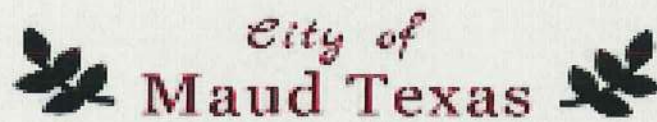


CITY OF MAUD, TEXAS
FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2022



CITY OF MAUD, TEXAS
FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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CITY OF MAUD, TEXAS
CITY DIRECTORY

Mayor
Jimmy Clary

Mayor Pro Tem
Terry Martin

CITY COUNCIL

Boyd Startin	Wayne Foster
Robert Wells	Debbie Mathis

CITY OFFICIALS

Darla Faulknor, Administrative Manager/Budget & Finance Director
Vicky May, City Secretary



Independent Auditor's Report

April 11, 2023

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

Members of the Council:

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9, the budgetary comparison information on page 35, TMRS schedule of changes in net pension (asset) liability and related ratios on page 36, and TMRS schedule of pension contributions on page 37 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2023, 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.

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

April 11, 2023

**CITY OF MAUD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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, 2022, the City of Maud, Texas maintained an Unrestricted Net Position balance of \$586,472, an increase from last year's \$516,020. 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, 2022, the total of Net Investment in Capital Assets (after subtracting out debt owed on capital assets) was \$1,871,121. The prior year balance totaled \$1,938,056.
- As of September 30, 2022, the total of Restricted Net Position was \$285,713. The prior year balance totaled \$232,627.

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	
	2021	2022	2021	2022	2021	2022
Current assets	\$ 431,985	\$ 536,107	\$ 307,392	\$ 329,216	\$ 170,495	\$ 241,108
Interfund balances	-	-	-	-	-	-
Restricted assets	-	-	56,711	61,725	-	-
Note receivable	-	-	-	-	43,290	25,763
Capital assets	296,297	272,507	1,916,204	1,798,134	43,128	35,439
Total assets	728,282	808,614	2,280,307	2,189,075	256,913	302,310
Deferred outflows of resources	4,348	4,547	6,380	6,713	-	-
Current liabilities	6,430	13,629	217,460	277,228	-	-
Noncurrent liabilities	34,434	32,849	288,950	209,196	-	-
Net pension liability (TMRS)	10,676	6,010	17,810	10,026	-	-
Total liabilities	51,540	52,488	524,220	496,450	-	-
Deferred inflows of resources	5,571	7,538	8,196	11,477	-	-
Net position:						
Net investment in capital assets	267,674	246,744	1,627,254	1,588,938	43,128	35,439
Restricted	-	-	18,842	18,842	213,785	266,871
Unrestricted	407,845	506,391	108,175	80,081	-	-
Total net position	\$ 675,519	\$ 753,135	\$ 1,754,271	\$ 1,687,861	\$ 256,913	\$ 302,310

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 \$2,743,306. The City's net position is comprised of \$753,135 from governmental activities, \$1,687,861 from business-type activities and \$302,310 from the component unit. Of the City's net position, \$586,472 is Unrestricted Net Position.

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, 2021 and 2022.

City of Maud, Texas Statement of Activities						
	Governmental Activities		Business-Type Activities		Component Unit	
	2021	2022	2021	2022	2021	2022
Revenues						
Program Revenues:						
Charges for Services	\$ 3,314	\$ 640	\$ 767,916	\$ 827,618	\$ -	\$ -
Operating Grants and Contributions	20,895	96,456	-	80,560	-	-
General Revenues:						
Property Taxes and Related Revenues	176,516	176,328	-	-	-	-
Franchise Fees	32,265	32,869	-	-	-	-
Sales and Use Tax	119,213	119,449	-	-	23,850	24,004
Interest Income	352	3,107	127	1,650	1,382	1,576
Miscellaneous Income	40,055	58,149	-	-	-	-
Transfer In (Out)	-	(8,322)	-	9,600	-	(1,278)
Gain on Sale of Fixed Assets	-	10,310	-	-	-	26,027
Total Revenues	392,610	488,986	768,043	919,428	25,232	50,329
Program Expenses:						
General Government	220,201	389,299	-	-	-	-
Library	1,169	1,169	-	-	-	-
Fire Department	9,542	11,890	-	-	-	-
Streets	8,739	8,739	-	-	-	-
Interest on Long-Term Debt	326	273	-	-	-	-
Water and Sewer	-	-	703,064	832,201	-	-
Garbage	-	-	173,182	153,637	-	-
Economic Development	-	-	-	-	8,842	4,932
Total Expenses	239,977	411,370	876,246	985,838	8,842	4,932
Increase (Decrease) in Net Position	152,633	77,616	(108,203)	(66,410)	16,390	45,397
Beginning Net Position	522,886	675,519	1,862,474	1,754,271	240,523	256,913
Ending Net Position	\$ 675,519	\$ 753,135	\$ 1,754,271	\$ 1,687,861	\$ 256,913	\$ 302,310

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 and other financing sources (uses) of \$98,483. Fund balance as of September 30, 2022 for the General Fund was \$520,276.

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 (\$66,410) for the year. Net position as of September 30, 2022 for the Proprietary Fund was \$1,687,861.

