

***CITY OF MAUD, TEXAS
FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2021***

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FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2021*

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CITY OF MAUD, TEXAS
CITY DIRECTORY

Mayor
Jimmy Clary

CITY COUNCIL

Boyd Startin Wayne Foster

Terry Martin Debbie Mathis

Robert Wells

CITY OFFICIAL
Vicki May, City Secretary



WILF & HENDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Member of American Institute of Certified Public Accountants
Member of Private Company Practice Section
Member of AICPA Governmental Audit Quality Center

Independent Auditor's Report

May 6, 2022

Honorable Mayor and
Members of the City Council
City of Maud, Texas

Members of the Council:

Report on the Financial Statements

We have audited the accompanying 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 the City of Maud, Texas (the City) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. 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 the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Maud, Texas, as of September 30, 2021, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

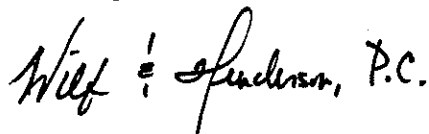
Other Matters

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 9, the budgetary comparison information on page 36, TMRS schedule of changes in net pension (asset) liability and related ratios on page 37, and TMRS schedule of pension contributions on page 38 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2022, on our consideration of the City of Maud, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Maud, Texas' internal control over financial reporting and compliance.



WILF & HENDERSON, P.C.
Certified Public Accountants
Texarkana, Texas

May 6, 2022

CITY OF MAUD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

The Management's Discussion and Analysis (MD&A) for the City of Maud, Texas (City) is designed to:

1. Assist the reader in focusing on significant financial issues;
2. Provide an overview of the City's financial activities;
3. Identify changes in the City's overall financial position and results of operations and assist the user in determining whether financial position has improved or deteriorated as a result of the year's operations;
4. Identify any significant variations from the original, amended, and final budget amounts and include any currently known reasons for those variations that are expected to have a significant effect on future services or liquidity; and
5. Identify individual fund issues or concerns.

The information contained within this MD&A should be considered only as part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes that are provided in addition to this MD&A.

Overview of the Financial Statements

The MD&A requires supplementary information that introduces the reader to the basic financial statements and provides an overview of the City's financial activities. The City's basic financial statements consist of the following components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.

A general description of the components of the basic financial statements follows.

Government-Wide Financial Statements

The Government-Wide Financial Statements are designed to present the financial operations of the City as a whole in a format similar to private sector companies. All governmental and business-type activities are consolidated into columns which add to a total for the Primary Government. If the City determines that presentation of a component unit (which are other governmental units for which the City can exercise significant influence or for which the Primary Government financial statements would be misleading if component unit information is not presented) is necessary to allow the reader to determine the relationship of the component unit and primary government, the component unit information is presented in a separate column of the financial statements or in a separate footnote.

The focus is on the government-wide (entity-wide) Statement of Net Position and Statement of Activities to give the reader a broad overview of the City's financial position and results of operations.

- a. The Statement of Net Position presents information on the City's position and liabilities using the accrual basis of accounting, in a manner similar to the accounting used by private business enterprises. The difference between the assets and liabilities is reported as net position. Over time, the increases or decreases in net position (and changes in the components of net position) may serve as a useful indicator of whether the financial position of the City is improving or weakening. Although the focus of this MD&A will be on the analysis of the overall changes to net position, the reader should refer to Note A – Summary of Significant Accounting Policies for an explanation of the components of net position.
- b. The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. The format for the Statement of Activities presents the expenses for each function (general government, public safety, streets and signs, interest on long-term debt, and water, sewer, and garbage services) reduced by the Program Revenues (charges for services, operating grants and contributions, and capital grants and contributions) directly related to each respective function, to determine net costs of each function. The net costs of each function are normally covered by general revenues.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related and legal requirements. The City uses two categories of funds to account for financial transactions: governmental funds and proprietary funds.

Governmental funds are used to account for most of the basic services and projects reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The City's governmental funds include the General Fund for accounting for the City's basic services.

The Proprietary fund accounts for water, sewer, and sanitation services for the City of Maud. Enterprise funds are used to account for the same functions as business-type activities presented in the government-wide financial statements, but the fund presentation provides more detail.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, there are differences in the information presented for governmental funds and for governmental activities in the government-wide financial statements. Review of these differences provides the reader of the financial statements insight on the long-term impact of the City's more immediate decisions on the current use of financial resources. We describe the differences between government-wide financial statements (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

Notes to the Financial Statements

The Notes to the Financial Statements, in particular Note A – Summary of Significant Accounting Policies, present the changes in presentation and reporting required under changes in GASB standards. When reviewing this MD&A, the reader should also refer to and review the Notes to the Financial Statements, as well as the Government-Wide and Fund Financial Statements.

City Highlights (Government-Wide)

As of September 30, 2021, the City of Maud, Texas maintained an Unrestricted Net Position balance of \$516,020, an increase from last year's \$388,195. Unrestricted Net Position represents the net balance accumulated by the City above the amount of Net Investment in Capital Assets and the amount for Restricted Net Position (restricted as a result of constraints imposed by grantors, contributors, or by laws and regulations).

- As of September 30, 2021, the total of Net Investment in Capital Assets (after subtracting out debt owed on capital assets) was \$1,938,056. The prior year balance totaled \$2,021,451.
- As of September 30, 2021, the total of Restricted Net Position was \$232,627. The prior year balance totaled \$216,237.

Government-Wide Financial Analysis

Statement of Net Position

Included below is a Statement of Net Position for the City of Maud. The format allows the reader to view the overall financial position of the City.

City of Maud, Texas Statement of Net Position

	Governmental Activities		Business-Type Activities		Component Unit	
	2020	2021	2020	2021	2020	2021
Current assets	\$ 264,762	\$ 431,985	\$ 251,296	\$ 307,392	\$ 143,940	\$ 170,495
Interfund balances	18,802	-	(18,802)	-	-	-
Restricted assets	-	-	55,625	56,711	-	-
Note receivable	-	-	-	-	53,455	43,290
Capital assets	297,639	296,297	1,942,806	1,916,204	43,128	43,128
Total assets	581,203	728,282	2,230,925	2,280,307	240,523	256,913
Deferred outflows of resources	4,034	4,348	5,855	6,380	-	-
Current liabilities	11,804	6,430	79,959	217,460	-	-
Noncurrent liabilities	33,766	34,434	267,450	288,950	-	-
Net pension liability (TMRS)	10,063	10,676	16,788	17,810	-	-
Total liabilities	55,633	51,540	364,197	524,220	-	-
Deferred inflows of resources	6,718	5,571	10,109	8,196	-	-
Net position:						
Net investment in capital assets	266,184	267,674	1,712,139	1,627,254	43,128	43,128
Restricted	-	-	18,842	18,842	197,395	213,785
Unrestricted	256,702	407,845	131,493	108,175	-	-
Total net position	\$ 522,886	\$ 675,519	\$ 1,862,474	\$ 1,754,271	\$ 240,523	\$ 256,913

The composition of net position and the changes in net position over time serve as a useful indicator of a government's financial position. For the year, the City's assets at year-end exceeded liabilities by \$2,686,703. The City's net position is comprised of \$675,519 from governmental activities, \$1,754,271 from business-type activities and \$256,913 from the component unit. Of the City's net position, \$516,020 is Unrestricted Net Position.

The largest category of net position Net Investment in Capital Assets totals \$1,938,056 and comprises 72% of net position as of September 30, 2021. This category reflects the total invested in capital assets (land, buildings, equipment, streets and street improvements, water, and sewer system improvements, etc.) net of any related debt used to acquire capital assets. These capital assets are used to provide services to citizens and do not represent resources available for future spending. The City's investment in its capital assets is normally reported net of related debt. There was related debt outstanding as of September 30, 2021. It should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities. The second category of net position, Restricted Net Position, represents net position that is subject to external restriction on how they may be used. Restricted Net Position totals \$232,627 as of September 30, 2021. The third category of net position, Unrestricted Net Position, represents net position that is not subject to external restriction on how it may be used. Unrestricted Net Position totals \$516,020 as of September 30, 2021.

Statement of Activities

A Statement of Activities for the City of Maud, Texas is presented below listing the major categories of revenues and expenses for the fiscal years ended September 30, 2020 and 2021.

