

CITY OF BEVIL OAKS, TEXAS  
ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2016



Charles E. Reed & Associates, P.C.

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Certified Public Accountants & Consultants

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ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Bevil Oaks, Texas  
Bevil Oaks, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities and the major fund of the City of Bevil Oaks, Texas, (the City) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements.**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and the major fund of the City of Bevil Oaks, Texas as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 29 and 30 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.

Very truly yours,

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

Charles E. Reed and Associates, P.C.  
Certified Public Accountants and Consultants  
March 16, 2017

**CITY OF BEVIL OAKS, TEXAS**  
**Management's Discussion and Analysis**  
**September 30, 2016**

As management of the City of Bevil Oaks (the City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2016. We encourage readers to consider the information presented here in conjunction with the independent auditor's report and the City's financial statements, which follow this section.

**Financial Highlights**

- The assets of the City of Bevil Oaks, Texas exceeded its liabilities as of September 30, 2016, by \$4,959,638 (net position). Of this amount, \$642,501 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$46,573.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decrease in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). The governmental activities of the City include administration and emergency management. The business-type activities of the City include a water and sewer system.

The government-wide financial statements can be found on pages 10-11 of this report.

**CITY OF BEVIL OAKS, TEXAS**  
**Management's Discussion and Analysis (Continued)**  
**September 30, 2016**

**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 legal requirements. The City has only one governmental fund and one proprietary fund.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains one governmental fund, the general fund, which is considered to be a major fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the fund.

The basic governmental fund financial statements can be found on pages 10-17 of this report.

**Proprietary funds.** The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations. The Public Works Fund is considered a major enterprise fund of the City.

The basic proprietary fund financial statements can be found on pages 16-18 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-27.

**CITY OF BEVIL OAKS, TEXAS**  
**Management's Discussion and Analysis (Continued)**  
**September 30, 2016**

**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Bevil Oaks, assets exceeded liabilities by \$5,006,211 at the close of the most recent fiscal year.

**City of Bevil Oaks -  
Net Position  
September 30,**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current assets	\$ 374,538	\$ 347,158	\$ 666,116	\$ 1,481,634	\$ 1,040,654	\$ 1,828,792
Capital assets, net accumulated depreciation	800,252	798,050	5,279,231	4,822,509	6,079,483	5,620,559
<b>Total Assets</b>	<b>\$ 1,174,790</b>	<b>\$ 1,145,208</b>	<b>\$ 5,945,347</b>	<b>\$ 6,304,143</b>	<b>\$ 7,120,137</b>	<b>\$ 7,449,351</b>
Current liabilities	\$ 4,543	\$ 6,623	\$ 121,271	\$ 309,540	\$ 125,814	\$ 316,163
Noncurrent liabilities	-	-	2,034,685	2,126,977	2,034,685	2,126,977
<b>Total Liabilities</b>	<b>\$ 4,543</b>	<b>\$ 6,623</b>	<b>\$ 2,155,956</b>	<b>\$ 2,436,517</b>	<b>\$ 2,160,499</b>	<b>\$ 2,443,140</b>
Net position:						
Net investment in capital assets	\$ 800,252	\$ 798,050	\$ 3,177,911	\$ 2,627,712	\$ 3,978,163	\$ 3,425,762
Restricted	77,345	116,403	261,629	1,072,118	338,974	1,188,521
Unrestricted	292,650	224,132	349,851	167,796	642,501	391,928
<b>Total Net Position</b>	<b>\$ 1,170,247</b>	<b>\$ 1,138,585</b>	<b>\$ 3,789,391</b>	<b>\$ 3,867,626</b>	<b>\$ 4,959,638</b>	<b>\$ 5,006,211</b>

A portion of the City's net position, \$3,978,163 (80%), reflects its investment in capital assets (e.g. land, buildings, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. The City has two note payables related to its capital assets. Of the remaining balance of net assets, \$642,501 may be used to meet the government's on-going obligations to citizens and creditors. \$338,974 is restricted for road maintenance and improvements, sewer project, as well as water and sewer customer deposits.



