

**CITY OF BEVIL OAKS, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
SEPTEMBER 30, 2023**

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ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Bevil Oaks, Texas
13560 River Oaks Blvd
Beaumont, Texas 77713

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Bevil Oaks, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Bevil Oaks' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Bevil Oaks, as of September 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 the City of Bevil Oaks 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.

Change in Accounting Principle

As discussed in Note 7 to the financial statements, in the year ended September 2023, the City of Bevil Oaks adopted new accounting guidance, *GASB No. 87, Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Bevil Oaks ability to

continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Bevil Oaks' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Bevil Oaks' 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 on pages 4-9 and 29-30 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance

on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bevil Oaks' basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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 schedule of expenditures of federal awards 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 June 25, 2024 on our consideration of the City of Bevil Oaks' 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 solely 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 the effectiveness of the City of Bevil Oaks' 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 Bevil Oaks' internal control over financial reporting and compliance.

Charles E. Reed & Associates, P.C.

Charles E. Reed and Associates, P.C.
Certified Public Accountants and Consultants
Port Arthur, Texas
June 25, 2024

CITY OF BEVIL OAKS, TEXAS
Management's Discussion and Analysis
September 30, 2023

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, 2023. 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, 2023 by \$10,322,255 (net position). Of this amount, \$1,579,110 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$2,356,004 (including a prior period adjustment of \$184,840).

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, 2023

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 12-15 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, 2023

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 \$10,322,255 at the close of the most recent fiscal year.

City of Bevil Oaks - Net Position
September 30,

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current assets	\$ 653,034	\$ 413,665	\$ 1,209,402	\$ 1,137,678	\$ 1,862,436	\$1,551,343
Noncurrent assets	391,338	839,832	227,071	354,070	618,409	1,193,902
Capital assets, net (AD)	3,396,637	862,877	6,111,015	6,048,704	9,507,652	6,911,581
Total Assets	\$ 4,441,009	\$2,116,374	\$ 7,547,488	\$ 7,540,452	\$11,988,497	\$9,656,826
Current liabilities	134,814	118,866	198,784	137,253	333,598	256,119
Noncurrent liabilities	7,596	-	1,325,048	1,434,454	1,332,644	1,434,454
Total Liabilities	\$ 142,410	\$ 118,866	\$ 1,523,832	\$ 1,571,707	\$ 1,666,242	\$1,690,573
Net position:						
Investment in capital assets	\$ 3,384,789	\$ 862,877	\$ 4,739,947	\$ 4,547,037	\$ 8,124,736	\$5,409,914
Restricted	391,338	839,832	227,071	354,070	618,409	1,193,902
Unrestricted	522,472	294,799	1,056,638	1,067,638	1,579,110	1,362,437
Net Position	\$ 4,298,599	\$1,997,508	\$ 6,023,656	\$ 5,968,745	\$10,322,255	\$7,966,253

A portion of the City's net position, \$8,124,736 (79%), 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 position, \$1,579,110 may be used to meet the government's on-going obligations to citizens and creditors. \$618,409 is restricted for road maintenance and improvements, grant projects, as well as water and sewer customer deposits.

CITY OF BEVIL OAKS, TEXAS
Management's Discussion and Analysis (Continued)
September 30, 2023

City of Bevil Oaks						
Changes in Net Position						
For the year ending September 30,						
	Governmental		Business-type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Program Revenues						
Charges for Services	\$ -	\$ -	\$ 685,943	\$ 676,129	\$ 685,943	\$ 676,129
Grants	2,202,007	1,637,842	157,360	418,622	2,359,367	2,056,464
General Revenues						
Investment	18,815	3,912	26,565	4,308	45,380	8,220
Other	268,306	412,225	-	-	268,306	412,225
Total	2,489,128	2,053,979	869,868	1,099,059	3,358,996	3,153,038
Expenses						
General & Admin	229,849	211,238	-	-	229,849	211,238
Public Safety	260	38	-	-	260	38
Road Maintenance	88,801	40,050	-	-	88,801	40,050
Community Dev.	14,048	8,181	-	-	14,048	8,181
Grants	221,130	1,579,389			221,130	1,579,389
Public Works	-	-	633,746	579,622	633,746	579,622
Total	554,088	1,838,896	633,746	579,622	1,187,834	2,418,518
Transfers In/(Out)	181,211	-	(181,211)	-	-	-
Total	181,211	-	(181,211)	-	-	-
Increase (Decrease) in Net Position	2,116,251	215,083	54,911	519,437	2,171,162	734,520
Net Position - 10/1	1,997,508	1,782,425	5,968,745	5,449,308	7,966,253	7,231,733
Prior Period Adjustment	184,840	-	-	-	184,840	-
Net Position - 9/30	\$ 4,298,599	\$ 1,997,508	\$ 6,023,656	\$ 5,968,745	\$ 10,322,255	\$ 7,966,253

