

MAXWELL SPECIAL UTILITY DISTRICT

ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
DECEMBER 31, 2021**

MAXWELL SPECIAL UTILITY DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021

TABLE OF CONTENTS

	PAGE
TITLE PAGE	i
TABLE OF CONTENTS	ii
ANNUAL FILING AFFIDAVIT	1
INDEPENDENT AUDITOR’S REPORT	2
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	5
BASIC FINANCIAL STATEMENTS	9
STATEMENT OF NET POSITION	10
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	11
STATEMENT OF CASH FLOWS.....	12
NOTES TO BASIC FINANCIAL STATEMENTS	14
REQUIRED SUPPLEMENTARY INFORMATION	20
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BUDGET AND ACTUAL.....	21
SUPPLEMENTARY INFORMATION.....	22
TSI-1. SERVICES AND RATES	23
TSI-2. ENTERPRISE FUND EXPENSES.....	25
TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES.....	26
TSI-8. BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS	27
COMPLIANCE SECTION	28
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING</i> <i>STANDARDS</i>	29

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS :

COUNTY OF HAYS AND CALDWELL :

I, Robert Karasch, of Maxwell Special Utility District hereby swear, or affirm, that the District named above has reviewed and approved, at a meeting of the District's Board of Directors on the 28 day of April, 2022, its annual audit report of the fiscal period ended December 31, 2021, and that copies of the annual audit report have been filed in the District's office located at 216 Main Street, Maxwell, TX 78656.

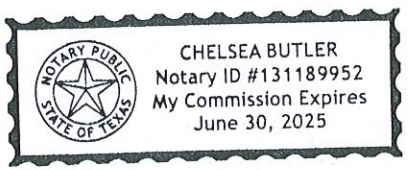
This annual filing affidavit and the attached copy of the audit report will be submitted to the Texas Commission on Environmental Quality to satisfy the annual filing requirements of the Texas Water Code Section 49.194.

Date: 4/29, 2022 By: [Signature]
(Signature of District Official)

Robert Karasch - President
(Typed Name & Title of District Representative)

Sworn to and subscribed to before me this 29 day of April, 2022.

[Signature]
(Signature of Notary)



Commission expires on June 30, 2025
Notary Public in the State of Texas



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Maxwell Special Utility District
Maxwell, TX

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Maxwell Special Utility District, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of Maxwell Special Utility District, as of December 31, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government 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 Maxwell Special Utility District 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

Maxwell Special Utility District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 Maxwell Special Utility District's ability to continue as a going concern for one year after the date that the financial statements are issued.

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

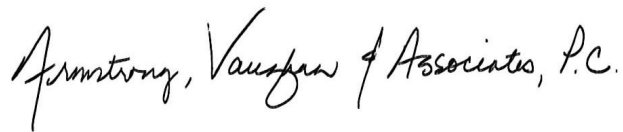
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Maxwell Special Utility District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2022 on our consideration of Maxwell Special Utility District's 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 Maxwell Special Utility District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.
April 18, 2022

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Maxwell Special Utility District’s annual financial report presents our discussion and analysis of the District’s financial performance during the fiscal year ended December 31, 2021. Please read it in conjunction with the District’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District took over operations and employees of Maxwell Water Supply Corporation in July 2020. 2021 represents the first full year of operations in the District. The District ended 2021 with net assets of \$10.2 million.
- During the year, the District’s operating revenues were \$285 thousand more than the \$2.6 million in operating expenses. Utility revenues and expenses transitioned to the District in July 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management’s discussion and analysis* (this section), *the basic financial statements, required supplementary information*, and *supplementary information required by the Texas Commission on Environmental Quality*. The basic financial statements consist of the following statements:

- The *Statement of Net Position* shows the financial standing of the District as of the end of the year, including all assets and liabilities.
- The *Statement of Revenues, Expenses and Changes in Net Position* provides information about the activity of the District during the fiscal year. It reports revenues when incurred, regardless of when they are received, and expenses when incurred, regardless of when they are paid.
- The *Statement of Cash Flows* reports the sources and uses of cash during the fiscal year.

The financial statements also include notes that explain a few of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. The final section of supplementary information provides even more information required by TCEQ.

FINANCIAL ANALYSIS OF THE DISTRICT

Net position—the difference between the District’s assets and liabilities—is one way to measure the District’s financial health or *position*.