City of Maud, Texas Statement of Activities						
	Governmental		Business-Type		Component	
	Activities		Activities		Unit	
	2020	2021	2020	2021	2020	2021
Revenues						
Program Revenues:						
Charges for Services	\$ 5,877	\$ 3,314	\$ 374,229	\$ 767,916	\$ -	\$ -
Operating Grants and Contributions	4,880	20,895	3,025	-	-	-
Capital Grants and Contributions	-	-	-	-	-	-
General Revenues:						
Property Taxes and Related Revenues	19,275	176,516	-	-	-	-
Franchise Fees	14,888	32,265	-	-	-	-
Sales and Use Tax	59,177	119,213	-	-	11,838	23,850
Interest Income	324	352	260	127	1,954	1,382
Miscellaneous Income	9,541	40,055	-	-	-	-
Transfer In (Out)	-	-	-	-	-	-
Total Revenues	113,962	392,610	377,514	768,043	13,792	25,232
Program Expenses:						
General Government	162,460	220,201	-	-	-	-
Library	585	1,169	-	-	-	-
Fire Department	5,171	9,542	-	-	-	-
Streets	6,445	8,739	-	-	-	-
Interest on Long-Term Debt	269	326	-	-	-	-
Water and Sewer	-	-	348,965	703,064	-	-
Garbage	-	-	84,971	173,182	-	-
Economic Development	-	-	-	-	2,500	8,842
Total Expenses	174,930	239,977	433,936	876,246	2,500	8,842
Increase (Decrease) in Net Position	(60,968)	152,633	(56,422)	(108,203)	11,292	16,390
Beginning Net Position	583,854	522,886	1,918,896	1,862,474	229,231	240,523
Ending Net Position	\$ 522,886	\$ 675,519	\$ 1,862,474	\$ 1,754,271	\$ 240,523	\$ 256,913

The Statement of Activities presents revenues, expenses, and changes in net position separately for governmental activities and business-type activities. The format allows for presentation of Program Revenues (Charges for Services, Operating Grants and Contributions, and Capital Grants and Contributions) followed by a listing of General Revenues to support the City's overall governmental or business-type activities. Expenses are presented on a functional basis, with depreciation on fixed assets directly allocated to the related expense (General Government, Public Safety, Public Works, Interest on Long-term Debt, etc.).

Governmental Funds Financial Analysis

The fund reporting format presents in the Statement of Revenues, Expenditures, and Changes in Fund Balances all revenue types followed by the expenditures of the City, also presented on a functional basis. However, for the Fund Financial Statements, the City reports only current year capital expenditures and does not report depreciation on capital assets as in the Government-Wide Financial Statements. The major revenue sources are similar to the government-wide presentation above, with additional detail provided for services for which the City receives a fee or charge for services (Fines, Court Fees, and Parks and Recreation Fees). The General Fund reported an excess of revenues over expenditures of \$156,823. Fund balance as of September 30, 2021 for the General Fund was \$421,793.

Proprietary Fund Financial Analysis

The total amounts presented for the Proprietary Fund (utility fund for water, sewer, and garbage services) are identical to the government-wide presentation. Statement of Revenues, Expenses, and Changes in Net Position, presents a more detailed listing of expenses than presented in the government-wide statements, pending implementation of financial reporting improvements to report activities of the water, sewer and garbage systems on a functional basis. The Proprietary Fund reported a decrease in net position of (\$108,203) for the year. Net position as of September 30, 2021 for the Proprietary Fund was \$1,754,271.

General Fund Budgetary Analysis

The City adopted an original budget with no change in fund balance. The City original and adopted budget were the same. The actual increase in fund balance was \$156,823.

Capital Assets and Long-Term Debt

As of September 30, 2021, the City had \$2,255,629 invested in a broad range of capital assets including buildings, streets and street improvements, and the water and sewer system. More detailed information about the City's capital assets is presented in Note E to the financial statements. The City had long-term debt outstanding of \$323,384 as of September 30, 2021. More detailed information about the City's long-term debt outstanding is presented in Note F to the financial statements.

Economic Factors and Year's Budgets and Tax Rates

The City of Maud's management approach is conservative yet accommodating to economic development.

The Mayor and City Council have adopted changes in service charges, water rates, sewer rates and garbage rates. The property values, within the City, were adjusted as well, to preserve current revenues, without putting an undue burden on its residents.

The City will received additional funds from the America Rescue Plan Act (ARPA) in FY 2022 to help with repairs, infrastructure and broadband services.

Requests for Information

This financial report is designed to provide a general overview of the City of Maud's finances and to demonstrate the City's accountability. If you have questions regarding this report or need additional information, contact the City at P.O. Box 100, Maud, Texas 75567. The phone number for the City is (903) 585-2294.

CITY OF MAUD, TEXAS
BASIC FINANCIAL STATEMENTS

CITY OF MAUD, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 376,136	\$ 234,347	\$ 610,483	97,218
Certificates of deposit	20,915	-	20,915	68,865
Accounts receivable (net)	34,934	58,824	93,758	4,412
Unbilled receivables (net)	-	7,940	7,940	-
Inventories of parts, materials and supplies	-	6,281	6,281	-
Notes receivable	-	-	-	43,290
Restricted assets:				
Cash and cash equivalents	-	37,869	37,869	-
LTWSC restricted capital improvement deposits	-	18,842	18,842	-
Capital assets (net of accumulated depreciation):				
Land	35,664	-	35,664	43,128
Buildings	347,895	-	347,895	-
Office furniture and equipment	60,760	6,008	66,768	-
Vehicles and Equipment	414,197	179,258	593,455	-
Street and street improvements	175,966	-	175,966	-
Water system	-	1,202,019	1,202,019	-
Sewer system	-	2,953,978	2,953,978	-
Capital lease purchase	-	98,850	98,850	-
Undivided interest in LTWSC fixed assets	-	172,810	172,810	-
Less accumulated depreciation	(738,185)	(2,696,719)	(3,434,904)	-
Total Assets	<u>\$ 728,282</u>	<u>\$ 2,280,307</u>	<u>\$ 3,008,589</u>	<u>\$ 256,913</u>
DEFERRED OUTFLOW OF RESOURCES				
Deferred outflow related to TMRS, net	<u>\$ 4,348</u>	<u>\$ 6,380</u>	<u>\$ 10,728</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	\$ 5,176	\$ 20,251	\$ 25,427	\$ -
Fines and forfeitures payable	1,254	-	1,254	-
Accrued interest payable	-	1,005	1,005	-
Deferred Coronavirus grant	-	129,096	129,096	-
Customer deposits liabilities	-	52,441	52,441	-
Notes payable to MEDC	-	14,667	14,667	-
Noncurrent liabilities:				
Due within one year	2,860	79,754	82,614	-
Due in more than one year	25,763	209,196	234,959	-
Compensated absences	5,811	-	5,811	-
Net pension liability (TMRS)	10,676	17,810	28,486	-
Total Liabilities	<u>\$ 51,540</u>	<u>\$ 524,220</u>	<u>\$ 575,760</u>	<u>\$ -</u>
DEFERRED INFLOW OF RESOURCES				
Deferred inflow related to TMRS, net	<u>\$ 5,571</u>	<u>\$ 8,196</u>	<u>\$ 13,767</u>	<u>\$ -</u>
NET POSITION				
Net investment in capital assets	\$ 267,674	\$ 1,627,254	\$ 1,894,928	\$ 43,128
Restricted for:				
LTWSC capital improvement deposits	-	18,842	18,842	-
Economic Development (MEDC)	-	-	-	213,785
Unrestricted	407,845	108,175	516,020	-
Total Net Position	<u>\$ 675,519</u>	<u>\$ 1,754,271</u>	<u>\$ 2,429,790</u>	<u>\$ 256,913</u>

The accompanying notes are an integral part of this statement.

