

CITY OF BEVIL OAKS, TEXAS
ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2020

**CITY OF BEVIL OAKS, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Bevil Oaks, Texas
7525 Sweetgum Road
Bevil Oaks, Texas 77713

Report on the Financial Statements

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 and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Bevil Oaks, Texas, as of September 30, 2020, 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 4–9 and 29–30 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bevil Oaks, Texas' basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the schedule of expenditures of federal awards are 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 May 16, 2022, on our consideration of the City of Bevil Oaks, Texas' internal control over financial reporting

and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Bevil Oaks, Texas' 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
May 16, 2022

CITY OF BEVIL OAKS, TEXAS
Management's Discussion and Analysis
September 30, 2020

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, 2020. 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, 2020, by \$6,381,562 (net position). Of this amount, \$1,225,229 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$1,205,285 (including \$980,347 in grant revenues).

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, 2020

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, 2020

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 \$6,381,562 at the close of the most recent fiscal year.

City of Bevil Oaks - Net Position
September 30,

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current assets	\$ 508,047	\$ 452,977	\$ 792,524	\$ 640,653	\$1,300,571	\$1,093,630
Noncurrent assets	152,863	77,395	41,813	149,140	194,676	226,535
Capital assets, net (AD)	713,076	729,287	5,957,753	5,099,134	6,670,829	5,828,421
Total Assets	<u>\$ 1,373,986</u>	<u>\$1,259,659</u>	<u>\$ 6,792,090</u>	<u>\$5,888,927</u>	<u>\$8,166,076</u>	<u>\$7,148,586</u>
Current liabilities	\$ 21,936	\$ 62,286	\$ 115,183	\$ 166,762	\$ 137,119	\$ 229,048
Noncurrent liabilities	-	-	1,647,395	1,743,261	1,647,395	1,743,261
Total Liabilities	<u>\$ 21,936</u>	<u>\$ 62,286</u>	<u>\$ 1,762,578</u>	<u>\$1,910,023</u>	<u>\$1,784,514</u>	<u>\$1,972,309</u>
Net position:						
Investment in capital assets	\$ 713,076	\$ 729,287	\$ 4,248,581	\$3,288,851	\$4,961,657	\$4,018,138
Restricted	152,863	77,395	41,813	149,140	194,676	226,535
Unrestricted	486,111	390,691	739,118	540,913	1,225,229	931,604
Net Position	<u>\$ 1,352,050</u>	<u>\$1,197,373</u>	<u>\$ 5,029,512</u>	<u>\$3,978,904</u>	<u>\$6,381,562</u>	<u>\$5,176,277</u>

A significant portion of the City's net position, \$4,961,567 (78%), 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, \$1,225,229 may be used to meet the government's on-going obligations to citizens and creditors. \$194,676 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, 2020

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

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Program Revenues						
Charges for Services	\$ -	\$ -	\$ 725,981	\$ 573,758	\$ 725,981	\$ 573,758
Grants	164,111	152,809	816,236	186,781	980,347	339,590
General Revenues						
Investment	289	363	1,186	3,184	1,475	3,547
Other	271,943	232,234	-	-	271,943	232,234
Insurance Proceeds	-	-	-	-	-	-
Loss on Disposal of Assets	-	-	-	(17,000)	-	(17,000)
Total	436,343	385,406	1,543,403	746,723	1,979,746	1,132,129
Expenses						
General & Admin	213,075	307,259	-	-	213,075	307,259
Public Safety	438	2,753	-	-	438	2,753
Road Maintenance	53,565	35,997	-	-	53,565	35,997
Community Dev.	14,588	6,695	-	-	14,588	6,695
Grants	-	14,865	-	-	-	14,865
Public Works	-	-	492,795	583,728	492,795	583,728
Total	281,666	367,569	492,795	583,728	774,461	951,297
Transfers In/(Out)	-	-	-	-	-	-
Total	-	-	-	-	-	-
Increase (Decrease) in Net Position	154,677	17,837	1,050,608	162,995	1,205,285	180,832
Net Position - 10/1	1,197,373	1,179,536	3,978,911	3,815,909	5,176,277	4,995,445
Net Position - 9/30	<u>\$ 1,352,050</u>	<u>\$ 1,197,373</u>	<u>\$ 5,029,519</u>	<u>\$ 3,978,904</u>	<u>\$ 6,381,562</u>	<u>\$ 5,176,277</u>