- Over time, increases or decreases in the District’s net position is an indicator of whether its financial health is improving or deteriorating, respectively.

The District's combined net position was \$10.2 million at December 31, 2021. Of this amount, \$4.6 million was invested in capital assets, leaving an unrestricted net position of \$3.4 million. (See Table A-1).

Table A-1
District's Net Position

	2021	2020
<i>Assets:</i>		
Cash and Investments	\$ 5,679,228	\$ 2,535,001
Other Current Assets	385,866	338,210
Other Assets	44,949	54,397
Capital Assets (Net)	4,546,519	4,768,293
<i>Total Assets</i>	10,656,562	7,695,901
 <i>Liabilities:</i>		
Current	493,555	790,725
<i>Total Liabilities</i>	493,555	790,725
 <i>Net Position:</i>		
Net Investment in Capital	4,591,468	4,398,078
Restricted Impact Fees	2,201,828	-
Unrestricted	3,369,711	2,507,098
<i>Total Net Position</i>	\$ 10,163,007	\$ 6,905,176

The District's total operating revenues were \$2.9 million, which was a full year compared to the partial 2020 year. The operating expenses were \$2.6 million. Non-operating revenues increased from impact fees. (See Table A-2)

Table A-2
Changes in District Net Position

	2021	2020
Operating Revenues	\$ 2,900,743	\$ 1,253,779
Operating Expenses	(2,615,417)	(1,337,621)
Operating Income (Loss)	285,326	(83,842)
Non-operating Income	2,972,505	407,432
Change in Net Position	3,257,831	323,590
Beginning Net Position	6,905,176	(58,447)
WSC Conversion	-	6,640,033
Ending Net Position	\$ 10,163,007	\$ 6,905,176

BUDGETARY HIGHLIGHTS

District revenues fell \$84 thousand short of the budget and expenses were under budget by \$211 thousand in total. Impact fees were also under budget as development did not happen as fast as expected. The net change in net position was an increase of \$3.3 million, \$309 thousand less than the budget projected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2021, the District had invested \$9.3 million in a broad range of capital assets, including land, buildings, equipment, treatment plants, and distribution systems. Improvements related to generators and an SH 80 waterline were started in 2021. (See Table A-3.) More detailed information about the District's capital assets is presented in the notes to the financial statements.

Table A-3
District's Capital Assets

	<u>2021</u>	<u>2020</u>
Land	\$ 463,573	\$ 463,573
Construction in Progress	56,783	-
Building and Improvements	271,055	271,055
Plant and Distribution System	8,310,751	8,310,751
Machinery and Equipment	<u>209,804</u>	<u>209,804</u>
Totals at Historical Cost	<u>9,311,966</u>	<u>9,255,183</u>
Total Accumulated Depreciation	<u>(4,765,447)</u>	<u>(4,486,890)</u>
Net Capital Assets	<u>\$ 4,546,519</u>	<u>\$ 4,768,293</u>

Long-Term Debt

All of the District's debts were paid off in 2021. More detailed information about the District's debt is presented in the notes to the financial statements.

Table A-4
District's Long Term Debt

	<u>2021</u>	<u>2020</u>
Notes Payable	<u>\$ -</u>	<u>\$ 424,612</u>
Total Long-Term Debt	<u>\$ -</u>	<u>\$ 424,612</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2022 budget expects continued development throughout the District that will generate significant impact fees. Rapid development in the area continues to put demands on the District's system and for more water sources. In addition, the District is planning on a new office to begin construction in 2022.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District at P.O. Box 158, Maxwell, TX 78656.

BASIC FINANCIAL STATEMENTS

The basic financial statements include:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

MAXWELL SPECIAL UTILITY DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2021

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	5,679,228
Accounts Receivable (net)		358,982
Prepaid Expense		26,884
<i>Total Current Assets</i>		<u>6,065,094</u>

Other Assets:

CoBank Financing Certificates		44,949
Capital Assets (net)		4,546,519
<i>Total Other Assets</i>		<u>4,591,468</u>

TOTAL ASSETS		<u>10,656,562</u>
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LIABILITIES

Current Liabilities:

Accounts Payable		151,919
Accrued Wages		5,753
Accrued Compensated Absences		9,970
Customer Deposits		325,913
<i>Total Current Liabilities</i>		<u>493,555</u>

