

CITY OF EVERMAN, TEXAS

**Annual Financial Report for the Year Ended
September 30, 2022**

**CITY OF EVERMAN, TEXAS
ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS**

	<u>PAGE</u>
Principal Officials	1
 FINANCIAL SECTION	
Independent Auditor's Report	3
Management's Discussion and Analysis	6
 Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements	
Balance Sheet - Governmental Funds	19
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Change in Net Position of Governmental Activities in the Statement of Activities	21
Statement of Net Position - Enterprise Fund	22
Statement of Revenues, Expenses, and Changes in Net Position - Enterprise Fund	23
Statement of Cash Flows - Enterprise Fund	24
Notes to Financial Statements	25
 Required Supplemental Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	54
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - 2020 CO Capital Project Fund	55
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Economic Development Corporation Fund	56
Schedule of Changes in the Net Pension Liability and Related Ratios	57
Schedule of Employer Pension Contributions and Related Ratios	58
Schedule of Changes in the Total OPEB Liability and Related Ratios	59
Schedule of OPEB Contributions and Related Ratios	60

**CITY OF EVERMAN, TEXAS
ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS**

	<u>PAGE</u>
Supplemental Information:	
Combining Balance Sheet - Nonmajor Governmental Funds	62
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds	63
 OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION	
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 <i>Government Auditing Standards</i>	65
Schedule of Findings and Questioned Costs	67
Summary Schedule of Prior Audit Findings	70
Corrective Action Plan	71
 FEDERAL AWARDS SECTION	
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	73
Schedule of Expenditures of Federal Awards	76
Notes to Schedule of Expenditures of Federal Awards	77

**City of Everman, Texas
Principal Officials**

City Council

Ray Richardson, Mayor

Susan Mackey, Mayor Pro-Tem

Linda Sanders, Council Member

Carolyn Renfro, 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

FINANCIAL SECTION



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying 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 (the City), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City 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 in Accounting Principle

As described in Note A to the financial statements, in fiscal year 2022, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

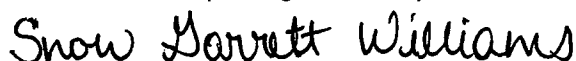
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of changes in the City's net pension liability/(asset) and related ratios, the schedule of employer pension contributions and related ratios, the schedule of changes in the total OPEB liability and related ratios, and the schedule of OPEB contributions and related ratios on pages 6-15 and 54-60 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's basic financial statements. The accompanying combining nonmajor fund 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*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements 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 1, 2023, on our consideration of the City'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's 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 the City of Everman, Texas' internal control over financial reporting and compliance.



Snow Garrett Williams

May 1, 2023

CITY OF EVERMAN, TEXAS 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, 2022. The MD&A should be read in conjunction with the accompanying financial statements and the notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded liabilities and deferred inflows at the close of fiscal year 2022 by \$7,343,891 (*net position*). Of this amount, \$1,435,164 is restricted for specific purposes and \$69,469 represents unrestricted net position. As required by GASB 34, net position also reflects \$5,839,258 that is net investment in capital assets.
- In contrast to the government-wide statements, the governmental fund statements report a combined fund balance at year-end of \$345,906 of which \$1,435,164 represents restricted fund balance, \$1,042 represents assigned fund balance, and unassigned fund balance (deficit) amounted to (\$1,090,300).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's financial statements are comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) required supplementary information. This report also contains other supplementary information in addition to the basic financial statements.

The 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 private sector business. They present the financial picture of the City from an economic resource measurement focus using the accrual basis of accounting. These statements include all assets of the City as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by GASB Statement No. 34 in regards to interfund activity, payables, and receivables.