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 \$98,483.

Capital Assets and Long-Term Debt

As of September 30, 2022, the City had \$2,106,080 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 \$242,045 as of September 30, 2022. 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 is currently submitting a grant application through TDA for a TcDBG Grant for infrastructure and street improvements.

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, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 480,017	\$ 250,086	\$ 730,103	167,708
Certificates of deposit	20,967	-	20,967	69,037
Accounts receivable (net)	35,123	66,783	101,906	4,363
Unbilled receivables (net)	-	7,797	7,797	-
Inventories of parts, materials and supplies	-	4,550	4,550	-
Notes receivable	-	-	-	25,763
Restricted assets:				
Cash and cash equivalents	-	42,883	42,883	-
LTWSC restricted capital improvement deposits	-	18,842	18,842	-
Capital assets (net of accumulated depreciation):				
Land	34,144	-	34,144	35,439
Buildings	341,815	-	341,815	-
Office furniture and equipment	71,690	6,008	77,698	-
Vehicles and Equipment	414,197	278,109	692,306	-
Street and street improvements	175,966	-	175,966	-
Water system	-	1,202,019	1,202,019	-
Sewer system	-	2,953,978	2,953,978	-
Undivided interest in LTWSC fixed assets	-	172,810	172,810	-
Less accumulated depreciation	(765,305)	(2,814,790)	(3,580,095)	-
Total Assets	<u>\$ 808,614</u>	<u>\$ 2,189,075</u>	<u>\$ 2,997,689</u>	<u>\$ 302,310</u>
DEFERRED OUTFLOW OF RESOURCES				
Deferred outflow related to TMRS, net	<u>\$ 4,547</u>	<u>\$ 6,713</u>	<u>\$ 11,260</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	\$ 12,895	\$ 44,001	\$ 56,896	\$ -
Fines and forfeitures payable	734	-	734	-
Accrued interest payable	-	683	683	-
Deferred Coronavirus grant	-	177,888	177,888	-
Customer deposits liabilities	-	54,657	54,657	-
Noncurrent liabilities:				
Due within one year	2,889	78,581	81,470	-
Due in more than one year	22,874	130,615	153,489	-
Compensated absences	7,086	-	7,086	-
Net pension liability (TMRS)	6,010	10,026	16,036	-
Total Liabilities	<u>\$ 52,488</u>	<u>\$ 496,451</u>	<u>\$ 548,939</u>	<u>\$ -</u>
DEFERRED INFLOW OF RESOURCES				
Deferred inflow related to TMRS, net	<u>\$ 7,538</u>	<u>\$ 11,477</u>	<u>\$ 19,015</u>	<u>\$ -</u>
NET POSITION				
Net investment in capital assets	\$ 246,744	\$ 1,588,938	\$ 1,835,682	\$ 35,439
Restricted for:				
LTWSC capital improvement deposits	-	18,842	18,842	-
Economic Development (MEDC)	-	-	-	266,871
Unrestricted	506,391	80,081	586,472	-
Total Net Position	<u>\$ 753,135</u>	<u>\$ 1,687,861</u>	<u>\$ 2,440,996</u>	<u>\$ 302,310</u>

The accompanying notes are an integral part of this statement.

CITY OF MAUD, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	Component Unit
Primary government:								
Governmental activities:								
General government	\$ 389,299	\$ 640	\$ -	\$ -	\$ (388,659)	\$ -	(388,659)	\$ -
Library	1,169	-	96,456	-	95,287	-	95,287	-
Fire Department	11,890	-	-	-	(11,890)	-	(11,890)	-
Streets	8,739	-	-	-	(8,739)	-	(8,739)	-
Interest on long-term debt	273	-	-	-	(273)	-	(273)	-
Total governmental activities	411,370	640	96,456	-	(314,274)	-	(314,274)	-
Business-type activities:								
Water and sewer	832,201	600,389	80,560	-	-	(151,252)	(151,252)	-
Garbage	153,637	227,229	-	-	-	73,592	73,592	-
Total business-type activities	985,838	827,618	80,560	-	-	(77,660)	(77,660)	-
Total primary government	\$ 1,397,208	\$ 828,258	\$ 177,016	\$ -	(314,274)	(77,660)	(391,934)	-
Component Unit:								
Economic development	4,932	-	-	-	-	-	-	(4,932)
Total component unit	\$ 4,932	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(4,932)
General revenues:								
Property taxes and related revenues					176,328	-	176,328	-
Franchise taxes					32,869	-	32,869	-
Sales and use taxes					119,449	-	119,449	24,004
Interest income					3,107	1,650	4,757	1,576
Miscellaneous income					58,149	-	58,149	-
Transfer in (out)					(8,322)	9,600	1,278	(1,278)
Gain on sale of fixed assets					10,310	-	10,310	26,027
Total general revenues					391,890	11,250	403,140	50,329
Change in net position					77,616	(66,410)	11,206	45,397
Net position - October 1, 2021					675,519	1,754,271	2,429,790	256,913
Net position - September 30, 2022					\$ 753,135	\$ 1,687,861	\$ 2,440,996	\$ 302,310