TOTAL LIABILITIES		<u>493,555</u>
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NET POSITION

Net Investment in Capital Assets		4,591,468
Restricted Impact Fees		2,201,828
Unrestricted		3,369,711
TOTAL NET POSITION		<u>\$ 10,163,007</u>

MAXWELL SPECIAL UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021

OPERATING REVENUES	
Water Sales	\$ 2,770,501
Other Charges	<u>130,242</u>
TOTAL OPERATING REVENUES	<u><u>2,900,743</u></u>
 OPERATING EXPENSES	
Water Purchase	1,123,374
Repairs and Maintenance	434,487
Personnel	423,232
Professional Fees	213,516
Depreciation	278,557
Office and Other Expenses	127,134
Utilities	<u>15,117</u>
TOTAL OPERATING EXPENSES	<u><u>2,615,417</u></u>
 OPERATING INCOME (LOSS)	
	<u><u>285,326</u></u>
 NON-OPERATING REVENUES (EXPENSES)	
Miscellaneous Income	867
Interest Income	48
Impact Fees	1,908,880
Acquisition, Inquiry and Installation Fees	1,067,211
Interest Expense	<u>(4,501)</u>
TOTAL NON-OPERATING REVENUES	<u><u>2,972,505</u></u>
 CHANGE IN NET POSITION	
	3,257,831
 BEGINNING NET POSITION	
	<u><u>6,905,176</u></u>
 ENDING NET POSITION	
	<u><u><u>\$ 10,163,007</u></u></u>

MAXWELL SPECIAL UTILITY DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

Cash Flows from Operating Activities	
Cash Received from Customers	\$ 2,973,331
Other Cash Receipts	867
Cash Payments to Suppliers for Goods and Services	(1,909,922)
Cash Payments to Employees for Services	<u>(419,740)</u>
Net Cash Provided (Used) by Operating Activities	<u>644,536</u>
 Cash Flows from Capital and Related Financing Activities	
Principal Payments on Notes Payable	(424,612)
Purchase of Capital Assets	(56,783)
Impact and Installation Fees	2,976,091
Interest Paid	<u>(4,501)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>2,490,195</u>
 Cash Flows from Investing Activities	
Return of CoBank Capital Term Certificates	9,448
Interest Income	<u>48</u>
Net Cash Provided (Used) by Investing Activities	<u>9,496</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 3,144,227
 Beginning Cash and Cash Equivalents	 <u>2,535,001</u>
 Ending Cash and Cash Equivalents	 <u><u>\$ 5,679,228</u></u>

MAXWELL SPECIAL UTILITY DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021

**Reconciliation of Operating Income to Net Cash Provided (Used)
by Operating Activities**

Operating Income (Loss)	\$ 285,326
Adjustments to Reconcile Income from Operations to Net Cash	
Provided by Operating Activities:	
Other Cash Receipts	867
Depreciation	278,557
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(38,643)
(Increase) Decrease in Prepaid Expenses	(9,013)
Increase (Decrease) in Accounts Payable	12,719
Increase (Decrease) in Accrued Wages	1,679
Increase (Decrease) in Accrued Compensated Absences	1,813
Increase (Decrease) in Customer Deposits	111,231
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 644,536</u></u>

MAXWELL SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Maxwell Special Utility District (the “District”) was created pursuant to Texas Senate Bill 1422, 86th Legislature, R.S. (2019), further codified in Texas Special District Local Laws Code Chapter 7222, enacted under the authority granted to the Texas Legislature in Texas Constitution article XVI Section 59. Prior to that date the District operated as a Water Supply Corporation. The District was organized to furnish potable water and wastewater utility services. The District is managed by a Board of Directors consisting of nine members elected by voters residing in the District’s boundaries. The District serves customers in Hays and Caldwell counties.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below:

1. REPORTING ENTITY

In evaluating how to define the government for financial 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 GASB Statement 14, “The Financial Reporting Entity” and GASB Statement 39 “Determining Whether Certain Organizations are Component Units”. The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. The District has no component units.

2. ENTERPRISE FUND

The District is an enterprise fund. Enterprise funds are proprietary funds used to account for business-type activities provided to the general public or other governmental entities. The activities are financed by charges to customers and the measurement of financial activity focuses on net income similar to the private sector. Revenues are recognized when earned, and expenses are recognized when incurred.