**CITY OF BEVIL OAKS, TEXAS**  
**Management's Discussion and Analysis (Continued)**  
**September 30, 2016**

**City of Bevil Oaks**  
**Changes in Net Position**  
**For the year ending September 30,**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
Program revenues						
Charges for Services	\$ -	\$ -	\$ 325,051	\$ 311,023	\$ 325,051	\$ 311,023
General revenues						
Investment Income	42	22	-	434	42	456
Other	212,875	199,547	24,799	15,830	237,674	215,377
Grants	-	-	-	-	-	-
Total Revenues	212,917	199,569	349,850	327,287	562,767	526,856
<b>Expenses</b>						
General and Administration	133,491	139,422	-	-	133,491	139,422
Public Safety	4,747	8,643	-	-	4,747	8,643
Road Maintenance	36,151	28,450	-	-	36,151	28,450
Community Development	6,866	12,314	-	-	6,866	12,314
Water and Sewer	-	-	428,085	554,027	428,085	554,027
Total Expenses	181,255	188,829	428,085	554,027	609,340	742,856
<b>Other Financing Sources (Uses)</b>						
Transfers in/(out)	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Increase (Decrease) in net position	31,662	10,740	(78,235)	(226,740)	(46,573)	(216,000)
Net position - 10/1	1,138,585	1,127,845	3,867,626	4,094,366	5,006,211	5,222,211
Net position - 9/30	\$ 1,170,247	\$ 1,138,585	\$ 3,789,391	\$ 3,867,626	\$ 4,959,638	\$ 5,006,211

For the fiscal year ended September 30, 2016, the City's general revenues were \$212,917. A significant portion, 58% comes from property taxes collected. The City's revenues from water and sewer services were \$348,926. Operating expenditures for the fiscal year totaled \$609,340, including \$428,085 of expenses related to the Public Works department (water & sewer services).

**CITY OF BEVIL OAKS, TEXAS**  
**Management's Discussion and Analysis (Continued)**  
**September 30, 2016**

**Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City. At September 30, 2016, unrestricted fund balance of the general fund was \$211,253 and restricted fund balance (reserved for road maintenance) was \$77,345.

**Proprietary funds.** The City's proprietary fund provides the same information found in the government-wide financial statements, but in more detail. At September 30, 2016, unrestricted fund balance was \$349,851.

**Capital Asset and Debt Administration**

**Capital assets.** The City's investment in capital assets as of September 30, 2016, amounts to \$6,079,483 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment as well as the water and sewer infrastructure.

**(City of Bevil Oaks)**  
**Capital Assets**  
**(Net of Accumulated Depreciation)**

	Governmental Activities		Business-type Activities		Total Activities	
	2016	2015	2016	2015	2016	2015
Land	\$ 10,000	\$ 10,000	\$ 162,894	\$ 162,894	\$ 172,894	\$ 172,894
Construction in Progress	-	-	1,553,778	983,633	1,553,778	983,633
Buildings & Improvements	714,988	714,988	-	-	714,988	714,988
Software	-	-	3,065	3,065	3,065	3,065
Machinery and Equipment	95,721	92,741	200,000	200,000	295,721	292,741
Infrastructure	293,037	247,960	3,951,181	3,951,181	4,244,218	4,199,141
Total Fixed Assets	\$ 1,113,746	\$ 1,065,689	\$ 5,870,918	\$ 5,300,773	\$ 6,984,664	\$ 6,366,462
Less Accumulated Depreciation	313,494	267,639	591,687	478,264	905,181	745,903
Total Fixed Assets, net	\$ 800,252	\$ 798,050	\$ 5,279,231	\$ 4,822,509	\$ 6,079,483	\$ 5,620,559

Additional information on the City's capital assets can be found in Note 5.

**CITY OF BEVIL OAKS, TEXAS**  
**Management's Discussion and Analysis (Continued)**  
**September 30, 2016**

**Long-term debt.** At September 30, 2016, the City of Bevil Oaks has long-term debt (due in more than one year) in the amount of \$2,019,897 at the end of the fiscal year. Additional information on long-term debt can be found in note number 6.

**Other information.** In addition to the basic financial statements and accompanying notes, required supplementary information presents budgetary comparison schedules for the General Fund and the Public Works Fund to demonstrate compliance with the budgets. The required supplemental information begins on page 28.

In the General Fund, budgeted revenue exceeded actual total revenue by \$41,447 (largely due to a budgeted interfund transfer of \$46,688 that did not occur) and budgeted expenses exceeded actual expenses by \$21,769. In the Public Works Fund, actual revenue exceeded budgeted revenue by \$18,426 and actual expenses exceeded budgeted expenses by \$31,945. The City does not budget depreciation.

**Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Bevil Oaks, 7390 Sweetgum Road, Beaumont, TX, 77713.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF BEVIL OAKS, TEXAS  
STATEMENT OF NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Governmental Activities	Business-type Activities	Total Activities
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 282,980	\$ 356,975	\$ 639,955
Receivables, Net:			
Taxes Receivable	14,213	-	14,213
Accounts	-	43,038	43,038
Other	-	4,474	4,474
Total Current Assets	297,193	404,487	701,680
<b>NONCURRENT ASSETS</b>			
Cash and Cash Equivalents - Restricted	77,345	261,629	338,974
Total Noncurrent Assets	77,345	261,629	338,974
<b>CAPITAL ASSETS</b>			
Land	10,000	162,894	172,894
Construction in Progress	-	1,553,778	1,553,778
Depreciable Fixed Assets,			
Net of Accumulated Depreciation	790,252	3,562,559	4,352,811
Total Capital Assets	800,252	5,279,231	6,079,483
<b>TOTAL ASSETS</b>	<u>\$ 1,174,790</u>	<u>\$ 5,945,347</u>	<u>\$ 7,120,137</u>
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 3,321	\$ 18,087	\$ 21,408
Accrued Expenses	1,222	9,964	11,186
Note Payable - Due within one year	-	93,220	93,220
Total Current Liabilities	4,543	121,271	125,814
<b>NONCURRENT LIABILITIES</b>			
Bond Premium	-	81,424	81,424
Customer Deposits	-	26,585	26,585
Note Payable - Due in more than one year	-	1,926,676	1,926,676
Total Noncurrent Liabilities	-	2,034,685	2,034,685
<b>TOTAL LIABILITIES</b>	<u>4,543</u>	<u>2,155,956</u>	<u>2,160,499</u>
<b>NET POSITION</b>			
Invested in Capital Assets, net	800,252	3,177,911	3,978,163
Restricted	77,345	261,629	338,974
Unrestricted	292,650	349,851	642,501
<b>TOTAL NET POSITION</b>	<u>\$ 1,170,247</u>	<u>\$ 3,789,391</u>	<u>\$ 4,959,638</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF BEVIL OAKS, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges For Services	Operating Grant Contributions	Capital Grant Contributions	Governmental Activities	Business-type Activities
<b>Governmental Activities:</b>						
General Government	\$ 133,491	\$ -	\$ -	\$ -	\$ (133,491)	\$ -
Public Safety	4,747	-	-	-	(4,747)	-
Road Maintenance	36,151	-	-	-	(36,151)	-
Community Development	6,866	-	-	-	(6,866)	-
Total Governmental Activities	181,255	-	-	-	(181,255)	-
<b>Business-type activities:</b>						
Water and sewer	430,585	348,926	-	-	-	(81,659)
Total business-type activities	430,585	348,926	-	-	-	(81,659)
<b>Total primary government</b>	<b>611,840</b>	<b>348,926</b>	<b>-</b>	<b>-</b>	<b>(181,255)</b>	<b>(81,659)</b>
						<b>(262,914)</b>
<b>General revenues:</b>						
Taxes:						
Property Taxes					123,739	-
Franchise					42,779	-
Sales					39,418	-
Investment Earnings					39	924
Miscellaneous					6,942	2,500
Total General Revenues					212,917	3,424
Change in Net Position					31,662	(78,235)
<b>Net Position, beginning</b>					1,138,585	3,867,626
<b>Net Position, ending</b>					<b>\$ 1,170,247</b>	<b>\$ 3,789,391</b>
						<b>\$ 4,959,638</b>

The accompanying notes are an integral part of this financial statement.

**CITY OF BEVIL OAKS, TEXAS  
BALANCE SHEET – GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2016**

	<u>General Fund</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and Cash Equivalents	\$ 282,980
Taxes Receivable	14,213
Total Current Assets	<u>297,193</u>
<b>NONCURRENT ASSETS</b>	
Cash and Cash Equivalents - Restricted	77,345
Total Noncurrent Assets	<u>77,345</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 374,538</u></u>
<b>LIABILITIES AND FUND BALANCES</b>	
<b>LIABILITIES</b>	
Accounts Payable	\$ 1,129
Accrued Expenses	1,222
Due to Public Works	2,192
Deferred Revenue	14,213
Total Liabilities	<u>18,756</u>
<b>FUND BALANCE</b>	
Restricted	77,345
Unassigned	278,437
Total Fund Balance	<u>355,782</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>\$ 374,538</u></u>

The accompanying notes are an integral part of this financial statement.