For the fiscal year ended September 30, 2023, the City's general revenues were \$287,121. Property taxes collected account for about 25%, sales tax receipts 21%, and franchise fees 8%. The City's revenues from water and sewer services were \$685,943. Operating expenditures for the fiscal year totaled \$966,704 (excluding grants), including \$633,746 of expenses related to the Public Works department (water & sewer services).

CITY OF BEVIL OAKS, TEXAS
Management's Discussion and Analysis (Continued)
September 30, 2023

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, 2023, unrestricted fund balance of the general fund was \$498,088 and restricted fund balance (reserved for road maintenance and grant projects) was \$391,338.

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, 2023, unrestricted fund balance was \$1,056,638.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets as of September 30, 2023, amounts to \$9,507,652 (net of accumulated depreciation and amortization). 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	
	2023	2022	2023	2022	2023	2022
Land	\$ 40,376	\$ 40,376	\$ 162,894	\$ 162,894	\$ 203,270	\$ 203,270
Construction in Progress	148,099	217,920	-	312,541	148,099	530,461
Buildings & Improvements	903,843	744,484	-	-	903,843	744,484
Right of Use Asset-Lease	13,601	-	-	-	13,601	-
Software	-	-	3,065	3,065	3,065	3,065
Machinery and Equipment	58,400	58,400	206,640	206,640	265,040	265,040
Infrastructure	2,719,352	247,614	7,475,218	6,908,285	10,194,570	7,155,899
Total Fixed Assets	\$ 3,883,671	\$ 1,308,794	\$ 7,847,817	\$ 7,593,425	\$11,731,488	\$ 8,902,219
Less Accumulated						
Depreciation	487,034	445,917	1,736,802	1,544,721	2,223,836	1,990,638
Total Fixed Assets, net	\$ 3,396,637	\$ 862,877	\$ 6,111,015	\$ 6,048,704	\$ 9,507,652	\$ 6,911,581

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, 2023

Long-term debt. At September 30, 2023, the City of Bevil Oaks has long-term debt (due in more than one year) in the amount of \$1,293,664 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 29.

In the General Fund, actual revenue exceeded budgeted total revenue by \$14,521 and actual expenses exceeded budgeted expenses by \$52,354. Actual expenses include \$89,856 of capital outlay and budgeted expenses include depreciation of \$39,777. In the Public Works Fund, actual revenue exceeded budgeted revenue by \$3,615 and budgeted operating expenses exceeded actual expenses by \$259,319 (includes 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, 13560 River Oaks Blvd., Beaumont, TX, 77713.