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Revenues are classified as *operating* and *non-operating*. Operating revenues include charges to customers for water and wastewater services. Non-operating revenues include customer charges for capital expansion and interest income.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

MAXWELL SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. CASH AND INVESTMENTS

State statutes authorize the District to invest in (a) obligations of the United States or its agencies, and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) – (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations.

Investments are stated at fair value (plus accrued interest) except for money market, certificates of deposit, local government investment pools, and participating interest-earning investment contracts (U.S. Treasuries) that have a remaining maturity at time of purchase of one year or less. Those investments are stated at amortized cost, which approximates fair value.

The District considers cash and cash equivalents to be amounts in checking accounts, savings accounts, money market accounts, and local government investment pools.

5. ACCOUNTS RECEIVABLE

Customers are billed monthly for services and recorded as revenue in the period of the service. Often bills are issued in subsequent months for water consumption in the previous month. Revenue earned in a previous period is recorded as an unbilled receivable at the end of each period. Accounts receivable consists of amounts due from customers for services rendered and is presented net of an allowance for doubtful accounts based on management's estimate.

6. PREPAID EXPENSES

Expenses paid during the year that have a benefit beyond the current fiscal year are recorded on the balance sheet as prepaid expenses.

MAXWELL SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, equipment, water rights, and water plant and distribution systems, are recorded at cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Interest has been capitalized during the construction periods on water plant and distribution systems. Purchases in excess of \$5,000 with a useful life in excess of one year are capitalized and depreciated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	10 to 50 years
Equipment	3 to 10 years
Water Plants and Distribution Systems	20 to 50 years

8. COMPENSATED ABSENCES

Employees of the District are entitled to vacation leave of 5 to 15 days per year depending on the length of service. Time is accrued each month and employees may carry over 20 days each calendar year. All of the paid time off is payable upon termination. The balance of the unpaid vacation is accrued on these financial statements at the end of each year.

9. CUSTOMER DEPOSITS

Upon the creation of a new account, customers make a deposit toward their final bill. The amount is recorded as customer deposits liability on the Statement of Net Position.

10. LONG-TERM OBLIGATIONS

Bonds, notes and capital leases are recorded as liabilities on the statement of net position. Bond issue costs are expensed in the period they are incurred. Bonds payable are reported net of the applicable bond premium or discount. Interest costs are expensed during the construction period.

11. 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, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. When expenses qualify for restricted and unrestricted resources, the District's policy is to use restricted resources first.

MAXWELL SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. BUDGET

An operating budget is adopted each fiscal year for the District. The budget is adopted on a cash basis of accounting internally and converted to accrual basis for financial reporting. Additional budgetary information is provided in the required supplementary information.

13. USE OF ESTIMATES

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

NOTE B -- CASH AND INVESTMENTS

1. Cash and Cash Equivalents

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledge securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. At December 31, 2021, the District's bank deposits were covered by a combination of federal deposit insurance and pledged securities. All of the District's deposits were fully collateralized.

2. Investments

The District does not currently have investments. However, the District has adopted an investment policy in compliance with the Public Funds Investment Act and will obtain the necessary training prior to purchasing any investments.

NOTE C -- ACCOUNTS RECEIVABLE

District receivables as of December 31, 2021, consisted of the following:

Customer Balances	\$ 287,180
Unbilled Services Rendered	91,802
Allowance for Uncollectible Accounts	<u>(20,000)</u>
Total Accounts Receivable (net)	<u><u>\$ 358,982</u></u>

MAXWELL SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE D -- CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021 was as follows:

	Balances at 1/1/21	Additions	Transfers/ Disposals	Balances at 12/31/2021
Land	\$ 463,573	\$ -	\$ -	\$ 463,573
Construction in Progress	-	56,783	-	56,783
Building and Improvements	271,055	-	-	271,055
Plant and Distribution System	8,310,751	-	-	8,310,751
Machinery and Equipment	209,804	-	-	209,804
	<u>9,255,183</u>	<u>56,783</u>	<u>-</u>	<u>9,311,966</u>
<i>Less Accumulated Depreciation</i>				
Building and Improvements	(230,877)	(6,102)	-	(236,979)
Plant and Distribution System	(4,115,478)	(243,254)	-	(4,358,732)
Machinery and Equipment	(140,535)	(29,201)	-	(169,736)
	<u>(4,486,890)</u>	<u>(278,557)</u>	<u>-</u>	<u>(4,765,447)</u>
Capital Assets, Net	<u>\$ 4,768,293</u>	<u>\$ (221,774)</u>	<u>\$ -</u>	<u>\$ 4,546,519</u>

Land and Construction in Progress are not depreciated.

