previously operated by the Mauriceville Water Supply Corp. The District acquired the title to the assets purchased from Mauriceville Water Supply Corp. on April 11, 1996 at the time of the issuance of the Utility System Revenue bonds. The proceeds of the bonds were used to pay off the notes payable to Farmers Home Administration by Mauriceville Water Supply Corp. The District has been using the assets of the Corporation to operate the water system since July 1, 1995, in accordance with a buy-sell agreement executed by the Board of Directors of both entities on March 20, 1995. The District received final approval in January 1996 for the bond issuance to retire the debt to Farmers Home Administration and transfer the assets of the Corporation to the District. The bond funding was received on April 11, 1996, and all outstanding debt of the Corporation retired. The assets were released by Farmers Home Administration to the District at that time. The Mauriceville Water Supply Corporation ceased operations upon the start of operating the Mauriceville Special Utility District. The general purpose financial statements of the district have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governments units in the United States. The governmental accounting standards board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The District provides water and sewer services to the unincorporated area of Mauriceville, Texas which includes areas in Orange, Jasper, and Newton counties. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth by generally accepted accounting principles. Based upon these principles, the basic criteria for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant criterion is financial interdependency. Other factors affecting the ability to exercise oversight responsibility include, but are not



**MAURICEVILLE MUNICIPAL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public services. Based upon these criteria, there are no component units to the District, nor is the District a component unit of any other governmental body.

Starting on January 1, 2004 the District adopted the provisions of Statement No. 34 of Governmental Accounting Standards Board – *“Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments.”* Statement 34 established standards for external financial reporting for all state and local governmental entities that includes a statement of net assets, a statement of cash flows. For Mauriceville Municipal District, the adoption of Statement 34 had no effect on the basic financial statements except for the classification of as a change (increase) in net assets.

**B. Basis of Accounting**

The basis of accounting is the method by which revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The District uses the accrual basis of accounting; revenues are recognized when earned and expenses are recognized when they are incurred.

**C. Budget**

The budget for the District is adopted on a basis generally consistent with generally accepted accounting principles (GAAP). Budget amounts are presented as originally budgeted or as amended by the District. The budget for 2015 did not include amounts for depreciation. Statement presentation does include the actual depreciation, although none was budgeted.

**D. Cash and Investments**

For purposes of the statement of cash flows, the District considers the definition of cash and cash equivalents to include certificates of deposit with an original term of three months or less to be cash. 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 time deposits issued by banks domiciled in the State of Texas.

**E. Materials and Supplies Inventories**

Inventories are valued at cost using the first-in, first-out basis which approximates market. Inventories consist of expendable supplies held for consumption and the cost thereof is recorded as an expense of capitalized as new construction, as appropriate, as the individual inventory items are issued (consumption method). Inventory consists mainly of items used to install new services and items used for ordinary system repairs.

**MAURICEVILLE MUNICIPAL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**F. Land, Buildings and Equipment**

Fixed assets have been acquired or constructed for the purpose of providing water and sewer services to the District's residents. Fixed assets are recorded at cost. Gifts or contributions of fixed assets are recorded at estimated fair market value upon receipt. Fixed assets are depreciated over their estimated useful lives on a straight line basis.

Depreciation is computed using the straight-line method over the following useful lives:

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<u>Assets</u>	<u>Years</u>
Buildings and Improvements	15-40
Water and Sewer Systems	15-30
Machinery and Equipment	5-10

**G. Accumulated Unpaid Vacation and Sick Pay**

Accumulated unpaid vacation and sick pay are not accrued and the expenditures are recorded when paid. Accrued vacation and sick pay were not material for the year ended December 31, 2015.

**H. Capitalized Project Costs**

The District capitalizes and charges to capitalized project costs all costs incurred during the construction of its capital projects. These capitalized cost include; bond interest, accrued interest on investments purchased, attorney fees, and other start-up expenses of the project. Investment interest earnings are used to decrease these costs during the construction period. There was no capitalized interest during 2015.

**I. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the application of estimates and assumptions in recording of assets, liabilities, income, and expenditures. Such estimates and assumptions have been used in the preparation of these financial statements. Actual results may vary from the estimates and assumptions presented in these statements. The principal estimates used in those financial statements are the estimated useful lives of fixed assets and the amortization of original bond discount reported as interest expense for the year then ended.