The statement of net position presents information on all of the City's assets, deferred inflows of resources, and liabilities, with the difference between these 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 showing how net position changed during the most recent fiscal year using the full accrual basis of accounting. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

CITY OF EVERMAN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other business functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the City include administrative, streets, parks and building maintenance, police, maintenance garage, fire and emergency medical services, community and activity centers, municipal court, code enforcement, library, and animal control. The business-type activity of the City is water and sewer operations. All governmental and business-type activities included in the government-wide financial statements are functions of the City (known as the primary government). The government-wide financial statements can be found on pages 17 and 18 of this report.

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 funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

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

The City maintains eight individual governmental funds, which includes four special revenue funds, one debt service fund, two capital project funds, and the General Fund. 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, 2020 CO Capital Project Fund, and Economic Development Corporation (EDC) Fund which are classified as major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for the general fund, special revenue funds, and the debt service fund. Budgetary comparison statements (original versus final) have been provided in this report to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 19 through 21 of this report.

**CITY OF EVERMAN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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

The proprietary fund financial statements can be found on pages 22 through 24 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that for proprietary funds. The City does not hold any resources for the benefit of parties outside the City government and accordingly neither accounts nor reports for fiduciary funds.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 through 52 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including budgetary comparison information and information concerning pension and OPEB benefits. The required supplementary information can be found on pages 54 through 60 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities and deferred inflows by \$7,343,891 as of September 30, 2022.

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 2,603,375	\$ 4,229,906	\$ 1,930,127	\$ 4,118,673	\$ 4,533,502	\$ 8,348,579
Capital assets, net of depreciation	9,245,932	5,404,912	6,637,268	4,531,641	15,883,200	9,936,553
Total assets	11,849,307	9,634,818	8,567,395	8,650,314	20,416,702	18,285,132
Long-term liabilities	6,047,473	4,683,302	4,610,731	4,885,646	10,658,204	9,568,948
Other liabilities	1,774,655	1,080,204	456,311	1,145,932	2,230,966	2,226,136
Total liabilities	7,822,128	5,763,506	5,067,042	6,031,578	12,889,170	11,795,084
Deferred inflows of resources	168,950	209,897	14,691	3,392	183,641	213,289
Net position:						
Net investment in capital assets	3,468,539	2,441,817	2,370,719	1,202,048	5,839,258	3,643,865
Restricted	1,435,164	1,545,328	-	-	1,435,164	1,545,328
Unrestricted	(1,045,474)	(325,730)	1,114,943	1,413,296	69,469	1,087,566
Total net position	\$ 3,858,229	\$ 3,661,415	\$ 3,485,662	\$ 2,615,344	\$ 7,343,891	\$ 6,276,759

**CITY OF EVERMAN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

Investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment, and construction in progress) less any related debt used to acquire those assets that is still outstanding is \$5,839,258. 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 \$1,435,164 (or 37%) of the City's net position represents resources that are subject to external restrictions on how they may be used. All restricted net position of the City is being held for purposes established by state and local laws, for capital projects, and debt service requirements on the City's outstanding debt. The remaining balance of unrestricted net position is \$69,469.

The City's net position increased by \$1,067,132 during the current fiscal year. The City's governmental activities increased net position by \$196,814 which included transfers from the business-type activities of \$375,217. The total cost of all governmental activities this year was \$6,257,880. The amount that taxpayers paid for these activities through property taxes was \$2,898,154 or 46%.