NOTE E -- LONG-TERM DEBT

Name	Original Issue		Interest Rate	Maturity Date	Monthly Payment
	Amount	Date			
USDA Note Payable	\$500,000	4/26/2001	4.75%	3/26/2041	\$ 2,350
CoBank Note Payable	840,000	12/28/1999	2.9% (V)	8/20/2021	8,225

Both debts were fully paid in 2021. The District's long-term debt activity as of and for the year ending December 31, 2021 is as follows:

Issue	Balance Outstanding			Balance Outstanding	
	1/1/2021	Additions	Retirements	12/31/2021	Due Within One Year
USDA Note	\$ 366,796	\$ -	\$ (366,796)	\$ -	\$ -
CoBank Note	57,816	-	(57,816)	-	-
Totals	<u>\$ 424,612</u>	<u>\$ -</u>	<u>\$ (424,612)</u>	<u>\$ -</u>	<u>\$ -</u>

MAXWELL SPECIAL UTILITY DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2021

NOTE F -- JOINT VENTURE – CANYON REGIONAL WATER AUTHORITY

The District is a member entity of Canyon Regional Water Authority (CRWA) through a regional taxable water supply contract dated August 1, 1998. CRWA was created to purchase, own, hold, lease and otherwise acquire sources of potable water; build, operate and maintain facilities for the treatment and transportation of water; sell potable water to local governments, water supply corporations and other persons in Texas; to protect, preserve and restore the purity and sanitary condition of water in the area. The participating entities, of which there are 13, are contractually obligated to fund a pro-rata portion of CRWA’s operating, debt service and project costs. The District has pledged its system revenues to fund its share of CRWA costs and debts (approximately 5%). For the fiscal year ended September 30, 2021, CRWA reported assets of \$187 million and liabilities of \$135 million, including bonds payable of \$127 million. Annual required funding payments are recorded as water purchases. Annual financial reports of the Authority may be obtained by contacting Authority management at 850 Lakeside Pass, New Braunfels, Texas 78130.

NOTE G -- LITIGATION

Management is not aware of any pending or likely litigation that will have a significant impact on these financial statements.

NOTE H -- COMMITMENTS

In 2021, the District entered into the following commitments:

	Total <u>Commitment</u>	Expended <u>to Date</u>	Estimated <u>Remaining</u>
County Line CCN Purchase	\$ 271,544	\$ -	\$ 271,544
SH 80 Water Line	284,936	29,783	255,153
	<u>\$ 556,480</u>	<u>\$ 29,783</u>	<u>\$ 526,697</u>

REQUIRED SUPPLEMENTARY INFORMATION

MAXWELL SPECIAL UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Operating Revenues:				
Water Sales	\$ 2,914,509	\$ 2,914,509	\$ 2,770,501	\$ (144,008)
Other Charges	70,500	70,500	130,242	59,742
Total Operating Revenues	<u>2,985,009</u>	<u>2,985,009</u>	<u>2,900,743</u>	<u>(84,266)</u>
Operating Expenses:				
Water Purchase	1,295,042	1,295,042	1,123,374	171,668
Repairs and Maintenance	532,000	532,000	434,487	97,513
Personnel	404,001	404,001	423,232	(19,231)
Professional Fees	175,700	175,700	213,516	(37,816)
Depreciation	262,900	262,900	278,557	(15,657)
Office and Other Expenses	145,908	145,908	127,134	18,774
Utilities	11,000	11,000	15,117	(4,117)
Total Operating Expenses	<u>2,826,551</u>	<u>2,826,551</u>	<u>2,615,417</u>	<u>211,134</u>
Operating Income (Loss)	<u>158,458</u>	<u>158,458</u>	<u>285,326</u>	<u>126,868</u>
Non-Operating Revenues (Expenses):				
Miscellaneous Income	8,100	8,100	867	(7,233)
Interest Income	2,500	2,500	48	(2,452)
Impact Fees	2,494,500	2,494,500	1,908,880	(585,620)
Acquisition, Inquiry and Installation Fees	945,200	945,200	1,067,211	122,011
Interest Expense	(42,000)	(42,000)	(4,501)	37,499
Non-Operating Revenues	<u>3,408,300</u>	<u>3,408,300</u>	<u>2,972,505</u>	<u>(435,795)</u>
Net Income	<u>\$ 3,566,758</u>	<u>\$ 3,566,758</u>	<u>\$ 3,257,831</u>	<u>\$ (308,927)</u>

SUPPLEMENTARY INFORMATION

The following Supplementary Information is required to be included as additional information by the Texas Commission on Environmental Quality (TCEQ).