The accompanying notes are an integral part of this statement

CITY OF MAUD, TEXAS
GOVERNMENTAL FUND TYPES
BALANCE SHEET
SEPTEMBER 30, 2022

	General Fund	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 480,017	\$ 480,017
Certificates of deposit	20,967	20,967
Receivables, net of uncollectible accounts		
Property tax	1,969	1,969
Sales tax	21,824	21,824
Franchise tax	8,395	8,395
Warrants receivable	2,935	2,935
Total Assets	<u>\$ 536,107</u>	<u>\$ 536,107</u>
LIABILITIES		
Accounts payable	7,361	\$ 7,361
Fines and forfeitures payable	734	734
Accrued expenditures	5,534	5,534
Total Liabilities	<u>13,629</u>	<u>13,629</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - warrant revenue	2,202	2,202
Total Deferred Inflows of Resources	<u>2,202</u>	<u>2,202</u>
FUND BALANCE		
Committed Fund Balance - Volunteer Fire Department	62,914	62,914
Unassigned Fund Balance	457,362	457,362
Total Fund Balance	<u>520,276</u>	<u>520,276</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balance	 <u>\$ 536,107</u>	 <u>\$ 536,107</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, 2022

Total Fund Balance - Governmental Funds	\$ 520,276
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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 \$1,034,482 and the accumulated depreciation was (\$738,185). 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 (\$34,434), which includes notes payable of (\$28,623) and compensated absences payable of (\$5,811). 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.	261,863
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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 \$10,930, plus debt principal payments of \$2,860 is to increase net position.	13,790
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The depreciation expense increases accumulated depreciation. The net effect of the year's depreciation is to (decrease) net position.	(30,363)
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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 (\$6,010), a deferred resource inflow in the amount of (\$7,538), and a deferred resource outflow in the amount of \$4,547. This resulted in a (decrease) in net position.	(9,001)
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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 \$2,202, recognizing deferred inflows of (\$4,357), and recognizing change in compensated absences liabilities of (\$1,275). The net effect of these reclassifications and recognitions is to (decrease) net position.	(3,430)
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Net Position of Governmental Activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; padding: 2px 10px;">\$ 753,135</div>
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CITY OF MAUD, TEXAS
GOVERNMENTAL FUND TYPES
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	General Fund	Total Governmental Funds
Revenues		
Property taxes	\$ 176,328	\$ 176,328
Franchise taxes	32,869	32,869
Sales taxes	119,449	119,449
Fines and forfeitures	2,200	2,200
Volunteer fire department	25,825	25,825
Donations	1,111	1,111
Grant revenues	96,456	96,456
Interest	3,107	3,107
Miscellaneous	31,213	31,213
Total revenues	<u>488,558</u>	<u>488,558</u>
Expenditures		
Contract services	1,623	1,623
Dues and subscriptions	10,914	10,914
Grant expenditures	92,852	92,852
Insurance other	3,300	3,300
IT software and support	17,893	17,893
Legal and audit	10,564	10,564
Miscellaneous	8,356	8,356
Oil and gas	12,149	12,149
Operating supplies	6,613	6,613
Payroll wages	110,821	110,821
Payroll health insurance	23,714	23,714
Payroll retirement expense	4,380	4,380
Payroll taxes and unemployment	8,353	8,353
Payroll workers compensation	2,625	2,625
Postage	20	20
Repairs and maintenance	27,222	27,222
Small equipment/bunker gear	11,751	11,751
State court costs and fees	702	702
Utilities	28,505	28,505
Capital outlay	10,930	10,930
Debt service - principal	2,860	2,860
Interest expense	273	273
Total expenditures	<u>396,420</u>	<u>396,420</u>
Excess (deficiency) of revenues over expenditures	<u>92,138</u>	<u>92,138</u>
Other Financing Sources (Uses)		
Proceeds from sale of asset	14,667	14,667
Transfers in (out)	(8,322)	(8,322)
Net Change in Fund Balance	98,483	98,483
Fund Balance - Beginning of the Year	<u>421,793</u>	<u>421,793</u>
Fund Balance - Ending of the Year	<u>\$ 520,276</u>	<u>\$ 520,276</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, 2022

Net changes in Fund Balances - Governmental Funds	\$ 98,483
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 \$10,930, plus debt principal payments \$2,860 is to increase net position.	13,790
The depreciation expense increases accumulated depreciation. The net effect of the year's depreciation is to (decrease) net position.	(30,363)
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 12/31/21 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.	2,898
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 (\$1,560), recording deferred inflows of (\$4,357) and, recognizing change in compensated absences liabilities of (\$1,275). The net effect of these reclassifications and recognitions is to (decrease) net position.	(7,192)
Change in Net Position in Governmental Activities	<u>\$ 77,616</u>

The accompanying notes are an integral part of this statement.