CITY OF EVERMAN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

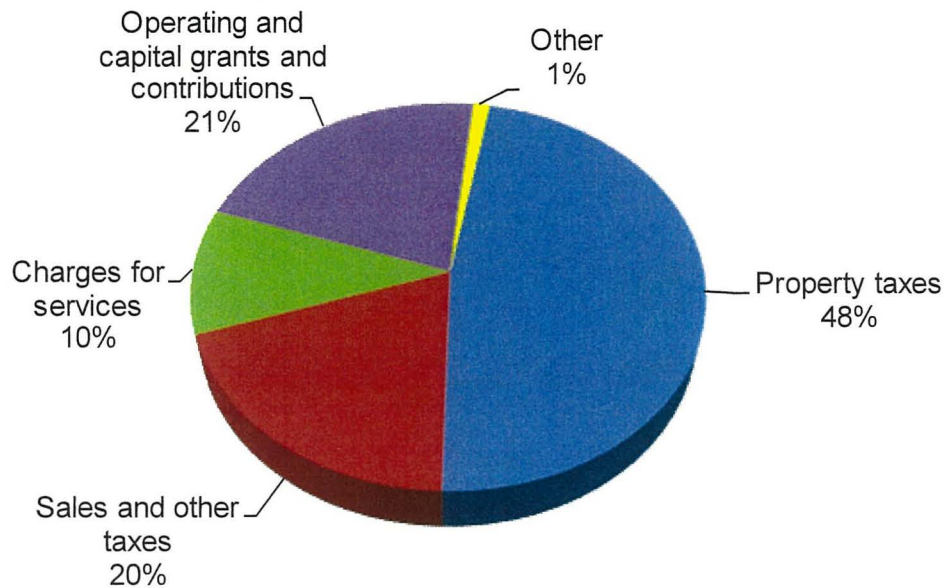
City of Everman's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues:						
Program revenues:						
Charges for services	\$ 633,330	\$ 653,442	\$ 2,496,773	\$ 2,158,900	\$ 3,130,103	\$ 2,812,342
Operating grants and contributions	902,278	789,885	-	-	902,278	789,885
Capital grants and contributions	395,802	-	349,796	140,817	745,598	140,817
General revenues:						
Property taxes	2,898,154	2,745,596	-	-	2,898,154	2,745,596
Sales and other taxes	1,181,878	1,090,270	-	-	1,181,878	1,090,270
Gain/ (loss) on disposal of assets	(62,933)	112,600	-	15,750	(62,933)	128,350
Other	130,968	69,746	7,087	1,801	138,055	71,547
Total revenues	<u>6,079,477</u>	<u>5,461,539</u>	<u>2,853,656</u>	<u>2,317,268</u>	<u>8,933,133</u>	<u>7,778,807</u>
Expenses:						
Administrative	1,457,208	1,205,840	-	-	1,457,208	1,205,840
Streets	707,525	789,399	-	-	707,525	789,399
Parks and building maintenance	274,931	204,349	-	-	274,931	204,349
Police	1,790,758	1,687,590	-	-	1,790,758	1,687,590
Maintenance garage	271,355	308,355	-	-	271,355	308,355
Fire and EMS	1,034,601	778,389	-	-	1,034,601	778,389
Community and activity centers	164,398	10,081	-	-	164,398	10,081
Municipal court	119,698	101,079	-	-	119,698	101,079
Code enforcement	63,790	57,762	-	-	63,790	57,762
Library	106,661	76,560	-	-	106,661	76,560
Animal control	108,461	100,170	-	-	108,461	100,170
Interest and fiscal charges	158,494	167,648	-	-	158,494	167,648
Water	-	-	832,685	789,921	832,685	789,921
Sewer	-	-	775,436	720,702	775,436	720,702
Total expenses	<u>6,257,880</u>	<u>5,487,222</u>	<u>1,608,121</u>	<u>1,510,623</u>	<u>7,866,001</u>	<u>6,997,845</u>
Increase (decrease) in net position before transfers	(178,403)	(25,683)	1,245,535	806,645	1,067,132	780,962
Transfers	<u>375,217</u>	<u>294,000</u>	<u>(375,217)</u>	<u>(294,000)</u>	<u>-</u>	<u>-</u>
Change in net position	196,814	268,317	870,318	512,645	1,067,132	780,962
Net position, beginning of year	<u>3,661,415</u>	<u>3,393,098</u>	<u>2,615,344</u>	<u>2,102,699</u>	<u>6,276,759</u>	<u>5,495,797</u>
Net position, end of year	<u>\$ 3,858,229</u>	<u>\$ 3,661,415</u>	<u>\$ 3,485,662</u>	<u>\$ 2,615,344</u>	<u>\$ 7,343,891</u>	<u>\$ 6,276,759</u>

Governmental activities. Governmental activities increased the City's net position by \$196,814. Key elements of this increase are related to increases in property and sales tax revenues. Increases in capital grants and contributions revenue are related to federal grant funds received and expended in the current fiscal year, and are offset by the related expenditures in the Fire and Emergency Medical Service department.