MAXWELL SPECIAL UTILITY DISTRICT
TSI-1. SERVICES AND RATES
FISCAL YEAR ENDING DECEMBER 31, 2021

1. Services Provided by the District during the Fiscal Year:

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

2. Retail Service Providers

Retail Rates for a 5/8" Meter	Minimum Charge	Minimum Usage	Flat Rate	Rate per 1,000 Gallons Over Minimum	Usage Level
Water	\$ 31.40	N/A	No	\$ 7.25	0 to 5,000
				\$ 7.50	5,000 to 10,000
				\$ 7.75	10,000 to 15,000
				\$ 8.00	Over 15,000
Wastewater	N/A	N/A	N/A	\$ -	0 to 5,000
				\$ -	Over 5,000
Surcharge	\$ -			\$ -	

District employs winter averaging for wastewater usage? N/A

Total Charges per 10,000 gallons usage:

Water	<u>\$ 105.67</u>
Wastewater	<u>N/A</u>

Water and Wastewater Retail Connections

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	<u>0</u>	<u>0</u>	1.0	<u>0</u>
<=3/4"	<u>2,002</u>	<u>2,002</u>	1.0	<u>2,002</u>
1"	<u>78</u>	<u>78</u>	2.5	<u>195</u>
1 1/2"	<u>5</u>	<u>5</u>	5.0	<u>25</u>
2"	<u>5</u>	<u>5</u>	8.0	<u>40</u>
3"	<u>3</u>	<u>3</u>	15.0	<u>45</u>
4"	<u>1</u>	<u>1</u>	25.0	<u>25</u>
6"	<u>0</u>	<u>0</u>	50.0	<u>0</u>
8"	<u>0</u>	<u>0</u>	80.0	<u>0</u>
10"	<u>0</u>	<u>0</u>	115.0	<u>0</u>
Total Water	<u>2,094</u>	<u>2,094</u>		<u>2,332</u>
Total Wastewater	<u>0</u>	<u>0</u>	1.0	<u>0</u>

MAXWELL SPECIAL UTILITY DISTRICT
 TSI-1. SERVICES AND RATES (CONTINUED)
 FISCAL YEAR ENDING DECEMBER 31, 2021

3. Total Water Consumption during the Fiscal Year (rounded to the nearest thousand):

Gallons pumped into system	239,478,000		Water Accountability Ratio: (Gallons billed/Gallons pumped)
Gallons billed to customers:	210,535,000		88%

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby Fees? Yes No

If yes, Date of the most recent Commission Order: _____

Does the District have Operation and Maintenance standby fees? Yes No

If yes, Date of the most recent Commission Order: _____

5. Location of District:

Counties in which the District is located: Caldwell, Hays

Is the District located entirely within one county? Yes No

Is the District located within a city? Entirely Partly Not at all

Cities in which the District is located: San Marcos, Maxwell

Is the District located within a city's extra territorial jurisdiction (ETJ)?
 Entirely Partly Not at all

ETJs in which the District is located: San Marcos

Are Board members appointed by an office outside the district? Yes No

If Yes, by whom? _____

MAXWELL SPECIAL UTILITY DISTRICT
 TSI-2. ENTERPRISE FUND EXPENSES
 FISCAL YEAR ENDING DECEMBER 31, 2021

Personnel Expenditures (including benefits)		\$	423,232
Professional Fees:			
Legal			90,965
Engineering			85,200
Accounting and Audit			9,500
Other			27,851
Water and Transmission Costs			1,123,374
Utilities			15,117
Repairs and Maintenance			434,487
Administrative Expenses			127,134
Depreciation and Amortization			278,557
Interest			<u>4,501</u>
Total Expenses		\$	<u>2,619,918</u>
Total number of persons employed by the District	Full-Time		<u>6</u>
	Part-Time		<u>0</u>