**CITY OF MAUD, TEXAS
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

	Water and Sewer	Total Proprietary Funds
ASSETS		
Current Assets - Unrestricted:		
Cash and cash equivalents	\$ 250,086	\$ 250,086
Accounts receivable, net of allowance for uncollectible accounts	66,783	66,783
Unbilled receivables	7,797	7,797
Inventories of parts, materials and supplies	4,550	4,550
Total Current Assets - Unrestricted	<u>329,216</u>	<u>329,216</u>
Restricted Assets:		
Cash and cash equivalents	42,883	42,883
LTWSC restricted capital improvement deposits	18,842	18,842
Total Restricted Assets	<u>61,725</u>	<u>61,725</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	179,259	179,259
Capital lease purchase	98,850	98,850
Undivided interest in LTWSC fixed assets	172,810	172,810
Less accumulated depreciation	<u>(2,814,790)</u>	<u>(2,814,790)</u>
Total Capital Assets, net of accumulated depreciation	<u>1,798,134</u>	<u>1,798,134</u>
Total Assets	<u><u>\$ 2,189,075</u></u>	<u><u>\$ 2,189,075</u></u>
DEFERRED OUTFLOW OF RESOURCES		
Deferred Outflow Related to TMRS, net	<u>\$ 6,713</u>	<u>\$ 6,713</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	44,000	\$ 44,000
Accrued interest payable	683	683
Deferred Coronavirus grant	177,888	177,888
Customer deposits liability	54,657	54,657
Current portion of bonds, loans and capital leases payable	78,581	78,581
Total Current Liabilities	<u>355,809</u>	<u>355,809</u>
Long-Term Liabilities:		
Bonds, loans and capital leases payable	130,615	130,615
Net pension liability (TMRS)	10,026	10,026
Total Long-Term Liabilities	<u>140,641</u>	<u>140,641</u>
Total Liabilities	<u><u>\$ 496,450</u></u>	<u><u>\$ 496,450</u></u>
DEFERRED INFLOW OF RESOURCES		
Deferred Inflow Related to TMRS, net	<u>\$ 11,477</u>	<u>\$ 11,477</u>
NET POSITION		
Net investment in capital assets	1,588,938	1,588,938
Restricted for:		
LTWSC capital improvements deposits	18,842	18,842
Unrestricted	80,081	80,081
Total Net Position	<u><u>\$ 1,687,861</u></u>	<u><u>\$ 1,687,861</u></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, 2022

	Water and Sewer	Total Proprietary Funds
Operating Revenues:		
Water sales	\$ 382,684	\$ 382,684
Sewer sales	186,783	186,783
Garbage sales	227,229	227,229
Late charges	13,407	13,407
Operating grant	80,560	80,560
Miscellaneous	17,515	17,515
Total operating revenues	<u>908,178</u>	<u>908,178</u>
Operating Expenses:		
Grant expenditures	80,560	80,560
Contract services	71,154	71,154
Depreciation	118,071	118,071
Dues	1,933	1,933
Intergovernmental commitments - Riverbend	61,197	61,197
IT software and support	10,507	10,507
Lab fees	980	980
Legal and audit fees	4,931	4,931
Miscellaneous expense	16,880	16,880
Oil and Gas	7,358	7,358
Operating supplies and expenses	46,475	46,475
Payroll wages	180,994	180,994
Payroll insurance health coverage	16,052	16,052
Payroll insurance workers compensation	5,710	5,710
Payroll retirement expense	7,392	7,392
Payroll taxes	14,216	14,216
Postage	8,534	8,534
Repairs and maintenance	100,872	100,872
Uniforms	733	733
Utilities	13,544	13,544
Water purchases	55,336	55,336
Waste management	153,637	153,637
Total operating expenses	<u>977,066</u>	<u>977,066</u>
Operating income (loss)	<u>(68,888)</u>	<u>(68,888)</u>
Non-Operating Revenues (Expenses)		
Interest income	1,650	1,650
Interest expense	(8,772)	(8,772)
Transfer in(out)	9,600	9,600
Total non-operating revenues (expenses)	<u>2,478</u>	<u>2,478</u>
Change in Net Position - Increase (Decrease)	(66,410)	(66,410)
Net Position - Beginning of the Year	<u>1,754,271</u>	<u>1,754,271</u>
Net Position - Ending of the Year	<u>\$ 1,687,861</u>	<u>\$ 1,687,861</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, 2022

	Water and Sewer	Total Proprietary Funds
Cash Flows from Operating Activities		
Receipts from customers	\$ 953,100	\$ 953,100
Payments to suppliers	(611,204)	(611,204)
Payments to employees	(229,200)	(229,200)
Net cash provided (used) by operating activities	<u>112,696</u>	<u>112,696</u>
Cash Flows from Noncapital Financing Activities		
Cash from General Fund and MEDC	<u>9,600</u>	<u>9,600</u>
Net cash provided (used) by noncapital financing activities	<u>9,600</u>	<u>9,600</u>
Cash Flows from Capital and Related Financing Activities		
Principal paid on bonds and loan obligations	(94,421)	(94,421)
Interest paid on bonds and loan obligations	(8,772)	(8,772)
Net cash provided (used) by capital and financing activities	<u>(103,193)</u>	<u>(103,193)</u>
Cash Flows from Investing Activities		
Increase in restricted assets	(5,014)	(5,014)
Interest received on investments	<u>1,650</u>	<u>1,650</u>
Net cash provided (used) by investing activities	<u>(3,364)</u>	<u>(3,364)</u>
Net increase (decrease) in cash and cash equivalents - unrestricted	15,739	15,739
Cash and cash equivalents at October 1, 2021 - unrestricted	<u>234,347</u>	<u>234,347</u>
Cash and cash equivalents at September 30, 2022 - unrestricted	<u>\$ 250,086</u>	<u>\$ 250,086</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (68,888)	\$ (68,888)
Depreciation expense	118,071	118,071
Change in assets and liabilities:		
(Increase) decrease in receivables	(6,086)	(6,086)
Increase (decrease) in accounts payable	23,427	23,427
Increase (decrease) in deferred grant	48,792	48,792
Increase (decrease) in customer deposits liability	2,216	2,216
Increase (decrease) in pension plan assets and outflows	<u>(4,836)</u>	<u>(4,836)</u>
Net cash provided (used) by operating activities	<u>\$ 112,696</u>	<u>\$ 112,696</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, 2022*