For the fiscal year ended September 30, 2020, the City's general revenues were \$272,232. Property taxes collected account for about 47%, sales tax receipts 22%, and franchise fees 11%. The City's revenues from water and sewer services were \$725,981 which is an increase of \$152,223 indicating continuing recovery from Hurricane Harvey. Operating expenditures for the fiscal year totaled \$774,461(excluding grants), including \$492,795 of expenses related to the Public Works department (water & sewer services).

CITY OF BEVIL OAKS, TEXAS
Management's Discussion and Analysis (Continued)
September 30, 2020

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, 2020, unrestricted fund balance of the general fund was \$321,892 and restricted fund balance (reserved for road maintenance) was \$152,863. Council has assigned \$141,237 for the future rebuilding of the City Hall and Community Center.

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, 2020, unrestricted fund balance was \$739,118.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets as of September 30, 2020, amounts to \$6,670,829 (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. Additions include the completed water plant improvements.

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

	Governmental Activities		Business-type Activities		Total Activities	
	2020	2019	2020	2019	2020	2019
Land	\$ 10,000	\$ 10,000	\$ 162,894	\$ 162,894	\$ 172,894	\$ 172,894
Construction in Progress	13,900	-	374,358	110,539	388,258	110,539
Buildings & Improvements	744,484	731,534	-	-	744,484	731,534
Software	-	-	3,065	3,065	3,065	3,065
Machinery and Equipment	58,400	58,400	206,640	200,000	265,040	258,400
Infrastructure	247,614	247,614	6,392,855	5,649,143	6,640,469	5,896,757
Total Fixed Assets	\$ 1,074,398	\$ 1,047,548	\$ 7,139,812	\$ 6,125,641	\$ 8,214,210	\$ 7,173,189
Less Accumulated						
Depreciation	361,322	318,261	1,182,059	1,026,507	1,543,381	1,344,768
Total Fixed Assets, net	\$ 713,076	\$ 729,287	\$ 5,957,753	\$ 5,099,134	\$ 6,670,829	\$ 5,828,421

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, 2020

Long-term debt. At September 30, 2020, the City of Bevil Oaks has long-term debt (due in more than one year) in the amount of \$1,633,104, 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, actual revenue exceeded budgeted total revenue by \$228,149 (partially due to grants of \$164,111) and actual expenses exceeded budgeted expenses by \$60,770. In the Public Works Fund, actual operating revenue exceeded budgeted operating revenue by \$110,097 and actual operating expenses exceeded budgeted operating expenses by \$28,306.

On August 29, 2017, the City of Bevil Oaks was devastated by Hurricane Harvey. Over 90% of its homes and businesses were flooded. Again, on September 19, 2019, the citizens of Bevil Oaks were hit hard from flooding as a result of Tropical Storm Imelda. The City continues to work with federal and state agencies as well as its insurance provider to facilitate the recovery efforts which are ongoing.