CITY OF MAUD, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating		Capital Grants and Contributions	Primary Government		
			Grants and Contributions			Governmental Activities	Business-type Activities	Component Unit
Primary government:								
Governmental activities:								
General government	\$ 220,201	\$ 3,314	\$ 20,895	\$ -	-	\$ (195,992)	\$ -	\$ -
Library	1,169	-	-	-	-	(1,169)	-	-
Fire Department	9,542	-	-	-	-	(9,542)	-	-
Streets	8,739	-	-	-	-	(8,739)	-	-
Interest on long-term debt	326	-	-	-	-	(326)	-	-
Total governmental activities	239,977	3,314	20,895	-	-	(215,768)	-	(215,768)
Business-type activities:								
Water and sewer	703,064	549,128	-	-	-	-	(153,936)	-
Garbage	173,182	218,788	-	-	-	-	45,606	-
Total business-type activities	876,246	767,916	-	-	-	-	(108,330)	-
Total primary government	\$ 1,116,223	\$ 771,230	\$ 20,895	\$ -	-	(215,768)	(108,330)	(324,098)
Component Unit:								
Economic development	8,842	\$ -	\$ -	\$ -	-	-	-	(8,842)
Total component unit	\$ 8,842	\$ -	\$ -	\$ -	-	-	-	(8,842)
General revenues:								
Property taxes and related revenues						176,516	-	-
Franchise taxes						32,265	-	-
Sales and use taxes						119,213	-	23,850
Interest income						352	127	1,382
Miscellaneous income						40,055	-	-
Total general revenues						368,401	127	25,232
Change in net position						152,633	(108,203)	16,390
Net position - October 1, 2020						522,886	1,862,474	240,523
Net position - September 30, 2021						\$ 675,519	\$ 1,754,271	\$ 256,913

The accompanying notes are an integral part of this statement

CITY OF MAUD, TEXAS
GOVERNMENTAL FUND TYPES
BALANCE SHEET
SEPTEMBER 30, 2021

	General Fund	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 376,136	\$ 376,136
Certificates of deposit	20,915	20,915
Receivables, net of uncollectible accounts		
Property tax	650	650
Sales tax	22,059	22,059
Franchise tax	7,209	7,209
Warrants receivable	5,016	5,016
Total Assets	<u>\$ 431,985</u>	<u>\$ 431,985</u>
 LIABILITIES		
Accounts payable	5,176	\$ 5,176
Fines and forfeitures payable	1,254	1,254
Total Liabilities	<u>6,430</u>	<u>6,430</u>
 DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - warrant revenue	3,762	3,762
Total Deferred Inflows of Resources	<u>3,762</u>	<u>3,762</u>
 FUND BALANCE		
Committed Fund Balance - Volunteer Fire Department	54,119	54,119
Unassigned Fund Balance	367,674	367,674
Total Fund Balance	<u>421,793</u>	<u>421,793</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 431,985</u>	<u>\$ 431,985</u>

The accompanying notes are an integral part of this statement.

CITY OF MAUD, TEXAS
GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

Total Fund Balance - Governmental Funds	\$ 421,793
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Amounts reported for governmental activities in the statements of
net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. At the beginning of the period, cost of these assets was \$1,005,050 and the accumulated depreciation was (\$707,411). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. At the beginning of the period, the balance of long-term debt totaled (\$33,766), which includes notes payable of (\$31,455) and compensated absences payable of (\$2,311). The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.	263,873
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Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements but they should be shown as increases in capital assets and reductions in long-term debt in the government wide financial statements. The net effect of including the capital outlays of \$29,432, plus debt principal payments \$2,832 is to increase net position.	32,264
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The depreciation expense increases accumulated depreciation. The net effect of the year's depreciation is to (decrease) net position.	(30,774)
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Included in the noncurrent assets/(liabilities) is the recognition of the City's net pension asset/(liability) required by GASB 68 in the amount of (\$10,676), a deferred resource inflow in the amount of (\$5,571), and a deferred resource outflow in the amount of \$4,348. This resulted in a (decrease) in net position.	(11,899)
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Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue of \$3,762, and recognizing change in compensated absences liabilities of (\$3,500). The net effect of these reclassifications and recognitions is to increase net position.	262
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Net Position of Governmental Activities	<u>\$ 675,519</u>
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The accompanying notes are an integral part of this statement.

CITY OF MAUD, TEXAS
GOVERNMENTAL FUND TYPES
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund	Total Governmental Funds
Revenues		
Property taxes	\$ 176,516	\$ 176,516
Franchise taxes	32,265	32,265
Sales taxes	119,213	119,213
Fines and forfeitures	3,314	3,314
Volunteer fire department	8,671	8,671
Donations	15,980	15,980
Grant revenues	20,895	20,895
Interest	352	352
Miscellaneous	18,431	18,431
Total revenues	<u>395,637</u>	<u>395,637</u>
Expenditures		
Contract services	315	315
Dues and subscriptions	8,235	8,235
Grant expenditures	16,306	16,306
Insurance other	7,134	7,134
IT software and support	7,201	7,201
Legal and audit	16,749	16,749
Miscellaneous	9,517	9,517
Operating supplies	9,301	9,301
Payroll wages	56,883	56,883
Payroll health insurance	3,223	3,223
Payroll retirement expense	1,556	1,556
Payroll taxes and unemployment	5,555	5,555
Payroll workers compensation	5,037	5,037
Postage	33	33
Repairs and maintenance	23,626	23,626
Small equipment/bunker gear	9,654	9,654
State court costs and fees	780	780
Utilities	27,951	27,951
Capital outlay	29,432	29,432
Interest expense	326	326
Total expenditures	<u>238,814</u>	<u>238,814</u>
Excess (deficiency) of revenues over expenditures	<u>156,823</u>	<u>156,823</u>
Other Financing Sources (Uses)		
Transfers in (out)	<u>-</u>	<u>-</u>
Net Change in Fund Balance	156,823	156,823
Fund Balance - Beginning of the Year	264,970	264,970
Fund Balance - Ending of the Year	<u><u>\$ 421,793</u></u>	<u><u>\$ 421,793</u></u>

The accompanying notes are an integral part of this statement.

CITY OF MAUD, TEXAS
GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Net changes in Fund Balances - Governmental Funds	\$ 156,823
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements but they should be shown as increases in capital assets and reductions in long-term debt in the government wide financial statements. The net effect of including the capital outlays of \$29,432, plus debt principal payments \$2,832 is to increase net position.	32,264
The depreciation expense increases accumulated depreciation. The net effect of the year's depreciation is to (decrease) net position.	(30,774)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/20 caused an increase in the change in the ending net position. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position. The City's reported TMRS net pension expense had to be recorded. The result of these changes is to increase the change in net position.	847
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue of (\$3,027), eliminating interfund transactions, and recognizing change in compensated absences liabilities of (\$3,500). The net effect of these reclassifications and recognitions is to (decrease) net position.	(6,527)
Change in Net Position in Governmental Activities	<u><u>\$ 152,633</u></u>

The accompanying notes are an integral part of this statement.

CITY OF MAUD, TEXAS
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Water and Sewer	Total Proprietary Funds
ASSETS		
Current Assets - Unrestricted:		
Cash and cash equivalents	\$ 234,347	\$ 234,347
Accounts receivable, net of allowance for uncollectible accounts	58,824	58,824
Unbilled receivables	7,940	7,940
Inventories of parts, materials and supplies	6,281	6,281
Total Current Assets - Unrestricted	<u>307,392</u>	<u>307,392</u>
Restricted Assets:		
Cash and cash equivalents	37,869	37,869
LTWSC restricted capital improvement deposits	18,842	18,842
Total Restricted Assets	<u>56,711</u>	<u>56,711</u>
Capital Assets:		
Water system	1,202,019	1,202,019
Sewer system	2,953,978	2,953,978
Office furniture and equipment	6,008	6,008
Vehicles and equipment	179,258	179,258
Capital lease purchase	98,850	98,850
Undivided interest in LTWSC fixed assets	172,810	172,810
Less accumulated depreciation	<u>(2,696,719)</u>	<u>(2,696,719)</u>
Total Capital Assets, net of accumulated depreciation	<u>1,916,204</u>	<u>1,916,204</u>
Total Assets	<u>\$ 2,280,307</u>	<u>\$ 2,280,307</u>
DEFERRED OUTFLOW OF RESOURCES		
Deferred Outflow Related to TMRS, net	<u>\$ 6,380</u>	<u>\$ 6,380</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	20,251	\$ 20,251
Accrued interest payable	1,005	1,005
Deferred Coronavirus grant	129,096	129,096
Customer deposits liability	52,441	52,441
Current notes payable to MEDC	14,667	14,667
Current portion of bonds, loans and capital leases payable	79,754	79,754
Total Current Liabilities	<u>297,214</u>	<u>297,214</u>
Long-Term Liabilities:		
Bonds, loans and capital leases payable	209,196	209,196
Net pension liability (TMRS)	17,810	17,810
Total Long-Term Liabilities	<u>227,006</u>	<u>227,006</u>
Total Liabilities	<u>\$ 524,220</u>	<u>\$ 524,220</u>
DEFERRED INFLOW OF RESOURCES		
Deferred Inflow Related to TMRS, net	<u>\$ 8,196</u>	<u>\$ 8,196</u>
NET POSITION		
Net investment in capital assets	1,627,254	1,627,254
Restricted for:		
LTWSC capital improvements deposits	18,842	18,842
Unrestricted	108,175	108,175
Total Net Position	<u>\$ 1,754,271</u>	<u>\$ 1,754,271</u>

The accompanying notes are an integral part of this statement.

