

**MAURICEVILLE MUNICIPAL UTILITY DISTRICT
MAURICEVILLE, TX**

FINANCIAL STATEMENTS

DECEMBER 31, 2016

Mauriceville Municipal Utility District
Mauriceville, Texas

December 31, 2016

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }

Mauriceville MUD

COUNTY OF: ORANGE }

I, JAY SCHEIDERER, PRESIDENT

(Name of Duly Authorized District Representative)

of the MAURICEVILLE MUNICIPAL UTILITY DISTRICT

(Name of 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 15th day of AUGUST, 2017 its annual audit report for the fiscal year or period ended DECEMBER 31, 2016 and that copies of the annual audit have been filed in the district office, located at

POST OFFICE BOX 1000, MAURICEVILLE, TX

(Address of District)

The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality to satisfy the annual filing requirements Texas Water Code Section 49.194

Date: AUGUST 15, 2017

By Jay Scheiderer

(Signature of District Representative)

Jay Scheiderer, President

(Typed Name & Title of above District Representative)

Sworn to and subscribed to before me this 15 day of August, 2017

(Signature of Notary)

(Seal)

My Commission Expires On: _____, 20__ , Notary Public in and for the State of Texas.

Form TCEQ-0723 (Revised 10/2003)

MAURICEVILLE MUNICIPAL UTILITY DISTRICT

ORANGE, TEXAS

Management's Discussion and Analysis

For the year ended December 31, 2016

Our discussion and analysis of the Mauriceville Municipal Utility District's (District) financial performance provides an overview of the District's financial activities for the year ended December 31, 2016. Please read it 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 \$ 4,366,416 (deficit) for the fiscal year reported. This compares to the previous year when liabilities exceeded assets by \$5,032,522 (deficit). The net assets increased by \$666,106 or 13.24%.
- ❖ Net Assets 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, 2016 was \$9,661,547. This amount for the prior year was \$9,473,444.
 - (2) The decrease in value is due to the non-cash expense of depreciation despite the debt reduction of \$1,155,000.
- ❖ Total spending for all District activities for 2016 was \$2,158,024 and the prior year was \$2,054,155. The difference is \$103,869.
- ❖ The District grew by 44 water customers and 65 sewer customers for the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of three parts: Management's Discussion and Analysis (MD&A); 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 the Comparative Statement of Revenues, Expenses and Change in Net Assets (Activity) provide both long range and short-term

information about the District's overall financial status. The Comparative Statement of Net Assets includes all assets and liabilities and provides 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.

FINANCIAL ANALYSIS AS A WHOLE

Net assets increased by \$666,106 as a result of this year's operations. The District's overall financial position increased during 2016. 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 \$4,366,416. 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.

Condensed Statement of Net Assets – TABLE 1				
	FY 2016	FY 2015	Dollar Change	Percent Change
Current Assets	1,170,325	216,980	953,345	439.37%
Capital Assets	6,663,542	7,309,859	(646,317)	-8.84%
Other Assets	1,827,680	1,946,605	(118,925)	-6.11%
Total Assets	9,661,547	9,473,444	188,103	1.99%
Long term debt outstanding	12,331,770	13,518,208	(1,186,438)	-8.78%
Other Liabilities	1,696,193	1,903,189	(206,996)	-10.88%
Total Liabilities	14,027,963	15,421,397	(1,393,434)	-9.04%
Invested in Capital Assets, net of debt	(6,874,345)	(7,540,646)	666,301	-8.84%
– Restricted	1,827,680	1,946,605	(118,925)	-6.11%
– Unrestricted	680,249	561,519	118,730	21.14%
Total Net Assets	(4,366,416)	(5,032,522)	666,106	-13.24%

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

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

TABLE 2

	FY 2016	FY 2015	Dollar Change	Percent Change
Operating Income	3,921,042	3,848,000	73,042	1.90%
Non-operating income	16,009	32,464	(16,455)	-50.69%
Total Revenue	3,937,051	3,880,464	56,587	1.46%
Depreciation	1,112,919	1,155,590	(42,671)	-3.69%
Other operating exp.	1,610,573	1,501,693	108,880	7.25%
Non-operating exp.	547,451	552,462	(5,011)	-0.91%
Total Expenses	3,270,943	3,209,745	61,198	1.91%
Change in Net Assets	666,108	670,719	(4,611)	-0.69%