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.

New Accounting Pronouncements

The City implemented Governmental Accounting Standards Board (GASB) Number 87 *Leases* to improve accounting and financial reporting for leases by governments. A right-to-use lease is defined as a contract that conveys control of another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. To be accounted for as a lease, the lease must meet the definition of a "long-term" lease provided in GASB 87 and must meet the capitalization level set by the Council. The right-to-use lease liability is reported in the government-wide statements. The lease liability is calculated as present value of the reasonably certain expected payments to be made over the term of the lease and the interest included in the lease payment is recorded as an expense. The City did not have any material leases individually or in the aggregate for the fiscal year.

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.

CITY OF MAUD, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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.

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.

*CITY OF MAUD, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022*

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.

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.

CITY OF MAUD, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

The restricted assets as of September 30, 2022 are as follow:

<u>Type of Restricted Asset</u>	<u>Business-type Activities</u>
USDA Bonds Payment Fund	\$ 42,883
LTWSC Capital Improvement Deposits	18,842
 Total Restricted Assets	 <u>\$ 61,725</u>

Accounts Receivable

The accounts receivable as of September 30, 2022 are as follows:

<u>Accounts Receivable</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Unit</u>
Property tax	\$ 31,783	\$ -	\$ 31,783	\$ -
Sales tax	21,824	-	21,824	4,363
Franchise tax	8,395	-	8,395	-
Warrants receivable	3,915	-	3,915	-
Customer billed receivables	-	84,462	84,462	-
Allowance for uncollectible accounts	(30,794)	(17,679)	(48,473)	-
 Total Accounts Receivable, Net	 <u>\$ 35,123</u>	 <u>\$ 66,783</u>	 <u>\$ 101,906</u>	 <u>\$ 4,363</u>

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.

*CITY OF MAUD, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022*

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

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, 2022 totaled \$7,086.

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

CITY OF MAUD, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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.

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.

CITY OF MAUD, TEXAS
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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.

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, 2022, 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 \$1,969 of delinquent property taxes as of September 30, 2022.

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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 \$0.518482 per one hundred dollars of assessed valuation. Based on 100% of estimated market value, the City has a tax margin of \$0.981518 per \$100 and could raise an additional \$336,847 per year from the present assessed valuation of \$34,319,031 before the limit is reached. The amount assessed for the 2021 tax roll was \$177,938.

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.

NOTE E – CAPITAL ASSETS

Governmental activities capital asset activity for the year ended September 30, 2022, is as follows:

	Balance October 1, 2021	Additions	Reclassifications / Deletions	Balance September 30, 2022
Governmental activities - cost				
Land	\$ 35,664	\$ -	\$ 1,520	\$ 34,144
Buildings	347,895	-	6,080	341,815
Office furniture and equipment	60,760	10,930	-	71,690
Vehicles and equipment	414,197	-	-	414,197
Streets	175,966	-	-	175,966
Total	<u>\$ 1,034,482</u>	<u>\$ 10,930</u>	<u>\$ 7,600</u>	<u>\$ 1,037,812</u>
Governmental activities - accumulated depreciation				
Buildings	235,683	8,809	3,243	241,249
Office furniture and equipment	42,286	5,462	-	47,748
Vehicles and equipment	386,722	7,353	-	394,075
Streets	73,494	8,739	-	82,233
Total	<u>\$ 738,185</u>	<u>\$ 30,363</u>	<u>\$ 3,243</u>	<u>\$ 765,305</u>
Governmental activities capital assets, net	<u>\$ 296,297</u>	<u>\$ (19,433)</u>	<u>\$ 4,357</u>	<u>\$ 272,507</u>

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Governmental activities depreciation expense charged to program activities was:

General administration	\$ 8,565
Library	1,169
Public Safety	11,890
Streets	8,739
	<u>\$30,363</u>

During the current year, the City purchased an extractor tool for the public safety department. The City exchanged a building and land with the Maud Economic Development Corporation for note forgiveness in the Water & Sewer Fund. The note balance forgiven was \$14,667 and the property exchanged had a book value of \$4,357, which resulted in a gain of \$10,310.

