

City of Everman Annual Financial Report



FOR THE YEAR ENDED
SEPTEMBER 30, 2023

CITY OF EVERMAN, TEXAS

ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2023**

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CITY OF EVERMAN, TEXAS

ANNUAL FINANCIAL REPORT

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INTRODUCTORY SECTION

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CITY OF EVERMAN, TEXAS

PRINCIPAL OFFICIALS

SEPTEMBER 30, 2023

CITY COUNCIL

Ray Richardson, Mayor

Susan Mackey, Mayor Pro-Tem and Council Member

Linda Sanders, Council Member

Johnnie Allen, Council Member

Judy Sellers, Council Member

Miriam Davila, Council Member

ADMINISTRATIVE

Craig Spencer, City Manager

Mindi Parks, City Secretary

Susanne Helgesen, Finance Director

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
and Members of City Council
City of Everman, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Everman, 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 Everman, Texas' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Everman, Texas 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Everman, Texas 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.

Emphasis of Matter - Change of Accounting Principle

As discussed in the notes to the financial statements, during the year ending September 30, 2023, the City of Everman, Texas adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based IT Agreements*. 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.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

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 Everman, Texas' 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 GAAS 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 GAAS 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 Everman, Texas' 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 Everman, Texas' 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, budgetary comparison information, and pension and OPEB information, as listed in the table of contents, to 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 Everman, Texas' basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements and 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. 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 combining and individual fund financial statements and schedules and 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 17, 2024 on our consideration of the City of Everman's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Everman, Texas' 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 Everman's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
May 17, 2024

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**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Everman, Texas' management's discussion and analysis (MD&A) provides an overview of the City's financial activities for the fiscal year ended September 30, 2023. The MD&A should be read in conjunction with the accompanying financial statements and the notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the 2023 fiscal year by \$10,002,213 (net position). Of this amount, \$1,213,487 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of fiscal year 2023, the City's governmental funds reported combined ending fund balances of \$659,563, an increase of \$313,657 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was a deficit of (\$495,054).
- The City's total capital assets net of accumulated depreciation increased by \$898,165. This is primarily due to the fact that additions to capital assets exceeded the value of capital asset deletions and depreciation expense for the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's 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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the four reported as net position. Over time, increases or decreases 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 in order to present how the City's net position changed during the 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 reported in this statement for some items will only result in changes in cash flows for future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

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 and charges (business-type activities). The governmental activities of the City include general government, public safety, culture and recreation, public works, judicial, and non-departmental. The business-type activities of the City include water and sewer operations.

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. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds. The fund financial statements for governmental funds and proprietary funds can be found in the financial section of this report.

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 expendable resources, as well as on balances of expendable 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, the reader 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 statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and 2020 CO Capital Project Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single aggregate presentation.

Proprietary funds. 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.

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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including budgetary comparison schedules for the General Fund and 2020 CO Capital Project Fund and information concerning the City's progress in funding its OPEB and pension obligations. Required supplementary information immediately follows the notes to the financial statements. Supplementary information including combining statements and budgetary comparison schedules for non-major governmental funds follow the section on required supplementary information.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of September 30, 2023, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$10,002,213.

The largest portion of the City's net position (70.9%) reflects its investment in capital assets (e.g., land, building, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (16.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$1,213,487, may be used to meet the City's ongoing obligations to citizens and creditors.

CITY OF EVERMAN'S NET POSITION
Government-Wide

| | Governmental Activities | | Business-type Activities | | Totals | |
|----------------------------------|-------------------------|--------------|--------------------------|--------------|---------------|--------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Current and other assets | \$ 2,305,401 | \$ 2,603,375 | \$ 2,345,631 | \$ 1,930,127 | \$ 4,651,032 | \$ 4,533,502 |
| Capital assets | 9,529,015 | 9,245,932 | 7,252,350 | 6,637,268 | 16,781,365 | 15,883,200 |
| Total assets | 11,834,416 | 11,849,307 | 9,597,981 | 8,567,395 | 21,432,397 | 20,416,702 |
| Deferred outflows of resources | 959,746 | - | 83,457 | - | 1,043,203 | - |
| Long-term liabilities | 6,790,565 | 6,047,473 | 4,407,384 | 4,610,731 | 11,197,949 | 10,658,204 |
| Other liabilities | 855,979 | 1,774,655 | 356,376 | 456,311 | 1,212,355 | 2,230,966 |
| Total liabilities | 7,646,544 | 7,822,128 | 4,763,760 | 5,067,042 | 12,410,304 | 12,889,170 |
| Deferred inflows of resources | 58,036 | 168,950 | 5,047 | 14,691 | 63,083 | 183,641 |
| Net position: | | | | | | |
| Net investment in capital assets | 3,892,353 | 3,468,539 | 3,204,123 | 2,370,719 | 7,096,476 | 5,839,258 |
| Restricted | 1,692,250 | 1,435,164 | - | - | 1,692,250 | 1,435,164 |
| Unrestricted | (495,021) | (1,045,474) | 1,708,508 | 1,114,943 | 1,213,487 | 69,469 |
| Total net position | \$ 5,089,582 | \$ 3,858,229 | \$ 4,912,631 | \$ 3,485,662 | \$ 10,002,213 | \$ 7,343,891 |

Governmental activities. Net position increased by \$1,231,353 in the current year. The increase in net position is comprised of various factors. Related to revenues, the major factors include increases to property, sales, and franchise taxes. The City has continually grown in population, and the resulting increased property base and economic activity led to the increases. On the expense side, expenses increased compared to the prior year due primarily due to increases to salaries and supplies expenses due to continued cost increases industrywide.

Business-type activities. Net position increased by \$1,426,969 in the current year. The major factor contributing to the increase in net position was due to an increase in charges for services related to growth within the City.

Analysis of the City's Operations. The following table provides a summary of the City's operations for the year ended September 30, 2023. Overall, the City had an increase in net position of \$2,658,322. Major factors contributing to the increase are explained in the previous two paragraphs.

CITY OF EVERMAN'S CHANGES IN NET POSITION
Government-Wide

| | Governmental Activities | | Business-type Activities | | Totals | |
|------------------------------------|-------------------------|--------------|--------------------------|--------------|---------------|--------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 2,482,937 | \$ 633,330 | \$ 3,230,453 | \$ 2,496,773 | \$ 5,713,390 | \$ 3,130,103 |
| Operating grants and contributions | 1,088,375 | 902,278 | - | - | 1,088,375 | 902,278 |
| Capital grants and contributions | 767,513 | 395,802 | - | 349,796 | 767,513 | 745,598 |
| General revenues: | | | | | | |
| Property tax | 3,280,867 | 2,898,154 | - | - | 3,280,867 | 2,898,154 |
| Sales tax | 919,988 | 879,537 | - | - | 919,988 | 879,537 |
| Franchise tax | 282,885 | 269,038 | - | - | 282,885 | 269,038 |
| Alcoholic beverage tax | 6,418 | 6,301 | - | - | 6,418 | 6,301 |
| Bingo tax | 27,475 | 27,002 | - | - | 27,475 | 27,002 |
| Investment earnings | 93,228 | 14,428 | 28,252 | 6,027 | 121,480 | 20,455 |
| Gain (loss) on sale of assets | 198,674 | (62,933) | (10,450) | - | 188,224 | (62,933) |
| Miscellaneous | 64,403 | 116,540 | - | 1,060 | 64,403 | 117,600 |
| Total revenues | 9,212,763 | 6,079,477 | 3,248,255 | 2,853,656 | 12,461,018 | 8,933,133 |
| Expenses: | | | | | | |
| General government | 2,184,398 | 2,003,494 | - | - | 2,184,398 | 2,003,494 |
| Public safety | 4,574,532 | 2,997,610 | - | - | 4,574,532 | 2,997,610 |
| Culture and recreation | 148,258 | 271,059 | - | - | 148,258 | 271,059 |
| Public works | 805,512 | 707,525 | - | - | 805,512 | 707,525 |
| Judicial | 134,113 | 119,698 | - | - | 134,113 | 119,698 |
| Non-departmental | 352,592 | - | - | - | 352,592 | - |
| Interest on long-term debt | 164,271 | 158,494 | - | - | 164,271 | 158,494 |
| Water and sewer | - | - | 1,980,543 | 1,608,121 | 1,980,543 | 1,608,121 |
| Total expenses | 8,363,676 | 6,257,880 | 1,980,543 | 1,608,121 | 10,344,219 | 7,866,001 |
| Transfers | 382,266 | 375,217 | (382,266) | (375,217) | - | - |
| Change in net position | 1,231,353 | 196,814 | 885,446 | 870,318 | 2,116,799 | 1,067,132 |
| Net position, beginning | 3,858,229 | 3,661,415 | 3,485,662 | 2,615,344 | 7,343,891 | 6,276,759 |
| Prior period adjustment | - | - | 541,523 | - | 541,523 | - |
| Net position, ending | \$ 5,089,582 | \$ 3,858,229 | \$ 4,912,631 | \$ 3,485,662 | \$ 10,002,213 | \$ 7,343,891 |

Financial Analysis and Budgetary Highlights of City 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 funds 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.

At the end of the 2023 fiscal year, the City’s governmental funds reported combined ending fund balances of \$659,563, an increase of \$313,657 from the prior year. A deficit of (\$1,178,470) represents unassigned fund balance. The remainder of fund balance is not available for new spending because it is nonspendable for prepaid items, restricted to pay debt service or for a variety of other purposes, or assigned.

General Fund. The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was a deficit of (\$495,054), while the total fund balance was (\$372,514).

The final budget for fiscal year 2023 reflected a \$16,979 increase of fund balance. The actual change in fund balance was an increase of \$94,236.

Comparing budget to actual amounts, the City was under the final budgeted revenue estimate by \$485,337. The primary revenue that came in under the estimated budget amount was property tax revenue.

Total expenditures were more than the final budgeted amounts by \$525,249. Actual expenditures were more than budgeted primarily due to higher capital outlay expenditures than expected. However, the budget variance was offset by the issuance of financing arrangements, leases, and subscriptions.

Proprietary Funds. The City’s proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer Fund was \$1,708,508. Net position increased \$1,426,969 from the prior year, which can be attributed to a prior period adjustment to adjust capital assets as well as continued revenue increases for water and sewer charges for services.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2023, the City had \$16,781,365 invested in a broad range of capital assets. This amount represents a net increase of approximately 5.7% over the amounts for the prior fiscal year.

| | Governmental Activities | | Business-type Activities | | Totals | |
|------------------------------|-------------------------|--------------|--------------------------|--------------|---------------|---------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Land | \$ 265,786 | \$ 265,786 | \$ 53,425 | \$ 53,425 | \$ 319,211 | \$ 319,211 |
| Construction in progress | 133,307 | - | 953,467 | 775,570 | 1,086,774 | 775,570 |
| Buildings and improvements | 7,455,284 | 7,374,571 | 679,023 | 679,023 | 8,134,307 | 8,053,594 |
| Infrastructure | 3,101,161 | 3,101,161 | - | - | 3,101,161 | 3,101,161 |
| Machinery and equipment | 2,361,490 | 1,594,558 | 293,044 | 329,540 | 2,654,534 | 1,924,098 |
| Vehicles | 1,835,702 | 1,881,937 | - | - | 1,835,702 | 1,881,937 |
| Right to use - vehicles | 1,024,269 | 829,734 | - | - | 1,024,269 | 829,734 |
| Right to use - subscriptions | 254,865 | - | - | - | 254,865 | - |
| Water and sewer system | - | - | 10,273,616 | 9,324,958 | 10,273,616 | 9,324,958 |
| Accumulated depreciation | (6,902,849) | (5,801,815) | (5,000,225) | (4,525,248) | (11,903,074) | (10,327,063) |
| Total | \$ 9,529,015 | \$ 9,245,932 | \$ 7,252,350 | \$ 6,637,268 | \$ 16,781,365 | \$ 15,883,200 |

Major capital asset events during the 2023 fiscal year include the following:

- \$329,468 was spent on dispatch radio equipment.
- \$627,256 was spent on other various equipment.
- \$427,539 was spent on various water and sewer projects.

Additional information on the City’s capital assets can be found in Note V of this report.

Debt Administration

At the end of the current fiscal year, the City had total bonded debt outstanding of \$7,055,000. The remainder of the City’s long-term obligations primarily comprises notes and lease payables.

| | Governmental Activities | | Business-type Activities | | Totals | |
|----------------------------------|-------------------------|---------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| General obligations | \$ 1,430,000 | \$ 1,550,000 | \$ - | \$ - | \$ 1,430,000 | \$ 1,550,000 |
| Certificates of obligation | 1,930,000 | 2,010,000 | 3,695,000 | 3,895,000 | 5,625,000 | 5,905,000 |
| Premiums | 123,479 | 142,601 | 65,873 | 74,877 | 189,352 | 217,478 |
| Tax notes | 385,000 | 455,000 | - | - | 385,000 | 455,000 |
| Notes payable - direct borrowing | 854,364 | 949,303 | 543,682 | 621,784 | 1,398,046 | 1,571,087 |
| Financing arrangements | 190,550 | - | - | - | 190,550 | - |
| Lease payable | 611,646 | 650,143 | - | - | 611,646 | 650,143 |
| Subscription payable | 47,778 | - | - | - | 47,778 | - |
| Compensated absences | 164,847 | 176,657 | 11,272 | 9,177 | 176,119 | 185,834 |
| Total | \$ 5,737,664 | \$ 5,933,704 | \$ 4,315,827 | \$ 4,600,838 | \$ 10,053,491 | \$ 10,534,542 |

The long-term liabilities for the City decreased overall by \$481,051 in the current year, primarily as a result of scheduled debt payments.