BUDGETARY HIGHLIGHTS

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

**Condensed Statement of Revenues, Expenses, and Changes in Net Assets
Budget to Actual FY 2016- TABLE 3**

	Amended Budget Amount	Actual Amount	Dollar Variance	Percent Variance
Operating Income	3,805,504	3,921,042	(115,538)	-2.95%
Non-operating income	5,000	16,009	(11,009)	-68.77%
Total Revenue	3,810,504	3,937,051	(126,547)	-3.21%
Depreciation	-	1,112,919	(1,112,919)	100.00%
Other operating exp.	1,509,947	1,610,573	(100,626)	-6.25%
Non-operating exp.	530,447	547,451	(17,004)	-3.11%
Total Expenses	2,040,394	3,270,943	(1,230,549)	-37.62%
Change in Net Assets	1,770,110	666,108	1,104,002	165.74%

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

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The cost of property, plant and equipment, net of accumulated depreciation as of December 31, 2016 was \$6,663,452. Major additions included the installation of new waste water pumps, replacement waste water pumps, new meters, replacement meters, and a new truck.

Fixed Asset additions for the year are:

Transportation Equipment	26,455.00
Sewer lines and pumps	340,231.00
Water Lines and tanks	48,192.00
Construction in Progress	<u>51,724.00</u>
Total	466,602.00

The District purchased a brand new 2016 Ford F250 to be used during field operations. The capitalized water lines and tanks includes the addition of 258 new meters while the capitalized sewer lines and pumps include the acquisition of 285 new waste water pumps. Construction of the Wastewater Treatment Plant Chlorine Contact Chamber was completed in February of 2016.

Additional information on the changes in fixed assets and accumulated depreciation is found in the notes to the financial statements and Schedule I of the Texas Required Supplementary Information.

LONG TERM DEBT

Long term bond debt was reduced by \$1,155,000 for principal payments. Debt interest of \$527,744 was paid in 2016.

Long term debt for an outstanding loan with First Financial Bank was reduced by \$177,325. Interest expense for the loan of \$2,675 was paid in 2016.

ECONOMIC FACTORS AND RATES

The District has been implementing a fiscal management plan for the past several years.

In March of 2004, the District sought the services of a Financial Advisor to explore refunding the District's debt to prevent default of the Bonds held by the Texas Water Development Board (TWDB). After several meetings with TWDB officials, it was agreed that the District's revenue would not meet the original projections made in the bond offering made by the District's then consulting engineer, and that the District would most likely default in the near future.

A review of the District's past rate history evidenced a reverse effect when rate increases were implemented. As a result, raising the rates would have two negative effects, reducing income from current customers and adversely affecting future growth of the District's customer base.

As discussed above, the District obtained a deferral of its 1996 bond series, which resulted in the defeasance of those bonds and the issuance of the 2005 series bonds. This action was to provide the District time to plan for sufficient annual revenues to meet its debt service obligation.

On July 25, 2007, the Texas Commission on Environmental Quality (TCEQ) conducted a hearing on an application for conversion of Mauriceville Special Utility 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. Now that the conversion is complete, the District is able to seek approval from the voters of the District to implement a property tax or convert the existing revenue bonds to general obligation bonds. Due to the current economic climate, the Board of Directors opted not to call a tax election as community feedback indicated little chance of support. The District increased its rates in August 2009 to raise sufficient revenue to service the bonded debt of the District.

The Board of Directors did not increase the base sewer rate of \$29.35; however, the 2,000 gallon allowance included in the minimum charge was changed to zero. The water rate was increased by \$2.37 making the new water base charge \$26.12; but the 2,000 gallon allowance included in the minimum charge was changed to zero usage. This rate increase was considered a necessary action to help the District meet the upcoming cost of the revenue bonds issued and outstanding. Prior to this increase, the sewer rate had not been increased since August of 2008. The rate increase was effective September 1, 2009.

For 2016 and 2015 there has been no increase in water or sewer rates.

ADDITIONAL STRATEGIES

With the completion of the WWTP cL2 Project and additional minor projects the District is in the process of working towards obtaining compliance with TCEQ.

BUDGET 2016

The goals for the 2016 budget year are to complete the wastewater treatment plant project, replace a service truck, reduce expenditures, manager customer service and work order response times as well as continue to expand district assets.

CONTACTING 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.



CERTIFIED PUBLIC ACCOUNTANTS
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JOEL E. STEIRMAN, CPA
JANE M. WHITFIELD, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and General Manager
Mauriceville Municipal Utility District

Gentlemen:

We have audited the accompanying financial statements statement of financial position (balance sheet), statement of revenues, expenses and changes in financial position of Mauriceville Municipal Utility District, Orange County, Texas as of and for the year ended December 31, 2016 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 misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinions.