CITY OF MAUD, TEXAS
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Water and Sewer	Total Proprietary Funds
Operating Revenues:		
Water sales	\$ 362,308	\$ 362,308
Sewer sales	160,891	160,891
Garbage sales	218,788	218,788
Late charges	11,663	11,663
Miscellaneous	14,266	14,266
Total operating revenues	<u>767,916</u>	<u>767,916</u>
Operating Expenses:		
Grant expenditures	3,025	3,025
Contract services	52,907	52,907
Depreciation	116,169	116,169
Dues	1,919	1,919
Intergovernmental commitments - Riverbend	63,690	63,690
IT software and support	5,037	5,037
Lab fees	10,308	10,308
Legal and audit fees	3,232	3,232
Miscellaneous expense	8,227	8,227
Oil and Gas	9,531	9,531
Operating supplies and expenses	34,165	34,165
Payroll wages	181,109	181,109
Payroll insurance health coverage	24,025	24,025
Payroll insurance workers compensation	6,942	6,942
Payroll retirement expense	6,667	6,667
Payroll taxes	14,179	14,179
Postage	5,101	5,101
Repairs and maintenance	72,333	72,333
Uniforms	216	216
Utilities	16,866	16,866
Water purchases	55,635	55,635
Waste management	173,182	173,182
Total operating expenses	<u>864,465</u>	<u>864,465</u>
Operating income (loss)	<u>(96,549)</u>	<u>(96,549)</u>
Non-Operating Revenues (Expenses)		
Interest income	127	127
Interest expense	(11,781)	(11,781)
Total non-operating revenues (expenses)	<u>(11,654)</u>	<u>(11,654)</u>
Change in Net Position - Increase (Decrease)	(108,203)	(108,203)
Net Position - Beginning of the Year	<u>1,862,474</u>	<u>1,862,474</u>
Net Position - Ending of the Year	<u><u>\$ 1,754,271</u></u>	<u><u>\$ 1,754,271</u></u>

The accompanying notes are an integral part of this statement.

CITY OF MAUD, TEXAS
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Water and Sewer	Total Proprietary Funds
Cash Flows from Operating Activities		
Receipts from customers	\$ 875,325	\$ 875,325
Payments to suppliers	(500,745)	(500,745)
Payments to employees	(234,338)	(234,338)
Net cash provided (used) by operating activities	<u>140,242</u>	<u>140,242</u>
Cash Flows from Noncapital Financing Activities		
Paid to the MEDC Fund	(7,333)	(7,333)
Net cash provided (used) by noncapital financing activities	<u>(7,333)</u>	<u>(7,333)</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition of fixed assets	(89,568)	(89,568)
Additions to capital lease	89,568	89,568
Principal paid on bonds and loan obligations	(68,068)	(68,068)
Interest paid on bonds and loan obligations	(11,781)	(11,781)
Net cash provided (used) by capital and financing activities	<u>(79,849)</u>	<u>(79,849)</u>
Cash Flows from Investing Activities		
Increase in restricted assets	(1,086)	(1,086)
Interest received on investments	127	127
Net cash provided (used) by investing activities	<u>(959)</u>	<u>(959)</u>
Net increase (decrease) in cash and cash equivalents - unrestricted	52,101	52,101
Cash and cash equivalents at October 1, 2020 - unrestricted	<u>182,246</u>	<u>182,246</u>
Cash and cash equivalents at September 30, 2021 - unrestricted	<u>\$ 234,347</u>	<u>\$ 234,347</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (96,549)	\$ (96,549)
Depreciation expense	116,169	116,169
Change in assets and liabilities:		
(Increase) decrease in receivables	(22,797)	(22,797)
Increase (decrease) in accounts payable	14,629	14,629
Increase (decrease) in deferred grant	129,096	129,096
Increase (decrease) in customer deposits liability	1,110	1,110
Increase (decrease) in pension plan assets and outflows	(1,416)	(1,416)
Net cash provided (used) by operating activities	<u>\$ 140,242</u>	<u>\$ 140,242</u>

The accompanying notes are an integral part of this statement.

CITY OF MAUD, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Maud, Texas (the City) was incorporated on September 22, 1941 under the provision of the State of Texas. The City operates under a Council-Mayor form of government. The city owns and operates a water and sewer system.

The accounting and reporting policies of the City relating to the amounts included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the Publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable).

The financial statements include a “Management Discussion and Analysis” (MD&A) section providing an analysis of the City’s overall financial position and results of operations, financial statements prepared using full accrual accounting for all the City’s activities, and a change in the fund financial statements to focus on the major funds.

Reporting Entity

The City’s basic financial statement included the accounts of all City operations. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of Maud, Texas.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in United States generally accepted accounting principles (GAAP). The basic, but not only, criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility.

The most significant manifestation of this ability is financial interdependency. Other manifestations of 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 service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities.

The component unit of the City is the Maud Economic Development Corporation (MEDC) was incorporated in 1993 under the Development Corporation Act of 1979, as amended. The corporation was organized exclusively for the purposes of benefiting and accomplishing public purposes of, and to act on behalf of, the City and the specific purposes for which the Corporation was organized. The affairs of the Corporation are managed by a board of directors composed of persons appointed by the governing body of the City.

Overview of Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

*CITY OF MAUD, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021*

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that restricted to meeting the operational or capital requirements of a particular program.

The financial statements include a Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations, financial statements prepared using full accrual accounting for all the City's activities, and a change in the fund financial statements to focus on the major funds.

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements.

Governmental Funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund - The General Fund is the main operating fund of the City. The fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets and liabilities are included on the Statement of Net Position. The City has presented the following major proprietary funds:

Water and Sewer Fund - The Water and Sewer Fund is used to account for operations for which a fee is charged to external users for goods or services and the activity a) is financed with debt that is solely secured by a pledge of the net revenues, b) has third party requirements that the cost of providing services, including capital costs, be recovered with fee and charges, or c) established fees and charges based on a pricing policy designed to recover similar costs.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expense not meeting this definition are reported as non-operating revenues and expenses.

Basis of Accounting and Measurement Focus

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources management focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

CITY OF MAUD, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liabilities are incurred. However, debt service expenditures, except for interest payable accrued at the debt issuance date for which cash is received with the debt proceeds, as well as expenditures related to compensated absences and arbitrage are recorded only when payment has matured and will be payable shortly after year-end.

The revenues susceptible to accrual are property taxes, franchise taxes, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received, as they are deemed immaterial.

Budget and Budgetary Accounting

The City Council adopts a budget each year by ordinances. As the year progresses, resolutions are adopted by the City Council for changes to the original budgeted amounts. The resolutions are incorporated into an ordinance at year-end to legalize any approved changes to the original budget.

The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results.

Cash and Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash includes demand deposit accounts and cash on hand. Investments consist of certificates of deposit, which are stated at cost, the approximated market value of the investments.

Restricted Assets

Restricted assets are assets whose use is subject to constraints that are either (a) externally imposed by grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted resources as they are needed.