**CITY OF BEVIL OAKS, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE  
SHEET TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016**

Governmental fund balance as reported on the balance sheet for governmental funds	\$ 355,782
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When capital assets that are to be used in governmental funds are purchased, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the City as a whole.

Cost of capital assets, net of accumulated depreciation	800,252 ..
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Deferred property tax revenue is recorded as a liability in the governmental funds. However, that revenue should have been recognized when reported using full accrual.

Deferred property tax revenues	<u>14,213</u>
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Total net assets as reported on the Statement of Net Position for governmental activities.	<u><u>\$ 1,170,247</u></u>
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The accompanying notes are an integral part of this financial statement.



**CITY OF BEVIL OAKS, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	General Fund
<b>REVENUES</b>	
Property Tax, Penalty & Interest	\$ 122,403
Sales Tax Receipts	39,418
Franchise Fees	42,779
Permits & Fees	6,888
Miscellaneous	54
Investment Income	42
Total Revenues	<u>211,584</u>
<b>EXPENDITURES</b>	
General Government	112,427
Public Safety	3,839
Road Maintenance	57,344
Community Development	6,866
Capital Outlay	2,980
Total Expenditures	<u>183,456</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>28,128</u>
NET CHANGE IN FUND BALANCES	28,128
FUND BALANCE - OCTOBER 1	<u>327,654</u>
FUND BALANCE - SEPTEMBER 30	<u><u>\$ 355,782</u></u>

The accompanying notes are an integral part of this financial statement.

**CITY OF BEVIL OAKS, TEXAS  
RECONCILIATION OF STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Net change in fund balances for total governmental funds.	\$ 28,128
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When capital assets that are to be used in governmental funds are purchased, those costs are reported as expenditures in the governmental funds. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital assets purchased	48,057
Current year depreciation expense	(45,855)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Collections on prior year taxes	(3,357)
Collections due from current year taxes	<u>4,689</u>

Change in net assets of governmental activities	<u><u>\$ 31,662</u></u>
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The accompanying notes are an integral part of this financial statement.

**CITY OF BEVIL OAKS, TEXAS**  
**STATEMENT OF NET POSITION – PROPRIETARY FUND**  
**SEPTEMBER 30, 2016**

	<u>Business-type Activities</u>
	<u>Public Works</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 356,975
Accounts receivable, net:	
Accounts	43,038
Other	2,282
Due from General Fund	2,192
Total Current Assets	<u>404,487</u>
<b>NONCURRENT ASSETS</b>	
Cash and cash equivalents - Restricted	261,629
Total Noncurrent Assets	<u>261,629</u>
<b>CAPITAL ASSETS</b>	
Land	162,894
Construction in Progress	1,553,778
Other capital assets, net of accumulated depreciation	<u>3,562,559</u>
Total Capital Assets	<u>5,279,231</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 5,945,347</u></u>
<b>LIABILITIES AND FUND BALANCES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 18,087
Accrued expenses	9,964
Long-term Debt - Due within one year	93,220
Total Current Liabilities	<u>121,271</u>
<b>NONCURRENT LIABILITIES</b>	
Customer deposits	26,585
Bond Premium	81,424
Long-term Debt - Due in more than one year	1,926,676
Total Noncurrent Liabilities	<u>2,034,685</u>
Total Liabilities	<u>2,155,956</u>
<b>FUND BALANCE</b>	
Net investment in capital assets	3,177,911
Restricted	261,629
Unrestricted	349,851
Total Fund Balance	<u>3,789,391</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>\$ 5,945,347</u></u>

The accompanying notes are an integral part of this financial statement.

**CITY OF BEVIL OAKS, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN NET POSITION – PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Business-type Activities</u>
	Public <u>Works Fund</u>
<b>OPERATING REVENUES</b>	
Service fees	\$ 325,051
Miscellaneous	<u>23,875</u>
Total Operating Revenues	<u>348,926</u>
<b>OPERATING EXPENSES</b>	
Personnel	28,532
Professional services	20,377
Purchased and contract services	89,044
Consumables supplies and materials	23,433
Recurring expenses and repairs	121,370
Depreciation	<u>113,423</u>
Total Operating Expenses	<u>396,179</u>
<b>OPERATING INCOME</b>	<u>(47,253)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest expense	(34,406)
Gain on sale of assets	2,500
Interest revenue	<u>924</u>
Total Non-operating Revenues (Expenses)	<u>(30,982)</u>
<b>CHANGE IN NET POSITION</b>	(78,235)
<b>NET POSITION - OCTOBER 1</b>	<u>3,867,626</u>
<b>NET POSITION - SEPTEMBER 30</b>	<u><u>\$ 3,789,391</u></u>

The accompanying notes are an integral part of this financial statement.