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of basic financial statements listed in the table of contents of the Mauriceville Municipal Utility District as of December 31, 2016, and in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages the pages listed in the table of contents presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Information Required by the Texas Commission for Environmental Quality accounting and audit manual, which is available on the web-site of the TCEQ

Our audit was conducted for the purpose of forming opinions on the financial statements of the Mauriceville Municipal Utility District's basic financial statements. The information listed in the table of contents that conform to the requirements of the TCEQ accounting and audit manual, referenced above re the responsibility of management of the Mauriceville Municipal Utility District and were 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 or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the TCEQ required information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The MD&A 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 them.

Steirman, Whitfield and Co. PC

Steirman, Whitfield and Co. PC
Certified Public Accountants and Consultants
Orange, Texas

MAURICEVILLE MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2016

ASSETS**Current Assets:**

Cash and Cash Equivalents	\$ 518,279
Accounts Receivable-Net of Uncollectible Allowance	535,993
Inventories	116,053
Total Current Assets	<u>1,170,325</u>

Noncurrent Assets:**Capital Assets:**

Land and Improvements	745,548
Buildings	473,500
Accumulated Depreciation - Buildings	(118,077)
Machinery and Equipment	620,988
Accumulated Depreciation - Machinery & Equipment	(470,776)
Water & Sewer Systems	25,322,637
Accumulated Depreciation - Water&Sewer Systems	(20,353,422)
Construction in Progress	443,144
Cash Bond Reserve required for Revenue Bonds	1,689,646
Cash Sinking Fund Interest and Principal	138,034
Total Noncurrent Assets	<u>8,491,222</u>

Total Assets**9,661,547****LIABILITIES****Current Liabilities:**

Accounts Payable	11,899
Wages and Salaries Payable	5,401
Fees and Taxes due TCEQ	17,405
Accrued Interest Payable	67,392
Notes Payable - Current	21,117
Bonds Payable - Current:	
Current Bonds Payable	1,185,000
Payable from Restricted Assets - Current:	
Security Deposits	387,979

Total Current Liabilities**1,696,193****NonCurrent Liabilities:**

Bonds Payable - Non-Current:	
Revenue Bonds Payable	12,565,000
Unamortized Premiums on Bonds	(233,230)
Total Noncurrent Liabilities	<u>12,331,770</u>

Total Liabilities**14,027,963****NET POSITION**

Unrestricted Net Position	(4,366,416)
Total Net Position	<u>\$ (4,366,416)</u>

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

MAURICEVILLE MUNICIPAL UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

EXHIBIT B

OPERATING REVENUES:

Water Services Sold	\$ 1,988,304
Sewerage Service Income	1,518,437
Fees for boring needed for sewer service	11,810
CLate payment fees and re-connection fees	157,831
Water Tap Fees	36,100
Sewer Tap Fees	186,411
Money received see notes to financial statements	22,149
Total Operating Revenues	<u>3,921,042</u>

OPERATING EXPENSES:

Personnel Services - Salaries and Wages	632,444
Personnel Services - Employee Benefits	225,724
Purchased Professional & Technical Services	44,643
Purchased Property Services	413,480
Other Operating Expenses	213,119
Supplies	78,488
Depreciation	1,112,919
Interest Expense	2,675
Total Operating Expenses	<u>2,723,492</u>
Operating Income	<u>1,197,550</u>

NON-OPERATING REVENUES (EXPENSES):

Sale of Property Proceeds	3,672
Investment Earnings	8,452
Refund of Workers Compensation Insurance	3,885
Interest Expense - Non-Operating	<u>(547,451)</u>
Total Non-operating Revenue (Expenses)	<u>(531,442)</u>

Change in Net Position	666,108
Total Net Position December 31 (Beginning)	<u>(5,032,523)</u>
Total Net Position January 1 (Ending)	<u>\$ (4,366,415)</u>

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

MAURICEVILLE MUNICIPAL UTILITY DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Cash Flows from Operating Activities:

Cash Received from User Charges	\$ 3,918,375
Cash Received from Assessments - Other Funds	(816,329)
Cash Payments to Employees for Services	(852,767)
Net Cash Provided by Operating Activities	<u>\$ 2,249,279</u>

Cash Flows from Non-Capital Financing Activities:

Increase(decrease) in Restricted Assets	118,925
Other Revenue	7,557
Increase (decrease) Security Deposits held	18,645
Net Cash Provided by Non-Capital Financing Activities	<u>\$ 145,127</u>

Cash Flows from Capital & Related Financing Activities:

Acquisition of Capital Assets	(466,604)
Interest Paid on Bonded Debt	(527,744)
Principal Paid on Bonds	(1,155,000)
Principal paid on note to First Financial Bank	(177,325)
Net Cash Provided by (Used for) Capital & Related Financing Activities	<u>\$ (2,326,673)</u>