**MAURICEVILLE MUNICIPAL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 2 – CASH AND INVESTMENTS**

Following are the components of the District's cash and investments at December 2015:

	Unrestricted	Restricted	Total
Cash Accounts	\$ 442,094	\$ 259,474	\$ 701,568
Certificates of Deposit	-	1,687,131	1,687,131
	<u>\$ 442,094</u>	<u>\$ 1,946,605</u>	<u>\$ 2,388,699</u>

Cash and Certificates of Deposits at the District's fiscal depository (bank) can be categorized according to three levels of risk. These three levels of risk are as follows:

Category 1 Deposits which are insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2 Deposits which are collateralized with securities held by pledging financial institutions, trust departments, or agent in the entity's name.

Category 3 Deposits which are not collateralized.

Based on the above criteria all of the District's cash and CDs are considered category 1.

**NOTE 3 – PROPERTY TAXES**

The District was created as a special, non-taxing utility district. On July 25, 2007 the Texas Commission on Environmental Quality (TCEQ) conducted a hearing on an application for conversion of Mauriceville Special Municipal District to a municipal utility district operating under Texas Water Code Chapter 54. The TCEQ accepted the District's application and allowed conversion to a municipal utility district (MUD). This conversion permits the District, with voter approval, to levy and collect a property tax to meet the impending increases in the bonded debt service requirements. No tax has been levied since the conversion to a MUD.

**MAURICEVILLE MUNICIPAL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**  
**NOTE 4 – FIXED ASSETS**

A summary of changes in fixed assets follows:

	<b>Balance 12/31/14</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance 12/31/15</b>
Land	\$ 745,548	\$ -	\$ -	\$ 745,548
Construction in Progress	-	391,420	-	391,420
Buildings	473,499	-	-	473,499
Water and Sewer Systems	24,781,759	390,599	(102,844)	25,069,514
Machinery & Equipment	400,982	-	(57,860)	343,122
Vehicles	238,044	25,082	(47,017)	216,109
Office Equipment	55,481	-	(20,178)	35,303
Total Assets	<u>\$26,695,313</u>	<u>\$ 807,101</u>	<u>\$ (227,899)</u>	<u>\$ 27,274,515</u>
Less Depreciation	<u>(19,056,332)</u>	<u>(1,136,223)</u>	<u>227,899</u>	<u>(19,964,656)</u>
Fixed Assets Net of Accumulated Depreciation	<u>\$ 7,638,981</u>	<u>\$ (329,122)</u>	<u>\$ -</u>	<u>\$ 7,309,859</u>

**NOTE 5 – LONG TERM DEBT**

Bonds Payable at December 31, 2015, consist of the following:

\$19,355,000 Series 2011 Utility System Revenue Bonds due in annual installments of \$1,115,000 to \$1,615,000 through November 15, 2026, interest at 2.0% to 4.250%. These bonds were issued on December 13, 2011. The proceeds of the new Bond were used to refund the previous bonds, bond issue costs and original issue discounts of \$171,484 and underwriter's discount of \$158,758.

Current balances are:

Face Value	\$14,905,000
Bond Discount	<u>(252,937)</u>
Net Debt Due	\$14,652,063

Current bond repayment requirements are:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,155,000	\$ 527,744	\$ 1,682,744
2017	1,185,000	501,756	1,686,756
2018	1,215,000	472,131	1,687,131
2019	1,250,000	435,681	1,685,681
2020	1,290,000	395,056	1,685,056
2021-2025	7,195,000	1,225,744	8,420,744
2026	1,615,000	68,637	1,683,637
	<u>\$ 14,905,000</u>	<u>\$ 3,626,749</u>	<u>\$ 18,531,749</u>

**MAURICEVILLE MUNICIPAL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

The District received a loan of \$300,000 from First Fidelity bank in 2015. The annual interest rate is 2.30% and the maximum loan term is 36 months.

Repayment requirements are as follows:

Due During Fiscal Years				
Ending	Principal Due	Interest Due	Total	
2016	\$ 177,297	\$ 2,703	\$ 180,000	
2017	21,145	52	21,197	
Totals	\$ 198,442	\$ 2,755	\$ 201,197	

**NOTE 6 – PENSION PLAN**

The District approved a Section 457 plan during 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 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. However, this contribution is decided 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 2015 was \$23,452.

**NOTE 7 – PLEDGE OF REVENUES**

The bonds are payable from the revenues of the district, and are secured by a lien on a pledge of revenues to be received from the operation of the District's water system.

**NOTE 8 – COMPLIANCE WITH DEBT SERVICE REQUIREMENTS**

At December 31, 2015 the District was in compliance with its Debt Service requirements as required in the bonds covenants.