Additional information on the City’s long-term debt can be found in Note VII of this report.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The annual budget is developed to provide efficient, effective and economic uses of the City's resources, as well as a means to accomplish the highest priority objectives. Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities. In preparing the City budget for fiscal year 2024, the City Council and management considered the following factors:

- Increase of \$165,741 (or 5.53%) in property tax revenue, including taxes on new property development of \$11,408.
- In Fiscal Year 2023, City Administration continually evaluated for potential areas of improvement that would enhance efficiency while reducing budget impact. These efforts were imperative to improving the City’s financial position.
- In January of 2023, the City of Everman launched a consolidated dispatch center also known as Tarrant County Regional Communications. This regionalization has brought in more than a dozen other entities which has significantly improved emergency dispatching services and reduced overall costs to each participating entity. The City of Everman received funding from Tarrant County, Tarrant County 9-1-1, and other sources to make nearly \$3 million dollars in upgrades to this center for operations. This center now serves more entities than any other dispatch center in Tarrant County and is an enterprise opportunity for the City of Everman moving forward to reduce overall expenditures.
- The State Legislature passed a new Senate Bill that required all public school districts in the State of Texas to provide armed security on every campus. This resulted in an increase in School Resource Officer staffing and equipment that is paid for by the Everman ISD.
- In Fiscal Year 2023, the City of Everman conducted salary surveys and reviews of compensation. Recent years have shown significant increases in the consumer price index affecting the general cost of living. The City Council approved an 11.5% cost of living adjustment, providing some much-needed increases for all employees.
- The new 202-home Hanna Ranch Subdivision began construction in Fiscal Year 2023 and the City of Everman began to see increases in revenue, particularly related to permitting. Although some increased revenue was observed in Fiscal Year 2023, the City of Everman is expecting the primary impact to occur in Fiscal Year 2024 in both the general and enterprise funds.
- In Fiscal Year 2023, the City of Everman also consolidated public library services with the Forest Hill Public Library District. This consolidation increased the City's savings and enhanced the programming options and resources available to our residents. It also allowed the City to reallocate staff to other areas that were desperately needed without increasing cost.

- The City of Everman also worked with the City of Forest Hill to regionalize Animal Control operations. In 2023, the City of Forest Hill agreed to consolidate operations with the City of Everman to provide these services. This agreement has allowed us to provide a higher level of service to residents in both cities while also increasing staffing. We were able to increase this without any negative budget impact to either city.
- Sales tax revenue in 2023 reflected a slight increase; however, we continued to budget sales tax revenue conservatively due to the uncertainty of the overall economy.
- This budget maintained employee health insurance benefits at the same rate as previous year while even providing a few new benefit options.
- City Administration continues to put a strong focus on potential grant funded opportunities. City staff will continue to work toward finding additional funding opportunities, as well as focusing strongly on economic growth in the community.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the City Manager at 212 Race Street, Everman, Texas, 76140.

BASIC FINANCIAL STATEMENTS

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CITY OF EVERMAN, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2023

| | Primary Government | | |
|--|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Cash and cash equivalents | \$ 236,050 | \$ 983,103 | \$ 1,219,153 |
| Accounts receivable (net) | 1,030,914 | 299,674 | 1,330,588 |
| Due from other governments | 163,307 | - | 163,307 |
| Inventory | - | - | - |
| Prepays | 120,000 | - | 120,000 |
| Internal balances | (563,416) | 563,416 | - |
| Restricted assets: | | | |
| Cash | 1,318,546 | 499,438 | 1,817,984 |
| Capital assets, net of accumulated depreciation: | | | |
| Non-depreciable | 399,093 | 1,006,892 | 1,405,985 |
| Depreciable | 9,129,922 | 6,245,458 | 15,375,380 |
| Total Assets | <u>11,834,416</u> | <u>9,597,981</u> | <u>21,432,397</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension related | 941,697 | 81,887 | 1,023,584 |
| OPEB related | 18,049 | 1,570 | 19,619 |
| Total Deferred Outflows of Resources | <u>959,746</u> | <u>83,457</u> | <u>1,043,203</u> |
| LIABILITIES | | | |
| Accounts payable | 155,335 | 171,231 | 326,566 |
| Accrued liabilities | 138,704 | 3,392 | 142,096 |
| Accrued interest payable | 24,741 | 11,408 | 36,149 |
| Due to other governments | 15,377 | 4,912 | 20,289 |
| Unearned revenue | 521,822 | - | 521,822 |
| Customer deposits payable | - | 165,433 | 165,433 |
| Noncurrent liabilities: | | | |
| Due within one year | | | |
| Long-term debt | 735,186 | 285,588 | 1,020,774 |
| Due in more than one year | | | |
| Long-term debt | 5,002,478 | 4,030,239 | 9,032,717 |
| Net pension liability | 971,320 | 84,463 | 1,055,783 |
| Total OPEB liability | 81,581 | 7,094 | 88,675 |
| Total Liabilities | <u>7,646,544</u> | <u>4,763,760</u> | <u>12,410,304</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension related | 3,763 | 327 | 4,090 |
| OPEB related | 54,273 | 4,720 | 58,993 |
| Total Deferred Inflows of Resources | <u>58,036</u> | <u>5,047</u> | <u>63,083</u> |
| NET POSITION | | | |
| Net investment in capital assets | 3,892,353 | 3,204,123 | 7,096,476 |
| Restricted for: | | | |
| Street improvement | 242,856 | - | 242,856 |
| Crime control and prevention district | 36,854 | - | 36,854 |
| Economic development | 553,809 | - | 553,809 |
| Tax increment financing zone | 576,154 | - | 576,154 |
| Debt service | 161,079 | - | 161,079 |
| LEOSE training | 5,341 | - | 5,341 |
| Court security fees | 24,067 | - | 24,067 |
| Court technology fees | 17,418 | - | 17,418 |
| Celebration and other donations | 1,706 | - | 1,706 |
| Fire dispatch capital investments/upgrades | 72,966 | - | 72,966 |
| Unrestricted | (495,021) | 1,708,508 | 1,213,487 |
| Total Net Position | <u>\$ 5,089,582</u> | <u>\$ 4,912,631</u> | <u>\$ 10,002,213</u> |

The notes to the financial statements are an integral part of these financial statements.

CITY OF EVERMAN, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2023

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Charges for Services</u> | <u>Program Revenues Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
|--------------------------------|----------------------|---------------------------------|--|---|
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 2,184,398 | \$ 675,765 | \$ 682,017 | \$ - |
| Public safety | 4,574,532 | 1,624,803 | 392,337 | 670,513 |
| Culture and recreation | 148,258 | - | 14,021 | - |
| Public works | 805,512 | - | - | 97,000 |
| Judicial | 134,113 | 182,369 | - | - |
| Non-departmental | 352,592 | - | - | - |
| Interest and fiscal charges | 164,271 | - | - | - |
| Total governmental activities | <u>8,363,676</u> | <u>2,482,937</u> | <u>1,088,375</u> | <u>767,513</u> |
| Business-type activities: | | | | |
| Water and sewer | <u>1,980,543</u> | <u>3,230,453</u> | <u>-</u> | <u>-</u> |
| Total business-type activities | <u>1,980,543</u> | <u>3,230,453</u> | <u>-</u> | <u>-</u> |
| Total primary government | <u>\$ 10,344,219</u> | <u>\$ 5,713,390</u> | <u>\$ 1,088,375</u> | <u>\$ 767,513</u> |

General revenues:

Property taxes
Sales taxes
Franchise tax
Alcoholic beverage tax
Bingo tax
Investment earnings
Gain (loss) on sale of capital assets
Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Prior period adjustment

Net position - ending

Net (Expense) Revenue and Changes in Net Position

| <u>Primary Government</u> | | |
|------------------------------------|-------------------------------------|----------------------|
| <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
| \$ (826,616) | \$ - | \$ (826,616) |
| (1,886,879) | - | (1,886,879) |
| (134,237) | - | (134,237) |
| (708,512) | - | (708,512) |
| 48,256 | - | 48,256 |
| (352,592) | - | (352,592) |
| (164,271) | - | (164,271) |
| <u>(4,024,851)</u> | <u>-</u> | <u>(4,024,851)</u> |
| | | |
| <u>-</u> | <u>1,249,910</u> | <u>1,249,910</u> |
| <u>-</u> | <u>1,249,910</u> | <u>1,249,910</u> |
| | | |
| <u>(4,024,851)</u> | <u>1,249,910</u> | <u>(2,774,941)</u> |
| | | |
| 3,280,867 | - | 3,280,867 |
| 919,988 | - | 919,988 |
| 282,885 | - | 282,885 |
| 6,418 | - | 6,418 |
| 27,475 | - | 27,475 |
| 93,228 | 28,252 | 121,480 |
| 198,674 | (10,450) | 188,224 |
| 64,403 | - | 64,403 |
| 382,266 | (382,266) | - |
| <u>5,256,204</u> | <u>(364,464)</u> | <u>4,891,740</u> |
| | | |
| 1,231,353 | 885,446 | 2,116,799 |
| <u>3,858,229</u> | <u>3,485,662</u> | <u>7,343,891</u> |
| | | |
| <u>-</u> | <u>541,523</u> | <u>541,523</u> |
| | | |
| <u>\$ 5,089,582</u> | <u>\$ 4,912,631</u> | <u>\$ 10,002,213</u> |

CITY OF EVERMAN, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2023

| | General Fund | 2020 CO Capital Project Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|---------------------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 44,310 | \$ - | \$ 191,740 | \$ 236,050 |
| Receivables (net of allowances for uncollectibles): | | | | |
| Taxes | 163,892 | - | 106,245 | 270,137 |
| Accounts | 760,777 | - | - | 760,777 |
| Due from other governments | 163,307 | - | - | 163,307 |
| Prepays | - | 120,000 | - | 120,000 |
| Restricted assets: | | | | |
| Cash and cash equivalents | 1,468 | - | 1,317,078 | 1,318,546 |
| Total assets | <u>1,133,754</u> | <u>120,000</u> | <u>1,615,063</u> | <u>2,868,817</u> |
| LIABILITIES | | | | |
| Accounts payable | 155,160 | - | 175 | 155,335 |
| Accrued liabilities | 138,704 | - | - | 138,704 |
| Due to other governments | 15,377 | - | - | 15,377 |
| Due to other funds | - | 563,416 | - | 563,416 |
| Unearned revenue | 401,822 | 120,000 | - | 521,822 |
| Total liabilities | <u>711,063</u> | <u>683,416</u> | <u>175</u> | <u>1,394,654</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - property taxes | 74,626 | - | 19,395 | 94,021 |
| Unavailable revenue - ambulance | 112,231 | - | - | 112,231 |
| Unavailable revenue - fines | 445,041 | - | - | 445,041 |
| Unavailable revenue - grants | 163,307 | - | - | 163,307 |
| Total deferred inflows of resources | <u>795,205</u> | <u>-</u> | <u>19,395</u> | <u>814,600</u> |
| FUND BALANCES | | | | |
| Nonspendable: | | | | |
| Prepaid items | - | 120,000 | - | 120,000 |
| Restricted: | | | | |
| Street improvement | - | - | 242,856 | 242,856 |
| Crime control and prevention district | - | - | 36,854 | 36,854 |
| Economic development | - | - | 553,809 | 553,809 |
| Tax increment financing zone | - | - | 576,154 | 576,154 |
| Debt service | - | - | 185,820 | 185,820 |
| LEOSE training | 5,341 | - | - | 5,341 |
| Court security fees | 24,067 | - | - | 24,067 |
| Court technology fees | 17,418 | - | - | 17,418 |
| Celebration and other donations | 1,706 | - | - | 1,706 |
| Fire dispatch capital investments/upgrades | 72,966 | - | - | 72,966 |
| Assigned: | | | | |
| Employee appreciation fund | 1,042 | - | - | 1,042 |
| Unassigned | (495,054) | (683,416) | - | (1,178,470) |
| Total fund balances | <u>(372,514)</u> | <u>(563,416)</u> | <u>1,595,493</u> | <u>659,563</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 1,133,754</u> | <u>\$ 120,000</u> | <u>\$ 1,615,063</u> | <u>\$ 2,868,817</u> |

The notes to the financial statements are an integral part of these financial statements.