Cash Flows from Investing Activities:

Interest and Dividends on Investments	8,452
Net Increase in Cash and Cash Equivalents	<u>76,186</u>
Cash and Cash Equivalents at Beginning of the Year:	<u>442,094</u>
Cash and Cash Equivalents at the End of the Year:	<u><u>\$ 518,280</u></u>

Reconciliation of Operating Income to Net Cash

<u>Provided By Operating Activities:</u>	<u>\$ 1,197,550</u>
Operating Income:	
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	1,112,919
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	17,909
Decrease (increase) in Inventories	20,363
Increase (decrease) in Payroll & Accounts Payable	(99,461)
Net Cash Provided by Operating Activities	<u><u>\$ 2,249,280</u></u>

Reconciliation of Total Cash and Cash Equivalents:

Cash & Cash Equivalents - Statement of Net Assets	<u>\$ 518,279</u>
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The notes to the financial statements are an integral part of this statement.

**MAURICEVILLE MUNICIPAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

The Mauriceville Municipal 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.

**MAURICEVILLE MUNICIPAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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 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 Mauriceville Municipal 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 activities, and 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 net assets in accordance with the statement and the reflection of capital contributions as a change (increase) in net assets.

Basis of Accounting

Basis of accounting refers to when 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.

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 2016 did not include amounts for depreciation. Statement presentation does include the actual depreciation, although none was budgeted.

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.

**MAURICEVILLE MUNICIPAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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 or is capitalized as new construction, as appropriate, as the individual inventory items are issued. Inventory consists mainly of items used to install new services and items used for ordinary system repairs.

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.

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, 2016.

Capitalized Project Costs

The District capitalizes and charges to capitalized project costs all costs incurred during the construction of its capital projects. These capitalized costs 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 2016.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the application of estimates and assumptions in the 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, 2016**

Note 2 - Cash and Investments

Following are the components of the District's cash and investments at December 31, 2014:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash	518,279	138,034	656,313
Investments (CDs)	<u>-0-</u>	<u>1,689,646</u>	<u>1,689,646</u>
Totals	<u>518,279</u>	<u>1,827,680</u>	<u>2,345,959</u>

Cash and Certificates of Deposit 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, 2016**

Note 4 - Fixed Assets

There are no special Assessments debt.

A summary of changes in fixed assets follows:

	Balances at 12/31/2016	Additions	Deletions	Balances at 12/31/2016
<u>Water and Sewer Operating Fund</u>				
Land	745,548			745,548
Construction in Progress	391,420	51,724		443,144
Building & administrative shops	471,958			471,958
Office furniture and equipment	8,863			8,863
Computer equipment	26,440			26,440
Storage sheds	1,542			1,542
Equipment and tools	331,166			331,166
Communications equipment	11,956			11,956
Automobiles and trucks	216,108	26,455		242,563
Sewer plant	2,628,389			2,628,389
Water treatment equipment	1,121,434			1,121,434
Sewer lines and pumps	13,387,128	340,231	102,000	13,625,359
Water Plant	1,076,146			1,076,146
Water distribution system	6,856,417	48,192	33,300	6,871,309
Total Depreciable Assets	<u>27,274,515</u>	<u>466,602</u>	<u>135,300</u>	<u>27,605,817</u>

Note 5 - Long Term Debt

Bond Payable at December 31, 2016, is the following:

\$19,355,000 Series 2011 Utility System Revenue Bonds due in annual installments of \$1,185,000 to \$1,615,000 through November 15, 2026; interest at 2.0% to 4.250%. This bond was issued on December 13, 2011. The proceeds of the new Bond were used to refund the previous bonds, bond issue costs and discounts of OID of \$171,484 and underwriter's discount of \$158,758.

Face Value	13,750,000
Bond Discount	(233,230)
Net Debt Due	<u>13,516,770</u>

**MAURICEVILLE MUNICIPAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	301,512	1,686,512
Thereafter	<u>6,090,000</u>	<u>642,963</u>	<u>6,732,963</u>
Totals	<u>13,750,000</u>	<u>3,099,005</u>	<u>16,849,005</u>

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:

<u>Due During Fiscal Years Ending</u>	<u>Principal Due November 15</u>	<u>Interest Due May 15, November 15</u>	<u>Total</u>
2017	21,134	52	21,186
	<u>21,134</u>	<u>52</u>	<u>21,186</u>

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 the 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 2016 was \$43,913.

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.

**MAURICEVILLE MUNICIPAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Note 8 - Compliance with Debt Service Requirements

At December 31, 2016, the District was in compliance with its Debt Service requirements as required in the bonds' covenants.