**CITY OF EVERMAN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

Revenues by Source - Governmental Activities



Business-type activities. Business-type activities increased the City's net position by \$870,318. Key elements of this increase are related to increases in water and sewer sales.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

Governmental funds. The general government functions are reported in the General, Special Revenue, Debt Service, and Capital Projects 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 annual financing and budgeting requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$345,906, a decrease of \$2,529,707 in comparison with the prior year. The unassigned fund balance is a deficit of \$1,090,300. The remainder of fund balance has been assigned for employee appreciation fund (\$1,042), or restricted to indicate that it is not available for new spending because it has already been set aside to fund street improvements (\$168,375), crime control and prevention (\$34,047), economic development (\$545,659), tax increment financing zone (\$426,431), debt service (\$206,864), LEOSE training and court related expenditures (\$52,549), and celebration and other donations (\$1,239).

**CITY OF EVERMAN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance of the general fund was a deficit of \$466,750. The fund balance of the City's general fund decreased by \$381,023 during the current fiscal year. Key factors in this decrease are as follows:

- Increase in salaries and benefits expenses;
- Budgeted use of fund reserves for capital outlay expenditures; and
- Increases in grant revenue and tax revenue.

GENERAL FUND BUDGETARY HIGHLIGHTS

Comparing budget to actual amounts, the City was under the final budgeted revenue estimate by \$348,894. 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 \$180,244. Actual expenditures were more than budgeted primarily due to higher expenditures than expected in the administrative and maintenance garage departments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The City's investment in total capital assets for its governmental and business-type activities as of September 30, 2022, amounts to \$15,883,200 (net of accumulated depreciation/amortization). The investment in capital assets related to governmental activities (\$9,245,932) includes land, infrastructure, buildings and improvements, machinery and equipment, and vehicles. The City's investment in capital assets related to business-type activities (\$6,637,268) includes land, construction in progress, water and sewer system, buildings and improvements, and machinery and equipment.

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

- Purchasing a new fire truck;
- Christopher Street and Race Street rebuilds;
- Dispatch Center Rebuild; and
- Completion of significant water line replacements.

CITY OF EVERMAN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

City of Everman's Capital Assets
(net of depreciation/amortization)

	Governmental Activities	Business-type Activities	Total
Land	\$ 265,786	\$ 53,425	\$ 319,211
Construction in progress	-	775,570	775,570
Buildings and improvements	4,555,616	47,467	4,603,083
Infrastructure	1,764,609	-	1,764,609
Water and sewer system	-	5,628,296	5,628,296
Machinery and equipment	861,008	132,510	993,518
Vehicles	1,174,260	-	1,174,260
Right of use leased asset	624,653	-	624,653
Total	<u>\$ 9,245,932</u>	<u>\$ 6,637,268</u>	<u>\$ 15,883,200</u>

Additional information on the City's capital assets can be found in Note G on pages 36 through 38 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of the following:

City of Everman's Outstanding Debt

	Governmental Activities	Business-Type Activities	Total
Certificates of obligation	\$ 2,010,000	\$ 3,895,000	\$ 5,905,000
General obligation bonds	1,550,000	-	1,550,000
Unamortized bond premium	142,601	74,877	217,478
Tax notes	455,000	-	455,000
Note payable	949,303	621,784	1,571,087
Lease liability	650,143	-	650,143
Vacation payable	176,657	9,177	185,834
Net pension asset	(241,564)	(21,006)	(262,570)
Total OPEB liability	113,769	9,893	123,662
Total	<u>\$ 5,805,909</u>	<u>\$ 4,589,725</u>	<u>\$ 10,395,634</u>