The following sections have been omitted since they do not pertain to this entity:

- TSI-3. Temporary Investments
- TSI-4. Taxes Levied and Receivable
- TSI-5. Long-Term Debt Service Requirements – Bonded Debt
- TSI-6. Changes in Long-Term Bonded Debt

MAXWELL SPECIAL UTILITY DISTRICT
 TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES
 FISCAL YEAR ENDING DECEMBER 31, 2021

			Percent of Revenues	
	2020	2021	2020	2021
Operating Revenues:				
Water Sales	\$ 1,245,791	\$ 2,770,501	99.4%	95.5%
Other Charges	7,988	130,242	0.6%	4.5%
Total Operating Revenues	1,253,779	2,900,743	100.0%	100.0%
Operating Expenses:				
Water Purchase	580,090	1,123,374	46.3%	38.7%
Repairs and Maintenance	227,960	434,487	18.2%	15.0%
Personnel	178,992	423,232	14.3%	14.6%
Professional Fees	166,288	213,516	13.3%	7.4%
Depreciation	116,804	278,557	9.3%	9.6%
Office and Other Expenses	61,682	127,134	4.9%	4.4%
Utilities	5,805	15,117	0.5%	0.5%
Total Operating Expenses	1,337,621	2,615,417	106.7%	90.2%
Operating Income (Loss)	(83,842)	285,326	-6.7%	9.8%
Non-Operating Revenues (Expenses):				
Miscellaneous Income	77	867	0.0%	0.0%
Interest Income	-	48	0.0%	0.0%
Impact Fees	292,948	1,908,880	23.4%	65.8%
Acquisition and Installation Fees	120,439	1,067,211	9.6%	36.8%
Interest Expense	(6,032)	(4,501)	-0.5%	-0.2%
Total Non-Operating Revenues (Expenses)	407,432	2,972,505	32.5%	102.5%
Change in Net Position	\$ 323,590	\$ 3,257,831	25.8%	112.3%

** 2020 was the first year of operations and is five months. Information will be accumulated until a rolling 5 years is presented.*

MAXWELL SPECIAL UTILITY DISTRICT
 TSI-8. BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS
 FISCAL YEAR ENDING DECEMBER 31, 2021

Complete Entity Mailing Address: P.O. Box 158, Maxwell, TX 78656

Entity Business Telephone Number: 512-357-6253

Submission Date of the most recent Registration Form: November 2021

Limit of Fees of Office that a Trustee may receive during a fiscal year: \$7,200

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid* 12/31/21	Expense Reimbursements 12/31/21	Title at Year End
Board of Trustees:				
Robert Karasch	3/20-11/24	---	---	President
Valentin Yanez Jr	3/20-11/24	---	---	Vice President
Liralen Canion	3/20-11/24	---	---	Treasurer
Doris Steubing	3/20-11/22	---	\$ 270	Director
Bernard Schleder Jr.	8/20-11/22	---	---	Director
Doug Spillman	3/20-11/23	---	\$ 196	Asst. Secretary
Mabel Vaughn	3/20-11/23	---	---	Secretary
Carol Thornton	12/20-11/22	---	---	Director
Janie Sanchez	12/20-11/23	---	---	Director
Administrative Personnel:				
Justin Ivicic	7/31/2020	\$ 75,297	---	Gen. Manager
Consultants:				
McGinnis Lochridge		\$ 99,100		Attorney
Gallegos Engineering		\$ 85,200		Engineer
Armstrong, Vaughan & Associates, P.C.		\$ 9,500		Auditor
Orrick, Herrington & Sutcliffe		\$ 4,883		Attorney

*Fees of Office are the amounts actually paid to a director during the District's fiscal year.

COMPLIANCE SECTION



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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Maxwell Special Utility District

We have audited, in accordance with 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 Maxwell Special Utility District as of December 31, 2021 and for the year then ended, and the related notes to the financial statements, which collectively comprise Maxwell Special Utility District's basic financial statements, and have issued our report thereon dated April 18, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Maxwell Special Utility District's internal control over financial reporting (internal control) to determine the 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 Maxwell Special Utility District's internal control. Accordingly, we do not express an opinion on the effectiveness of Maxwell Special Utility District'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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Maxwell Special Utility District'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 determination of financial statement amounts. 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 no instances 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.

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.

April 18, 2022