Note 9 – Bond Reserve

The District has bond reserve fund (Certificate of Deposits) of \$1,689,646 required by the bonds covenant.

Note 10 – Change in Accounting Principal

Generally accepted accounting standards (GAAP) as issued by the Governmental Accounting Standards Board (GASB) issued GASB Statement 63 which requires that bond issue costs be expensed in the year the costs occur. If there are unamortized bond issue costs that occurred in a prior year, those costs are to be reclassified to implement the intent of the new pronouncement. The current statement of activity presents the unamortized bond issue costs as a "reclassification" to comply with GAAP.

Note 11 – 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.

Note 12 – Subsequent Events

Management has evaluated matters that might be subsequent events and has not identified any such matters from December 31, 2016 through August 15, 2017; which is the date the financial statements were available to be issued.

**MAURICEVILLE MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS-BUDGET TO ACTUAL
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

Schedule D

	<u>2016</u>			<u>2015</u>		
			Variance Favorable (Unfavorable)			Variance Favorable (Unfavorable)
	<u>Actual</u>	<u>Budget</u>		<u>Actual</u>	<u>Budget</u>	
Operating Revenues						
Charges for services	3,506,741	3,468,000	38,741	3,435,172	3,420,470	14,702
Tap fees	222,511	138,750	83,761	236,946	140,500	96,446
Other miscellaneous fees	191,790	198,754	(6,964)	187,876	232,038	(44,162)
	<u>3,921,042</u>	<u>3,805,504</u>	<u>115,538</u>	<u>3,859,994</u>	<u>3,793,008</u>	<u>66,986</u>
Operating Expenses						
Personnel	870,904	985,197	114,293	911,839	951,835	39,996
Professional fees	34,452	49,000	14,548	56,424	57,750	1,326
Purchased and contracted services	95,700	60,500	(35,200)	83,516	-	(83,516)
Other operating expenses and supplies	586,267	415,250	(171,017)	453,147	619,936	166,789
Bad debt write off	20,576	-	(20,576)	(3,236)	-	3,236
Depreciation and amortization	1,132,626	-	(1,132,626)	1,155,590	-	(1,155,590)
	<u>2,740,525</u>	<u>1,509,947</u>	<u>(1,230,578)</u>	<u>2,657,280</u>	<u>1,629,521</u>	<u>(1,027,759)</u>
Operating Income	<u>1,180,517</u>	<u>2,295,557</u>	<u>(1,115,040)</u>	<u>1,202,714</u>	<u>2,163,487</u>	<u>(960,773)</u>
Nonoperating Revenues (Expenses)						
Gain/(Loss) on sale of disposal of property	3,672	-	3,672	15,216	-	15,216
Interest income	8,452	5,000	3,452	5,253	-	5,253
Interest expense	(530,418)	(530,447)	29	(552,464)	(554,880)	2,416
Miscellaneous Non-operating income	3,885	-	3,885	-	-	-
Miscellaneous Non-operating expenditure	-	-	-	-	-	-
	<u>(514,409)</u>	<u>(525,447)</u>	<u>11,038</u>	<u>(531,995)</u>	<u>(554,880)</u>	<u>22,885</u>
Net Income (Loss)	<u>666,108</u>	<u>1,770,110</u>	<u>(1,104,002)</u>	<u>670,719</u>	<u>1,608,607</u>	<u>(937,888)</u>
Retained Earnings						
Beginning of year	<u>(5,032,524)</u>			<u>(5,703,241)</u>		
Reclassification see Note 10 to financial statements				-		
End of year	<u>(4,366,416)</u>			<u>(5,032,522)</u>		

The accompanying notes are an integral part of this statement.

MAURICEVILLE MUNICIPAL UTILITY DISTRICT
SCHEDULE OF SERVICES AND RATES
YEAR ENDED DECEMBER 31, 2016

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: 238,506,000

Gallons billed to customers: 191,594,192

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:

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels
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, 2016:

	<u>Connections</u>	<u>Active Connections</u>	<u>Inactive Connections**</u>
	Single Family		None
Water	3,351	3,351	
Sewer	2,460	2,460	

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

	No. of Active <u>Connections</u>	Active SFE <u>Connections</u>	Inactive SFE <u>Connections</u>
Multi-Family	67	67	-
Commercial	69	69	-
Other - recreational center, government and VFD: 1		1	-
TOTAL	137	137	-

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 | \$ <u>1,707,942</u> |
| 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 | \$ <u>1,707,942</u> |
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.