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, 2020

	Governmental Activities	Business-type Activities	Total Activities
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 471,407	\$ 751,584	\$ 1,222,991
Receivables, Net:			
Taxes Receivable	22,982	-	22,982
Accounts	-	53,648	53,648
Interfund	13,658	-	13,658
Other	-	950	950
Total Current Assets	508,047	806,182	1,314,229
NONCURRENT ASSETS			
Cash and Cash Equivalents - Restricted	152,863	41,813	194,676
Total Noncurrent Assets	152,863	41,813	194,676
CAPITAL ASSETS			
Land	10,000	162,894	172,894
Construction in Progress	13,900	374,358	388,258
Depreciable Fixed Assets, Net of Accumulated Depreciation	689,176	5,420,501	6,109,677
Total Capital Assets	713,076	5,957,753	6,670,829
TOTAL ASSETS	<u>\$ 1,373,986</u>	<u>\$ 6,805,748</u>	<u>\$ 8,179,734</u>
CURRENT LIABILITIES			
Accounts Payable	\$ 959	\$ 6,640	\$ 7,599
Accrued Expenses	2,658	8,345	11,003
Due to FEMA	18,319	-	18,319
Interfund Payable	-	13,658	13,658
Note Payable - Due within one year	-	100,904	100,904
Total Current Liabilities	21,936	129,547	151,483
NONCURRENT LIABILITIES			
Customer Deposits	-	38,421	38,421
Bond Premium	-	76,068	76,068
Note Payable - Due in more than one year	-	1,532,200	1,532,200
Total Noncurrent Liabilities	-	1,646,689	1,646,689
TOTAL LIABILITIES	<u>21,936</u>	<u>1,776,236</u>	<u>1,798,172</u>
NET POSITION			
Invested in Capital Assets, net	713,076	4,248,581	4,961,657
Restricted	152,863	41,813	194,676
Unrestricted	486,111	739,118	1,225,229
TOTAL NET POSITION	<u>\$ 1,352,050</u>	<u>\$ 5,029,512</u>	<u>\$ 6,381,562</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, 2020

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	\$ 213,075	\$ -	\$ 89,111	\$ 75,000	\$ (48,964)	\$ -	\$ (48,964)
Public Safety	438	-	-	-	(438)	-	(438)
Road Maintenance	53,565	-	-	-	(53,565)	-	(53,565)
Community Development	14,588	-	-	-	(14,588)	-	(14,588)
Total Governmental Activities	281,666	-	89,111	75,000	(117,555)	-	(117,555)
Business-type activities:							
Water and sewer	492,795	725,981	-	816,236	-	1,049,422	1,049,422
Total business-type activities	492,795	725,981	-	816,236	-	1,049,422	1,049,422
Total primary government	774,461	725,981	89,111	891,236	(117,555)	1,049,422	931,867
General revenues:							
Taxes:							
Property Taxes					127,798	-	127,798
Franchise					29,176	-	29,176
Sales					59,878	-	59,878
Investment Earnings					289	1,186	1,475
Miscellaneous					55,091	-	55,091
Transfers					-	-	-
Total General Revenues					272,232	1,186	273,418
Change in Net Position					154,677	1,050,608	1,205,285
Net Position, beginning					1,197,373	3,978,904	5,176,277
Net Position, ending					<u>\$ 1,352,050</u>	<u>\$ 5,029,512</u>	<u>\$ 6,381,562</u>

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

CITY OF BEVIL OAKS, TEXAS
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	General Fund
<hr/>	
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 471,407
Taxes Receivable	22,982
Due From Public Works	13,658
Total Current Assets	<hr/> 508,047 <hr/>
NONCURRENT ASSETS	
Cash and Cash Equivalents - Restricted	<hr/> 152,863 <hr/>
Total Noncurrent Assets	
TOTAL ASSETS	<hr/> <hr/> \$ 660,910 <hr/>
 LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts Payable	959
Accrued Expenses	2,658
Due to FEMA	18,319
Total Liabilities	<hr/> 21,936 <hr/>
Deferred Inflows - property tax revenue	22,982
Total Liabilities and Deferred Inflows	<hr/> 66,854 <hr/>
FUND BALANCE	
Restricted for Roads	152,863
Assigned for Disaster Recovery	141,237
Unassigned	321,892
Total Fund Balance	<hr/> 615,992 <hr/>
TOTAL LIABILITIES AND FUND BALANCE	<hr/> <hr/> \$ 682,846 <hr/>

The accompanying notes are an 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, 2020

Governmental fund balance as reported on the balance sheet for governmental funds	\$ 615,992
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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	713,076
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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>22,982</u>
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Total net assets as reported on the Statement of Net Position for governmental activities.	<u><u>\$ 1,352,050</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, 2020