BASIC FINANCIAL STATEMENTS

CITY OF BEVIL OAKS, TEXAS
STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Governmental Activities	Business-type Activities	Total Activities
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 429,812	\$ 1,152,901	\$ 1,582,713
Receivables, Net:			
Taxes Receivable	24,384	-	24,384
Accounts, net	-	56,501	56,501
Grants Receivable	189,907	-	189,907
Interfund	7,935	-	7,935
Security Deposits	996	-	996
Total Current Assets	653,034	1,209,402	1,862,436
NONCURRENT ASSETS			
Cash and Cash Equivalents - Restricted	391,338	227,071	618,409
Total Noncurrent Assets	391,338	227,071	618,409
CAPITAL ASSETS			
Land	40,376	162,894	203,270
Right of Use Asset, Net	11,334	-	11,334
Construction in Progress	148,099	-	148,099
Depreciable Fixed Assets, Net	3,196,828	5,948,121	9,144,949
Total Capital Assets	3,396,637	6,111,015	9,507,652
TOTAL ASSETS	<u>\$ 4,441,009</u>	<u>\$ 7,547,488</u>	<u>\$ 11,988,497</u>
CURRENT LIABILITIES			
Accounts Payable	\$ 124,912	\$ 97,504	\$ 222,416
Accrued Expenses	5,650	8,345	13,995
Interfund	-	7,935	7,935
Lease Payable - Due within one year	4,252	-	4,252
Note Payable - Due within one year	-	85,000	85,000
Total Current Liabilities	134,814	198,784	333,598
NONCURRENT LIABILITIES			
Customer Deposits	-	38,980	38,980
Bond Premium	-	76,068	76,068
Lease Payable - Due in more than one year	7,596	-	7,596
Note Payable - Due in more than one year	-	1,210,000	1,210,000
Total Noncurrent Liabilities	7,596	1,325,048	1,332,644
TOTAL LIABILITIES	<u>142,410</u>	<u>1,523,832</u>	<u>1,666,242</u>
NET POSITION			
Invested in Capital Assets, net	3,384,789	4,739,947	8,124,736
Restricted	391,338	227,071	618,409
Unrestricted	522,472	1,056,638	1,579,110
TOTAL NET POSITION	<u>\$ 4,298,599</u>	<u>\$ 6,023,656</u>	<u>\$ 10,322,255</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BEVIL OAKS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges For Services	Operating Grant Contributions	Capital Grant Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General Government	\$ 229,849	\$ -	\$ -	\$ -	\$ (229,849)	\$ -	(229,849)
Public Safety	260	-	-	-	(260)	-	(260)
Road Maintenance	88,801	-	-	-	(88,801)	-	(88,801)
Community Development	14,048	-	-	-	(14,048)	-	(14,048)
Disaster Recovery	221,130	-	140,000	2,062,007	1,980,877	-	1,980,877
Total Governmental Activities	554,088	-	140,000	2,062,007	1,647,919	-	1,647,919
Business-type activities:							
Water and sewer	633,746	685,943	-	157,360	-	209,557	209,557
Total business-type activities	633,746	685,943	-	157,360	-	209,557	209,557
Total primary government	1,187,834	685,943	140,000	2,219,367	1,647,919	209,557	1,857,476
General revenues:							
Taxes:							
Property Taxes					118,969	-	118,969
Franchise					37,844	-	37,844
Sales					99,896	-	99,896
Investment Earnings					18,815	26,565	45,380
Transfers					181,211	(181,211)	-
Miscellaneous					11,597	-	11,597
Total General Revenues					468,332	(154,646)	313,686
Change in Net Position					2,116,251	54,911	2,171,162
Net Position, beginning					1,997,508	5,968,745	7,966,253
Prior Period Adjustment					184,840	-	184,840
Net Position, ending					<u>\$ 4,298,599</u>	<u>\$ 6,023,656</u>	<u>\$ 10,322,255</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BEVIL OAKS, TEXAS
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	General Fund
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 429,812
Taxes Receivable	24,384
Due From Public Works	7,935
Due from Other Governments	189,907
Utility Deposit	996
Total Current Assets	<u>653,034</u>
NONCURRENT ASSETS	
Cash and Cash Equivalents - Restricted	<u>391,338</u>
Total Noncurrent Assets	<u>391,338</u>
TOTAL ASSETS	<u><u>\$ 1,044,372</u></u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts Payable	\$ 124,912
Accrued Expenses	5,650
	<u>130,562</u>
Deferred Inflows - property tax revenue	<u>24,384</u>
Total Liabilities and Deferred Inflows	<u>154,946</u>
FUND BALANCE	
Restricted	391,338
Unassigned	498,088
Total Fund Balance	<u>889,426</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 1,044,372</u></u>

The accompanying notes are and integral part of these financial statements.

CITY OF BEVIL OAKS, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

Governmental fund balance as reported on the balance sheet for governmental funds	\$ 889,426
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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	3,396,637
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The issuance of debt (including leases) is reported as other financial resources and debt principal payments are expenditures in the fund financial statements. However, in the Statement of Net Position the debt should be shown as an increase in liabilities.

Lease payable as of year-end	(11,848)
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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>24,384</u>
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Total net assets as reported on the Statement of Net Position for governmental activities.	<u><u>\$ 4,298,599</u></u>
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CITY OF BEVIL OAKS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund
REVENUES	
Property Tax, Penalty & Interest	\$ 119,089
Sales Tax Receipts	99,896
Franchise Fees	37,844
Permits & Fees	11,200
Grant Income	2,202,007
Miscellaneous	716
Investment Income	18,815
Total Revenues	<u>2,489,567</u>
EXPENDITURES	
General Government	205,732
Public Safety	260
Road Maintenance	78,599
Community Development	9,004
Capital Outlay	103,457
Grant Expense	<u>2,508,028</u>
Total Expenditures	<u>2,905,080</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(415,513)
<u>OTHER FINANCING SOURCES (USES)</u>	
Transfers In	181,211
Lease Proceeds	<u>13,601</u>
	194,812
NET CHANGE IN FUND BALANCES	(220,701)
FUND BALANCE - OCTOBER 1	<u>1,110,127</u>
FUND BALANCE - SEPTEMBER 30	<u><u>\$ 889,426</u></u>

The accompanying notes are and integral part of these financial statements.