**CITY OF EVERMAN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

The City's total long-term debt increased by a net amount of \$149,534 during the current fiscal year. Debt related to governmental activities increased by \$445,455 primarily as a result of the issuance of notes payable and leases offset by scheduled debt payments and a decrease in net pension liability(asset). Debt related to business-type activities decreased by \$295,921 primarily as a result of scheduled debt payments. The City's bonds are rated "BBB" by Standard and Poor's Corporation.

State statutes limit the total property tax rate to \$2.50 per \$100 assessed valuation. The City's total property tax rate for 2021-2022 was \$1.149676 per \$100 assessed valuation, of which \$0.230841 was for annual debt service.

Additional information on the City's long-term debt can be found in Note H on pages 38 through 42 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 2023, the City Council and management considered the following factors:

- Increase of \$353,396 (or 13.38%) in property tax revenue, including taxes on new property development of \$3,209.
- In Fiscal Year 2022, 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 August of 2022, the City of Everman commemorated the opening of the brand-new Civic Center. This Civic Center was designed to enhance the City's capabilities by providing additional office space, conference space, and a large ballroom designed specifically for trainings, conferences, and special events. This center supports economic improvements within the City. Furthermore, the space is available to the public for rental, providing an additional revenue source for the City.
- In September 2022, the Everman Fire Department took receipt of a \$1.14M Aerial Ladder Truck. This apparatus was much needed in order to support fire department operations. The previous front line apparatus was outdated, and maintenance was proving to cost more than the equipment was worth. This new apparatus will support the City in obtaining a lower ISO rating, which will ultimately improve insurance rates for the citizens of Everman. This purchase was made through a financing option.
- In 2022, the City of Everman partnered with Tarrant County, the Tarrant County 9-1-1 District, and various municipalities in order to establish a consolidated emergency service dispatch center. The City of Everman had previously allocated bond funds towards a dispatch improvement project. The project totaled over \$1.5M, however the majority of this project was funded through grants, not affecting any general operating funds or reserves. This new center now provides primary public safety dispatch services to more than a dozen municipalities and organizations. This has offered increased employment opportunities for the City and improved revenue opportunities.

CITY OF EVERMAN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

- Historically, the City of Everman provided all employees with a 5% annual merit increase. However, this year City Council approved a new city-wide pay scale that more appropriately aligned the compensation of employees, to be both fair and equitable, while providing for an overall compensation increase of less than 5%.
- This budget maintained the employee health insurance benefits at the same rate as the previous year while even providing a few new benefit options.
- The established Water and Sewer rates will remain the same and will continue to cover the full cost of producing, treating, storing, and distributing water to customers.
- Sales tax revenue in 2022 reflected a slight increase; however, we continued to budget sales tax revenue conservatively due to the uncertainty of the overall economy.
- The City of Everman received approximately \$860,026 in American Rescue Plan Act (ARPA) funds. These funds were primarily allocated toward infrastructure projects with the goal of improving services and safety. In doing so, this has allowed the City to address these infrastructure needs while providing much needed relief to the budget during the ongoing global pandemic.
- City Administration is putting a strong focus on potential grant funded opportunities. City staff will continue to work toward finding additional funding opportunities that are available to municipalities.