MAURICEVILLE MUNICIPAL UTILITY DISTRICT
SCHEDULE OF OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

Schedule F

	<u>2016</u>	<u>2015</u>
<u>Personnel, including benefits</u>	870,904	913,530
<u>Professional Fees</u>		
Accounting and auditing	14,508	13,750
Legal	7,875	9,000
Engineering	12,069	33,674
Total Professional Fees	<u>34,452</u>	<u>56,424</u>
<u>Purchased and Contracted Services</u>	95,700	83,516
<u>Utilities, Fuel and Chemicals</u>	178,121	162,642
<u>Repairs and Maintenance</u>	292,126	186,554
<u>Administrative Expenditures</u>		
Office supplies	4,010	6,320
Postage	17,264	20,588
Insurance	47,021	35,882
Other administrative expenses	47,723	39,445
Total Administrative Expenditures	<u>116,018</u>	<u>102,235</u>
<u>Bad Debt Expense</u>	20,576	(3,236)
<u>Depreciation and Amortization</u>	<u>1,132,626</u>	<u>1,155,590</u>
Total Operating Expenses	<u>2,740,523</u>	<u>2,657,255</u>
<u>Interest</u>	<u>530,419</u>	<u>548,691</u>
Total Expenses	<u><u>3,270,942</u></u>	<u><u>3,205,946</u></u>
Number of persons employed by the District		
Full time	<u>10</u>	<u>13</u>
Part time	<u>1</u>	<u>-</u>

MAURICEVILLE MUNICIPAL UTILITY DISTRICT
SCHEDULE OF TEMPORARY INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Schedule G

Restricted	Purpose	Identification or Certificate Number	Interest Rate	Maturity Date	Bank Balances at End of Year	Book Balances at End of Year
First Financial Bank - CD	Reserve	1052760-15	0.30%	8/15/2017	425,000	425,000
First Financial Bank - CD	Reserve	1052760-16	0.60%	3/12/2017	425,000	425,000
First Financial Bank - CD	Reserve	1052760-17	0.25%	6/15/2017	839,646	839,646
Total Water and Sewer Restricted Assets					1,689,646	1,689,646
Total					1,689,646	1,689,646

See accompanying notes to the financial statements.

MAURICEVILLE MUNICIPAL UTILITY DISTRICT
ANALYSIS OF TAXES RECEIVABLE
DECEMBER 31, 2016 and 2015

Schedule H

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, 2016 or 2015.

MAURICEVILLE MUNICIPAL UTILITY DISTRICT
ANALYSIS OF CHANGES IN FIXED ASSETS
For the Year Ended December 31, 2016

Schedule I

	Balances at 12/31/2016	Additions	Deletions	Balances at 12/31/2016
<u>Water and Sewer Operating Fund</u>				
Land	745,548			745,548
Construction in Progress	391,420	51,724		443,144
Building & administrative shops	471,958			471,958
Office furniture and equipment	8,863			8,863
Computer equipment	26,440			26,440
Storage sheds	1,542			1,542
Equipment and tools	331,166			331,166
Communications equipment	11,956			11,956
Automobiles and trucks	216,108	26,455		242,563
Sewer plant	2,628,389			2,628,389
Water treatment equipment	1,121,434			1,121,434
Sewer lines and pumps	13,387,128	340,231	102,000	13,625,359
Water Plant	1,076,146			1,076,146
Water distribution system	6,856,417	48,192	33,300	6,871,309
Total Depreciable Assets	27,274,515	466,602	135,300	27,605,817

MAURICEVILLE MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
DECEMBER 31, 2016

Schedule J

Series 2011 - \$19,355,000			
Due During Fiscal Years Ending	Principal Due November 15	Interest Due May 15, November 15	Total
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	301,512	1,686,512
2023-2026	6,090,000	642,963	6,732,963
	<u>13,750,000</u>	<u>3,099,005</u>	<u>16,849,005</u>

Loan Payable to First Fidelity Bank			
Due During Fiscal Years Ending	Principal Due November 15	Interest Due May 15, November 15	Total
2017	21,134	52	21,186
	<u>21,134</u>	<u>52</u>	<u>21,186</u>

MAURICEVILLE MUNICIPAL UTILITY DISTRICT
ANALYSIS OF CHANGES IN UTILITY SYSTEM REVENUE BONDS
DECEMBER 31, 2016

Schedule K

	Series 2011
Interest Rate	2.0 - 4.250%
Maturity Dates	11/15/2026
Bonds Outstanding at Beginning of Current Year	14,905,000
Bonds Sold	-
Retirements	<u>1,155,000</u>
Bonds Outstanding at End of Current Year	<u><u>13,750,000</u></u>
Interest Paid During the Current Year (cash basis)	<u><u>527,744</u></u>
Paying Agent's Name and City all issues U.S. Trust Co., 2001 Ross Ave., Dallas, Texas 75201	
Bonds Authorized	19,355,000
Bonds Issued	<u>19,355,000</u>
Remaining to be issued	<u><u>-</u></u>