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, 2023

Net change in fund balances for total governmental funds.	\$ (220,701)
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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 purchases reclassified	2,390,355
Current year depreciation/amortization expense	(41,117)

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

Copier lease proceeds less current year principal payments	(11,848)
Collections on prior year taxes	(7,107)
Collections due from current year taxes	6,669

Change in net assets of governmental activities	\$ 2,116,251
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CITY OF BEVIL OAKS, TEXAS
STATEMENT OF NET POSITION – PROPRIETARY FUND
SEPTEMBER 30, 2023

	Business-type Activities - <u>Public Works</u>
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 1,152,901
Accounts Receivable, net: Accounts	<u>56,501</u>
Total Current Assets	<u>1,209,402</u>
NONCURRENT ASSETS	
Cash and Cash Equivalents - Restricted	<u>227,071</u>
Total Noncurrent Assets	<u>227,071</u>
CAPITAL ASSETS	
Land	162,894
Other Capital Assets, net of Accumulated Depreciation	<u>5,948,121</u>
Total Capital Assets	<u>6,111,015</u>
TOTAL ASSETS	<u><u>\$ 7,547,488</u></u>
LIABILITIES AND FUND BALANCES	
CURRENT LIABILITIES	
Accounts Payable	\$ 97,504
Accrued Expenses	8,345
Due to General Fund	7,935
Long-term Debt - Due within one year	<u>85,000</u>
Total Current Liabilities	<u>198,784</u>
NONCURRENT LIABILITIES	
Customer Deposits	38,980
Bond Premium	76,068
Long-term Debt - Due in more than one year	<u>1,210,000</u>
Total Noncurrent Liabilities	<u>1,325,048</u>
Total Liabilities	<u>1,523,832</u>
FUND BALANCE	
Net investment in capital assets	4,739,947
Restricted	227,071
Unrestricted	<u>1,056,638</u>
Total Fund Balance	<u>6,023,656</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 7,547,488</u></u>

The accompanying notes are and integral part of these financial statements.

CITY OF BEVIL OAKS, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION – PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Business-type Activities - <u>Public Works</u>
OPERATING REVENUES	
Service fees	\$ 685,943
Miscellaneous	<u>-</u>
Total Operating Revenues	<u>685,943</u>
OPERATING EXPENSES	
Personnel	21,528
Professional services	26,711
Purchased and contract services	45,543
Consumables supplies and materials	85,613
Recurring expenses and repairs	214,394
Depreciation	<u>192,081</u>
Total Operating Expenses	<u>585,870</u>
OPERATING INCOME	<u>100,073</u>
NON-OPERATING REVENUES (EXPENSES)	
Grant revenue	157,360
Transfers Out	(181,211)
Interest expense	(47,876)
Interest revenue	<u>26,565</u>
Total Non-operating Revenues (Expenses)	<u>(45,162)</u>
CHANGE IN NET POSITION	54,911
NET POSITION - OCTOBER 1	<u>5,968,745</u>
NET POSITION - SEPTEMBER 30	<u><u>\$ 6,023,656</u></u>

The accompanying notes are and integral part of these financial statements.

CITY OF BEVIL OAKS, TEXAS
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers for services	\$ 692,276
Payments for personnel	(21,428)
Payments to vendors	(469,871)
Interest on debt	(47,876)
Other receipts	184,570
Customer deposit refunds	(1,739)
Net Cash (Used) by Operating Activities	<u>335,932</u>

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

Principal payment of long-term debt	(130,600)
Purchase of capital assets	(254,391)
Net Cash (Used) in Investing Activities	<u>(384,991)</u>

NET DECREASE IN CASH (49,059)

CASH AT BEGINNING OF YEAR 1,429,031

CASH AT END OF YEAR \$ 1,379,972

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

Net income/(loss) for the year	\$ 54,911
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	192,081
(Increase) Decrease in:	
Service receivables	6,216
Increase (Decrease) in:	
Accounts payable	77,926
Interfund payable	5,240
Customer deposits	(442)
Total Adjustments	<u>281,021</u>
Net Cash (Used) by Operating Activities	<u><u>\$ 335,932</u></u>

The accompanying notes are and integral part of these financial statements.