**NOTE 9 – BOND SERVICE**

The District has bond reserve fund (Certificate of Deposits) of \$1,687,131 required by the bonds covenant.

**NOTE 10 – ECONOMIC DEPENDENCE**

The District derives all of its operating revenue from the water and sewer users (customers) that reside within its geographic boundaries. Accordingly, it should be concluded that any events affecting the District's residents would impact the District's operations directly. It should be noted that the District is located in an area prone to hurricanes during the summer and fall.

**MAURICEVILLE MUNICIPAL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 11 – SUBSEQUENT EVENTS**

Management has evaluated matters that might be subsequent events and has not identified any such matters from December 31, 2015 through May 11, 2016; which is the date the financial statements were available to be issued.

## SUPPLEMENTAL INFORMATION

SCHEDULE A

MAURICEVILLE MUNICIPAL UTILITY DISTRICT  
NOTES REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY  
December 31, 2015

Note A – Creation of District

See the General Statement in Note 1 to the Financial Statements

Note B – Contingent Liabilities

The District has no contingent liabilities.

Note C – Pension Coverage

See Note 6 to the Financial Statements

Note D – Pledge of Revenues

See Note 5 to the Financial Statements.

Note E – Compliance with Debt Service Requirements

See Notes 8 and 9 to the Financial Statements.

Note F – Bond Redemption

The 2011 Refunding Bonds are not subject to early redemption.



## Schedule B

MAURICEVILLE MUNICIPAL UTILITY DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Unaudited			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	POSITIVE (NEGATIVE)
REVENUES:				
Charges for Services - Water Service	\$ 1,952,828	\$ 1,952,828	\$ 1,945,625	\$ (7,203)
- Sewer Service	1,467,642	1,467,642	1,489,547	21,905
- Service Fees	174,696	174,696	162,658	(12,038)
Tap Fees	140,500	140,500	236,946	96,446
Road Bores	14,004	14,004	13,224	(780)
Other Revenues	28,122	43,338	32,464	(10,874)
TOTAL REVENUES	\$ 3,777,792	\$ 3,793,008	\$ 3,880,464	\$ 87,456
EXPENDITURES:				
Current:				
Chemicals	\$ 30,000	\$ 30,000	\$ 33,493	\$ (3,493)
Depreciation & Amortization	-	-	1,155,590	(1,155,590)
Employee Benefits	214,990	225,835	191,789	34,046
Fuels & Lubricants	55,000	45,000	34,098	10,902
Insurance & Surety Bonds	45,000	55,000	35,822	19,178
Interest Expense	550,444	554,880	552,465	2,415
Maintenance & Repair by Contractors	30,000	30,000	56,007	(26,007)
Materials & Supplies	185,000	176,000	118,033	57,967
Other	38,500	34,436	29,108	5,328
Office Expense	65,100	81,100	76,975	4,125
Payroll Taxes	56,000	56,000	48,510	7,490
Professional Services	42,500	57,750	56,424	1,326
Salaries and Wages	716,214	670,000	671,540	(1,540)
Sample Fees	20,000	17,000	15,625	1,375
TCEQ Fees	25,000	40,500	23,128	17,372
Utilities	95,000	95,000	95,052	(52)
Vehicle Expense	22,600	15,900	16,086	(186)
TOTAL EXPENDITURES	\$ 2,191,348	\$ 2,184,401	\$ 3,209,745	\$ (1,025,344)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 1,586,444	\$ 1,608,607	\$ 670,719	\$ (937,888)
NET POSITION - JANUARY 1, 2015	(5,703,241)	(5,703,241)	(5,703,241)	-
NET POSITION - DECEMBER 31, 2015	<u>\$ (4,116,797)</u>	<u>\$ (4,094,634)</u>	<u>\$ (5,032,522)</u>	<u>\$ (937,888)</u>

The accompanying notes are an integral part of this statement.