Business-type activities capital asset activity for the year ended September 30, 2022, is as follows:

	Balance October 1, 2021	Additions	Reclassifications / Deletions	Balance September 30, 2022
Business-type activates - 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	179,259	-	-	179,259
Capital Lease Purchase	98,850	-	-	98,850
Undivided interest in LTWSC	172,810	-	-	172,810
Total	<u>\$ 4,612,924</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,612,924</u>
Business-type activities - accumulated depreciation				
Water system	770,964	19,077	-	790,041
Sewer system	1,666,777	72,783	-	1,739,560
Office Furniture and Equipment	2,928	770	-	3,698
Vehicles and Equipment	94,518	11,592	-	106,110
Capital Lease Purchase	21,418	9,885	-	31,303
Undivided interest in LTWSC	140,114	3,964	-	144,078
Total	<u>\$ 2,696,719</u>	<u>\$ 118,071</u>	<u>\$ -</u>	<u>\$ 2,814,790</u>
	<u>\$ 1,916,205</u>	<u>\$ (118,071)</u>	<u>\$ -</u>	<u>\$ 1,798,134</u>

Business-type activities - All depreciation expense of \$118,071 recorded in the business-type activities was charged to the Water and Sewer Fund.

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, 2022 was \$25,763.

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NOTES TO BASIC FINANCIAL STATEMENTS
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All debt borrowings are from direct borrowing. Governmental -type transactions long-term debts for the year ended September 30, 2022 are summarized as follows:

Type of Debt	October 1, 2021	Additions	Retirements	September 30, 2022	Due within one year
MEDC Note Payable	<u>\$ 28,623</u>	<u>\$ -</u>	<u>\$ 2,860</u>	<u>\$ 25,763</u>	<u>\$ 2,889</u>

The annual requirements to retire debt as of September 30, 2022 is as follows:

September 30,	MEDC		Total
	Principal	Interest	
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	3,007	126	3,133
2028-2032	11,025	204	11,229
Totals	<u>\$ 25,763</u>	<u>\$ 1,132</u>	<u>\$ 26,895</u>

Business-type activities long-term debt at September 30, 2022 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%.	\$ 72,000
\$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%.	19,000
\$14,490 Notes Payable Purchase Obligation, due in monthly installments of \$260 through February 2026 at an interest rate of 2.99%.	10,198
\$75,078 Notes Payable Purchase Obligation, due in monthly installments of \$1,359 through March 2026 at an interest rate of 2.99%.	54,129
\$98,850 Notes Payable Purchase Obligation, due in monthly installments of \$1,540 through October 2025 at an interest rate of 3.85%.	<u>53,869</u>
Total Business-Type Activities -Water and Sewer Fund	<u>\$ 209,196</u>

CITY OF MAUD, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

All debt borrowings are from direct borrowings. Business-type transactions long-term debts for the year ended September 30, 2022 are summarized as follows:

Type of Debt	October 1, 2021	Additions	Retirements	September 30, 2022	Due within one year
Business-type Activities					
Revenue Bonds	\$ 106,000	\$ -	\$ 34,000	\$ 72,000	\$ 35,000
Revenue Bonds	28,000	-	9,000	19,000	9,000
Truck Loan - Bank	3,284	-	3,284	-	-
MEDC Loan Payable	14,667	-	14,667	-	-
Notes Payable - Trailer	12,971	-	2,773	10,198	2,858
Notes Payable - Loader	68,581	-	14,452	54,129	14,890
Notes Payable - Back loader	70,114	-	16,245	53,869	16,833
	<u>\$ 303,617</u>	<u>\$ -</u>	<u>\$ 94,421</u>	<u>\$ 209,196</u>	<u>\$ 78,581</u>

The annual requirements to retire business-type activities long-term debt as of September 30, 2022 is as follows:

Year Ending September 30,	1994 Series		1994 Series		Notes Payable - Loader	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	35,000	2,453	9,000	652	14,890	1,416
2024	37,000	832	10,000	225	15,342	964
2025	-	-	-	-	15,806	499
2026	-	-	-	-	8,091	62
Totals	<u>\$ 72,000</u>	<u>\$ 3,285</u>	<u>\$ 19,000</u>	<u>\$ 877</u>	<u>\$ 54,129</u>	<u>\$ 2,941</u>

Year Ending September 30,	Notes Payable - Backloader		Notes Payable - Trailer	
	Principal	Interest	Principal	Interest
2023	16,833	1,644	2,858	266
2024	17,439	1,038	2,944	179
2025	18,073	404	3,033	90
2026	1,524	16	1,363	11
Totals	<u>\$ 53,869</u>	<u>\$ 3,102</u>	<u>\$ 10,198</u>	<u>\$ 546</u>

NOTE H – EMPLOYEE RETIREMENT SYSTEMS

Plan Description

The City of Maud participates as one of 901 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.

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.

*CITY OF MAUD, TEXAS
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At retirement, the Member's benefit is calculated based on the sum of the Member's contributions, with interest the city-financed monetary credits with interest and their age at retirement and other actuarial factors. 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, 2021 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	14
Active employees	<u>6</u>
Total	<u>20</u>

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the Member's total compensation, and the city matching ratios are either, 1:1 (1 to 1), 1.5:1 (1½ to 1), or 2:1 (2 to 1), 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, 2022. The contribution rates for the City of Maud were 3.49% and 4.36% in calendar years 2021 and 2022, respectively. The city's contributions to TMRS for the year ended September 30, 2022, were \$11,227, and were equal to the required contributions.