CITY OF BEVIL OAKS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Bevil Oaks, Texas operates under a mayor-council-manager 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 non-fiduciary 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, 2023

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, 2023

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, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used. The City has elected to record infrastructure assets prospectively.

Assets are depreciated using straight line method over the following useful lives.

Buildings & Improvements	40 Years
Vehicles & Equipment	5 – 10 Years
Infrastructure	10 – 40 Years
Software	3 Years

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the City to make estimates and assumptions that affect certain reported amounts and disclosures, accordingly, actual results could differ from those estimates.

J. Government-Wide Net Assets / Fund Balances – Governmental Funds

As of these financial statements, the City has adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Non-spendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that are restricted to specific purposes externally imposed by creditors or imposed by law. Restricted net assets include \$160,285 of remaining road use fee funds and \$839,832 of unexpended grant revenue.

Committed - The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

Assigned Fund Balance – The portion of fund balance that the City intends to use for specific purposes.

Unassigned Fund Balance – The portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

When the government incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance. Additionally, the District restricts enough cash to refund customer deposits received.

CITY OF BEVIL OAKS, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Accounts Receivable – Proprietary Fund

Proprietary accounts receivables consist of water and sewer receivables. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible (generally accounts have been marked final in the billing system).

L. Interfund Receivables and Payables

The outstanding balances between funds result mainly from the time lag between the dates that 1) reimbursable expenditures occur, 2) transactions are recorded in the accounting system, or 3) payments between funds are made.

The composition of interfund balances as of September 30, 2023 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Public Works	\$ 7,935

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, 2023 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank. The deposits were collateralized in accordance with Texas Law. At September 30, 2023, the bank balance of the City's deposits with Allegiance Bank was \$2,040,819 and the carrying amount was \$2,026,339.

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.

CITY OF BEVIL OAKS, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 2023

NOTE 2 – DEPOSITS, SECURITIES AND INVESTMENTS (Continued)

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.

The primary objectives of TexPool are preservation and safety of principal, liquidity, and yield. Investments include only those authorized by both the Public Funds Investment Act and the TexPool Investment Policy, which is available through its website. TexPool seeks to maintain a net asset value of \$1.00 and is designed to be used for investment of funds which may be needed at any time. The investment pool must maintain an AAA or equivalent rating from at least one nationally recognized statistical rating organization. It is currently rated as AAAM by Standard & Poor's.

The carrying value of the City's account was \$174,783 (carried at amortized cost, which approximates fair value). Investments by the City in investment pools are considered unclassified as to credit risk because they are not evidenced by securities that exist in physical or book entry form.

NOTE 3 – PROPERTY TAX

Property taxes are attached as an enforceable lien on the property as of January 1. Taxes are levied on October 1, and payable by January 31. Taxes paid after January 31st are subject to a penalty and interest. Taxes are considered delinquent after September 30th and are subject to attorney fees in addition to penalty and interest. The City's taxes are billed and collected by the county. The City's property tax revenues are recognized as collected in the General Fund (governmental type activities). The City recognizes write-offs when the county determines balances are uncollectible and therefore, does not carry a related allowance. Historically the City's collection rate is about ninety-eight percent (98%).

Property taxes receivables balance as of September 30, 2023 was \$24,383

CITY OF BEVIL OAKS, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 2023

NOTE 4 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2008 the city obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (“TML”). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for the risk of loss.

NOTE 5 – CAPITAL ASSETS

The following is a summary of changes in governmental activities as of September 30, 2023:

	October 1, 2022	Additions	Retirement	September 30, 2023
Land	\$ 40,376	\$ -	\$ -	\$ 40,376
Construction in Progress	217,920	-	69,821	148,099
Right of Use Lease Asset	-	13,601	-	13,601
Buildings & Improvements	744,484	159,359	-	903,843
Infrastructure	247,614	2,471,738	-	2,719,352
Furniture & Equipment	58,400	-	-	58,400
	<u>1,308,794</u>	<u>2,644,698</u>	<u>69,821</u>	<u>3,883,671</u>
Accumulated Depreciation	<u>445,917</u>	<u>41,117</u>	<u>-</u>	<u>487,034</u>
Governmental Activities				
Capital Assets, net	<u>\$ 862,877</u>	<u>\$ 2,603,581</u>	<u>\$ 69,821</u>	<u>\$ 3,396,637</u>

Depreciation expense (including \$2,267 of amortization of the right of use lease asset) was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 25,871
Road Maintenance	10,202
Community Development	<u>5,044</u>
Total Depreciation Expense	<u><u>\$ 41,117</u></u>

Construction in progress of \$148,099 includes expenditures related to the community center. The City completed grant funded road improvements. Additions during the year also include a right of use asset of \$13,601 (copier lease) due to the implementation of Governmental Accounting Standards Board Statement No. 87 – *Leases* (“GASB 87”). See Note 7.