The restricted assets as of September 30, 2021 are as follow:

<u>Type of Restricted Asset</u>	<u>Business- type Activities</u>
USDA Bonds Payment Fund	\$ 37,869
LTWSC Capital Improvement Deposits	18,842
Total Restricted Assets	<u>\$ 56,711</u>

CITY OF MAUD, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Accounts Receivable

The accounts receivable as of September 30, 2021 are as follows:

Accounts Receivable	Governmental Activities	Business-type Activities	Total	Component Unit
Property tax	\$ 30,014	\$ -	\$ 30,014	\$ -
Sales tax	22,059	-	22,059	4,412
Franchise tax	7,209	-	7,209	-
Warrants receivable	6,688	-	6,688	-
Customer billed receivables	-	75,370	75,370	-
Allowance for uncollectible accounts	(31,036)	(16,546)	(47,582)	-
 Total Accounts Receivable, Net	 \$ 34,934	 \$ 58,824	 \$ 93,758	 \$ 4,412

Bad Debt Expense

The City uses the allowance method of recognizing uncollectible accounts. The estimated amount is based upon current and prior year history.

Inventories

Inventories are valued at lower of cost or market, using the first-in, first-out method. Parts, materials, and supplies are considered as expenses when purchased. Significant inventory amounts are recorded at year end.

Capital Assets

Capital Assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities in the government-wide financial statements and in the fund financial statements for the proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date of donation. Repairs and maintenance are recorded as expenses. Improvements are capitalized. Interest has not been capitalized during the period of construction of capital assets. As of October 1, 2004, new infrastructure assets, such as roads, bridges, underground pipe (other than those related to utilities), traffic signals, etc., are required to be depreciated under GASB 34.

Depreciation is calculated by using the straight-line method. Estimated useful lives of assets are:

Buildings	5-20 years
Office Furniture and Equipment	5-10 years
Equipment and Tools	3-7 years
Street and Street Improvements	20 years
Pumps and Treatment Equipment	5-20 years
Line and Storage	10-50 years
Water meters	10 years
Sewer system	7-50 years
Garbage transfer system	25 years

*CITY OF MAUD, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021*

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. These receivables and payables are classified as “due from other funds” or “due to other funds” on the fund-level statements. All interfund transactions between governmental funds are eliminated on the government-wide statements.

Compensated Absences

All full-time permanent employees can accumulate 10 days leave per year after one year of service. The maximum annual leave that can be accumulated is 240. Sick leave can be accrued after six months of service up to ten days per year, with a maximum of accumulated sick leave of 240. Annual leave will be paid upon separation of employment with the City.

The City accrued a liability for compensated absences which meet the following criteria:

1. The City’s obligation relating to employees’ rights to receive compensation for future absences is attributable to employees’ services already rendered.
2. The obligation is related to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

The entire amount accrued is considered non-current and represents a reconciling item between the fund and government-wide presentations. The balance as of September 30, 2021 totaled \$5,811.

Long-Term Debt

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Pensions and OPEB Liabilities

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS’s Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB Statement 68, *Accounting and Financial Reporting for Pensions*, issued June 2012 was adopted for the year ending March 31, 2016. The City participates in the Texas Municipal Retirement System (TMRS). This Statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) in which:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

CITY OF MAUD, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

GASB Statement 68 requires the employer to report the net pension asset or liability, pension expense, and related deferred inflows and outflows of resources associated with providing retirement benefits to their employees and former employees in their basic financial statements. This statement required governmental entities to record the net pension asset or liability and the related outflows and inflows retroactively.

GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued June 2015 was adopted for the year ending March 31, 2019. The City participates in the TMRS Supplemental Death Benefits (SDB) plan. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Because the OPEB calculated amounts are immaterial for the City of Maud, Texas, these amounts are not recorded in the financial statements.

Fund Equity

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories as following:

Nonspendable fund balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted fund balance – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed fund balance – represents amounts that can only be used for specific purposes imposed by a formal action of the City's highest level of decision-making authority, the Council. Committed resources cannot be used for any other purposes unless the Council removes or changes the specific use by taking the same formal action that imposed the constraint originally.

Assigned fund balance – represents amount the City intends to use for specific purposes as expressed by the Council or an official delegated with the authority.

Unassigned fund balance – represents the residual classification for the general fund or deficit balances in other funds.

In circumstances where expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and then unassigned fund balance.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition or construction of those assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

CITY OF MAUD, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE B – COLLATERALIZATION OF DEPOSITS

Custodial Credit Risk for Deposit – Statutes authorize the City to invest in bank certificates of deposit, obligations of the U.S. Treasury and U.S. agencies, banker's acceptances repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. The City's policy is to invest in instruments or require collateral so as to not expose the City to credit, custodial credit, custodial concentration, interest rate, or foreign currency risks. At September 30, 2021, the bank balances, including time deposits and MEDC funds, were fully insured by FDIC and pledged securities at the one financial institution.

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Public Funds Investment Act (PFIA) governs the City's investment policies and types of investments. The City's management believes that it complied with the requirements of the PFIA and the City's investment policies.

NOTE C – PROPERTY TAXES

Property taxes are levied by October 1 and may be paid without penalty until January 31. Penalty and interest are then added to payments received February 1 through June 30. An enforceable lien is attached when property taxes become delinquent. City property taxes are recognized as revenue in the accounting period when they become susceptible to accrual, i.e., when they become both measurable and available to pay liabilities of the current period. Only property taxes available within 60 days from the end of the fiscal period are subject to accrual. The City accrued \$650 of delinquent property taxes as of September 30, 2021.

The Bowie County Appraisal District bills and collects property taxes for the City of Maud. The State of Texas Constitution limits the City's ad valorem tax rate for all purposes to \$1.50 per one hundred dollars of assessed valuation. Ad valorem tax revenue was levied using a rate of \$0.526700 per one hundred dollars of assessed valuation. Based on 100% of estimated market value, the City has a tax margin of \$0.973300 per \$100 and could raise an additional \$315,459 per year from the present assessed valuation of \$32,411,240 before the limit is reached. The amount assessed for the 2020 tax roll was \$170,710.

NOTE D – FINANCING AND RELATED INSURANCE ISSUES

In the normal course of business, the City is exposed to risks of loss from a number of sources including fire and casualty losses, errors or omissions by council members and employees, negligent acts by employees, automobile and mobile equipment accidents, and injuries to employees during the course of performing duties for the City.

The City attempts to cover these losses by the purchase of insurance. Currently the City purchases 100% of its risk-related insurance through the Texas Municipal League Intergovernmental Risk Pool. The City purchases insurance from the pool with annual maximum limits and to the extent of these maximum limits the City will incur no additional liability due to excess insurance purchases by the risk pool. The City would be liable for claims in excess of the policy limits. In management's estimation, there are no current loss claims that exceed the insured maximum limits. Significant loss experiences could subject the City to significant premium increases. There was no reduction in insurance coverage from the prior year and in management's estimation maximum coverage limits are adequate.

CITY OF MAUD, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE E – CAPITAL ASSETS

Governmental activities capital asset activity for the year ended September 30, 2021, is as follows:

	Balance October 1, 2020	Additions	Reclassifications / Deletions	Balance September 30, 2021
Governmental activities - cost				
Land	\$ 35,664	\$ -	\$ -	\$ 35,664
Buildings	335,695	12,200	-	347,895
Office furniture and equipment	60,760	-	-	60,760
Vehicles and equipment	396,965	17,232	-	414,197
Streets	175,966	-	-	175,966
Total	<u>\$ 1,005,050</u>	<u>\$ 29,432</u>	<u>\$ -</u>	<u>\$ 1,034,482</u>
Governmental activities - accumulated depreciation				
Buildings	227,129	8,554	-	235,683
Office furniture and equipment	36,672	5,614	-	42,286
Vehicles and equipment	378,855	7,867	-	386,722
Streets	64,755	8,739	-	73,494
Total	<u>\$ 707,411</u>	<u>\$ 30,774</u>	<u>\$ -</u>	<u>\$ 738,185</u>
Governmental activities capital assets, net	<u>\$ 297,639</u>	<u>\$ (1,342)</u>	<u>\$ -</u>	<u>\$ 296,297</u>

Governmental activities depreciation expense charged to program activities was:

General administration	\$ 11,324
Library	1,169
Public Safety	9,542
Streets	8,739
	<u>\$ 30,774</u>

During the current year, the City expended funds to renovate the Council Chambers. A fire vehicle was also donated to the City at an estimated value of \$17,232.