**CITY OF BEVIL OAKS, TEXAS**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers for services	\$ 350,757
Payments for personnel	(28,532)
Payments to vendors	(487,018)
Other receipts	884
Customer refunds	(1,876)
Net Cash (Used) by Operating Activities	<u>(165,785)</u>

**CASH FLOWS FROM CAPITAL AND RELATED  
FINANCING ACTIVITIES**

Principal payment of long-term debt	(92,605)
Proceeds from sale of capital assets	2,500
Purchase of capital assets	(570,145)
Net Cash (Used) in Investing Activities	<u>(660,250)</u>

NET INCREASE IN CASH (826,035)

CASH AT BEGINNING OF YEAR 1,444,639

CASH AT END OF YEAR \$ 618,604

**RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES**

Net income/(loss) for the year	\$ (78,235)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	113,423
Gain on sale of assets	(2,500)
(Increase) in service receivables	(10,831)
Decrease in other receivables	314
(Decrease) in accounts payable	(187,938)
(Decrease) in accrued expenses	(946)
(Decrease) in bond premium	(872)
Increase in customer deposits	1,800
Total Adjustments	<u>(87,550)</u>
Net Cash (Used) by Operating Activities	<u>\$ (165,785)</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF BEVIL OAKS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Bevil Oaks, Texas operates under a mayor-council form of government as per Type A General Law which was approved and became effective as of October 1963. The City provides the following services as authorized by this charter: Public Safety (Police), Highways and Streets, Parks and Recreation, Public Works, and General Administration Services.

The basic financial statements of the City of Bevil Oaks, Texas (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America ("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 City's accounting policies are described below:

**A. Reporting Entity**

The City Council, a 6-member group, has governance responsibilities over all activities related to city services within the jurisdiction of the City. The Council is elected by the public and has the exclusive power and duty to govern and oversee the management of the City. However, the City is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity" and there are no component units included within the reporting entity.

In evaluating how to define the City 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 by GASB. The basic – but not the 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. The other criterion used to evaluate potential component units for inclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the City has no component units.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Government activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-like activities*, which rely to a significant extent on fees and charges for funding.

**CITY OF BEVIL OAKS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SEPTEMBER 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as *general revenue*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual funds are reported as separate columns in the fund financial statements.

**C. Management Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resource, measurement focus*, and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City and available. Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds.

The City has the following major governmental funds:

General Fund - The general fund is the general operating fund of the City. It is used to account for all financial resources except those received to be accounted for in another fund.

The City has the following major proprietary funds:

Enterprise Funds – Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises when the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed primarily through user charges. The predominant function of the City's operations is maintained within the

**CITY OF BEVIL OAKS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SEPTEMBER 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Public Works operating fund. The Public Works operating fund is accounted for as an enterprise activity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-like activities and Enterprise Funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

**D. Cash and Cash Equivalents**

Highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

**E. Investments**

The City's Investment Policy limits investment of City funds to certificate of deposits or treasury bills with maximum maturities of 12 months for both types of available securities.

**F. Inventories and Prepaid Items**

The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

**G. Long-Term Obligations**

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 activities. Bond issuance costs are expensed in the year the bond is issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.



**CITY OF BEVIL OAKS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SEPTEMBER 30, 2016**

**NOTE 2 – DEPOSITS, SECURITIES AND INVESTMENTS**

The City's funds are required to be deposited and invested under the terms of a depository contract pursuant to the laws of the State of Texas. The depository bank deposits for safekeeping and trust with the City's agent bank, approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of 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.

The City's cash deposits at September 30, 2016 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank. The deposits were collateralized in accord with Texas Law. During the year, no instances of cash deposit balances in excess of collateral occurred. At September 30, 2016, the bank balance of the City's deposits with Wells Fargo was \$827,501 and the carrying amount was \$817,679.

Cash deposits and temporary investments held at financial institutions can be categorized according to three levels of risk. These three levels of risk are:

- Category 1: Deposits which are insured or collateralized with securities held by the entity or by its agent in the entity's name.
- Category 2: Deposits which are collateralized with the securities held by financial institutions, trust departments, or agents in the entity's name.
- Category 3: Deposits that are not collateralized.