CITY OF BEVIL OAKS, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 2023

NOTE 5 – CAPITAL ASSETS (Continued)

The following is a summary of changes in business-type activities as of September 30, 2023:

	October 1, 2022	Additions	Retirement	September 30, 2023
Land	\$ 162,894	\$ -	\$ -	\$ 162,894
Construction in Progress	312,541	-	312,541	-
Infrastructure	6,908,285	566,932	-	7,475,217
Furniture & Equipment	209,705	-	-	209,705
	<u>7,593,425</u>	<u>-</u>	<u>312,541</u>	<u>7,847,816</u>
Accumulated Depreciation	<u>1,544,721</u>	<u>192,080</u>	<u>-</u>	<u>1,736,801</u>
Business-type Activities				
Capital Assets, net	<u>\$ 6,048,704</u>	<u>\$ (192,080)</u>	<u>\$ 312,541</u>	<u>\$ 6,111,015</u>

The City completed the lift station begun in the prior year..

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. City Council voted to pay this loan off during the year.

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%. Twenty annual principal payments ranging from \$75,000 to \$130,000 began February 1, 2016 and end on February 1, 2035. Interest is payable semi-annual on August 1 and February 1 of each year. Payments are made payable to Amegy Bank.

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

Year Ended September 30,	Principal	Interest	Total
2024	\$ 85,000	\$ 46,125	\$ 131,125
2025	90,000	43,575	133,575
2026	95,000	36,800	131,800
2027	100,000	32,900	132,900
2028	100,000	28,900	128,900
2029-2033	570,000	84,375	654,375
2034-2035	<u>255,000</u>	<u>7,725</u>	<u>262,725</u>
	<u>1,295,000</u>	<u>280,400</u>	<u>1,575,400</u>

CITY OF BEVIL OAKS, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 2023

NOTE 6 – LONG-TERM DEBT (Continued)

Long-term liability activity for the year ended September 30, 2023 was as follows:

	September 30, 2022	Increases	Decreases	September 30, 2023
Bond Payable	\$ 45,562	\$ -	\$ 45,562	\$ -
Note Payable	1,380,000	-	85,000	1,295,000
Total	<u>\$ 1,425,562</u>	<u>\$ -</u>	<u>\$ 130,562</u>	<u>\$ 1,295,000</u>

Interest expense for the year ended September 30, 2023 was \$47,876. Interest expense is included as a direct expense of the water and sewer activities on the government-wide statement of activities.

NOTE 7 – NEW ACCOUNTING STANDARD IMPLEMENTATION

During the year the City implemented Governmental Accounting Standards Board Statement No. 87 – *Leases* (“GASB 87”). The objective of the statement is to better meet the information needs of financial statement users. This statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows or outflows of resources based upon the payment provisions in the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lease is required to recognize a lease liability and an intangible right-to-use lease asset.

In the year of implementation, GASB 87 requires a retroactive restatement of prior periods but the City had no material leased assets in the prior year and the current copier lease began in April 2023. The copier lease requires additional payments based on actual usage, which are expensed as incurred as variable lease payments. The City used the risk-free rate of return as the interest rate to discount the lease payments to their present value. The lease liability at inception (April 3, 2024) was \$13,601 with monthly payments of \$367 for thirty-six (36) months. The future principal and interest lease payments as of September 30, 2023 are as follows:

Year Ended September 30,	Principal	Interest	Total
2024	\$ 4,252	\$ 149	\$ 4,401
2025	4,316	85	4,401
2026	3,280	20	3,300
	<u>11,848</u>	<u>254</u>	<u>12,102</u>

CITY OF BEVIL OAKS, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 2023

NOTE 8 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment in the government-wide financial statements of \$184,840 was required to correct the capitalization of the completed Hurricane Harvey Roads Improvement project.