	General Fund
REVENUES	
Property Tax, Penalty & Interest	125,456
Sales Tax Receipts	59,878
Franchise Fees	29,176
Permits & Fees	8,918
Miscellaneous	46,173
Investment Income	289
Grant Income	164,111
Total Revenues	<u>434,001</u>
EXPENDITURES	
Current:	
General Government	191,995
Public Safety	438
Road Maintenance	37,224
Community Development	21,898
Capital Outlay	<u>13,900</u>
Total Expenditures	<u>265,455</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>168,546</u>
<u>OTHER FINANCING SOURCES (USES)</u>	
Transfers Out	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>
NET CHANGE IN FUND BALANCES	168,546
FUND BALANCE - OCTOBER 1	<u>447,446</u>
FUND BALANCE - SEPTEMBER 30	<u><u>\$ 615,992</u></u>

The accompanying notes are an 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, 2020

Net change in fund balances for total governmental funds.	\$	168,546
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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		26,850
Current year depreciation expense		(43,061)

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		(5,602)
Collections due from current year taxes		7,944

Change in net assets of governmental activities	\$	<u>154,677</u>
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CITY OF BEVIL OAKS, TEXAS
STATEMENT OF NET POSITION – PROPRIETARY FUND
SEPTEMBER 30, 2020

	Business-type Activities - <u>Public Works</u>
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 751,584
Accounts Receivable, net:	
Accounts	53,648
Other	950
Total Current Assets	<u>806,182</u>
NONCURRENT ASSETS	
Cash and Cash Equivalents - Restricted	<u>41,813</u>
Total Noncurrent Assets	<u>41,813</u>
CAPITAL ASSETS	
Land	162,894
Construction in Progress	374,358
Other Capital Assets, net of Accumulated Depreciation	<u>5,420,501</u>
Total Capital Assets	<u>5,957,753</u>
TOTAL ASSETS	<u><u>\$ 6,805,748</u></u>
LIABILITIES AND FUND BALANCES	
CURRENT LIABILITIES	
Accounts Payable	6,640
Accrued Expenses	8,345
Due to General Fund	13,658
Long-term Debt - Due within one year	<u>100,904</u>
Total Current Liabilities	<u>129,547</u>
NONCURRENT LIABILITIES	
Customer Deposits	38,421
Bond Premium	76,068
Long-term Debt - Due in more than one year	<u>1,532,200</u>
Total Noncurrent Liabilities	<u>1,646,689</u>
Total Liabilities	<u>1,776,236</u>
FUND BALANCE	
Net investment in capital assets	4,248,581
Restricted	41,813
Unrestricted	<u>739,118</u>
Total Fund Balance	<u>5,029,512</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 6,805,748</u></u>

The accompanying notes are an 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, 2020

	Business-type Activities
	Public Works Fund
OPERATING REVENUES	
Service fees	\$ 656,728
Miscellaneous	69,253
Total Operating Revenues	<u>725,981</u>
OPERATING EXPENSES	
Personnel	34,791
Professional services	22,059
Purchased and contract services	42,953
Consumables supplies and materials	56,945
Recurring expenses and repairs	126,180
Depreciation	155,552
Total Operating Expenses	<u>438,480</u>
OPERATING INCOME	<u>287,501</u>
NON-OPERATING REVENUES (EXPENSES)	
Grant revenue	816,236
Interest expense	(54,315)
Interest revenue	1,186
Total Non-operating Revenues (Expenses)	<u>763,107</u>
CHANGE IN NET POSITION	1,050,608
NET POSITION - OCTOBER 1	<u>3,978,904</u>
NET POSITION - SEPTEMBER 30	<u><u>\$ 5,029,512</u></u>

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

CITY OF BEVIL OAKS, TEXAS
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers for services	\$ 702,039
Payments to vendors	(263,140)
Payments to Employees	(34,791)
Interest paid	(55,285)
Interfund receipts, net	10,383
Other receipts include grant revenue, interest, and misc revenue	867,371
Customer deposit refunds	(3,229)
Net Cash (Used) by Operating Activities	<u>1,223,348</u>

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

Principal payment of long-term debt	(100,198)
Purchase of capital assets	(1,014,172)
Net Cash (Used) in Investing Activities	<u>(1,114,370)</u>

NET DECREASE IN CASH 108,978

CASH AT BEGINNING OF YEAR 684,419

CASH AT END OF YEAR \$ 793,397

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

Net income/(loss) for the year	\$ 1,050,608
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	155,552
Decrease in service receivables	17,223
Decrease in interfund receivables	33,553
(Decrease) in accounts payable	(50,892)
(Decrease) in accrued expenses	(687)
(Decrease) in bond premium	(912)
Increase in interfund payable	13,658
Increase in customer deposits	5,245
Total Adjustments	<u>172,740</u>
Net Cash (Used) by Operating Activities	<u><u>\$ 1,223,348</u></u>

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

CITY OF BEVIL OAKS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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 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, 2020

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, 2020

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.