MAURICEVILLE MUNICIPAL UTILITY DISTRICT  
SCHEDULE OF SERVICES AND RATES  
YEAR ENDED DECEMBER 31, 2015

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 Sewer  | <input type="checkbox"/> Wholesale Sewer | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreations  | <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 (specify): _____   |  |                                     |

2. Total water consumption during the fiscal year:

Gallons pumped into the system: 237,950,000

Gallons billed to customers: 190,753,000

3. 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:

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate Per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$ 26.12	0	Y	\$ 0.00	0
				\$ 4.89	0 to 7,999
				\$ 5.18	8,000 to Unlimited
SEWER:	\$ 29.35	0	Y	\$ 0.00	0
				\$ 4.25	0 to 7,999
				\$ 4.50	8,000 to Unlimited
SURCHARGE:	N/A				

Sewer usage employs winter averaging Yes ☐ No ☒ N/A ☐

Total water charges per 10,000 gallons usage (including surcharges) \$ 75.61

4. Number of retail water connections within the District as of fiscal year ended December 31, 2014:

	<u>Connections</u>	<u>Active Connections</u>	<u>Inactive Connections**</u>
	Single Family		None
Water	3,259	3,259	
Sewer	2,362	2,362	

## PROVIDE SINGLE FAMILY EQUIVALENTS (SFE'S) FOR THE CONNECTIONS BELOW:

	<u>No. of Active Connections</u>	<u>Active SFE Connections</u>	<u>Inactive SFE Connections</u>
Multi-Family	Unknown	Unknown	Unknown
Commercial	Unknown	Unknown	Unknown
Other - recreational center, government and VFD:			
TOTAL	Unknown	Unknown	Unknown

5. Standby Fees: Does the District assess standby fees: Yes \_\_\_ No X  
 Have standby fees been levied in accordance with Water Code Section 49.321, thereby constituting a lien on property: Yes \_\_\_ No X

6. Anticipated sources of funds to be used for debt service payments in the District's following fiscal year:

a. Surplus construction funds	\$ -0-
b. Water and/or wastewater revenue	\$ 1,685,444
c. Standby fees	\$ -0-
d. Beginning debt service fund balances	\$ -0-
e. Interest revenues	\$ -0-
f. Other (describe)	\$ -0-

TOTAL ANTICIPATED FUNDS TO BE USED \$ 1,685,644

7. Location of District:

County(ies) in which district is located. Orange, Jasper, Newton

Is the District located entirely within one county: Yes \_\_\_ No X

Is the District within a city? Entirely \_\_\_ Partly \_\_\_ Not at all X

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

Is the general membership of the Board appointed by an office outside the district?  
 Yes \_\_\_ No X

Name of Contact Person Brian Gipson, General Manager  
 Phone Number (409) 745-4882

\* Number of connections relate to water service provided. Otherwise, number of wastewater connections is provided.

\*\* "Inactive" means that water and sewer connections were made, but service is not being provided.

**Schedule D**

**MAURICEVILLE MUNICIPAL UTILITY DISTRICT  
EXPENDITURES FOR THE YEAR ENDED  
DECEMBER 31, 2015**

Personnel Expenditures (including benefits)*	\$ 911,839
Professional Fees:	
Auditing	13,750
Legal	9,000
Other	33,674
Contracted Services	88,237
Utilities	95,052
Materials and Supplies	118,033
Administrative Expenditures	
Office Expense	44,745
Insurance	35,822
Other Administrative Expense	-
Plant Operations	151,538
Depreciation and Amortization	1,155,590
Interest Expense	<u>552,465</u>
TOTAL EXPENDITURES	<u><u>\$ 3,209,745</u></u>

\*Number of persons employed by the District: 13 Full-Time, 0 Part-Time

**Schedule E**

MAURICEVILLE MUNICIPAL UTILITY DISTRICT  
TEMPORARY INVESTMENTS  
DECEMBER 31, 2015

<u>Investment Type</u>		<u>Amount</u>
Certificate of Deposit	First Financial Bank	\$ 837,131
Certificate of Deposit	First Financial Bank	425,000
Certificate of Deposit	First Financial Bank	<u>425,000</u>
Total		<u><u>\$ 1,262,131</u></u>

**Schedule F**

**MAURICEVILLE MUNICIPAL UTILITY DISTRICT  
ANALYSIS OF TAXES RECEIVABLE  
DECEMBER 31, 2015**

Mauriceville Special Utility District converted to a Municipal Utility District on July 25, 2007. It now 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, 2015,

**Schedule G**

**MAURICEVILLE MUNICIPAL UTILITY DISTRICT  
LONG TERM DEBT SERVICE REQUIREMENTS  
DECEMBER 31, 2015**

Mauriceville Municipal Utility District  
Series 2011 Refunding Bonds, Issued \$16,355,000