Based on these three levels of risk, the City's deposits are classified as Category 1.

Investments held at a financial institution can be categorized according to three levels of risk. These three levels of risk are:

- Category 1: Investments that are insured, registered, or held by the entity or by its agent in the entity's name.
- Category 2: Investments that are uninsured and unregistered held by the counter party's trust department or agent in the entity's name.
- Category 3: Uninsured and unregistered investments held by the counter party, its trust department, or its agent, but not in the entity's name.

As of year-end, the City had no investments classified in these categories.

As of year-end the City had one investment account with TexPool. TexPool has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments.

**CITY OF BEVIL OAKS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SEPTEMBER 30, 2016**

**NOTE 5 – CAPITAL ASSETS**

**Governmental Activities**

	Land	Construction In Progress	Building & Improvements	Infra- structure	Furniture, Fixtures & Equipment	Total
Capital Assets						
October 1, 2016	\$ 10,000	\$ -	\$ 714,988	\$ 247,960	\$ 92,741	\$ 1,065,689
FY 2016 Additions	-	-	-	45,077	2,980	48,057
September 30, 2016	<u>10,000</u>	<u>-</u>	<u>714,988</u>	<u>293,037</u>	<u>95,721</u>	<u>1,113,746</u>
Accumulated Depreciation						
October 1, 2016	-	-	95,106	83,560	88,973	267,639
FY 2016 Additions	-	-	21,064	23,883	908	45,855
September 30, 2016	<u>-</u>	<u>-</u>	<u>116,170</u>	<u>107,443</u>	<u>89,881</u>	<u>313,494</u>
Governmental Activities Capital Assets, net	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 598,818</u>	<u>\$ 185,594</u>	<u>\$ 5,840</u>	<u>\$ 800,252</u>

**Business-type Activities**

	Land	Construction In Progress	Building & Improvements	Infra- structure	Furniture, Fixtures & Equipment	Total
Capital Assets						
October 1, 2016	\$ 162,894	\$ 983,633	\$ -	\$ 3,951,181	\$ 203,065	\$ 5,300,773
FY 2016 Additions	-	570,145	-	-	-	570,145
September 30, 2016	<u>162,894</u>	<u>1,553,778</u>	<u>-</u>	<u>3,951,181</u>	<u>203,065</u>	<u>5,870,918</u>
Accumulated Depreciation						
October 1, 2016	-	-	-	469,643	8,621	478,264
FY 2016 Additions	-	-	-	100,090	13,333	113,423
September 30, 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>569,733</u>	<u>21,954</u>	<u>591,687</u>
Business-type Activities Capital Assets, net	<u>\$ 162,894</u>	<u>\$ 1,553,778</u>	<u>\$ -</u>	<u>\$ 3,381,448</u>	<u>\$ 181,111</u>	<u>\$ 5,279,231</u>

**Depreciation expense for the year ended September 30, 2016:**

Governmental Activities: General Government	\$ 21,064
Public Safety	908
Road Maintenance	<u>28,884</u>
Total	\$ 45,856

Business-type Activities: \$ 113,423

**CITY OF BEVIL OAKS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SEPTEMBER 30, 2016**

**NOTE 6 – LONG-TERM DEBT**

On August 21, 2014 the City entered into a contract with Government Capital Corporation for the purchase of water meters and a meter reading system for \$200,000 with an interest rate of 3.495%. The note will include ten annual payments of \$23,983.58 beginning September 1, 2016 and ending September 1, 2024. The debt issuance and payments will belong to the Public Works. Payments are made payable to First Financial Bank. The new water meters were placed into service on May 1, 2016.

On March 19, 2016 the City entered into a tax and revenue certificates of obligation bond for the cost of capital improvements to the City's wastewater treatment plant and sewer system for \$1,930,000 with an interest rate of between 2% and 4%. The note will include 20 annual principal payments ranging from \$75,000 to \$130,000 beginning on February 1, 2016 and ending on February 1, 2035. Interest is payable semi-annual on August 1 and February 1 of each year beginning on August 1, 2016 and ending on February 1, 2035. Payments are made payable to Amegy Bank. As of September 30, 2016 the sewer project was not completed. Capital improvements are included in construction in progress.