During the course of operations, various transactions occur between funds that may result in amounts owed between funds and are usually related to reimbursements and reporting expenses in the correct fund. 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, 2020

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:

Nonspendable – 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.

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, 2020

K. Accounts Receivable – Proprietary Fund

Proprietary accounts receivables consist of water and sewer receivables and are deemed to be fully collectible by management. There is also an associated water and sewer deposit that may be used to offset if necessary.

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, 2020 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. At September 30, 2020, the bank balance of the City's deposits with Wells Fargo was \$1,544,999 and the carrying amount was \$1,417,667.

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

CITY OF BEVIL OAKS, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 2020

NOTE 2 – DEPOSITS, SECURITIES AND INVESTMENTS (continued)

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 \$61,088 (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.

Property taxes receivables and related allowances for uncollectible accounts were as follows as of September 30, 2020:

	Governmental Type Activities	Business Type Activities
Property Taxes	\$ 22,982	\$ -
Allowance for Uncollectibles	-	-
Property Taxes, Net	<u>\$ 22,982</u>	<u>\$ -</u>

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.

CITY OF BEVIL OAKS, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 2020

NOTE 5 – CAPITAL ASSETS

During the fiscal year, the City completed a water plant improvement project and began several other Public Works projects that were still in progress at year end. Additionally, the City began the planning phase of the future City Hall.

The following is a summary of changes in governmental activities as of September 30, 2020:

	October1, 2019	Additions	Retirement	September 30, 2020
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Construction in Progress	-	13,900	-	13,900
Buildings & Improvements	731,534	12,950	-	744,484
Infrastructure	247,614	-	-	247,614
Furniture & Equipment	58,400	-	-	58,400
	<u>1,047,548</u>	<u>26,850</u>	<u>-</u>	<u>1,074,398</u>
Accumulated Depreciation	<u>318,261</u>	<u>43,061</u>	<u>-</u>	<u>361,322</u>
Governmental Activities				
Capital Assets, net	<u>\$ 729,287</u>	<u>\$ (16,211)</u>	<u>\$ -</u>	<u>\$ 713,076</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$21,081
Road Maintenance	\$16,340
Community Development	<u>\$5,640</u>

Total Depreciation Expense - \$43,061

The following is a summary of changes in business-type activities as of September 30, 2020:

	October1, 2019	Additions	Retirement	September 30, 2020
Land	\$ 162,894	\$ -	\$ -	\$ 162,894
Construction in Progress	110,539	354,567	90,748	374,358
Infrastructure	5,649,143	743,712	-	6,392,855
Furniture & Equipment	203,065	6,640	-	209,705
	<u>6,125,641</u>	<u>1,104,919</u>	<u>90,748</u>	<u>7,139,812</u>
Accumulated Depreciation	<u>1,026,507</u>	<u>155,552</u>	<u>-</u>	<u>1,182,059</u>
Business-type Activities				
Capital Assets, net	<u>\$ 5,099,134</u>	<u>\$ 949,367</u>	<u>\$ 90,748</u>	<u>\$ 5,957,753</u>

Construction in progress of \$388,258 includes expenditures for water and sewer improvement projects funded by grants received from the Texas Water Development Board, as well as initial expenditures related to the future City Hall building.

CITY OF BEVIL OAKS, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 2020

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.