MAURICEVILLE MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES -
FIVE YEARS ENDED DECEMBER 31, 2016

						Percentage of Revenues				
	2016	2015	2014	2013	2012	2016	2015	2014	2013	2012
REVENUES										
Water and sewer service	3,506,740	3,597,830	3,599,275	3,556,168	3,572,109	89.4%	93.5%	94.6%	93.3%	94.0%
Connection fees	222,511	236,946	204,225	191,437	216,181	5.7%	6.2%	5.4%	5.0%	5.7%
Miscellaneous fees	191,790	13,224	-	65,065	13,761	4.9%	0.3%	0.0%	1.7%	0.4%
TOTAL REVENUES	3,921,041	3,848,000	3,803,500	3,812,670	3,802,051	100%	100%	100%	100%	100%
EXPENDITURES										
Payroll expenses	870,904	911,839	970,186	944,355	791,796	22.2%	23.7%	25.5%	24.8%	20.8%
Professional fees	34,452	56,424	43,853	27,280	26,493	0.9%	1.5%	1.2%	0.7%	0.7%
Purchased and contracted services	273,821	219,111	265,393	266,010	327,868	7.0%	5.7%	7.0%	7.0%	8.6%
Consumable supplies and materials	408,144	314,319	420,827	270,810	286,439	10.4%	8.2%	11.1%	7.1%	7.5%
Bad Debt Expense	20,576	(3)	11,650	9,235	7,585	0.5%	0.0%	0.3%	0.2%	0.2%
Depreciation and amortization	1,132,626	1,155,590	1,135,167	1,122,219	1,208,742	28.9%	30.0%	29.8%	29.4%	31.8%
TOTAL EXPENDITURES	2,740,523	2,657,280	2,847,076	2,639,909	2,648,923	69.9%	69.1%	74.9%	69.2%	69.7%
OPERATING INCOME	1,180,518	1,190,720	956,424	1,172,761	1,153,128	30.1%	30.9%	25.1%	30.8%	30.3%
NON-OPERATING REVENUES (EXPENSES)										
Interest income	8,452	5,253	6,275	9,636	6,859	0.2%	0.1%	0.2%	0.3%	0.2%
Interest expense	(530,419)	(552,465)	(588,816)	(610,317)	(662,107)	-13.5%	-14.4%	-15.5%	-16.0%	-17.4%
FEMA/Grants	-	-	56,007	-	-	0.0%	0.0%	1.5%	0.0%	0.0%
Other revenue	7,557	27,211	31,527	8,038	19,624	0.2%	0.7%	0.8%	0.2%	0.5%
Other (expense)	-	-	-	-	(65,028)	0.0%	0.0%	0.0%	0.0%	-1.7%
TOTAL	(514,410)	(520,001)	(495,007)	(592,643)	(700,652)	-13.1%	-13.5%	-13.0%	-15.5%	-18.4%
NET INCOME (LOSS)	666,108	670,719	461,417	580,118	452,476	17.0%	17.4%	12.1%	15.2%	11.9%

MAURICEVILLE MUNICIPAL UTILITY DISTRICT
INSURANCE COVERAGE
DECEMBER 31, 2016

Schedule M

Type of Coverage	Insurer			
	Amount of Coverage	Name	Type of Corporation Stock/Mutual	Policy Clause: Co-Insur.
Worker's Compensation				
Bodily Injury By Accident	1,000,000	Texas Municipal League	mutual	No
Bodily Injury By Disease	1,000,000	Texas Municipal League	mutual	No
Property				
Real and Personal	4,696,913	Texas Municipal League	mutual	No
Boiler and Machinery	100,000	Texas Municipal League	mutual	No
Mobile Equipment	243,090	Texas Municipal League	mutual	No
Employee Dishonesty	500,000	Texas Municipal League	mutual	No
Theft Disappearance and Destruction	25,000	Texas Municipal League	mutual	No
Computer Fraud	50,000	Texas Municipal League	mutual	No
Forgery or Alteration	100,000	Texas Municipal League	mutual	No
Liability:				
Each Occurance				
General liability	2,000,000	Texas Municipal League	mutual	No
Errors and Omissions	2,000,000	Texas Municipal League	mutual	No
Automobile	1,000,000	Texas Municipal League	mutual	No
Automobile Physical Damage	Actual Cash Value	Texas Municipal League	mutual	No
Sewage Backup	25,000	Texas Municipal League	mutual	No
Cyber Liability				
Website Media Content	1,000,000	Texas Municipal League	mutual	No
Privacy Breach	25,000/incident	Texas Municipal League	mutual	No
Regulatory Defense	10,000	Texas Municipal League	mutual	No
Payment Card Industry				
Fines, Expenses, and Costs	5,000	Texas Municipal League	mutual	No
Cyber Extortion	10,000	Texas Municipal League	mutual	No
First Party Data Protection	10,000	Texas Municipal League	mutual	No
First Party Network Business Interruption	10,000	Texas Municipal League	mutual	No