<u>Due During Fiscal Years Ending</u>	<u>Principal Due 11/15</u>	<u>Interest Due 5/15,11/15</u>	<u>Total</u>
2016	1,155,000	527,744	1,682,744
2017	1,185,000	501,756	1,686,756
2018	1,215,000	472,131	1,687,131
2019	1,250,000	435,681	1,685,681
2020	1,290,000	395,056	1,685,056
2021	1,335,000	349,906	1,684,906
2022	1,385,000	301,513	1,686,513
2023	1,435,000	249,575	1,684,575
2024	1,490,000	192,175	1,682,175
2025	1,550,000	132,575	1,682,575
2026	1,615,000	68,637	1,683,637
Totals	<u>\$ 14,905,000</u>	<u>\$ 3,626,749</u>	<u>\$ 18,531,749</u>

Mauriceville Municipal Utility District  
Loan Payable to First Fidelity Bank

<u>Due During Fiscal Years Ending</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total</u>
2016	177,297	2,703	180,000
2017	21,145	52	21,197
Totals	<u>\$ 198,442</u>	<u>\$ 2,755</u>	<u>\$ 201,197</u>

MAURICEVILLE MUNICIPAL UTILITY DISTRICT  
CHANGES IN LONG-TERM BONDED DEBT  
FOR THE YEAR ENDED DECEMBER 31, 2015

**Schedule H**

	<u>Refunding Series 2011</u>
Interest Rate	2.00 - 4.25%
Dates Interest Payable	5/15,11/15
Maturity Dates	11/15/2026
Bonds Outstanding at January 1, 2014	\$ 16,040,000
Bonds Retired During the Fiscal Year	<u>(1,135,000)</u>
Ending Bonds Outstanding	<u><u>\$ 14,905,000</u></u>
Interest Paid During the Fiscal Year:	\$ 527,744
Paying Agent: U.S. Trust Co., 2001 Ross Avenue, Dallas, Texas 75201	
Bonds Authorized	\$ 19,355,000
Bonds Issued	<u>19,355,000</u>
Bonds Remaining to be Issued	<u><u>\$ -</u></u>
Debt service reserve and sinking fund accounts cash and temporary investment balances as of 12/31/15:	\$ 1,946,605
Average annual debt service payment (Principal and Interest) for remaining term of all bonded debt:	\$ 1,684,704



## Schedule I

MAURICEVILLE MUNICIPAL UTILITY DISTRICT  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES  
FOR THE FIVE YEARS ENDED DECEMBER 31, 2015

	PERCENTAGE OF REVENUES				
	2015	2014	2013	2012	2011
REVENUES					
Water and sewer service					
Tap connection fees					
Miscellaneous fees					
Interest income					
Other income					
TOTAL REVENUES					
EXPENDITURES					
Payroll expenses					
Professional fees					
Purchased and contracted services					
Consumable supplies and materials					
Interest expense					
Bad debt expense					
Other expense					
Depreciation and amortization					
TOTAL EXPENDITURES					
Excess Revenues Over (Under) Expenditures					

**Schedule J**

**MAURICEVILLE MUNICIPAL UTILITY DISTRICT  
BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS  
DECEMBER 31, 2015**

Complete District Mailing Address: 15509 FM 1442, Orange, TX 77632  
District Business Telephone Number: 409-745-4591

<u>Names:</u>	<u>Term of Office or Date Hired</u>	<u>Fees or Expense Reimbursements FYE 9/30/15</u>	<u>Title at Year End</u>
<b>Board Members:</b>			
Corey Oldbury 8557 Earsel Lane Orange, TX 77632	5/14-5/18	\$ - 0 -	President
Jon W. Sherwin 5025 Michelle Circle Orange, TX 77632	5/14-5/18	\$ - 0 -	Vice President
Nelda Burton P. O. Box 1030 Mauriceville, TX 77626	5/14 - 5/18	\$ - 0 -	Secretary/Treasurer
Dennis Roundtree 5021 Len Drive Orange, TX 77632	10/14-5/16	\$ - 0 -	Director
Patrick Rainey P. O. Box 885 Mauriceville, TX 77626	7/12-5/16	\$ - 0 -	Director
<b>Key Administrative Personnel:</b>			
Brian B. Gipson	10/1/4	\$ 78,563	General Manager
Kathy L. Bourgeois	12/98	\$ 47,215	Billing Supervisor
Kristyn Porter	9/14	\$ 35,491	Bookkeeper
<b>Consultants:</b>			
Joe D Alford/Rex Peveto	11/99	\$ 8,214	Attorneys
Charles E. Reed & Associates, P.C.	11/15	\$ -	CPA/Auditor