CITY OF EVERMAN, TEXAS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION

SEPTEMBER 30, 2023

| | |
|--|---------------------|
| Total Fund Balances - Governmental Funds | \$ 659,563 |
| Amount reported for governmental activities in the statement of net position are different because: | |
| Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds. | |
| Capital assets | 16,431,864 |
| Accumulated depreciation | (6,902,849) |
| Long-term liabilities, including bonds payable, that are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. | |
| General obligation bonds | (1,430,000) |
| Certificates of obligation | (1,930,000) |
| Tax notes | (385,000) |
| Notes payable - direct borrowing | (854,364) |
| Financing arrangements | (190,550) |
| Lease payable | (611,646) |
| Subscription payable | (47,778) |
| Accrued interest payable on long-term debt | (24,741) |
| Compensated absences | (164,847) |
| Net pension liability | (971,320) |
| Total OPEB liability | (81,581) |
| Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the governmental funds. | 814,600 |
| Governmental funds report the effect of premiums, discounts, and refundings and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. | |
| Premium on bonds | (123,479) |
| Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the postretirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the statement of net position. | |
| Deferred outflows - pension related | 941,697 |
| Deferred outflows - OPEB related | 18,049 |
| Deferred inflows - pension related | (3,763) |
| Deferred inflows - OPEB related | <u>(54,273)</u> |
| Net Position of Governmental Activities | <u>\$ 5,089,582</u> |

CITY OF EVERMAN, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

| | General Fund | 2020 CO Capital Project Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|---------------------------------------|--------------------------------|--------------------------------|
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| REVENUES | | | | |
| Property taxes | \$ 2,492,383 | \$ - | \$ 796,250 | \$ 3,288,633 |
| Sales taxes | 464,942 | - | 455,046 | 919,988 |
| Franchise tax | 282,885 | - | - | 282,885 |
| Alcoholic beverage tax | 6,418 | - | - | 6,418 |
| Bingo tax | 27,475 | - | - | 27,475 |
| Licenses and permits | 206,419 | - | - | 206,419 |
| Charges for services | 1,390,563 | - | - | 1,390,563 |
| Intergovernmental | 1,058,567 | 376,361 | 227,656 | 1,662,584 |
| Donations | 229,395 | - | - | 229,395 |
| Fines and forfeitures | 188,743 | - | - | 188,743 |
| Investment earnings | 31,069 | 1,083 | 61,076 | 93,228 |
| Miscellaneous | <u>64,403</u> | <u>-</u> | <u>-</u> | <u>64,403</u> |
| Total revenues | <u>6,443,262</u> | <u>377,444</u> | <u>1,540,028</u> | <u>8,360,734</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 1,482,992 | - | 2,400 | 1,485,392 |
| Public safety | 4,053,818 | 10,000 | - | 4,063,818 |
| Culture and recreation | 124,176 | - | - | 124,176 |
| Public works | 612,891 | - | 24,869 | 637,760 |
| Judicial | 129,505 | - | - | 129,505 |
| Non-departmental | 326,062 | - | - | 326,062 |
| Debt service: | | | | |
| Principal | 189,647 | - | 430,331 | 619,978 |
| Interest and fiscal charges | 33,595 | - | 143,126 | 176,721 |
| Capital outlay | <u>1,299,668</u> | <u>362,140</u> | <u>103,596</u> | <u>1,765,404</u> |
| Total expenditures | <u>8,252,354</u> | <u>372,140</u> | <u>704,322</u> | <u>9,328,816</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,809,092)</u> | <u>5,304</u> | <u>835,706</u> | <u>(968,082)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Issuance of financing arrangements | 191,643 | - | - | 191,643 |
| Issuance of leases | 387,031 | - | - | 387,031 |
| Issuance of subscriptions | 95,304 | - | - | 95,304 |
| Transfers in | 1,003,855 | - | - | 1,003,855 |
| Transfers out | - | - | (621,589) | (621,589) |
| Sale of capital assets | <u>225,495</u> | <u>-</u> | <u>-</u> | <u>225,495</u> |
| Total other financing sources (uses) | <u>1,903,328</u> | <u>-</u> | <u>(621,589)</u> | <u>1,281,739</u> |
| CHANGE IN FUND BALANCE | 94,236 | 5,304 | 214,117 | 313,657 |
| FUND BALANCE - BEGINNING | <u>(466,750)</u> | <u>(568,720)</u> | <u>1,381,376</u> | <u>345,906</u> |
| FUND BALANCE - ENDING | <u>\$ (372,514)</u> | <u>\$ (563,416)</u> | <u>\$ 1,595,493</u> | <u>\$ 659,563</u> |

The notes to the financial statements are an integral part of these financial statements.

CITY OF EVERMAN, TEXAS

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2023

| | |
|---|--------------|
| Total net change in Fund Balances - Governmental Funds | \$ 313,657 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the current year capital outlays is to increase net position. | 1,696,786 |
| Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position. | (1,167,774) |
| The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position. | |
| Sale of capital assets | (26,821) |
| The issuance of long-term debt (e.g. bonds, loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on the net position. | |
| Issuance of leases | (387,031) |
| Issuance of subscriptions | (95,304) |
| Issuance of financing arrangements | (191,643) |
| Principal paid on bonds | 619,978 |
| Revenues and expenditures in the statement of activities that do not provide or use current financial resources are not reported as revenues and expenses in the governmental funds. | |
| Fines, fees, and ambulance | 399,740 |
| Grants | 163,307 |
| Property taxes | (7,766) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. | |
| Accrued interest on long-term debt | (6,672) |
| Amortization of premium | 19,122 |
| Compensated absences | 11,810 |
| Changes in pension liabilities and related deferred outflows/inflows | (107,073) |
| Changes in OPEB liabilities and related deferred outflows/inflows | (2,963) |
| Total change in net position of Governmental Activities | \$ 1,231,353 |

CITY OF EVERMAN, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2023

| | <u>Business-type Activities - Enterprise</u> | |
|---------------------------------------|--|--------------------|
| | <u>Water and Sewer Fund</u> | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ | 983,103 |
| Accounts receivable (net) | | 299,674 |
| Due from other funds | | 563,416 |
| Restricted assets: | | |
| Cash and cash equivalents | | 499,438 |
| Total current assets | | <u>2,345,631</u> |
| Noncurrent assets: | | |
| Capital assets: | | |
| Land | | 53,425 |
| Construction in progress | | 953,467 |
| Buildings and improvements | | 679,023 |
| Water and sewer system | | 10,273,616 |
| Machinery and equipment | | 293,044 |
| Accumulated depreciation | | <u>(5,000,225)</u> |
| Total noncurrent assets | | <u>7,252,350</u> |
| Total assets | | <u>9,597,981</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pension related | | 81,887 |
| OPEB related | | <u>1,570</u> |
| Total deferred outflows of resources | | <u>83,457</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Payable from current assets | | |
| Accounts payable | | 171,231 |
| Accrued liabilities | | 3,392 |
| Due to other governments | | 4,912 |
| Payable from restricted assets | | |
| Customer deposits payable | | 165,433 |
| Accrued interest | | 11,408 |
| Due within one year: | | |
| Bonds payable | | 200,000 |
| Note payable | | 82,770 |
| Compensated absences | | <u>2,818</u> |
| Total current liabilities | | <u>641,964</u> |
| Noncurrent liabilities: | | |
| Bonds payable | | 3,560,873 |
| Note payable | | 460,912 |
| Compensated absences | | 8,454 |
| Net pension liability | | 84,463 |
| Total OPEB liability | | <u>7,094</u> |
| Total noncurrent liabilities | | <u>4,121,796</u> |
| Total liabilities | | <u>4,763,760</u> |

The notes to the financial statements are an integral part of these financial statements.

CITY OF EVERMAN, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2023

| | <u>Business-type Activities - Enterprise</u> |
|--------------------------------------|--|
| | <u>Water and Sewer Fund</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Pension related | 327 |
| OPEB related | <u>4,720</u> |
| Total deferred inflows of resources | <u>5,047</u> |
| NET POSITION | |
| Net investment in capital assets | 3,204,123 |
| Unrestricted | <u>1,708,508</u> |
| Total net position | <u>\$ 4,912,631</u> |

CITY OF EVERMAN, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

| | <u>Business-type Activities - Enterprise</u> | |
|---|--|------------------|
| | <u>Water and Sewer Fund</u> | |
| OPERATING REVENUES | | |
| Charges for services: | | |
| Water charges | \$ | 1,365,858 |
| Sewer charges | | 1,153,684 |
| Tap fees | | 116,740 |
| Penalties and reconnects | | 102,691 |
| Impact fees | | 481,141 |
| Miscellaneous | | <u>10,339</u> |
| Total revenues | | <u>3,230,453</u> |
| OPERATING EXPENSES | | |
| Personnel services | | 402,810 |
| Materials and supplies | | 118,669 |
| Contractual services | | 162,507 |
| Maintenance | | 48,996 |
| Wastewater treatment | | 771,072 |
| Depreciation | | <u>427,802</u> |
| Total expenses | | <u>1,931,856</u> |
| Operating income (loss) | | <u>1,298,597</u> |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Investment earnings | | 28,252 |
| Loss on disposal of property | | (10,450) |
| Interest and fiscal charges | | <u>(48,687)</u> |
| Total non-operating revenues (expenses) | | <u>(30,885)</u> |
| Income (loss) before capital contributions and transfers | | <u>1,267,712</u> |
| CAPITAL CONTRIBUTIONS AND TRANSFERS | | |
| Transfer out | | <u>(382,266)</u> |
| CHANGE IN NET POSITION | | 885,446 |
| NET POSITION - BEGINNING | | <u>3,485,662</u> |
| PRIOR PERIOD ADJUSTMENT | | <u>541,523</u> |
| NET POSITION - END OF YEAR | \$ | <u>4,912,631</u> |

The notes to the financial statements are an integral part of these financial statements.

CITY OF EVERMAN, TEXAS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2023

| | <u>Business-type Activities</u> |
|--|---------------------------------|
| | <u>Water and Sewer Fund</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers and users | \$ 3,216,905 |
| Payments to suppliers | (1,209,600) |
| Payments to employees | (396,931) |
| Net cash provided (used) by operating activities | <u>1,610,374</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Payments to other funds | (945,682) |
| Net cash provided (used) by noncapital financing activities | <u>(945,682)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Principal paid on bonds | (287,106) |
| Interest and fiscal charges paid on bonds | (48,687) |
| Acquisition and construction of capital assets | (501,361) |
| Disposal of capital assets | (10,450) |
| Net cash provided (used) by capital and related financing activities | <u>(847,604)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest on investments | 37,429 |
| Net cash provided (used) by investing activities | <u>37,429</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (145,483) |
| CASH AND CASH EQUIVALENTS, BEGINNING | <u>1,628,024</u> |
| CASH AND CASH EQUIVALENTS, ENDING | <u>\$ 1,482,541</u> |

CITY OF EVERMAN, TEXAS

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

| | <u>Business-type Activities</u> | |
|--|---------------------------------|------------------|
| | <u>Water and Sewer Fund</u> | |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| Operating income | \$ | 1,298,597 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | |
| Depreciation and amortization | | 427,802 |
| (Increase) decrease in: | | |
| Accounts receivable | | (18,577) |
| Deferred outflows of resources | | (83,457) |
| Increase (decrease) in: | | |
| Accounts payable | | (113,268) |
| Accrued liabilities | | (5,785) |
| Compensated absences | | 2,095 |
| Customer deposits | | 5,029 |
| Due to other governments | | 4,912 |
| Deferred inflows of resources | | (9,644) |
| Net pension liability | | 105,469 |
| Net OPEB liability | | (2,799) |
| Total adjustments | | <u>311,777</u> |
| Net cash provided (used) by operating activities | \$ | <u>1,610,374</u> |

CITY OF EVERMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Everman, Texas (the "City") was incorporated in 1945, and operates under a Council-Manager form of government. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable.

Blended Component Units

The City of Everman Economic Development Corporation, Inc. (EDC) created the EDC for the purpose of projects and improvements that promote economic development within the City. There are seven directors, two of whom are members of the City Council and the remaining five members are residents of the City. All Board members are appointed by the City Council. The EDC is authorized to sell bonds or other forms of indebtedness. The EDC provides all of its services to the City, and upon its dissolution, all assets shall be distributed to the City.

The City of Everman Crime Control and Prevention District (CCPD) was created in May 2002 by a vote of local residents and renewed most recently in November 2016 for a ten-year period. The CCPD is supported by a 0.25% sales tax which serves a role in providing the necessary resources to effectively implement crime control strategies. Although it is legally separate from the City, the members of the Board of the CCPD and members of the City Council are substantially the same. The City has financial accountability, and a financial benefit/burden relationship exists which allows the City to impose its will.