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2021, 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, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% 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

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.

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The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 through 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.

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 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	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Other Public and Private Markets	12.0%	7.22%
Real Estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private Equity	10.0%	10.00%
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
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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 12/31/2020	\$205,465	\$176,980	\$ 28,485
Changes for the year:			
Service cost	17,311	-	17,311
Interest	14,334	-	14,334
Changes in current period benefits	-	-	-
Difference between expected and actual experience	(1,005)	-	(1,005)
Change in assumptions	-	-	-
Contributions - employer	-	8,220	(8,220)
Contributions - employee	-	11,776	(11,776)
Net investment income	-	23,199	(23,199)
Benefit payments, including refunds to employees	(3,523)	(3,523)	-
Administrative expense	-	(107)	107
Other changes	-	1	(1)
Net changes	27,117	39,566	(12,449)
Balance at 12/31/2021	\$232,582	\$216,546	\$ 16,036

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	\$ 47,322	\$ 16,036	\$ (9,616)

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.

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

For the year ended September 30, 2022 the city recognized pension expense of \$3,494.

As of September 30, 2022, 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	\$ 1,211	\$ 7,119
Changes in actuarial assumptions	904	-
Difference between projected and actual investment earnings	-	11,896
Contributions subsequent to the measurement date	9,145	-
	<u>\$ 11,260</u>	<u>\$ 19,015</u>

CITY OF MAUD, TEXAS
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\$9,145 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, 2022. 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	(4,351)
2023	(7,180)
2024	(3,120)
2025	(2,249)
2026	-
Thereafter	-
Total	<u>\$ (16,900)</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 2020	Plan Year 2021	Plan Year 2022
Active employees (yes or no)	Yes	Yes	Yes
Retirees (yes or no)	Yes	Yes	Yes

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 2022, 2021 and 2020 were \$638, \$576, and \$325, 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.

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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 \$2,200 of expenditures to Riverbend.

The City incurred \$53,136 of expenditures for water under this Water Supply Contract for the year ending September 30, 2022. 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 \$61,197 in FY 2022.

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.

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. Payments of \$14,667 were made in the current year. As of September 30, 2022, the balance is \$0.

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, 2022, the balance outstanding on the note receivable due from the City of Maud was \$25,763. The balance represents a significant concentration of credit risk for MEDC at year-end.

NOTE K – SUBSEQUENT EVENTS

In reviewing its financial statements, management has evaluated events subsequent to the balance sheet date through April 11, 2023, 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, 2022

	Budgeted Amounts		GAAP Basis Actual Amount	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 177,570	\$ 177,570	\$ 176,328	\$ (1,242)
Franchise taxes	35,000	35,000	32,869	(2,131)
Sales taxes	120,000	120,000	119,449	(551)
Fines and forfeitures	6,000	6,000	2,200	(3,800)
Volunteer fire department supplemental	11,800	11,800	25,825	14,025
Donations	100	100	1,111	1,011
Grant revenues	550	550	96,456	* 95,906
Interest	370	370	3,107	2,737
Miscellaneous	31,526	31,526	31,213	(313)
Total revenues	382,916	382,916	488,558	105,642
Expenditures				
Contract services	1,100	1,100	1,623	(523)
Dues and subscriptions	11,700	11,700	10,914	786
Grant expenditures	500	500	92,852	* (92,352)
Insurance other	4,400	4,400	3,300	1,100
IT software and support	6,500	6,500	17,893	(11,393)
Legal and audit	22,500	22,500	10,564	11,936
Miscellaneous	14,665	14,665	8,356	6,309
Oil and gas	-	-	12,149	(12,149)
Operating supplies	33,000	33,000	6,613	26,387
Payroll	93,131	93,131	110,821	(17,690)
Payroll health insurance	10,000	10,000	23,714	(13,714)
Payroll retirement expense	92	92	4,380	(4,288)
Payroll taxes and unemployment	2,092	2,092	8,353	(6,261)
Payroll workers compensation	4,300	4,300	2,625	1,675
Postage	500	500	20	480
Repairs and maintenance	16,700	16,700	27,222	(10,522)
Repairs and maintenance - streets	80,000	80,000	-	80,000
Small equipment/ bunker gear	11,100	11,100	11,751	(651)
State court costs and fees	5,000	5,000	702	4,298
Travel and training	3,100	3,100	28,505	(25,405)
Utilities	46,700	46,700	10,930	35,770
State court costs	-	-	2,860	(2,860)
Capital outlay	7,240	7,240	273	6,967
Interest expense	500	500	-	500
Total expenditures	374,820	374,820	396,420	(21,600)
Excess (deficiency) of revenues over expenditures	8,096	8,096	92,138	84,042
Other Financing Sources (Uses):				
Transfers in (out)	-	-	(8,322)	(8,322)
Proceeds from sale of asset	-	-	14,667	14,667
Total other financing sources (uses)	-	-	6,345	6,345
Net Change in Fund Balance	8,096	8,096	98,483	90,387
Fund balance at October 1, 2021	421,793	421,793	421,793	-
Fund balance at September 30, 2022	\$ 429,889	\$ 429,889	\$ 520,276	\$ 90,387

* ARPA grant funds were received in FY 2021 and 2022. The amounts were recognized as deferred revenue until spent. The amounts were not budgeted by the City.