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

Year Ended September 30,	Principal	Interest	Total
2021	\$ 100,904	\$ 54,580	\$ 155,484
2022	106,635	52,249	158,884
2023	107,391	49,843	157,234
2024	108,175	44,384	152,559
2025	90,000	43,575	133,575
2026-2030	510,000	143,900	653,900
2031-2035	610,000	46,800	656,800
	<u>1,633,105</u>	<u>435,331</u>	<u>2,068,436</u>

Long-term liability activity for the year ended September 30, 2020 was as follows:

	September 30, 2019	Increases	Decreases	September 30, 2020
Bond Payable	\$ 108,303	\$ -	\$ 20,198	\$ 88,105
Note Payable	1,625,000	-	80,000	1,545,000
Total	<u>\$ 1,733,303</u>	<u>\$ -</u>	<u>\$ 100,198</u>	<u>\$ 1,633,105</u>

Interest expense for the year ended September 30, 2020 was \$54,315.

CITY OF BEVIL OAKS, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 2020

NOTE 7 – SUBSEQUENT EVENTS

Events occurring subsequent to September 30, 2020 were evaluated by management and reviewed through May 16, 2022, date of report issuance, with the following subsequent events noted.

Management Review

An investigation of internal controls involving cash continues as of the report date. The full impact is unknown at this time but the City did receive \$50,000 in insurance proceeds until a full investigation is completed.

COVID 19 Virus

On March 19, 2020, Jefferson County, Texas issued a Public Health Disaster Order for the County which includes the City of Bevil Oaks. The County has amended its Public Health Notice several times to modify the on-going restrictions placed upon businesses and individuals. The social and economic impact of this public disaster is unknown as of the date of this report.

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, 2020

	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)
REVENUES				
Property Tax, Penalty & Interest	\$ 132,852	\$ 132,852	\$ 125,456	\$ (7,396)
Sales Tax Receipts	40,000	40,000	59,878	19,878
Franchise Fees	28,000	28,000	29,176	1,176
Permits & Fees	5,000	5,000	8,918	3,918
Miscellaneous	-	-	46,173	46,173
Investment Income	-	-	289	289
Grant Revenue	-	-	164,111	164,111
Tranfers In	-	-	-	-
Total Revenues	<u>205,852</u>	<u>205,852</u>	<u>434,001</u>	<u>228,149</u>
EXPENDITURES				
General Government	131,985	131,985	191,995	(60,010)
Public Safety	6,700	6,700	438	6,262
Road Maintenance	46,000	46,000	37,224	8,776
Contingency	10,000	10,000	-	10,000
Community Development	10,000	10,000	21,898	(11,898)
Capital Outlay	-	-	13,900	(13,900)
Total Expenditures	<u>204,685</u>	<u>204,685</u>	<u>265,455</u>	<u>(60,770)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 1,167</u>	<u>\$ 1,167</u>	168,546	<u>\$ 167,379</u>
NET CHANGE IN FUND BALANCES, BUDGETARY BASIS			168,546	
GAAP BASIS DIFFERENCES:				
Capital assets, net accumulated depreciation			713,076	
Recognition of deferred property tax revenue			22,982	
FUND BALANCE - OCTOBER 1			<u>447,446</u>	
FUND BALANCE - SEPTEMBER 30			<u>\$ 1,352,050</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, 2020

	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)
OPERATING REVENUES				
Service fees	\$ 601,884	\$601,884	\$ 656,728	\$ 54,844
Miscellaneous	14,000	14,000	69,253	55,253
Total Operating Revenues	615,884	615,884	725,981	110,097
OPERATING EXPENSES				
Personnel	31,300	31,300	34,791	(3,491)
Professional services	33,000	33,000	22,059	10,941
Purchased and contract services	41,700	41,700	42,953	(1,253)
Consumables supplies and materials	81,600	81,600	56,945	24,655
Recurring expenses and repairs	219,015	219,015	126,180	92,835
Debt service	158,984	158,984	155,425	3,559
Depreciation	-	-	155,552	(155,552)
Total Operating Expenses	565,599	565,599	593,905	(28,306)
OPERATING INCOME	50,285	50,285	132,076	81,791
NON-OPERATING REVENUES (EXPENSES)				
Capital Grants	-	-	816,236	816,236
Interest revenue	2,500	2,500	1,186	(1,314)
Total Non-operating Revenues (Expenses)	2,500	2,500	817,422	814,922
CHANGE IN NET ASSETS, BUDGETARY	<u>\$ 52,785</u>	<u>\$ 52,785</u>	949,498	<u>\$ 896,713</u>
GAAP BASIS DIFFERENCES:				
Principal portion of debt service payments			100,198	
Amortization of bond premium			912	
NET ASSETS - OCTOBER 1			<u>3,978,904</u>	
NET ASSETS - SEPTEMBER 30			<u><u>\$5,029,512</u></u>	