The City of Everman Tax Increment Financing Reinvestment Zone Number One (the TIF) was created for the purpose of dedicating the increase in tax revenue generated within the TIF to provide funds for the necessary public infrastructure to encourage accelerated development in this area of the City. Project costs will be financed through loans advanced by developers or bonds which may be issued and utilize the tax increment funds to support debt service as those funds are available. The revenue sources include the real property taxes captured by the TIF, which account for 100% of revenues to fund project costs or bond debt service. According to the Finance Plan (Plan) approved by the City Council, the City will contribute 75% of its M & O tax rate, Tarrant County will contribute 50% of its tax rate, and Tarrant County Hospital District will contribute 50% of its tax rate on the incremental taxable value shown in the Plan. The TIF's board of directors consists of five board members, of which three members are appointed by the City Council, one member is appointed by the Tarrant County Commissioners Court, and one member is appointed by the Tarrant County Hospital District. The TIF was approved to exist for thirty years with the termination set in 2042 or the date when all project costs are paid and any debt is retired, whichever comes first.

Separate financial statements for the component units are not issued.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of Net Position and the statement of changes in Net Position) report information on all of the primary government and its blended component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 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 revenues are reported instead as general revenues.

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

C. Measurement 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 financial statements. Revenues are 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 revenues 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 resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, inventories of materials and supplies are considered expenditures when used and debt service expenditures, as well as expenditures related to accumulated unpaid sick pay, are recorded only when payment is due.

Property and taxpayer-assessed taxes estimated to be collectible within sixty days after balance sheet date, interest, and expenditure driven grants are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **2020 CO Capital Project Fund** is responsible for accounting and reporting financial resources that are restricted, committed, or assigned to expenditures for the acquisition, repair, or construction of various projects and acquisition of land, buildings, and equipment as specified in the 2020 Certificates of Obligations.

The City reports the following major proprietary funds:

The **Water and Sewer Fund** accounts for the provision of regional water, wastewater, and reclaimed water services to residential, commercial, and industrial customers. Activities of the fund include administration, engineering, water and wastewater treatment, billing and collection services, operations and maintenance of the system, and funding for capital improvements to ensure system reliability, comply with regulatory requirements, meet corporate priorities, and serve anticipated growth. Debt is issued for large capital projects. All costs are financed through charges and rates based on the amount of service used, which is billed to customers and collected on a monthly basis. Rates are reviewed regularly and adjusted as necessary to ensure the integrity of the system..

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues 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 revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utility fund are charges to customers for sales and services and the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the utility fund include personnel services, materials and supplies, contractual services, maintenance, wastewater treatment, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Cash, Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments in government pools are recorded at amortized cost. All other investments are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivables in excess of sixty days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is based on historical collection experience.

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property. Appraised values are established by the Tarrant Appraisal District as market value and assessed at 100% of appraised value. Property taxes attach as an enforceable lien on property as of January 1. The Tarrant County Tax Assessor/Collector bills and collects the City's property taxes, which are due October 1. Full payment can be made prior to the next January 31 to avoid penalty and interest charges. Overtime, substantially all property taxes are collected.

F. Prepaid Items

Certain costs applicable to future accounting periods are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

G. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period.

Property, plant, equipment and infrastructure are depreciated using the straight-line method over the following estimated useful lives:

| <u>Asset Type</u> | <u>Number of Years</u> |
|-----------------------------|------------------------|
| Buildings and improvements | 5-30 |
| Infrastructure | 5-35 |
| Water and sewer system | 5-35 |
| Machinery and equipment | 3-20 |
| Vehicles | 5-15 |
| Right to use - vehicles | Agreement Term |
| Right to use - subscription | Agreement Term |

H. Compensated Absences

If an employee is eligible for retirement under the City's defined benefit pension plan, sick leave is carried forward from one year to the next up to 160 hours and will be paid out upon retirement from the City. However, for the remaining employees, sick leave is recorded when paid and employees are not compensated for unused sick leave. Vacation is earned in varying amounts. Unused vacation leave is carried forward from one year to the next up to certain limits. The City has accrued for the estimated liability for compensated absences in the governmental and business-type activities in the government-wide financial statements and in the proprietary fund financial statements.

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Changes in actuarial assumptions – These changes are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category.

- Unavailable revenue is reported only in the governmental funds balance sheet – These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Difference in expected and actual pension and OPEB experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions – These changes are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

J. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. On new certificates of obligations and bonds payable, premiums and discounts are deferred and amortized over the life of the debt. Certificates of obligation and bonds payable are reported net of the applicable premium or discount. Issuance costs are recognized in the current period.

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

K. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. Other Post-Employment Benefits

For purposes of measuring the total Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF) OPEB liability, related deferred outflows and inflows of resources, and expense, City-specific information about its total TMRS SDBF liability and additions to/deductions from the City's total TMRS SDBF liability have been determined on the same basis as they are reported by TMRS. The TMRS SDBF expense and deferred (inflows)/outflows of resources related to TMRS SDBF, primarily result from changes in the components of the total TMRS SDBF liability. Most changes in the total TMRS SDBF liability will be included in TMRS SDBF expense in the period of the change. For example, changes in the total TMRS SDBF liability resulting from current period service cost, interest on the TOL, and changes of benefit terms are required to be included in TMRS SDBF expense immediately. Changes in the total TMRS SDBF liability that have not been included in TMRS SDBF expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to TMRS SDBF.

M. Leases

The City is a lessee for noncancellable leases of equipment. The City recognizes a lease liability and an intangible right-to-use lease assets in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

N. Subscription-Based Information Technology Arrangements

The City is a lessee for subscription-based IT arrangements (SBITAs). The City recognizes liability and an intangible right-to-use asset in the government-wide financial statements.

At the commencement of a SBITA, the City initially measures the liability at the present value of payments expected to be made during the agreement term. Subsequently, the liability is reduced by the principal portion of payments made. The asset is initially measured as the initial amount of the liability, adjusted for payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to SBITAs include how the City determines (1) the discount rate it uses to discount the expected payments to present value, (2) agreement term, and (3) agreed upon payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate.
- The agreement term includes the noncancellable period of the SBITA.
- The agreed upon payments included in the measurement of the liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure the asset and liability if certain changes occur that are expected to significantly affect the amount of the liability. These right to use assets are reported with other capital assets and liabilities are reported with long - term debt on the statement of net position.

O. Net Position and Fund Balance

In the government-wide and proprietary fund financial statements, the City reports restrictions of net position for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Net investment in capital assets represents the City's investment in the book value of capital assets, less any unspent proceeds from capital-related debt issuances. Unrestricted net position consists of net position that does not meet the definition of restricted or net investment in capital assets.

In the fund financial statements, governmental funds report fund balance categorized as follows:

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes prepaid items.

Restricted fund balance includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts restricted due to constitutional provisions or enabling legislation. This classification includes the child nutrition program, retirement of long-term debt, construction programs and other federal and state grants.

Committed fund balance includes fund balance amounts that are constrained for specific purposes that are internally imposed by the City through formal action of the highest level of decision making authority. Committed fund balance is reported pursuant to resolution passed by the City Council. This classification includes campus activity funds, local special revenue funds and potential litigation, claims and judgments.

Assigned fund balance includes fund balance amounts that are self-imposed by the City to be used for a particular purpose. Fund balance can be assigned by the City Council, the City Manager, or the Finance Director. This classification includes insurance deductibles, encumbrances, program start-up costs, projected budget deficit for subsequent years and other legal uses.

Unassigned fund balance includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

P. Adoption of New Accounting Standard

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, was adopted effective July 1, 2022. The statement addresses accounting and financial reporting for SBITA contracts. Statement No. 96 establishes standards for recognizing and measuring assets, liabilities, deferred outflows of resources, deferred inflows of resources, and revenues and expenses related to SBITA in the basic financial statements, in addition to requiring more extensive note disclosures.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Balance

The General Fund and 2020 CO Capital Project Fund had a deficit fund balance of \$372,514 and \$563,416, respectively. The City anticipates revenues in future periods which will eliminate these deficit fund balances.

III. DEPOSITS AND INVESTMENTS

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the City to invest its funds under a written investment policy (the Investment Policy) that primarily emphasizes safety of principal, availability of liquidity to meet the City's obligations, and market rate of return. The Investment Policy defines what constitutes the legal list of investments allowed under the policy, which excludes certain investment instruments allowed under Chapter 2256 of the Texas Government Code.

The City's deposits and investments are invested pursuant to the Investment Policy.

The City is authorized to invest in the following investment instruments provided that they meet the guidelines of the Investment Policy:

1. Certificates of Deposit of a single issuer, not to exceed the FDIC insurable amount at any time;
2. Local Government Investment Cooperative is to be used for all invested funds that require a high degree of liquidity; and
3. City's Frost checking account is to be used for un-invested funds within 60 days of receipt.

The Local Government Investment Cooperative (LOGIC) is a public funds investment pool 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. LOGIC is organized and existing as a business trust under the laws of the State of Texas with all participant funds and all investment assets held and managed in trust by a Board of Trustees for the benefit of participants. The Board of Trustees is the governing body and is comprised of employees, officers, or elected officials of participant Government Entities. A maximum of two ex officio board members represents the Administrators of the Pool. The Board of Trustees appoints an Advisory Board comprised of employees, officers, or elected officials of participant Government Entities and individuals who do not have a business relationship with the Pool and are qualified to advise the Pool. LOGIC is rated AAAM by Standard and Poor's.

LOGIC uses amortized cost to value portfolio assets. The stated objective of the pool is to maintain a stable average of \$1.00 per unit net asset value. There are no limitations or restrictions on withdrawals.

Interest rate risk: In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed five years; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk: The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service. As of September 30, 2023, the City's investment in investment pools were rated AAAM by Standard & Poor's.

Custodial credit risk — deposits: In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2023, the market values of pledged securities and FDIC insurance exceeded bank balances.

Custodial credit risk — investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

IV. RECEIVABLES

The City's receivables as of September 30, 2023 consisted of the following:

| | General Fund | Nonmajor Governmental | Water and Sewer | Total |
|---|--------------------|--------------------------|--------------------|---------------------|
| Taxes | \$ 213,643 | \$ 119,175 | \$ - | \$ 332,818 |
| Accounts | <u>2,359,522</u> | <u>-</u> | <u>303,129</u> | <u>2,662,651</u> |
| Gross receivables | 2,573,165 | 119,175 | 303,129 | 2,995,469 |
| Less: allowance for uncollectible accounts | <u>(1,648,496)</u> | <u>(12,930)</u> | <u>(3,455)</u> | <u>(1,664,881)</u> |
| Net receivables | <u>\$ 924,669</u> | <u>\$ 106,245</u> | <u>\$ 299,674</u> | <u>\$ 1,330,588</u> |

V. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023 was as follows:

| | Beginning Balance | Additions | Transfers/ Retirements | Ending Balance |
|---|----------------------|--------------------|---------------------------|---------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 265,786 | \$ - | \$ - | \$ 265,786 |
| Construction in progress | <u>-</u> | <u>133,307</u> | <u>-</u> | <u>133,307</u> |
| Total capital assets not being depreciated | <u>265,786</u> | <u>133,307</u> | <u>-</u> | <u>399,093</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 7,374,571 | 170,724 | (90,011) | 7,455,284 |
| Infrastructure | 3,101,161 | - | - | 3,101,161 |
| Machinery and equipment | 1,594,558 | 956,625 | (189,693) | 2,361,490 |
| Vehicles | 1,881,937 | 23,765 | (70,000) | 1,835,702 |
| Right to use - vehicles | 829,734 | 497,373 | (302,838) | 1,024,269 |
| Right to use - subscription | <u>-</u> | <u>93,952</u> | <u>160,913</u> | <u>254,865</u> |
| Total assets being depreciated | <u>14,781,961</u> | <u>1,742,439</u> | <u>(491,629)</u> | <u>16,032,771</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (2,818,955) | (295,688) | 22,290 | (3,092,353) |
| Infrastructure | (1,336,552) | (145,996) | 4,596 | (1,477,952) |
| Machinery and equipment | (733,550) | (143,400) | 39,132 | (837,818) |
| Vehicles | (707,677) | (246,940) | 60,516 | (894,101) |
| Right to use - vehicles | (205,081) | (173,886) | (51,748) | (430,715) |
| Right to use - subscription | <u>-</u> | <u>(161,864)</u> | <u>(8,046)</u> | <u>(169,910)</u> |
| Total accumulated depreciation | <u>(5,801,815)</u> | <u>(1,167,774)</u> | <u>66,740</u> | <u>(6,902,849)</u> |
| Total capital assets being depreciated, net | <u>8,980,146</u> | <u>574,665</u> | <u>(424,889)</u> | <u>9,129,922</u> |
| Governmental activities capital assets, net | <u>\$ 9,245,932</u> | <u>\$ 707,972</u> | <u>\$ (424,889)</u> | <u>\$ 9,529,015</u> |
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 53,425 | \$ - | \$ - | \$ 53,425 |
| Construction in progress | <u>775,570</u> | <u>202,359</u> | <u>-</u> | <u>953,467</u> |
| Total capital assets, not being depreciated | <u>828,995</u> | <u>202,359</u> | <u>-</u> | <u>1,006,892</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 679,023 | - | - | 679,023 |
| Water and sewer system | 9,324,958 | 225,180 | - | 10,273,616 |
| Machinery and equipment | <u>329,540</u> | <u>88,237</u> | <u>(127,946)</u> | <u>293,044</u> |
| Total assets being depreciated | <u>10,333,521</u> | <u>313,417</u> | <u>(127,946)</u> | <u>11,245,683</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (631,556) | (3,275) | - | (634,444) |
| Water and sewer system | (3,696,662) | (408,629) | - | (4,263,200) |
| Machinery and equipment | (197,030) | (15,898) | 113,529 | (102,581) |
| Total accumulated depreciation | <u>(4,525,248)</u> | <u>(427,802)</u> | <u>113,529</u> | <u>(5,000,225)</u> |
| Total capital assets being depreciated, net | <u>5,808,273</u> | <u>(114,385)</u> | <u>(14,417)</u> | <u>6,245,458</u> |
| Business-type activities capital assets, net | <u>\$ 6,637,268</u> | <u>\$ 87,974</u> | <u>\$ (14,417)</u> | <u>\$ 7,252,350</u> |

Depreciation expense for the year ended September 30, 2023 was charged to functions/programs of the primary government as follows:

| | |
|----------------------------------|---------------------|
| <u>Governmental activities:</u> | |
| General government | \$ 520,271 |
| Public works | 163,446 |
| Public safety | 430,516 |
| Judicial | 2,957 |
| Culture and recreation | 23,484 |
| Non-departmental | <u>27,100</u> |
| Total | <u>\$ 1,167,774</u> |
| <u>Business-type activities:</u> | |
| Water and sewer | <u>\$ 427,802</u> |
| Total | <u>\$ 427,802</u> |

VI. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund transfers made during the fiscal year were as follows:

| <u>Transfer From</u> | <u>Transfer To</u> | <u>Amount</u> |
|-----------------------|--------------------|---------------------|
| Nonmajor governmental | General fund | \$ 621,589 |
| Water and sewer fund | General fund | <u>382,266</u> |
| Total | | <u>\$ 1,003,855</u> |

The transfers to the General Fund were for administrative charges and reimbursement of expenditures.