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	2021
Total Pension (Asset) Liability							
Service cost	\$ 14,466	\$ 16,012	\$ 15,661	\$ 15,812	\$ 15,945	\$ 16,839	\$ 17,311
Interest (on the Total Pension Liability)	5,086	6,647	8,146	9,843	11,190	12,295	14,334
Changes of benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	1,148	(275)	1,260	(5,036)	(11,165)	3,359	(1,005)
Change of assumptions	4,341	-	-	-	1,420	-	-
Benefit payments, including refunds to employees	-	-	-	-	(1,454)	(1,499)	(3,523)
Net Change in Total Pension Liability	25,041	22,384	25,067	20,619	15,936	30,994	27,117
Total Pension Liability - Beginning	65,424	90,465	112,849	137,916	158,535	174,471	205,465
Total Pension Liability - Ending (a)	\$ 90,465	\$ 112,849	\$ 137,916	\$ 158,535	\$ 174,471	\$ 205,465	\$ 232,582
Plan Fiduciary Net Position							
Contributions - employer	\$ 7,705	\$ 8,031	\$ 8,674	\$ 8,594	\$ 8,379	\$ 8,055	\$ 8,220
Contributions - employee	11,231	11,967	11,687	11,871	11,588	11,597	11,776
Net investment income	34	2,858	9,036	(2,840)	17,410	11,282	23,199
Benefit payments, including refunds to employees	-	-	-	-	(1,454)	(1,499)	(3,523)
Administrative expense	(21)	(32)	(47)	(55)	(98)	(73)	(107)
Other changes	(1)	(2)	(2)	(3)	(3)	(3)	1
Net Change in Plan Fiduciary Net Position	18,948	22,822	29,348	17,567	35,822	29,359	39,566
Plan Fiduciary Net Position - Beginning	23,112	42,060	64,882	94,230	111,798	147,620	176,980
Plan Fiduciary Net Position - Ending (b)	\$ 42,060	\$ 64,882	\$ 94,230	\$ 111,797	\$ 147,620	\$ 176,979	\$ 216,546
Net Pension (Asset) Liability - Ending (a) - (b)	\$ 48,405	\$ 47,967	\$ 43,686	\$ 46,738	\$ 26,851	\$ 28,486	\$ 16,036
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	46.49%	57.49%	68.32%	70.52%	84.61%	86.14%	93.11%
Covered Employee Payroll	\$ 224,626	\$ 239,338	233,740	237,413	231,762	231,840	235,519
Net Pension (Asset) Liability as a Percentage of Covered Employee Payroll	21.55%	20.04%	18.69%	19.71%	11.59%	12.29%	6.81%

CITY OF MAUD, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION - TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
SCHEDULE OF CONTRIBUTIONS
FISCAL YEAR ENDED SEPTEMBER 30, 2022
YEAR ENDED SEPTEMBER 30, 2021
Last 10 Years (will ultimately be displayed)

	FISCAL YEAR ENDED MARCH 31, 2020					SIX-MONTHS ENDED SEPTEMBER		YEAR ENDED SEPTEMBER		YEAR ENDED SEPTEMBER	
	2016	2017	2018	2019	2020	2020	\$	2021	\$	2022	\$
Actuarially Determined Contribution	\$ 7,705	\$ 8,232	\$ 8,680	\$ 8,854	\$ 8,195	\$ 4,610	\$ 8,005	\$ 8,005	\$ 11,227		
Contributions in relation to the actuarially determined contribution	7,705	8,232	8,680	8,854	8,195	4,610	8,005	8,005	11,227		
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-		
Covered employee payroll	\$ 227,121	\$ 230,123	\$ 228,720	\$ 244,576	\$ 228,517	\$ 126,298	\$ 229,668	\$ 229,668	\$ 269,406		
Contributions as a percentage of covered employee payroll	3.39%	3.58%	3.80%	3.62%	3.59%	3.65%	3.49%	3.49%	4.17%		

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 eight 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	N/A
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.
Other Information: Notes	The rates are projected on a fully generational basis with scale UMP.
	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

April 11, 2023

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, 2022, 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 April 11, 2023.

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 purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion 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.

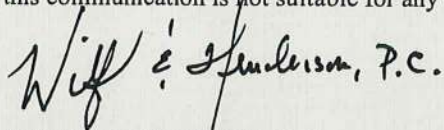
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on 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*.

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

April 11, 2023

**CITY OF MAUD, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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. No instances of noncompliance material to the financial statements of the City of Maud, Texas were 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*.

No findings were required to be reported.

**CITY OF MAUD, TEXAS
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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

Compliance

Finding 9-2021-1 Material Noncompliance – Procurement Process Not Followed

The City did not obtain competitive bids on the purchase of large equipment. 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. 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. The finding was not repeated in FY 2022.

**CITY OF MAUD, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

There were no current year findings.