CITY OF MAUD, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Business-type activities capital asset activity for the year ended September 30, 2021, is as follows:

	Balance October 1, 2020	Additions	Reclassifications / Deletions	Balance September 30, 2021
Business-type activities - cost				
Water system	\$ 1,202,019	\$ -	\$ -	\$ 1,202,019
Sewer system	2,953,978	-	-	2,953,978
Office Furniture and Equipment	6,008	-	-	6,008
Vehicles and Equipment	89,691	89,568	-	179,259
Capital Lease Purchase	98,850	-	-	98,850
Construction in Progress	-	-	-	-
Undivided interest in LTWSC	172,810	-	-	172,810
Total	<u>\$ 4,523,356</u>	<u>\$ 89,568</u>	<u>\$ -</u>	<u>\$ 4,612,924</u>
Business-type activities - accumulated depreciation				
Water system	751,620	19,344	-	770,964
Sewer system	1,592,813	73,964	-	1,666,777
Office Furniture and Equipment	2,158	770	-	2,928
Vehicles and Equipment	82,312	12,206	-	94,518
Capital Lease Purchase	11,533	9,885	-	21,418
Undivided interest in LTWSC	140,114	-	-	140,114
Total	<u>\$ 2,580,550</u>	<u>\$ 116,169</u>	<u>\$ -</u>	<u>\$ 2,696,719</u>
	<u>\$ 1,942,806</u>	<u>\$ (26,601)</u>	<u>\$ -</u>	<u>\$ 1,916,205</u>

Business-type activities - All depreciation expense of \$116,169 recorded in the business-type activities was charged to the Water and Sewer Fund. Capital assets additions during the year ended September 30, 2021 included a skid steer tractor and trailer.

NOTE F - LONG-TERM DEBT

Governmental-type activities long-term debt is comprised of note payable with the Maud Economic Development Corporation for the remodel of city hall in the amount of \$43,629. The note is payable in monthly installments of \$261 at an interest rate of 1.00%. The balance as of September 30, 2021 was \$28,623.

All debt borrowings are from direct borrowing. Governmental -type transactions long-term debts for the year ended September 30, 2021 are summarized as follows:

Type of Debt	October 1, 2020	Additions	Retirements	September 30, 2021	Due within one year
MEDC Note Payable	<u>\$ 31,455</u>	<u>\$ -</u>	<u>\$ 2,832</u>	<u>\$ 28,623</u>	<u>\$ 2,860</u>

CITY OF MAUD, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

The annual requirements to retire debt as of September 30, 2021 is as follows:

September 30,	MEDC		Total
	Principal	Interest	
2022	2,860	273	3,133
2023	2,889	245	3,134
2024	2,918	215	3,133
2025	2,947	186	3,133
2026	2,977	156	3,133
2027-2031	14,032	330	14,362
Totals	<u>\$ 28,623</u>	<u>\$ 1,405</u>	<u>\$ 30,028</u>

Business-type activities long-term debt at September 30, 2021 is comprised of the following:

\$583,000 in 1994 USDA Sewer Combination Tax and Sewer System Revenue Bonds, due in semiannual installments of varying amounts on each February 1 and August 1 through 2024 at an interest rate of 4.50%.	\$ 106,000
\$164,000 in 1994 Sewer Combination Tax and Sewer System Revenue Bonds, due in semiannual installments of varying amounts on each February 1 and August 1 through 2024 at an interest rate of 4.50%.	28,000
\$22,595 Notes Payable, due in monthly installments of \$416 through 2022 at an interest rate of 4.00%.	3,284
\$22,000 Notes Payable to MEDC, due in annual payments of \$7,333 through 2022 at an interest rate of 1%.	14,667
\$14,490 Capital Lease Purchase Obligation, due in monthly installments of \$260 through February 2026 at an interest rate of 2.99%.	12,971
\$75,078 Capital Lease Purchase Obligation, due in monthly installments of \$1,359 through March 2026 at an interest rate of 2.99%.	68,581
\$98,850 Capital Lease Purchase Obligation, due in monthly installments of \$1,540 through October 2025 at an interest rate of 3.85%.	<u>70,114</u>
Total Business-Type Activities -Water and Sewer Fund	<u><u>\$ 303,617</u></u>

CITY OF MAUD, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

All debt borrowings are from direct borrowings. Business-type transactions long-term debts for the year ended September 30, 2021 are summarized as follows:

Type of Debt	October 1, 2020	Additions	Retirements	September 30, 2021	Due within one year
Business-type Activities					
Revenue Bonds	\$ 138,000	\$ -	\$ 32,000	\$ 106,000	\$ 34,000
Revenue Bonds	36,000	-	8,000	28,000	9,000
Truck Loan - Bank	7,660	-	4,376	3,284	3,284
MEDC Loan Payable	22,000	-	7,333	14,667	14,667
Capital Lease Obligation - Trailer	-	14,490	1,519	12,971	2,773
Capital Lease Obligation - Loader	-	75,078	6,497	68,581	14,452
Capital Lease Obligation - Back loader	85,790	-	15,676	70,114	16,245
	<u>\$ 289,450</u>	<u>\$ 89,568</u>	<u>\$ 75,401</u>	<u>\$ 303,617</u>	<u>\$ 94,421</u>

The annual requirements to retire business-type activities long-term debt as of September 30, 2021 is as follows:

Year Ending September 30,	1994 Series		1994 Series		Truck Loan		MEDC Loan	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	34,000	4,005	9,000	1,058	3,284	37	14,667	73
2023	35,000	2,453	9,000	652	-	-	-	-
2024	37,000	832	10,000	225	-	-	-	-
2025	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-
Totals	<u>\$ 106,000</u>	<u>\$ 7,290</u>	<u>\$ 28,000</u>	<u>\$ 1,935</u>	<u>\$ 3,284</u>	<u>\$ 37</u>	<u>\$ 14,667</u>	<u>\$ 73</u>

Year Ending September 30,	Capital Lease - Backloader		Capital Lease - Trailer		Capital Lease - Loader	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	16,245	2,232	2,773	350	14,452	1,854
2023	16,833	1,644	2,858	266	14,890	1,416
2024	17,439	1,038	2,944	179	15,342	964
2025	18,073	404	3,033	90	15,806	499
2026	1,524	16	1,363	11	8,091	62
Totals	<u>\$ 70,114</u>	<u>\$ 5,334</u>	<u>\$ 12,971</u>	<u>\$ 896</u>	<u>\$ 68,581</u>	<u>\$ 4,795</u>

NOTE H – EMPLOYEE RETIREMENT SYSTEMS

Plan Description

The City of Maud participates as one of 888 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Comprehensive Annual Financial Report (Annual Report) that can be obtained at tmrs.com.

*CITY OF MAUD, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021*

Benefits Provided

All eligible employees of the city are required to participate in TMRS.

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

Employees of the City of Maud are eligible for retirement at age 60 with 5 years of service or at any age with 20 years of service. Employees contribute to the fund at the rate of 5%. The City matches dollar for dollar. City match vests after 5 years of service.

Employees covered by benefit terms:

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	13
Active employees	<u>5</u>
Total	<u>18</u>

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the Member's total compensation, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City of Maud were required to contribute 5.00% of their annual compensation during the fiscal year ended September 30, 2021. The contribution rates for the City of Maud were 3.47% and 3.49% in calendar years 2020 and 2021, respectively. The city's contributions to TMRS for the year ended September 30, 2021, were \$8,005, and were equal to the required contributions.

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

CITY OF MAUD, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	<u>100.0%</u>	

Discount Rate: The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that Member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive Members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Allocations: The City's new pension liability, pension expense, and deferred outflow of resources related to TMRS have been allocated between governmental activities and business-type activities using a contribution-based method.

CITY OF MAUD, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Changes in the Net Pension (Asset) Liability:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at 12/31/2019	\$ 174,471	\$ 147,620	\$ 26,851
Changes for the year:			
Service cost	16,839	-	16,839
Interest	12,295	-	12,295
Changes in current period benefits	-	-	-
Difference between expected and actual experience	3,359	-	3,359
Change in assumptions	-	-	-
Contributions - employer	-	8,055	(8,055)
Contributions - employee	-	11,597	(11,597)
Net investment income	-	11,282	(11,282)
Benefit payments, including refunds to employees	(1,499)	(1,499)	-
Administrative expense		(73)	73
Other changes		(3)	3
Net changes	30,994	29,359	1,635
Balance at 12/31/2020	\$ 205,465	\$ 176,979	\$ 28,486

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the Net Pension Liability of the City, calculated using the discount rate of 6.75%, as well as what the City's Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate 5.75%	Discount Rate (6.75%)	1% Increase in Discount Rate 7.75%
City's net pension (asset) liability	\$ 58,734	\$ 28,486	\$ 3,826

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at tmrs.com.