Net Position, stated at 9.30.2023	1,997,508
Under reported governmental activities capital assets:	
CIP - Roads Improvement Project	<u>184,840</u>
Net Position, restated at 9.30.2023	<u><u>2,182,348</u></u>

NOTE 9 – SUBSEQUENT EVENTS

Events occurring subsequent to September 30, 2023 were evaluated by management and reviewed through June 25, 2024, date of report issuance.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF BEVIL OAKS, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS – BUDGET TO ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Tax, Penalty & Interest	\$ 124,738	\$ 124,738	\$ 119,089	\$ (5,649)
Sales Tax Receipts	98,000	98,000	99,896	1,896
Franchise Fees	33,800	33,800	37,844	4,044
Permits & Fees	15,000	15,000	11,200	(3,800)
Miscellaneous	-	-	716	716
Investment Income	1,500	1,500	18,815	17,315
Total Revenues	<u>273,038</u>	<u>273,038</u>	<u>287,560</u>	<u>14,522</u>
EXPENDITURES				
General Government	162,920	162,920	205,732	(42,812)
Public Safety	900	900	260	640
Road Maintenance	77,500	77,500	78,599	(1,099)
Contingency	5,000	5,000	-	5,000
Community Development	20,000	20,000	9,004	10,996
Capital Outlay	25,000	25,000	103,457	(78,457)
Depreciation	39,777	39,777	-	39,777
Total Expenditures	<u>331,097</u>	<u>331,097</u>	<u>397,052</u>	<u>(65,955)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ (58,059)</u>	<u>\$ (58,059)</u>	(109,492)	<u>\$ (51,433)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer In			181,211	
Lease Proceeds			13,601	
Grant Income			2,202,007	
Grant Expense			<u>(2,508,028)</u>	
TOTAL OTHER FINANCING SOURCES (USES)			<u>(111,209)</u>	
NET CHANGE IN FUND BALANCES			(220,701)	
FUND BALANCE - OCTOBER 1			<u>1,110,127</u>	
FUND BALANCE - SEPTEMBER 30 (BUDGETARY BASIS)			\$ 889,426	
Capital Assets, net of accumulated depreciation			3,396,637	
Lease Liability			(11,848)	
Deferred Inflows of Resources			<u>24,384</u>	
FUND BALANCE - SEPTEMBER 30 (GAAP BASIS)			<u>\$ 4,298,599</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, 2023

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES				
Service fees	\$ 682,328	\$ 682,328	\$ 685,943	\$ 3,615
Miscellaneous	-	-	-	-
Total Operating Revenues	<u>682,328</u>	<u>682,328</u>	<u>685,943</u>	<u>3,615</u>
OPERATING EXPENSES				
Personnel	38,065	38,065	21,528	16,537
Professional services	36,300	36,300	26,711	9,589
Purchased and contract services	51,700	51,700	45,543	6,157
Consumables supplies and materials	152,234	152,234	85,613	66,621
Recurring expenses and repairs	401,366	401,366	214,394	186,972
Debt service	157,234	157,234	178,476	(21,242)
Depreciation	186,766	186,766	192,081	(5,315)
Total Operating Expenses	<u>1,023,665</u>	<u>1,023,665</u>	<u>764,346</u>	<u>259,319</u>
OPERATING INCOME	<u>(341,337)</u>	<u>(341,337)</u>	<u>(78,403)</u>	<u>262,934</u>
NON-OPERATING REVENUES (EXPENSES)				
Grant revenue	-	-	157,360	157,360
Transfer Out			(181,211)	(181,211)
Interest expense	-	-	(47,876)	(47,876)
Interest revenue	<u>2,000.00</u>	<u>2,000</u>	<u>26,565</u>	<u>24,565</u>
Total Non-operating Revenues (Expenses)	<u>2,000</u>	<u>2,000</u>	<u>(45,162)</u>	<u>(47,162)</u>
CHANGE IN NET ASSETS, (BUDGETARY BASIS)	<u><u>\$ (339,337)</u></u>	<u><u>\$ (339,337)</u></u>	<u>(123,565)</u>	<u><u>\$ 215,772</u></u>
NET ASSETS - OCTOBER 1			<u>5,968,745</u>	
NET ASSETS - SEPTEMBER 30 (BUDGETARY BASIS)			\$5,845,180	
Principal portion of debt service payments			130,600	
Interest reclassified to Non-Operating expense			<u>47,876</u>	
NET ASSETS - SEPTEMBER 30 (GAAP BASIS)			<u><u>\$6,023,656</u></u>	

SINGLE AUDIT SECTION

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

To the Honorable Mayor and City Council
City of Bevil Oaks, Texas
Bevil Oaks, Texas 77713

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Bevil Oaks' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Bevil Oaks' major federal programs for the year ended September 30, 2023. City of Bevil Oaks, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Bevil Oaks complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of City of Bevil Oaks and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Bevil Oaks, Texas' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the

requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Bevil Oaks, Texas' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Bevil Oaks, Texas' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Bevil Oaks, Texas' compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City of Bevil Oaks, Texas' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Bevil Oaks, Texas' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Bevil Oaks, Texas' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Charles E. Reed & Associates, P.C.