The annual requirements to maturity for long-term debt are as follows:

Year Ended September 30,	Principal	Interest	Total
2017	\$ 93,220	\$ 61,913	\$ 155,133
2018	93,857	59,776	153,633
2019	99,516	57,567	157,083
2020	100,198	55,285	155,483
2021	100,904	54,579	155,483
Thereafter	1,532,201	429,953	1,962,154
	<u>\$ 2,019,896</u>	<u>\$ 719,073</u>	<u>\$ 2,738,969</u>

Long-term liability activity for the year ended September 30, 2016 was as follows:

	September 30, 2015	Increases	Decreases	September 30, 2016
Bond Payable	\$ 182,502	\$ -	\$ 17,606	\$ 164,896
Note Payable	1,930,000	-	75,000	1,855,000
Total	<u>\$ 2,112,502</u>	<u>\$ -</u>	<u>\$ 92,606</u>	<u>\$ 2,019,896</u>

**NOTE 7 – SUBSEQUENT EVENTS**

Events subsequent to September 30, 2016 were evaluated by management and reviewed through March 16, 2017, the date of the report issuance, with no significant items.

## **REQUIRED SUPPLEMENTAL INFORMATION**

**CITY OF BEVIL OAKS, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS – BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)
<b>REVENUES</b>				
Property Tax, Penalty & Interest	\$ 124,923	\$ 124,923	\$ 122,403	\$ (2,520)
Sales Tax Receipts	30,000	30,000	39,418	9,418
Franchise Fees	46,200	46,200	42,779	(3,421)
Permits & Fees	4,500	4,500	6,888	2,388
Miscellaneous	700	700	54	(646)
Investment Income	20	20	42	22
Transfers In	46,688	46,688	-	(46,688)
Total Revenues	<u>253,031</u>	<u>253,031</u>	<u>211,584</u>	<u>(41,447)</u>
<b>EXPENDITURES</b>				
General Government	121,700	121,700	112,427	9,273
Public Safety	7,625	7,625	3,839	3,786
Road Maintenance	45,900	45,900	57,344	(11,444)
Contingency	10,000	10,000	-	10,000
Community Development	20,000	20,000	6,866	13,134
Maintenance - other	-	-	2,980	(2,980)
Total Expenditures	<u>205,225</u>	<u>205,225</u>	<u>183,456</u>	<u>21,769</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>\$ 47,806</u>	<u>\$ 47,806</u>	28,128	<u>\$ (19,678)</u>
<b>NET CHANGE IN FUND BALANCES</b>			28,128	
<b>FUND BALANCE - OCTOBER 1</b>			<u>327,654</u>	
<b>FUND BALANCE - SEPTEMBER 30</b>			<u>\$ 355,782</u>	

**CITY OF BEVIL OAKS, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND – BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)
<b>OPERATING REVENUES</b>				
Service fees	\$ 318,000	\$318,000	\$ 325,051	\$ 7,051
Miscellaneous	12,500	12,500	23,875	11,375
Total Operating Revenues	<u>330,500</u>	<u>330,500</u>	<u>348,926</u>	<u>18,426</u>
<b>OPERATING EXPENSES</b>				
Personnel	26,400	26,400	28,532	(2,132)
Professional services	22,750	22,750	20,377	2,373
Purchased and contract services	47,500	47,500	89,044	(41,544)
Consumables supplies and materials	41,200	41,200	23,433	17,767
Recurring expenses and repairs	93,734	93,734	121,370	(27,636)
Debt service	132,650	132,650	-	132,650
Depreciation	-	-	113,423	(113,423)
Total Operating Expenses	<u>364,234</u>	<u>364,234</u>	<u>396,179</u>	<u>(31,945)</u>
<b>OPERATING INCOME</b>	<u>(33,734)</u>	<u>(33,734)</u>	<u>(47,253)</u>	<u>(13,519)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Gain on sale of asset	-	-	2,500	2,500
Interest expense	-	-	(34,406)	(34,406)
Interest revenue	-	-	924	924
Total Non-operating Revenues (Expenses)	<u>-</u>	<u>-</u>	<u>(30,982)</u>	<u>(30,982)</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$ (33,734)</u>	<u>\$ (33,734)</u>	<u>(78,235)</u>	<u>\$ (44,501)</u>
<b>NET ASSETS - OCTOBER 1</b>			<u>3,867,626</u>	
<b>NET ASSETS - SEPTEMBER 30</b>			<u>\$3,789,391</u>	

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