CITY OF MAUD, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2021 the city recognized pension expense of \$5,747.

As of September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,828	\$ 9,543
Changes in actuarial assumptions	1,763	-
Difference between projected and actual investment earnings	-	4,224
Contributions subsequent to the measurement date	6,137	-
	<u>\$ 10,728</u>	<u>\$ 13,767</u>

\$6,137 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability for the year ended September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Net deferred outflows (inflows) of resources
2022	(1,901)
2023	(1,718)
2024	(4,688)
2025	(869)
2026	-
Thereafter	-
Total	<u>\$ (9,176)</u>

Supplemental Death Benefits Fund

The City also participates in the cost-sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The city elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The city may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

Your city offers supplemental death to:	Plan Year 2019	Plan Year 2020	Plan Year 2021
Active employees (yes or no)	Yes	Yes	Yes
Retirees (yes or no)	Yes	Yes	Yes

*CITY OF MAUD, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021*

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not pre-fund retiree term life insurance during employees' entire careers. The City's contributions to the TMRS SDBF for the years ended 2021, 2020 and 2019 were \$576, \$325, and \$245, respectively, which equaled the required contributions each year.

NOTE I – WATER SUPPLY CONTRACTS AND PARTICIPATION AGREEMENTS

The City along with seven other area cities had formed Lake Texarkana Water Supply Corporation (LTWSC). The cities executed a contract to be provided water by the Water Supply Corporation. That contract has now been amended and extended by a document entitled; "Extension and Amendment to Water Supply Contract" dated March 1, 2010 by the cities. This document extends and amends the terms and provisions of the original contract and also recognizes the establishment of the Riverbend Water Resources District which was created by the 81st Texas Legislature, codified in Title 6, Special District Local Laws Code, Subtitle L, Chapter 9601, effective June 19, 2009, to which, the city is a member.

Each Member City agrees to make monthly payments to the City of Texarkana, Texas as agent for Riverbend Water Resources District in an amount deemed adequate to discharge its pro rata part of maintenance and operating and administrative expenses of Riverbend Water Resources District.

The Extension and Amendment to Water Supply Contract likewise acknowledges that all existing Lake Texarkana Water Supply Corporation bonds have been paid and Lake Texarkana Water Supply Corporation was involuntarily dissolved effective March 21, 2007.

Simultaneously the City has entered into an Interlocal Cooperation Agreement dated March 5, 2010 with Riverbend Water Resources District. The City will procure certain services from Riverbend and participate in the funding of the development of Riverbend projects. The City incurred \$2,220 of expenditures to Riverbend.

The City incurred \$55,635 of expenditures for water under this Water Supply Contract for the year ending September 30, 2021. The amount incurred is based on actual water consumption and estimated operations costs. The amount will be true-up based on actual consumption and costs in the subsequent period, if necessary.

The City of Maud currently has a Riverbend fee of \$.04 per 1000 gallons of water purchased. Additionally, negotiations are ongoing for a new Water Supply Contract with Riverbend replacing Texarkana as the regional supplier of the treated water including construction of a \$200M regional water treatment facility. Under the new contract, the Riverbend fee will increase to \$1.50 per 1000 gallons of water purchased. Total payments for this contract amounted to \$63,690 in FY 2021.

As a result of the payoff of the LTWSC bonds, during the year ended March 31, 2014, assets acquired with bond proceeds were conveyed to the member cities in proportion to their participation in the project. In May 2011, the City of Texarkana underwent an agreed-upon procedures examination to determine the percentages to be conveyed to the Member Cities for each city's respective portion of the undivided interest in the LTWSC facilities pursuant to the provisions of the 1969 Water Supply Contract between the City of Texarkana and member cities. The assets conveyed to the City were valued at cost less depreciation.

*CITY OF MAUD, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021*

NOTE J – DISCLOSURES OF MAUD ECONOMIC DEVELOPMENT CORPORATION

The Maud Economic Development Corporation (MEDC) is a discrete component unit of the City of Maud, Texas. The board of MEDC is appointed by the City Council. Its mission is to improve economic growth in the City of Maud, Texas. A special sales tax was passed by the citizens of the City to support the MEDC. The sales tax is to be used for future economic development of the City, which are legally restricted to expenditures for certain purposes.

Current:

Note Receivable - On June 15, 2020, the City's Water and Sewer Fund borrowed funds from the Maud Economic Development Corporation for unexpected repairs in the amount of \$22,000. The note is payable in three equal principal installments plus interest at 1.00% due on October 15, 2020, February 15, 2021 and June 15, 2021. Only one payment was made in FY 2021. As of September 30, 2021, the balance is \$14,667.

Noncurrent:

Note Receivable - On March 1, 2016, the City's General Fund borrowed funds from the Maud Economic Development Corporation for the remodel of city hall in the amount of \$43,629. The note is payable in monthly installments of \$261 at an interest rate of 1.00%. As of September 30, 2021, the balance outstanding on the note receivable due from the City of Maud was \$28,623. The balance represents a significant concentration of credit risk for MEDC at year-end.

NOTE K - COMMITMENTS

On March 13, 2020, Texas Governor Greg Abbott declared Texas in a state of disaster as a result of the COVID-19 pandemic. The pandemic will most probably have a significant effect on governmental and private entities. The extent of the effect cannot, at this time, be estimated or quantified. In each subsequent month, proclamations have been issued renewing the disaster declaration for all Texas counties.

NOTE L – SUBSEQUENT EVENTS

In reviewing its financial statements, management has evaluated events subsequent to the balance sheet date through May 6, 2022, which is the date the financial statements were available to be issued.

CITY OF MAUD, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MAUD, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		GAAP Basis Actual Amount	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 170,807	\$ 170,807	\$ 176,516	\$ 5,709
Franchise taxes	38,000	38,000	32,265	(5,735)
Sales taxes	113,000	113,000	119,213	6,213
Fines and forfeitures	10,100	10,100	3,314	(6,786)
Volunteer fire department supplemental	8,000	8,000	8,671	671
Donations	300	300	15,980	15,680
Grant revenues	-	-	20,895	20,895
Interest	10,000	10,000	352	(9,648)
Miscellaneous	5,045	5,045	18,431	13,386
Total revenues	355,252	355,252	395,637	40,385
Expenditures				
Contract services	1,700	1,700	315	1,385
Dues and subscriptions	10,900	10,900	8,235	2,665
Grant expenditures	4,763	4,763	16,306	(11,543)
Insurance other	9,313	9,313	7,134	2,179
IT software and support	2,700	2,700	7,201	(4,501)
Legal and audit	17,500	17,500	16,749	751
Miscellaneous	9,046	9,046	9,517	(471)
Oil and gas	1,000	1,000	-	1,000
Operating supplies	27,750	27,750	9,301	18,449
Payroll	89,656	89,656	56,883	32,773
Payroll health insurance	8,965	8,965	3,223	5,742
Payroll retirement expense	1,894	1,894	1,556	338
Payroll taxes and unemployment	7,355	7,355	5,555	1,800
Payroll workers compensation	4,060	4,060	5,037	(977)
Postage	500	500	33	467
Repairs and maintenance	13,950	13,950	23,626	(9,676)
Repairs and maintenance - streets	69,865	69,865	-	69,865
Small equipment/ bunker gear	10,800	10,800	9,654	1,146
State court costs and fees	5,000	5,000	780	4,220
Utilities	48,950	48,950	29,432	19,518
Capital outlay	9,800	9,800	-	9,800
Interest expense	235	235	-	235
Total expenditures	355,702	355,702	238,814	116,888
Excess (deficiency) of revenues over expenditures	(450)	(450)	156,823	157,273
Other Financing Sources (Uses):				
Transfers in (out)	450	450	-	(450)
Total other financing sources (uses)	450	450	-	(450)
Net Change in Fund Balance	-	-	156,823	156,823
Fund balance at October 1, 2021	264,970	264,970	264,970	-
Fund balance at September 30, 2021	\$ 264,970	\$ 264,970	\$ 421,793	\$ 156,823

The accompanying notes are an integral part of this statement.