* Property and casualty insurance for improvements to real estate and personal property are scheduled by property.

**Wind & Hail 2.5% Deductible

***Property deductible \$1,000.

****Additional coverage on Tanks, Wells and mobile equipment

MAURICEVILLE MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Schedule N
(Page 1 of 2)

Name and Address	Term of Office Elected and Expires or Date	Fees and Expense Reimbursement Dec. 31, 2016	Title at Year End	Resident of District
<u>Board Members</u>				
Jayson D Scheiderer 5343 Michelle Road Orange, TX 77632	5/16 - 5/20	None	President	Yes
Jon W Sherwin 5025 Michelle Circle Orange, TX 77632	05/14 - 05/18	None	Vice President	Yes
Russel R Love 7477 Circle 6 Orange, TX 77632	6/16 - 6/20	None	Director	Yes
Joseph Reimers 6827 Johnson Drive Orange, TX 77632	9/16 - 9/20	None	Director	Yes
Ted Williams P.O. Box 707 Mauriceville, TX 77626	10/16 - 10/20	None	Director	Yes
Patrick Rainey P.O. Box 885 Mauriceville, Texas 77626	07/12 - 05/16	None	Resigned	Yes
Dennis Rountree 5021 Len Drive Orange, TX 77632	10/14 - 05/16	None	Resigned 5/16	Yes
Corey Oldbury 8557 Earsel Lane Orange, TX 77632	05/14 - 05/18	None	Resigned 9/16	Yes
Nelda Burton P.O. Box 1030 Mauriceville, Texas 77626	05/14 - 05/18	None	Resigned 9/16	Yes

Note: No director is disqualified from serving on this board under the Texas Water Code.

**MAURICEVILLE MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Schedule N
(Page 2 of 2)**

<u>Name and Address</u>	<u>Term of Office Elected and Expires or Date</u>	<u>Fees and Expense Reimbursement Dec. 31, 2016</u>	<u>Title at Year End</u>	<u>Resident of District</u>
<u>Key Administrative Personnel</u>				
Brian B. Gipson 5690 Wayside Drive Vidor, TX 77662	10/14 - Present	\$ 80,038	General Manager	No
Kathy L. Bourgeois 5017 Lawndale Drive Orange, Texas 77630	12/98 - Present	\$ 51,189	Billing Supervisor	No
Kristyn Porter 1444 Elizabeth Stone Bridge City, TX 77611	09/14 - Present	\$ 41,302	Bookkeeper	No
<u>Consultants</u>				
Charles E. Reed & Associates, PC 3636 Professional Dr Port Arthur, TX 77642	11/15 - 12/15	\$ 14,508	Independent Auditor	No
Joe D. Alford 105 S. Market Orange, Texas 77630	11/99 - 6/16	\$ 4,500	Former Attorney	No
Rex Peveto 118 Border St Orange, TX 77630	7/16 - 8/16	\$ 1,500	Former Attorney	No
Steve Parkhurst 1009 Green Ave Orange, TX 77630	9/16 - 10/16	\$ 750	Former Attorney	No
George Barron 2000 U.S. 69 Access Rd Nederland, TX 77627	11/16 - 12/16	\$ 1,125	Attorney	No

Communication with Those Charged with Governance at the Conclusion of the Audit

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Mauriceville Municipal Utility District for the year ended December 31, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Mauriceville Municipal Utility District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by Mauriceville Municipal Utility District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the Mauriceville Municipal Utility District's financial statements was (were):

Management's estimate of the depreciation and estimated useful life of depreciable asset is based on adequate computation. We evaluated the key factors and assumptions used to develop the estimated useful life of depreciable asset in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 15, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Mauriceville Municipal Utility District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Mauriceville Municipal Utility District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. We noted a few recording errors that have already been discussed with management.

Restriction on Use

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

Very truly yours,

Steirman, Whitfield and Co. PC

Steirman, Whitfield and Co. PC
Certified Public Accountants and Consultants
Orange, Texas