Interfund receivables and payables as of September 30, 2023 were as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|------------------------------|-------------------|
| Water and sewer fund | 2020 CO capital project fund | \$ 563,416 |
| Total | | <u>\$ 563,416</u> |

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

VII. LONG-TERM DEBT

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

| | <u>Beginning Balance</u> | <u>Issued</u> | <u>Refunded/ Retired</u> | <u>Ending Balance</u> | <u>Amount Due Within One Year</u> |
|----------------------------------|--------------------------|-------------------|------------------------------|-----------------------|---------------------------------------|
| Governmental activities: | | | | | |
| General obligation bonds | \$ 1,550,000 | \$ - | \$ 120,000 | \$ 1,430,000 | \$ 125,000 |
| Certificates of obligation | 2,010,000 | - | 80,000 | 1,930,000 | 90,000 |
| Unamortized bond premium | 142,601 | - | 19,122 | 123,479 | - |
| Tax notes | 455,000 | - | 70,000 | 385,000 | 75,000 |
| Notes payable - direct borrowing | 949,303 | - | 94,939 | 854,364 | 97,417 |
| Financing arrangements | - | 191,643 | 1,093 | 190,550 | 34,293 |
| Lease payable | 650,143 | 387,031 | 425,528 | 611,646 | 224,486 |
| Subscription payable | - | 95,304 | 47,526 | 47,778 | 47,778 |
| Compensated absences | <u>176,657</u> | <u>130,509</u> | <u>142,319</u> | <u>164,847</u> | <u>41,212</u> |
| Total governmental activities | <u>\$ 5,933,704</u> | <u>\$ 804,487</u> | <u>\$ 1,000,527</u> | <u>\$ 5,737,664</u> | <u>\$ 735,186</u> |
| Business-Type activities: | | | | | |
| Certificates of obligation | \$ 3,895,000 | \$ - | \$ 200,000 | \$ 3,695,000 | \$ 200,000 |
| Unamortized bond premium | 74,877 | - | 9,004 | 65,873 | - |
| Note payable - direct borrowings | 621,784 | - | 78,102 | 543,682 | 82,770 |
| Compensated absences | <u>9,177</u> | <u>12,305</u> | <u>10,210</u> | <u>11,272</u> | <u>2,818</u> |
| Total business-type activities | <u>\$ 4,600,838</u> | <u>\$ 12,305</u> | <u>\$ 297,316</u> | <u>\$ 4,315,827</u> | <u>\$ 285,588</u> |

The compensated absence liabilities are generally liquidated by the General Fund and Water and Sewer Fund depending on the assignment of an employment at termination.

General Obligation Bonds

Governmental Activities

General Obligation Bonds, Series 2023 was issued in the amount of \$2,475,000 for the purpose of acquiring, repairing and constructing permanent public improvements, including streets and parks. The interest rate on these obligations ranges from 2.00% to 3.50%. The outstanding balance at September 30, 2023 was \$1,430,000.

Annual debt service requirements to maturity for general obligation bonds are as follows:

| Year Ended September 30, | Governmental Activities | | |
|-----------------------------|-------------------------|-------------------|-----------------------|
| | Principal | Interest | Total Requirements |
| 2024 | \$ 125,000 | \$ 43,875 | \$ 168,875 |
| 2025 | 125,000 | 40,125 | 165,125 |
| 2026 | 130,000 | 36,300 | 166,300 |
| 2027 | 130,000 | 31,988 | 161,988 |
| 2028 | 140,000 | 27,175 | 167,175 |
| 2029-2033 | 780,000 | 61,113 | 841,113 |
| Total | <u>\$ 1,430,000</u> | <u>\$ 240,576</u> | <u>\$ 1,670,576</u> |

Certificates of Obligation

Governmental Activities

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020 was issued in the amount of \$2,175,000 for the purpose of constructing street, City Hall, and fire station improvements. The interest rate on these obligations ranges from 2.00% to 4.00%. The outstanding balance at September 30, 2023 was \$1,930,000.

Business-Type Activities

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020 was issued in the amount of \$1,585,000 for the purpose of constructing utility system improvements. The interest rate on these obligations ranges from 2.00% to 4.00%. The outstanding balance at September 30, 2023 was \$1,400,000.

Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2020 (TWDB DWSRF) was issued in the amount of \$2,700,000 for the purpose of constructing utility system improvements. The interest rate on these obligations is 0.33%. The outstanding balance at September 30, 2023 was \$2,295,000.

Annual debt service requirements to maturity for certificates of obligation are as follows:

| Year Ended September 30, | Governmental Activities | | | Business-Type Activities | | |
|-----------------------------|-------------------------|-------------------|-----------------------|--------------------------|-------------------|-----------------------|
| | Principal | Interest | Total Requirements | Principal | Interest | Total Requirements |
| 2024 | \$ 90,000 | \$ 45,100 | \$ 135,100 | \$ 200,000 | \$ 38,600 | \$ 290,000 |
| 2025 | 85,000 | 41,700 | 126,700 | 200,000 | 30,350 | 285,000 |
| 2026 | 90,000 | 38,200 | 128,200 | 200,000 | 27,750 | 290,000 |
| 2027 | 95,000 | 34,500 | 129,500 | 205,000 | 25,050 | 300,000 |
| 2028 | 95,000 | 30,600 | 125,600 | 205,000 | 22,250 | 300,000 |
| 2029-2033 | 530,000 | 112,500 | 642,500 | 1,065,000 | 81,675 | 1,595,000 |
| 2034-2038 | 600,000 | 55,750 | 655,750 | 1,105,000 | 40,500 | 1,705,000 |
| 2039-2040 | 345,000 | 5,150 | 350,150 | 515,000 | 3,750 | 860,000 |
| Total | <u>\$ 1,930,000</u> | <u>\$ 363,500</u> | <u>\$ 2,293,500</u> | <u>\$ 3,695,000</u> | <u>\$ 269,925</u> | <u>\$ 5,625,000</u> |

Tax Notes

Governmental Activities

Tax Notes, Series 2021 was issued in the amount of \$525,000 for the purpose of constructing City Hall and related parking improvements. The interest rate on these tax notes is 1.69%. The outstanding balance at September 30, 2023 was \$385,000.

Annual debt service requirements to maturity for tax notes are as follows:

| Year Ended September 30, | Governmental Activities | | |
|-----------------------------|-------------------------|------------------|-----------------------|
| | Principal | Interest | Total Requirements |
| 2024 | \$ 75,000 | \$ 5,693 | \$ 80,693 |
| 2025 | 75,000 | 4,280 | 79,280 |
| 2026 | 75,000 | 3,080 | 78,080 |
| 2027 | 80,000 | 1,880 | 81,880 |
| 2028 | 80,000 | 640 | 80,640 |
| Total | <u>\$ 385,000</u> | <u>\$ 15,573</u> | <u>\$ 400,573</u> |

Notes Payable – Direct Borrowing

Governmental Activities

A direct borrowing note payable from Government Capital Corporation was issued in the amount of \$1,041,827 for the purpose of financing the purchase of a fire truck. The interest rate on this note payable is 2.61%. The outstanding balance at September 30, 2023 was \$854,364.

Business-Type Activities

A direct borrowing note payable from Government Capital Corporation was issued in the amount of \$1,017,249 for the purpose of financing an energy savings project. The interest rate on this note payable is 2.35%. The outstanding balance at September 30, 2023 was \$543,682.

Annual debt service requirements to maturity for notes payable – direct borrowing are as follows:

| Year Ended September 30, | Governmental Activities | | | Business-Type Activities | | Total Requirements |
|-----------------------------|-------------------------|-------------------|-----------------------|--------------------------|------------------|-----------------------|
| | Principal | Interest | Total Requirements | Principal | Interest | |
| 2024 | \$ 97,417 | \$ 22,299 | \$ 119,716 | \$ 82,770 | \$ 12,777 | \$ 180,187 |
| 2025 | 99,959 | 19,756 | 119,715 | 89,172 | 10,831 | 189,131 |
| 2026 | 102,568 | 17,147 | 119,715 | 91,267 | 8,736 | 193,835 |
| 2027 | 105,245 | 14,470 | 119,715 | 93,412 | 6,591 | 198,657 |
| 2028 | 107,992 | 11,723 | 119,715 | 95,607 | 4,396 | 203,599 |
| 2029-2033 | 341,183 | 17,963 | 359,146 | 91,454 | 2,149 | 432,637 |
| Total | <u>\$ 854,364</u> | <u>\$ 103,358</u> | <u>\$ 957,722</u> | <u>\$ 543,682</u> | <u>\$ 45,480</u> | <u>\$ 1,398,046</u> |

Financing Arrangements

Governmental Activities

In fiscal year 2023, the City entered into a financing arrangement for radio equipment in the amount of \$174,429. The interest rate is 5.81%. The outstanding balance at September 30, 2023 was \$174,429.

In fiscal year 2023, the City entered into a financing arrangement for copiers in the amount of \$17,214. The interest rate is 8.00%. The outstanding balance at September 30, 2023 was \$16,121.

Annual financing arrangement payments to maturity are as follows:

| Year Ended September 30, | Governmental Activities | | |
|-----------------------------|-------------------------|------------------|-----------------------|
| | Principal | Interest | Total Requirements |
| 2024 | \$ 34,293 | \$ 10,479 | \$ 44,772 |
| 2025 | 36,155 | 8,618 | 44,773 |
| 2026 | 38,065 | 6,707 | 44,772 |
| 2027 | 40,086 | 4,686 | 44,772 |
| 2028 | 41,951 | 2,524 | 44,475 |
| Total | <u>\$ 190,550</u> | <u>\$ 33,014</u> | <u>\$ 223,564</u> |

Leases

Governmental Activities

The City is a lessee for noncancellable leases of Enterprise Fleet Management city vehicles. The leases are payable in installments of \$409 to \$1,852 per vehicle for 24 to 60 month terms. The interest rate ranges from 3.8% to 8.1%. The outstanding balance at September 30, 2023 was \$611,646.

Annual lease payments to maturity are as follows:

| Year Ended September 30, | Governmental Activities | | |
|-----------------------------|-------------------------|------------------|-----------------------|
| | Principal | Interest | Total Requirements |
| 2024 | \$ 224,486 | \$ 33,920 | \$ 258,406 |
| 2025 | 175,649 | 21,521 | 197,170 |
| 2026 | 122,437 | 11,596 | 134,033 |
| 2027 | 89,074 | 2,926 | 92,000 |
| Total | <u>\$ 611,646</u> | <u>\$ 69,963</u> | <u>\$ 681,609</u> |

Subscriptions

Governmental Activities

An initial subscription liability was recorded in the amount of \$95,304. As of September 30, 2023, the value of the subscription liability is \$47,778. The City is required to make fixed annual payments of \$48,032 with an interest rate of 6.4%.