**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

We have audited the County of Newton, Texas's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Bevil Oaks, Texas's major federal programs for the year ended September 30, 2020. The 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Bevil Oaks, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. 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 Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Bevil Oaks, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Bevil Oaks, Texas' compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Bevil Oaks, Texas, 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, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-01. Our opinion on each major federal program is not modified with respect to these matters.

The City of Bevil Oaks, Texas's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Bevil Oaks, Texas's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City of Bevil Oaks, Texas, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Bevil Oaks, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Bevil Oaks, Texas's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2020-01, that we consider to be a significant deficiency.

The City of Bevil Oaks, Texas's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The City of Bevil Oaks, Texas's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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
May 16, 2022

**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

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 the City of Bevil Oaks, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Bevil Oaks, Texas' basic financial statements, and have issued our report thereon dated May 16, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Bevil Oaks, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Bevil Oaks, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Bevil Oaks, Texas' 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bevil Oaks, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial 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
May 16, 2022

CITY OF BEVIL OAKS, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2020

<u>Federal Grantor/Pass-through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass - through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>Environmental Protection Agency</u>			
<u>Pass through agency: Texas Water Development Board</u>			
Capitalization Grants for Drinking Water Funds	66.468	Contract No. LF100874	\$ 854,003
Revolving Funds			
<u>Department of Homeland Security</u>			
<u>Pass through agency: Governors Department of Emergency Management</u>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR 4332-TX	<u>11,254</u>
Total Expenditures of Federal Awards			<u><u>\$ 865,257</u></u>

CITY OF BEVIL OAKS, TEXAS
Notes to the Schedule of Expenditures of Federal Awards
For the year ended September 30, 2020

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% de minimis indirect cost rate.

NOTE 5 – SUBRECIPIENTS

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

CITY OF BEVIL OAKS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2020

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:

CFDA Number

Name of Federal Program or Cluster

66.468

Environmental Protection Agency
Capitalization Grants for Drinking Water
Funds Revolving Funds
Emergency Management Grant

\$ 854,003

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

2020-01 Internal Control – Control Activities - Reporting

Criteria: OMB's Uniform Guidance 2 CFR 200.512(a) requires a Data Collection form to be filed the earlier of 30 days after receipt of the Single Audit Report of nine months after year-end for those entities expending more than \$750,000 of federal funds.

Condition: The City of Bevil Oaks did not file the required Data Collection form within the required time period.

Cause: Due to catastrophic damage to City services, including infrastructure, caused by back-to-back year Hurricanes, the City of Bevil Oaks was unable to submit the Data Collection form timely and was not in compliance with reporting requirements.

Effect: The noncompliance with compliance attributes required under the Uniform Guidance 2 CFR 200 may affect the City of Bevil Oaks current grant contracts and the opportunity to qualify for future grants.

Recommendation: The City of Bevil Oaks governance should adopt and management should implement internal controls over oversight, monitoring and reporting to ensure compliance requirements as per OMB Uniform Guidance 2 CFR 200.

Section IV-Status of Prior Year Findings

No prior year findings

CITY OF BEVIL OAKS
CORRECTIVE ACTION PLAN
SEPTEMBER 30, 2020

FINDING 2020-01 – INTERNAL CONTROL – CONTROL ACTIVITIES - REPORTING

Corrective Action Plan:

The City of Bevil Oaks City Council has reviewed the finding indicated as 2020-01 and agree with the finding. The Council adopted controls to insure that the City will comply in all material respects with its reporting requirements as per OMB A-133 and the Uniform Guidance 2 CFR 200. In addition, the Council has further involved the outside independent accounting firm to assist the City in its accounting and monitoring activities.

Anticipated Completion Date:

September 30, 2022

Responsible Parties:

Charlotte Yeates, CPA – City Contract Accountant and Mayor Barbara Emmons