Charles E. Reed and Associates, P.C.
Certified Public Accountants and Consultants
Port Arthur, Texas

June 25, 2024

INDEPENDENT AUDITOR'S 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*

To the Honorable Mayor and City Council
City of Bevil Oaks, Texas
Bevil Oaks, Texas 77713

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of City of Bevil Oaks, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise City of Bevil Oaks' basic financial statements, and have issued our report thereon dated June 25, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Bevil Oaks, Texas' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Bevil Oaks, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Bevil Oaks' 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Bevil Oaks' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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.

Charles E. Reed & Associates, P.C.

Charles E. Reed and Associates, P.C.
Certified Public Accountants and Consultants
Port Arthur, Texas
June 25, 2024

**CITY OF BEVIL OAKS, TEXAS
SCHEDULE OF EXPEDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

<u>Federal Grantor/Pass-through Grantor/Program</u>	<u>Assistance Listing Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>Department of The Treasury</u>			
<i><u>Pass-through Agency: Texas Department of Emergency Management</u></i> Coronavirus State & Local Fiscal Recovery Fund	21.027		\$ 168,572
<u>Environmental Protection Agency</u>			
<i><u>Pass-through Agency: Texas Water Development Board</u></i> Capitalization Grants for Drinking Water Funds Revolving Funds	66.468	TWDB Project 73804	209,440
<u>Department of Homeland Security</u>			
<i><u>Pass-through Agency: Texas Department of Emergency Management</u></i> Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.029	EMT-2018-FM-E002	177,674
<i><u>Pass-through Agency: Texas Department of Emergency Management</u></i> Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		303,166
<u>Department of Housing and Urban Development</u>			
<i><u>Pass-through Agency: Texas General Land Office</u></i> Community Development Block Grant Disaster Recovery	14.228	B-17-DM-48-0001	<u>1,815,160</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,674,012</u></u>

CITY OF BEVIL OAKS, TEXAS
NOTES TO THE SCHEDULE OF EXPEDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Financial Awards presents the activity of all Federal financial assistance programs of the City of Bevil Oaks, Texas. All federal awards received directly from Federal agencies and Federal awards passed through State agencies are included on the schedule.

NOTE 2 – BASIS OF ACCOUNTING

The City of Bevil Oaks, Texas account for federal funding using the modified accrual method of accounting. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e. both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences, claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Equipment purchases for grant purposes are treated as expenses in the schedule of expenditures of federal awards and typically capitalized for financial statement purposes.

Federal grant funds are considered to be earned to the extent of expenses made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods.

NOTE 3 – BASIS OF PRESENTATION

The schedule of expenditures of federal awards includes the federal grant activities of the City of Bevil Oaks, Texas on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of Title 2 U. S. Code of Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Bevil Oaks, Texas, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Bevil Oaks, Texas. statements.

NOTE 4 – DE MINIMIS INDIRECT COST RATE

The City of Bevil Oaks, Texas does not use the 10% deminimis indirect cost rate.

NOTE 5 – SUB-RECIPIENTS

The City of Bevil Oaks, Texas does not have any subrecipients.

CITY OF BEVIL OAKS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2023

Section I-Summary of Auditor's Results

Financial Statements

Type if auditor's report issued: Unmodified

Internal Control over financial reporting:

Material weakness identified? ☐ Yes ☒ No

· Significant deficiency that is not considered to be a material weakness? ☐ Yes ☒ No

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Material weakness identified? ☐ Yes ☒ No

Significant deficiency identified that is not considered to be a material weakness? ☐ Yes ☒ No

Type auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 500.516(a) ☐ Yes ☒ No

Identification of major programs:

Assistance Listing Number

Name of Federal Program or Cluster

14.228	Department of Housing and Urban Development <i>Pass-through Agency:</i> <i>Texas General Land Office</i>	\$ 1,815,160
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The dollar threshold used to distinguish between Type A and Type B federal funds \$750,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

Section II-Financial Statements Findings

None noted

Section III - Federal Award Findings and Questioned Costs

Current Year - None noted

Prior Year – None noted

Section IV-Status of Prior Year Findings

None