Annual subscription payments to maturity are as follows:

| Year Ended September 30, | Governmental Activities | | |
|-----------------------------|-------------------------|---------------|-----------------------|
| | Principal | Interest | Total Requirements |
| 2024 | <u>\$ 47,778</u> | <u>\$ 254</u> | <u>\$ 48,032</u> |
| Total | <u>\$ 47,778</u> | <u>\$ 254</u> | <u>\$ 48,032</u> |

VIII. DEFINED BENEFIT PENSION PLAN

Plan Description

The City participates as one of 919 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report that can be obtained at www.TMRS.org.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of three payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Members can retire at ages 60 and above with five or more years of service or with 20 years of service regardless of age. A member is vested after five years. The plan provisions are adopted by the governing body of the City, with in the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Beginning in 2009, the City granted an annually repeating (automatic) basis monetary credit referred to as an updated service credit (USC) which is a theoretical amount that takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, initiated in 2009, the City provided on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

| | |
|-----------------------------------|---|
| Employee deposit rate | 5% |
| Matching ratio (City to employee) | 2 to 1 |
| Years required for vesting | 5 |
| Service retirement eligibility | 20 years at any age, 5 years at age 60 and above |
| Updated service credit | 0% repeating, transfers |
| Annuity increase to retirees | 0% of CPI repeating |

Employees Covered by Benefit Terms

At the December 31, 2022 valuation and measurement date, the following numbers of employees were covered by the benefit terms:

| | |
|--|-------------------|
| Inactive employees or beneficiaries currently receiving benefits | 30 |
| Inactive employees entitled to but not yet receiving benefits | 51 |
| Active employees | <u>50</u> |
| Total | <u><u>131</u></u> |

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the municipal matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the municipality. Under the state law governing TMRS, the contribution rate for each municipality is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 7.77% and 7.98% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2023, were \$291,091, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---------------------------|---|
| Inflation | 2.50% per year |
| Overall payroll growth | 2.75% per year |
| Investment Rate of Return | 6.75% net of pension plan investment expense, expense, including inflation |

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates return for each major asset class in fiscal year 2023 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|----------------------------------|-------------------|---|
| Global Public Equity | 35% | 7.7% |
| Core Fixed Income | 6% | 4.9% |
| Non-Core Fixed Income | 20% | 8.7% |
| Other Public and Private Markets | 12% | 8.1% |
| Real Estate | 12% | 5.8% |
| Hedge Funds | 5% | 6.9% |
| Private Equity | 10% | 11.8% |
| Total | 100% | |

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in Net Pension Liability

| | Increase (Decrease) | | |
|--|-----------------------------------|---------------------------------------|-------------------------------------|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a)-(b) |
| Balance at 12/31/2021 | \$ 7,881,864 | \$ 8,144,434 | \$ (262,570) |
| Changes for the year: | | | |
| Service cost | 343,320 | - | 343,320 |
| Interest | 528,614 | - | 528,614 |
| Difference between expected and actual experience | 220,625 | - | 220,625 |
| Contributions - employer | - | 223,714 | (223,714) |
| Contributions - employee | - | 144,131 | (144,131) |
| Net investment income | - | (594,634) | 594,634 |
| Benefit payments, including refunds of employee contributions | (444,411) | (444,411) | - |
| Administrative expense | - | (5,145) | 5,145 |
| Other changes | - | 6,139 | (6,139) |
| Net changes | <u>648,148</u> | <u>(670,206)</u> | <u>1,318,354</u> |
| Balance at 12/31/2022 | <u>\$ 8,530,012</u> | <u>\$ 7,474,228</u> | <u>\$ 1,055,784</u> |

The City's net pension liability is generally liquidated by the General Fund and Proprietary Fund depending on an employee's assignment at termination.

Discount Rate Sensitivity Analysis

The following presents the net pension liability of the City calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

| | 1% Decrease in Discount Rate (5.75%) | Current Single Discount Rate (6.75%) | 1% Increase in Discount Rate (7.75%) |
|--------------------------------------|--|--|--|
| City's net pension liability (asset) | \$ 2,274,303 | \$ 1,055,784 | \$ 68,119 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report. That report may be obtained electronically at www.TMRS.org.

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

For the year ended September 30, 2023, the City recognized pension expense in the governmental and business-type activities of \$375,929 and \$32,689, respectively.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual economic experience | \$ 275,823 | \$ 4,090 |
| Difference between projected and actual investment earnings | 517,535 | - |
| Contributions subsequent to the measurement date | <u>230,226</u> | <u>-</u> |
| Total | <u>\$ 1,023,584</u> | <u>\$ 4,090</u> |

The City reported \$230,226 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| For the Year Ended September 30, | |
|-------------------------------------|------------|
| 2024 | \$ 157,693 |
| 2025 | 231,958 |
| 2026 | 170,740 |
| 2027 | 228,877 |

IX. DEFINED OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN – TMRS SUPPLEMENTAL DEATH BENEFITS FUND

Plan Description

The City voluntarily participates in a single-employer other postemployment benefit (OPEB) plan administered by TMRS. The Plan is a group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). The Plan is established and administered in accordance with the TMRS Act identically to the City’s pension plan. SDBF includes coverage for both active and retired members, and assets are commingled for the payment of such benefits. Therefore, the Plan does not qualify as an OPEB Trust in accordance with paragraph 4 of GASB Statement No. 75.

Benefits Provided

The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other employment benefit and is a fixed amount of \$7,500.

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|--|------------------|
| Inactive employees or beneficiaries currently receiving benefits | 17 |
| Inactive employees entitled to but not yet receiving benefits | 4 |
| Active employees | <u>50</u> |
| Total | <u><u>71</u></u> |

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.20% for 2022 and 0.27% for 2023, of which 0.06% and 0.08%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees’ entire careers. The City’s contributions to the SDBF for the years ended September 30, 2023 and 2022 were \$2,778 and \$1,683, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

Total OPEB Liability

The City’s Net OPEB Liability (TOL) was measured as of December 31, 2022 and was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total OPEB Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

| | |
|------------------|-----------------------------------|
| Inflation rate | 2.50% |
| Salary increases | 3.5% to 11.5% including inflation |
| Discount rate | 4.05% |

Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who became disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor. Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68.

Changes in assumptions reflect the annual change in the municipal bond rate. The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Discount Rate

The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 4.05% was used to measure the Total OPEB Liability. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2022.

Changes in the Total OPEB Liability

| | <u>Total OPEB Liability</u> |
|---|---------------------------------|
| Balance at 12/31/2021 | \$ 123,662 |
| Changes for the year: | |
| Service cost | 10,954 |
| Interest | 2,360 |
| Difference between expected and actual experience | (1,524) |
| Changes of assumptions | (45,047) |
| Benefit payments | <u>(1,730)</u> |
| Net changes | <u>(34,987)</u> |
| Balance at 12/31/2022 | <u>\$ 88,675</u> |

Discount Rate Sensitivity Analysis

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.05%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower 3.05% or 1 percentage-point higher 5.05% than the current rate:

| | <u>1% Decrease in Discount Rate</u> | <u>Discount Rate</u> | <u>1% Increase in Discount Rate</u> |
|----------------------|---|----------------------|---|
| Total OPEB Liability | \$ 105,917 | \$ 88,675 | \$ 75,173 |

OPEB Expense, Deferred Outflows, and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2023, the City recognized OPEB expense in the governmental activities and business-type activities of \$5,526 and \$481, respectively.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual economic experience | \$ - | \$ 19,259 |
| Changes in actuarial assumptions | 17,311 | 39,734 |
| Contributions subsequent to the measurement date | <u>2,308</u> | <u>-</u> |
| Total | <u>\$ 19,619</u> | <u>\$ 58,993</u> |

The City reported \$2,308 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date which will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>For the Year Ended September 30,</u> | |
|---|------------|
| 2024 | \$ (8,093) |
| 2025 | (7,384) |
| 2026 | (7,205) |
| 2027 | (6,974) |
| 2028 | (6,851) |
| Thereafter | (5,175) |

X. COMMITMENTS AND CONTINGENCIES

The City has a contract with the City of Fort Worth, Texas, for the purchase of treated water and sewage treatment. The contract for water, dated, December 2, 2010 for a 20-year period, is used to supplement the water wells operated by the City. The contract for sewer is dated May 8, 2017 for a 20-year period. Charges are incurred when actual delivery occurs and the rates are adjusted periodically. For the fiscal year ended September 30, 2023, the City's expenses in the Water and Sewer Fund for water and sewer treatment were \$82,477 and \$771,072, respectively.

XI. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

XII. SIGNIFICANT FORTHCOMING STANDARDS

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the City include the following:

Statement No. 99, *Omnibus 2022* – The objective of this Statement is to correct practice issues identified during implementation and application of certain GASB Statements and financial reporting for financial guarantees. There are various effective dates 1.) upon issuance 2.) fiscal years beginning after June 15, 2022 and 3.) fiscal years beginning after June 15, 2023.

Statement 100, *Accounting Changes and Error Corrections-an amendment of GASB No. 62* - The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The statement is effective for fiscal years beginning after June 15, 2023.

Statement No. 101, *Compensated Absences* - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for reporting periods beginning after December 15, 2023, and the impact has not yet been determined.

The Government Accounting Standards Board (GASB) has amended the existing standards regarding capitalization thresholds for assets. The amended guidance for the capitalization threshold comes from GASB Implementation Guide 2021-1, Question 5.1. Capitalization policies adopted by governments include many considerations such as finding an appropriate balance between ensuring that all significant capital assets, collectively, are capitalized and minimizing the cost of recordkeeping for capital assets. A government should capitalize assets whose individual acquisition costs are less than the threshold for an individual asset if those assets in the aggregate are significant. Computers, classroom furniture and library books are examples of asset types that may not meet a capitalization policy on an individual basis yet could be significantly collectively. In this example, if the \$150,000 aggregate amount (100 computers costing \$1,500 each) is significant, the government should capitalize the computers. The amended guidance is effective for reporting periods beginning after June 15, 2023, and the impact has not yet been determined.

XIII. PRIOR PERIOD ADJUSTMENT

During the fiscal year, the City determined that capital assets were understated at the beginning of the year due to capital assets not being reported in the statement of net position or being incorrectly accounted for. Therefore, the City increased its business-type activities beginning net position by \$541,523.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF EVERMAN, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (BUDGET BASIS) AND ACTUAL
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2023

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|------------------------------|--------------------|------------------|------------------|---|
| REVENUES | | | | |
| Property taxes | \$ 3,070,361 | \$ 3,070,361 | \$ 2,492,383 | \$ (577,978) |
| Sales taxes | 400,000 | 452,000 | 464,942 | 12,942 |
| Franchise tax | 258,000 | 285,500 | 282,885 | (2,615) |
| Alcoholic beverage tax | 3,500 | 6,400 | 6,418 | 18 |
| Bingo tax | 30,000 | 30,000 | 27,475 | (2,525) |
| Licenses and permits | 40,500 | 202,000 | 206,419 | 4,419 |
| Charges for services | 541,000 | 1,355,400 | 1,390,563 | 35,163 |
| Intergovernmental | 571,000 | 1,049,938 | 1,058,567 | 8,629 |
| Donations | 190,000 | 217,100 | 229,395 | 12,295 |
| Fines and forfeitures | 123,700 | 188,300 | 188,743 | 443 |
| Investment earnings | 2,000 | 27,000 | 31,069 | 4,069 |
| Miscellaneous | 33,500 | 44,600 | 64,403 | 19,803 |
| Total revenues | <u>5,263,561</u> | <u>6,928,599</u> | <u>6,443,262</u> | <u>(485,337)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government: | | | | |
| Vehicle maintenance | 115,000 | 175,000 | 173,095 | 1,905 |
| Human resources | 129,775 | 129,775 | 122,517 | 7,258 |
| Finance | 421,608 | 436,108 | 427,081 | 9,027 |
| City secretary | 143,309 | 156,309 | 141,247 | 15,062 |
| City council | 27,200 | 31,698 | 22,657 | 9,041 |
| Parks | 97,500 | 102,500 | 98,771 | 3,729 |
| Administration | 486,762 | 486,762 | 497,624 | (10,862) |
| Total general government | <u>1,421,154</u> | <u>1,518,152</u> | <u>1,482,992</u> | <u>35,160</u> |
| Public safety: | | | | |
| Code enforcement | 74,365 | 91,365 | 90,858 | 507 |
| Animal control | 117,032 | 127,832 | 118,780 | 9,052 |
| Police | 1,767,002 | 1,832,002 | 1,805,906 | 26,096 |
| Dispatch | 377,569 | 1,045,869 | 1,020,886 | 24,983 |
| Fire | 925,814 | 1,035,814 | 1,017,388 | 18,426 |
| Total public safety | <u>3,261,782</u> | <u>4,132,882</u> | <u>4,053,818</u> | <u>79,064</u> |
| Culture and recreation: | | | | |
| Library | 111,290 | 111,290 | 105,900 | 5,390 |
| Civic center | 15,000 | 27,000 | 18,276 | 8,724 |
| Total culture and recreation | <u>126,290</u> | <u>138,290</u> | <u>124,176</u> | <u>14,114</u> |
| Public works: | | | | |
| Public works | 545,672 | 615,672 | 612,891 | 2,781 |
| Total public works | <u>545,672</u> | <u>615,672</u> | <u>612,891</u> | <u>2,781</u> |
| Judicial: | | | | |
| Municipal court | 116,903 | 131,903 | 129,505 | 2,398 |
| Total judicial | <u>116,903</u> | <u>131,903</u> | <u>129,505</u> | <u>2,398</u> |
| Non-departmental: | | | | |
| Non-departmental | 272,000 | 332,500 | 326,062 | 6,438 |
| Total Non-departmental | <u>272,000</u> | <u>332,500</u> | <u>326,062</u> | <u>6,438</u> |