CITY OF MAUD, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
PLAN YEAR ENDED DECEMBER 31
Last 10 Years (will ultimately be displayed)

	2015	2016	2017	2018	2019	2020
Total Pension (Asset) Liability						
Service cost	\$ 14,466	\$ 16,012	\$ 15,661	\$ 15,812	\$ 15,945	\$ 16,839
Interest (on the Total Pension Liability)	5,086	6,647	8,146	9,843	11,190	12,295
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	1,148	(275)	1,260	(5,036)	(11,165)	3,359
Change of assumptions	4,341	-	-	-	1,420	-
Benefit payments, including refunds to employees	-	-	-	-	(1,454)	(1,499)
Net Change in Total Pension Liability	25,041	22,384	25,067	20,619	15,936	30,994
Total Pension Liability - Beginning	65,424	90,465	112,849	137,916	158,535	174,471
Total Pension Liability - Ending (a)	<u>\$ 90,465</u>	<u>\$ 112,849</u>	<u>\$ 137,916</u>	<u>\$ 158,535</u>	<u>\$ 174,471</u>	<u>\$ 205,465</u>
Plan Fiduciary Net Position						
Contributions - employer	\$ 7,705	\$ 8,031	\$ 8,674	\$ 8,594	\$ 8,379	\$ 8,055
Contributions - employee	11,231	11,967	11,687	11,871	11,588	11,597
Net investment income	34	2,858	9,036	(2,840)	17,410	11,282
Benefit payments, including refunds to employees	-	-	-	-	(1,454)	(1,499)
Administrative expense	(21)	(32)	(47)	(55)	(98)	(73)
Other changes	(1)	(2)	(2)	(3)	(3)	(3)
Net Change in Plan Fiduciary Net Position	18,948	22,822	29,348	17,567	35,822	29,359
Plan Fiduciary Net Position - Beginning	23,112	42,060	64,882	94,230	111,798	147,620
Plan Fiduciary Net Position - Ending (b)	<u>\$ 42,060</u>	<u>\$ 64,882</u>	<u>\$ 94,230</u>	<u>\$ 111,797</u>	<u>\$ 147,620</u>	<u>\$ 176,979</u>
Net Pension (Asset) Liability - Ending (a) - (b)	<u>\$ 48,405</u>	<u>\$ 47,967</u>	<u>\$ 43,686</u>	<u>\$ 46,738</u>	<u>\$ 26,851</u>	<u>\$ 28,486</u>
Plan Fiduciary Net Position as a Percentage of						
Total Pension Liability	46.49%	57.49%	68.32%	70.52%	84.61%	86.14%
Covered Employee Payroll	\$ 224,626	\$ 239,338	233,740	237,413	231,762	231,840
Net Pension (Asset) Liability as a Percentage of Covered Employee Payroll	21.55%	20.04%	18.69%	19.71%	11.59%	12.29%

CITY OF MAUD, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION - TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
SCHEDULE OF CONTRIBUTIONS
FISCAL YEAR ENDED SEPTEMBER 30, 2021
YEAR ENDED SEPTEMBER 30, 2020
Last 10 Years (will ultimately be displayed)

	FISCAL YEAR ENDED MARCH 31, 2020				SIX-MONTHS ENDED SEPTEMBER	
	2016	2017	2018	2019	2020	2021
Actuarially Determined Contribution	\$ 7,705	\$ 8,232	\$ 8,680	\$ 8,854	\$ 4,610	\$ 8,005
Contributions in relation to the actuarially determined contribution	7,705	8,232	8,680	8,854	4,610	8,005
Contribution deficiency (excess)	-	-	-	-	-	-
Covered employee payroll	\$ 227,121	\$ 230,123	\$ 228,720	\$ 244,576	\$ 126,298	\$ 229,668
Contributions as a percentage of covered employee payroll	3.39%	3.58%	3.80%	3.62%	3.65%	3.49%

Note: GASB #68, paragraph 81.2.b requires that the data into his schedule be presented as of the City's fiscal year as of the time period covered by the measurement date.

Note: Only seven years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10 year schedule that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many periods as are available."

Notes to Schedule of Contributions

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	14 years
Asset Valuation Method	10 year smoothed market, 12% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits.
Mortality	Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018
	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
	Pre-retirement: PUB(10) mortality tables, with the Public Safety tables used for males and the General Employee table used for females.
	The rates are projected on a fully generational basis with scale UMP.
Other Information: Notes	There were no benefit changes during the year.

CITY OF MAUD, TEXAS
REPORT ON COMPLIANCE AND INTERNAL CONTROLS



WILF & HENDERSON, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Member of American Institute of Certified Public Accountants
Member of Private Company Practice Section
Member of AICPA Governmental Audit Quality Center

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS*

Independent Auditor's Report

May 6, 2022

Honorable Mayor and
Members of the City Council
City of Maud, Texas

Members of the Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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 the city of Maud, Texas, (the City) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Maud, Texas' basic financial statements and have issued our report thereon dated May 6, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Maud, Texas' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinions on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any significant deficiencies.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies sin internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses at Finding 2021-1.

City of Maud, Texas' Response to Findings

City of Maud, Texas' response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Maud, Texas' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



WILF & HENDERSON, P.C.
Certified Public Accountants
Texarkana, Texas

May 6, 2022

**CITY OF MAUD, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

I. Summary of the Auditor's Results:

- a. The type of report issued on the financial statements of the City of Maud, Texas was an unmodified opinion.
- b. No significant deficiency or material weakness relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters required by the GAO's *Government Auditing Standards*.
- c. One instance of noncompliance material to the financial statements of the City of Maud, Texas was disclosed during the audit.

II. Findings Relating to the Financial Statements Which Are Required to Be Reported in Accordance with Generally Accepted Government Auditing Standards.

Compliance

Finding 2021-1 Material Noncompliance: Procurement Process Not Followed

Condition Found: The City did not obtain competitive bids on the purchase of large equipment.

Criteria: The City is required to have contracts for the purchase of goods and services, except contracts for the purchase of produce or vehicle fuel, valued at \$50,000 or more in the aggregate for each 12-month period shall be made by competitive bidding for equipment that provides the best value for the city.

Cause and Effect: Although the City did obtain quotes on the equipment from various vendors, the City did not follow the procurement procedures for this purchase as required by State law.

Recommendation: We recommend the City monitor the procurement process for all expenditures and project subject to competitive bidding requirements.

**CITY OF MAUD, TEXAS
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Prior Audit Findings Relating to the Financial Statements Which Are Required to Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

Internal Control

Finding 9-2020-1 Material Adjustments

Financial data was incorrectly reported in the general ledger records. Internal controls should be in place that provides reasonable assurance the financial data is accurately reported in the financial statements. The City had a change in financial record keeping personnel during the year. Because of the failure to properly understand the computer software system and review the general ledger, the errors reflected in the general ledger were not identified and corrected. Material adjustments were made to accurately report these items in the financial statements. This finding was not repeated in FY 2021.

Compliance

Finding 9-2020-2 Budget Violation - Noncompliance

The City did not spend municipal funds in strict compliance with the budget, except in an emergency. As per the local government code, after final approval of the budget, the governing body may spend municipal funds only in strict compliance with the budget, except in an emergency. The City had a change in budgeting and financial record keeping personnel during the year. Because of the failure to properly understand the budgeting assumptions, several expenditures were not in strict compliance with the budget, except in an emergency. The finding was not repeated in FY 2021.



Incorporated 9.22.1941

CITY OF MAUD

Jimmy Clary Mayor

Darla Faulknor *Administrative Manager*

Budget & Finance Dir.

Vicki May *City Secretary*

Council Members

Terry Martin-Mayor-Pro-Tem

Robert Wells

Wayne Foster

Boyd Sartin

Debbie Mathis

CITY OF MAUD, TEXAS CORRECTIVE ACTION PLAN FOR THE YEAR ENDED SEPTEMBER 30, 2021

**Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with
Generally Accepted Government Auditing Standards:**

Compliance

2021-1 Material Noncompliance: Procurement Process Not Followed

Action: The City will review contracts throughout the year to ensure compliance with applicable procurement regulations. The City will ensure all large purchases go through the proper channels to provide expertise on compliance with budget and procurement procedures.

Contact Person: Darla Faulknor, City Budget and Finance Director

Anticipated Completion Date: Immediately