CITY OF EVERMAN, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (BUDGET BASIS) AND ACTUAL
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2023

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|--|----------------------------|-------------------------|---------------------|---|
| EXPENDITURES (continued) | | | | |
| Debt service: | | | | |
| Principal | 230,000 | 253,000 | 189,647 | 63,353 |
| Interest and fiscal charges | - | - | 33,595 | (33,595) |
| Capital outlay | - | <u>604,706</u> | <u>1,299,668</u> | <u>(694,962)</u> |
| Total expenditures | <u>5,973,801</u> | <u>7,727,105</u> | <u>8,252,354</u> | <u>(525,249)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(710,240)</u> | <u>(798,506)</u> | <u>(1,809,092)</u> | <u>(1,010,586)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Issuance of financing arrangements | - | - | 191,643 | 191,643 |
| Issuance of leases | - | - | 387,031 | 387,031 |
| Issuance of subscriptions | - | - | 95,304 | 95,304 |
| Transfers in | 594,220 | 594,220 | 1,003,855 | 409,635 |
| Sale of capital assets | <u>130,000</u> | <u>221,265</u> | <u>225,495</u> | <u>4,230</u> |
| Total other financing sources (uses) | <u>724,220</u> | <u>815,485</u> | <u>1,903,328</u> | <u>1,087,843</u> |
| CHANGE IN FUND BALANCE | 13,980 | 16,979 | 94,236 | 77,257 |
| FUND BALANCE - BEGINNING | <u>(466,750)</u> | <u>(466,750)</u> | <u>(466,750)</u> | <u>-</u> |
| FUND BALANCE - ENDING | <u>\$ (452,770)</u> | <u>\$ (449,771)</u> | <u>\$ (372,514)</u> | <u>\$ 77,257</u> |

CITY OF EVERMAN, TEXAS

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)**

FOR THE YEAR ENDED SEPTEMBER 30, 2023

| Measurement year December 31, | 2015 | 2016 | 2017 |
|---|--------------|--------------|--------------|
| Total pension liability | | | |
| Service cost | \$ 202,453 | \$ 224,202 | \$ 253,345 |
| Interest (on the total pension liability) | 375,761 | 377,178 | 406,077 |
| Change in benefit terms including substantively automatic status | - | 4,947 | - |
| Difference between expected and actual experience | (213,513) | 76,486 | 39,684 |
| Changes in assumptions | 58,374 | - | - |
| Benefit payments, including refunds of employee contributions | (238,500) | (199,664) | (328,954) |
| Net change in total pension liability | 184,575 | 483,149 | 370,152 |
| Total pension liability - beginning | 5,386,034 | 5,570,609 | 6,053,758 |
| Total pension liability - ending (a) | \$ 5,570,609 | \$ 6,053,758 | \$ 6,423,910 |
| Plan fiduciary net position | | | |
| Contributions - employer | \$ 158,097 | \$ 162,758 | \$ 182,543 |
| Contributions - employee | 92,024 | 96,307 | 102,902 |
| Net investment income | 7,242 | 332,651 | 736,149 |
| Benefit payments, including refunds of employee contributions | (238,500) | (199,664) | (328,954) |
| Administrative expenses | (4,411) | (3,757) | (3,814) |
| Other | (218) | (198) | (193) |
| Net change in plan fiduciary net position | 14,234 | 388,097 | 688,633 |
| Plan fiduciary net position - beginning | 4,907,644 | 4,921,878 | 5,309,975 |
| Plan fiduciary net position - ending (b) | \$ 4,921,878 | \$ 5,309,975 | \$ 5,998,608 |
| Net Pension Liability (a) - (b) | \$ 648,731 | \$ 743,783 | \$ 425,302 |
| Plan fiduciary net position as a percentage of total pension liability | 88.35% | 87.71% | 93.38% |
| Covered payroll | \$ 1,840,484 | \$ 1,926,134 | \$ 2,058,042 |
| Net pension liability as a percentage of covered payroll | 35.25% | 38.62% | 20.67% |

Note: GASB Statement 68 requires this schedule to report 10 years of data. Data prior to 2015 is not available.

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|----|------------------|------------------|------------------|------------------|------------------|
| \$ | 266,851 | \$ 285,141 | \$ 295,506 | \$ 306,472 | \$ 343,320 |
| | 432,496 | 458,524 | 462,578 | 485,861 | 528,614 |
| | - | - | - | - | - |
| | (12,309) | (400,287) | (25,243) | 266,684 | 220,625 |
| | - | 43,640 | - | - | - |
| | <u>(299,971)</u> | <u>(321,203)</u> | <u>(343,078)</u> | <u>(443,708)</u> | <u>(444,411)</u> |
| | 387,067 | 65,815 | 389,763 | 615,309 | 648,148 |
| | <u>6,423,910</u> | <u>6,810,977</u> | <u>6,876,792</u> | <u>7,266,555</u> | <u>7,881,864</u> |
| \$ | <u>6,810,977</u> | <u>6,876,792</u> | <u>7,266,555</u> | <u>7,881,864</u> | <u>8,530,012</u> |
| \$ | 197,636 | \$ 223,439 | \$ 230,453 | \$ 226,465 | \$ 223,714 |
| | 106,485 | 116,861 | 122,719 | 168,883 | 144,131 |
| | (179,686) | 900,112 | 511,317 | 945,776 | (594,634) |
| | (299,971) | (321,203) | (343,078) | (443,708) | (444,411) |
| | (3,473) | (5,084) | (3,307) | (4,374) | (5,145) |
| | <u>(185)</u> | <u>(145)</u> | <u>(137)</u> | <u>31</u> | <u>6,140</u> |
| | (179,194) | 913,980 | 517,967 | 893,073 | (670,205) |
| | <u>5,998,608</u> | <u>5,819,414</u> | <u>6,733,394</u> | <u>7,251,361</u> | <u>8,144,434</u> |
| \$ | <u>5,819,414</u> | <u>6,733,394</u> | <u>7,251,361</u> | <u>8,144,434</u> | <u>7,474,229</u> |
| \$ | <u>991,563</u> | <u>143,398</u> | <u>15,194</u> | <u>(262,570)</u> | <u>1,055,783</u> |
| | 85.44% | 97.91% | 99.79% | 103.33% | 87.62% |
| \$ | 2,129,700 | \$ 2,337,225 | \$ 2,454,372 | \$ 2,537,018 | \$ 2,882,615 |
| | 46.56% | 6.14% | 0.62% | -10.35% | 36.63% |

| <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
|----------------|----------------|----------------|----------------|----------------|----------------|
| \$ 190,994 | \$ 214,256 | \$ 230,653 | \$ 211,388 | \$ 218,156 | \$ 291,091 |
| <u>190,994</u> | <u>214,256</u> | <u>230,653</u> | <u>211,388</u> | <u>218,156</u> | <u>291,091</u> |
| - | - | - | - | - | - |
| \$ 2,083,289 | \$ 2,259,031 | \$ 2,443,918 | \$ 2,525,947 | \$ 2,788,547 | \$ 3,668,365 |
| 9.17% | 9.48% | 9.44% | 8.37% | 7.82% | 7.94% |

CITY OF EVERMAN, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)

FOR THE YEAR ENDED SEPTEMBER 30, 2023

| Measurement year December 31, | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|--|------------------|-------------------|-------------------|-------------------|------------------|
| Total OPEB liability | | | | | |
| Service cost | \$ 8,732 | \$ 7,012 | \$ 9,081 | \$ 10,909 | \$ 10,954 |
| Interest (on the total OPEB liability) | 3,073 | 3,520 | 2,941 | 2,324 | 2,360 |
| Difference between expected and actual experience | (1,598) | (17,045) | (17,551) | (3,466) | (1,524) |
| Changes in assumptions | (6,761) | 18,251 | 15,025 | 3,902 | (45,047) |
| Benefit payments, including refunds of employee contributions | <u>(426)</u> | <u>(699)</u> | <u>(736)</u> | <u>(1,524)</u> | <u>(1,730)</u> |
| Net change in total OPEB liability | 3,020 | 11,039 | 8,760 | 12,145 | (34,987) |
| Total OPEB liability - beginning | <u>88,698</u> | <u>91,718</u> | <u>102,757</u> | <u>111,517</u> | <u>123,662</u> |
| Total OPEB liability - ending (a) | <u>\$ 91,718</u> | <u>\$ 102,757</u> | <u>\$ 111,517</u> | <u>\$ 123,662</u> | <u>\$ 88,675</u> |
| Covered-employee payroll | \$ 2,129,700 | \$ 2,337,225 | \$ 2,454,372 | \$ 2,537,018 | \$ 2,882,615 |
| Total OPEB liability as a percentage of covered-employee payroll | 4.307% | 4.397% | 4.544% | 4.874% | 3.076% |

Notes to schedule:

1. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.
2. The actuarial assumptions and other inputs used to calculate the total OPEB liability are described in the notes to the financial statements.
3. Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

CITY OF EVERMAN, TEXAS

NOTES TO BUDGETARY SCHEDULES

SEPTEMBER 30, 2023

Budgetary Information

The City follows these procedures in establishing its annual budget:

- 1) On or before the first day of September of each year and at least thirty days prior to adoption of a tax rate for the current fiscal year, the City Manager submits to the City Council a balanced budget for the ensuing fiscal year.
- 2) The City Council holds one or more public hearings on the proposed budget prior to the final adoption.
- 3) The City Council adopts the proposed budget, with or without amendment, after public hearings and before the first day of the ensuing fiscal year.
- 4) Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund, and Enterprise Fund.
- 5) Annual budgets for the General Fund, Special Revenue Funds, Debt Service Fund, and Enterprise Fund are adopted on a basis consistent with generally accepted accounting principles.
- 6) Unused appropriations of the above annually budgeted funds lapse at the end of each fiscal year.
- 7) The City Council may authorize additional appropriations during the year.
- 8) Provisions are made in the annual budget and in the appropriation ordinance for a contingent reserve in an amount not more than three percent of the total budget, to be used in case of unforeseen items of expenditure. Such contingent reserve is under the control of the City Manager and distributed after approval of the City Council. Expenditures from this reserve are made only in case of established emergencies, and a detailed account of such expenditures is recorded and reported.
- 9) The City Manager is authorized to adjust budget amounts; however, such revisions may not result in total budgeted expenditures (appropriations) in excess of budgeted revenues at the fund level without the approval of City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the Fund level.
- 10) During the year, significant amendments were made to original estimated revenues to account for increases in licenses and permits, charges for services, and intergovernmental revenue. Additionally, there was a need to make amendments to original budgeted appropriations to accommodate for larger than expected expenditures within the dispatch department as well as capital outlay expenditures.

Excess of Expenditures over Appropriations

Expenditures exceeded appropriations in the General Fund by \$525,249, primarily due to capital outlay. This overage was related to and offset by the issuance of financing arrangements, leases, and subscriptions.

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SUPPLEMENTARY INFORMATION

CITY OF EVERMAN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2023

| | Special Revenue | | Debt Service |
|--|--|--|-------------------------|
| | Crime Control and Prevention District | Economic Development Corporation Fund | Debt Service Fund |
| ASSETS | | | |
| Cash and cash equivalents | \$ 7,271 | \$ 78,312 | \$ 690 |
| Receivables (net of allowances for uncollectibles): | | | |
| Taxes | 19,901 | 44,633 | 19,395 |
| Restricted assets: | | | |
| Cash and cash equivalents | <u>9,682</u> | <u>431,039</u> | <u>185,130</u> |
| Total assets | <u>36,854</u> | <u>553,984</u> | <u>205,215</u> |
| LIABILITIES | | | |
| Accounts payable | <u>-</u> | <u>175</u> | <u>-</u> |
| Total liabilities | <u>-</u> | <u>175</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue - property taxes | <u>-</u> | <u>-</u> | <u>19,395</u> |
| Total inflows of resources | <u>-</u> | <u>-</u> | <u>19,395</u> |
| FUND BALANCES | | | |
| Restricted: | | | |
| Street improvement | - | - | - |
| Crime control and prevention district | 36,854 | - | - |
| Economic development | - | 553,809 | - |
| Tax increment financing zone | - | - | - |
| Debt service | <u>-</u> | <u>-</u> | <u>185,820</u> |
| Total fund balances | <u>36,854</u> | <u>553,809</u> | <u>185,820</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 36,854</u> | <u>\$ 553,984</u> | <u>\$ 205,215</u> |

| <u>Capital Projects</u> | | |
|--|---|--|
| <u>Street Improvement Fund</u> | <u>Tax Increment Financing Zone</u> | <u>Total Nonmajor Governmental Funds</u> |
| \$ - | \$ 105,467 | \$ 191,740 |
| 22,316 | - | 106,245 |
| <u>220,540</u> | <u>470,687</u> | <u>1,317,078</u> |
| <u>242,856</u> | <u>576,154</u> | <u>1,615,063</u> |
| <u>-</u> | <u>-</u> | <u>175</u> |
| <u>-</u> | <u>-</u> | <u>175</u> |
| <u>-</u> | <u>-</u> | <u>19,395</u> |
| <u>-</u> | <u>-</u> | <u>19,395</u> |
| 242,856 | - | 242,856 |
| - | - | 36,854 |
| - | - | 553,809 |
| - | 576,154 | 576,154 |
| - | - | 185,820 |
| <u>242,856</u> | <u>576,154</u> | <u>1,595,493</u> |
| <u>\$ 242,856</u> | <u>\$ 576,154</u> | <u>\$ 1,615,063</u> |

CITY OF EVERMAN, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

| | Special Revenue | | Debt Service |
|--|--|--|-------------------------|
| | Crime Control and Prevention District | Economic Development Corporation Fund | Debt Service Fund |
| REVENUES | | | |
| Property taxes | \$ - | \$ - | \$ 796,250 |
| Sales tax | 106,341 | 232,471 | - |
| Intergovernmental | - | - | - |
| Investment earnings | 450 | 20,541 | 8,328 |
| Total revenues | <u>106,791</u> | <u>253,012</u> | <u>804,578</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | - | 2,400 | - |
| Public works | - | - | - |
| Debt service: | | | |
| Principal | 65,392 | 70,000 | 294,939 |
| Interest and fiscal charges | 14,614 | 7,085 | 121,427 |
| Capital outlay | - | - | - |
| Total expenditures | <u>80,006</u> | <u>79,485</u> | <u>416,366</u> |
| Excess (deficiency) of revenues over expenditures | <u>26,785</u> | <u>173,527</u> | <u>388,212</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers out | <u>(23,978)</u> | <u>(165,377)</u> | <u>(409,256)</u> |
| Total other financing sources (uses) | <u>(23,978)</u> | <u>(165,377)</u> | <u>(409,256)</u> |
| NET CHANGE IN FUND BALANCE | 2,807 | 8,150 | (21,044) |
| FUND BALANCE - BEGINNING | <u>34,047</u> | <u>545,659</u> | <u>206,864</u> |
| FUND BALANCE - ENDING | <u>\$ 36,854</u> | <u>\$ 553,809</u> | <u>\$ 185,820</u> |

| <u>Capital Projects</u> | | |
|--|---|--|
| <u>Street Improvement Fund</u> | <u>Tax Increment Financing Zone</u> | <u>Total Nonmajor Governmental Funds</u> |
| \$ - | \$ - | \$ 796,250 |
| 116,234 | - | 455,046 |
| 97,000 | 130,656 | 227,656 |
| <u>12,690</u> | <u>19,067</u> | <u>61,076</u> |
| <u>225,924</u> | <u>149,723</u> | <u>1,540,028</u> |
| - | - | 2,400 |
| 24,869 | - | 24,869 |
| - | - | 430,331 |
| - | - | 143,126 |
| <u>103,596</u> | <u>-</u> | <u>103,596</u> |
| <u>128,465</u> | <u>-</u> | <u>704,322</u> |
| <u>97,459</u> | <u>149,723</u> | <u>835,706</u> |
| <u>(22,978)</u> | <u>-</u> | <u>(621,589)</u> |
| <u>(22,978)</u> | <u>-</u> | <u>(621,589)</u> |
| 74,481 | 149,723 | 214,117 |
| <u>168,375</u> | <u>426,431</u> | <u>1,381,376</u> |
| <u>\$ 242,856</u> | <u>\$ 576,154</u> | <u>\$ 1,595,493</u> |

CITY OF EVERMAN, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (BUDGET BASIS) AND ACTUAL
2020 CO CAPITAL PROJECT

FOR THE YEAR ENDED SEPTEMBER 30, 2023

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| REVENUES | | | | |
| Intergovernmental | \$ - | \$ 493,000 | \$ 376,361 | \$ (116,639) |
| Investment earnings | - | - | 1,083 | 1,083 |
| Total revenues | <u>-</u> | <u>493,000</u> | <u>377,444</u> | <u>(115,556)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | - | - | 10,000 | (10,000) |
| Capital outlay | - | 493,000 | 362,140 | 130,860 |
| Total expenditures | <u>-</u> | <u>493,000</u> | <u>372,140</u> | <u>120,860</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>5,304</u> | <u>5,304</u> |
| CHANGE IN FUND BALANCE | - | - | 5,304 | 5,304 |
| FUND BALANCE - BEGINNING | <u>(568,720)</u> | <u>(568,720)</u> | <u>(568,720)</u> | <u>-</u> |
| FUND BALANCE - ENDING | <u>\$ (568,720)</u> | <u>\$ (568,720)</u> | <u>\$ (563,416)</u> | <u>\$ 5,304</u> |

CITY OF EVERMAN, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (BUDGET BASIS) AND ACTUAL
ECONOMIC DEVELOPMENT CORPORATION FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2023

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|-------------------|-------------------|---|
| REVENUES | | | | |
| Sales taxes | \$ 200,000 | \$ 200,000 | \$ 232,471 | \$ 32,471 |
| Investment earnings | <u>1,000</u> | <u>1,000</u> | <u>20,541</u> | <u>19,541</u> |
| Total revenues | <u>201,000</u> | <u>201,000</u> | <u>253,012</u> | <u>52,012</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | - | - | 2,400 | (2,400) |
| Capital outlay | 20,000 | 20,000 | - | 20,000 |
| Debt service: | | | | |
| Principal | 70,000 | 70,000 | 70,000 | - |
| Interest and fiscal charges | <u>7,098</u> | <u>7,098</u> | <u>7,085</u> | <u>13</u> |
| Total expenditures | <u>97,098</u> | <u>97,098</u> | <u>79,485</u> | <u>17,613</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>103,902</u> | <u>103,902</u> | <u>173,527</u> | <u>69,625</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | <u>(165,377)</u> | <u>(165,377)</u> | <u>(165,377)</u> | <u>-</u> |
| Total other financing sources (uses) (uses) | <u>(165,377)</u> | <u>(165,377)</u> | <u>(165,377)</u> | <u>-</u> |
| CHANGE IN FUND BALANCE | (61,475) | (61,475) | 8,150 | 69,625 |
| FUND BALANCE - BEGINNING | <u>545,659</u> | <u>545,659</u> | <u>545,659</u> | <u>-</u> |
| FUND BALANCE - ENDING | <u>\$ 484,184</u> | <u>\$ 484,184</u> | <u>\$ 553,809</u> | <u>\$ 69,625</u> |

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COMPLIANCE SECTION

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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

Honorable Mayor
and Members of City Council
City of Everman, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Everman, 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 Everman, Texas’ basic financial statements, and have issued our report thereon dated May 17, 2024.

Report Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Everman, Texas’ internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Everman, Texas’ internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Everman, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule and Findings and Questioned Costs as items 2023-001 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Everman, 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 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*.

City of Everman, Texas’ Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Everman, Texas’ response to the findings identified in our audit and described in the accompanying Schedule and Findings and Questioned Costs. City of Everman, Texas’ response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 City of Everman, Texas’ internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Everman’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
May 17, 2024

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Honorable Mayor
and Members of City Council
City of Everman, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Everman’s (the “City”) 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 the City of Everman’s major federal programs for the year ended September 30, 2023. The City’s 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, the City complied, in all material respects, with the 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 the City 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’s 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 the City’s 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 the City's 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 GAAS, *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's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's 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 the City's 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 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.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
May 17, 2024

CITY OF EVERMAN, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

| Federal Grantor/ Pass-Through Grantor/ Program Title | Assistance Listing Number | Pass-Through Entity Identifying Number | Expenditures |
|--|---------------------------------|--|---------------------|
| <u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u> | | | |
| Passed through Texas Water Development Board: | | | |
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | L1001051 | \$ <u>62,882</u> |
| Total Passed through Texas Water Development Board | | | <u>62,882</u> |
| Total Drinking Water State Revolving Fund Cluster | | | <u>62,882</u> |
| Total U.S. Environmental Protection Agency | | | <u>62,882</u> |
| <u>U.S. DEPARTMENT OF TREASURY</u> | | | |
| Direct Program: | | | |
| COVID-19 - State and Local Fiscal Recovery Fund (ARPA) | 21.027 | N/A | <u>453,688</u> |
| Total Direct Program | | | <u>453,688</u> |
| Passed through Tarrant County: | | | |
| COVID-19 - State and Local Fiscal Recovery Fund (ARPA) | 21.027 | 107048134 | <u>512,936</u> |
| Total Passed through Tarrant County | | | <u>512,936</u> |
| Total U.S. Department of Treasury | | | <u>966,624</u> |
| Total Expenditure of Federal Awards | | | \$ <u>1,029,506</u> |

The accompanying notes are an integral part of this schedule.

CITY OF EVERMAN, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

1. GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all applicable federal awards of the City of Everman, Texas. The City's reporting entity is defined in Note I to the City's basic financial statements. Federal awards received directly from federal and state agencies as well as federal awards passed through other government agencies are included in the respective schedule.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using modified accrual basis of accounting, which is described in Note I to the City's basic financial statements.

3. PASS-THROUGH EXPENDITURES

None of the federal programs expended by the City were passed through to subrecipients.

4. INDIRECT COSTS

The City has not elected to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance, Section 414.

CITY OF EVERMAN, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Summary of the Auditor's Results

Financial Statements:

| | |
|--|---------------|
| Type of auditor's report issued: | Unmodified |
| Internal control over financial reporting: Material weakness(es) identified? | 2023-001 |
| Significant deficiency(ies) identified that are not considered a material weakness? | None reported |
| Noncompliance material to financial statements noted? | No |

Federal Awards:

| | |
|---|---------------|
| Internal control over major programs: Material weakness(es) identified? | No |
| Significant deficiency(ies) identified that are not considered a material weakness? | None reported |
| Type of auditor's report issued on compliance for major federal programs | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | None |
| Identification of major federal programs: | |

| <u>Assistance Listing Number(s):</u> | <u>Name of Federal Program or Cluster:</u> |
|---|--|
| 21.027 | COVID-19 - State and Local Fiscal Recovery Fund (ARPA) |
| The dollar threshold used to distinguish between type A and type B programs. | \$750,000 |
| Auditee qualified as low-risk auditee? | Yes |

CITY OF EVERMAN, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Financial Statement Findings:

Finding Number: **2023-001**

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. Proper reporting of capital assets is a key component of effective internal control over financial reporting.

Condition: A prior period adjustment in the amount of \$541,523 was required to report the value of capital assets which were not previously accounted for or incorrectly accounted for.

Effect: The City's reported capital assets were incomplete, understating capital assets and net position in the government-wide financial statements.

Recommendation: We recommend enhancing internal controls to ensure that capital assets are properly accounted for on the City's capital asset listing and depreciated.

Management's Response: We agree with the finding and have begun discussions to implement controls that will ensure all capital assets are properly recorded in the capital asset listing and financial statements.

Federal and State Award Findings:

None

CITY OF EVERMAN, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Finding 2022-001

Finding Type: Significant Deficiency

Criteria: Timely and accurate financial reports are essential to perform analysis of financial condition, review data for accuracy and completeness, and prepare long-range financial plans.

Condition: Adjusting journal entries were necessary to correct and adjust account balances at year-end.

Cause: Several factors attributed to the condition above including system-generated entries related to accounts payable, capital asset transactions that were not updated or reconciled during the year related to the system conversion, and overstated grant revenue.

Effect: The financial statements were misstated prior to the City recording entries to reclassify accounts payable and cash and adjust capital assets, deferred revenue and grant revenue balances at year-end. As a result, financial reports prepared throughout the fiscal year may have been relied upon in error.

Recommendation: We recommend that the City continue implementing policies and procedures to maintain strong internal controls related to financial reporting and monitoring, including the preparation of reconciliations and recording of financial transactions and capital asset activity to produce more useful and accurate reports. We also recommend that the City review the audit adjustments in order to understand the purpose of the adjustments, reclassifications, or corrections and incorporate these entries into the City's monthly or year-end accounting transactions.

Management's Response: FY 2022 was another challenging year for the City of Everman with its own unique set of circumstances. The City was faced with many new and ongoing challenges including: software conversion and implementation, supply issues, and staffing shortages. This year we completely restructured our chart of accounts mid-year as a result of the system conversion. This led to some data coming over incorrectly during the conversion process; however, all accounts have been thoroughly reviewed and corrected as necessary. We also performed numerous internal audits and process reviews that led to many account code corrections, reclassifications, and adjustments, as well as, policy and procedural changes that will help prevent similar instances from happening again in the future. We will continue to implement new policies and procedures as necessary to maintain strong internal controls related to our financial reporting and monitoring. Many of the adjusting journal entries were a result of extraordinary situations that are not expected to occur again in the near future; however, the City will continue to work closely with the auditors to reduce the number of adjusting journal entries in the future.

Current Status: We consider this item resolved.