REQUEST 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

CITY OF EVERMAN, TEXAS
Statement of Net Position
September 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 646,208	\$ 631,253	\$ 1,277,461
Investments	203,410	202,704	406,114
Receivables			
Taxes, net of allowances for uncollectibles	256,873	-	256,873
Accounts, net of allowances for uncollectibles	239,443	281,097	520,540
Restricted assets			
Cash and cash equivalents	-	581,014	581,014
Investments	1,015,877	213,053	1,228,930
Net Pension Asset	241,564	21,006	262,570
Capital assets			
Land and construction in progress	265,786	828,995	1,094,781
Other capital assets, net of depreciation/amortization	8,980,146	5,808,273	14,788,419
Total capital assets	9,245,932	6,637,268	15,883,200
Total assets	11,849,307	8,567,395	20,416,702
Liabilities			
Accounts payable and accrued expenses	402,594	284,499	687,093
Due to State	2,121	-	2,121
Unearned revenue - American Rescue Plan Act	1,351,871	-	1,351,871
Payable from restricted assets			
Customer deposits	-	160,404	160,404
Accrued interest payable	18,069	11,408	29,477
Long-term liabilities			
Due within one year	771,674	291,284	1,062,958
Due in more than one year	5,275,799	4,319,447	9,595,246
Total liabilities	7,822,128	5,067,042	12,889,170
Deferred inflows of resources			
Deferred inflows of resources - OPEB	1,073	94	1,167
Deferred inflows of resources - pension	167,877	14,597	182,474
Total deferred inflows of resources	168,950	14,691	183,641
Net position			
Net investment in capital assets	3,468,539	2,370,719	5,839,258
Restricted for:			
Debt service	206,864	-	206,864
Economic development	545,659	-	545,659
Street improvement	168,375	-	168,375
Crime control and prevention district	34,047	-	34,047
Tax increment financing zone	426,431	-	426,431
Court security and technology	47,208	-	47,208
LEOSE training	5,341	-	5,341
Celebration and other donations	1,239	-	1,239
Unrestricted	(1,045,474)	1,114,943	69,469
Total net position	\$ 3,858,229	\$ 3,485,662	\$ 7,343,891

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

CITY OF EVERMAN, TEXAS
Statement of Activities
For the Fiscal Year Ended September 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes In Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Governmental activities							
Administrative	1,457,208	\$ 19,707	\$ 131,303	\$ 220,913	\$ (1,085,285)	\$ -	\$ (1,085,285)
Streets	707,525	303,798	-	-	(403,727)	-	(403,727)
Parks and building maintenance	274,931	-	-	-	(274,931)	-	(274,931)
Police	1,790,758	-	415,804	165,209	(1,209,745)	-	(1,209,745)
Maintenance garage	271,355	-	-	-	(271,355)	-	(271,355)
Fire and EMS	1,034,601	127,331	352,541	-	(554,729)	-	(554,729)
Community and activity centers	164,398	10,256	-	-	(154,142)	-	(154,142)
Municipal court	119,698	135,358	-	-	15,660	-	15,660
Code enforcement	63,790	32,932	-	-	(30,858)	-	(30,858)
Library	106,661	2,664	-	-	(103,997)	-	(103,997)
Animal control	108,461	1,284	2,630	9,680	(94,867)	-	(94,867)
Interest and fiscal charges	158,494	-	-	-	(158,494)	-	(158,494)
Total governmental activities	6,257,880	633,330	902,278	395,802	(4,326,470)	-	(4,326,470)
Business-type activities							
Water	832,685	1,370,385	-	349,796	-	887,496	887,496
Sewer	775,436	1,126,388	-	-	-	350,952	350,952
Total business-type activities	1,608,121	2,496,773	-	349,796	-	1,238,448	1,238,448
Total primary government	\$ 7,866,001	\$ 3,130,103	\$ 902,278	\$ 745,598	(4,326,470)	1,238,448	(3,088,022)
General revenues:							
Taxes							
Property taxes					2,898,154	-	2,898,154
Sales tax					879,537	-	879,537
Mixed beverage tax					6,301	-	6,301
Franchise taxes					269,038	-	269,038
Bingo tax					27,002	-	27,002
Investment earnings					14,428	6,027	20,455
Loss on disposal of assets					(62,933)	-	(62,933)
Miscellaneous					116,540	1,060	117,600
Transfers					375,217	(375,217)	-
Total general revenues and transfers					4,523,284	(368,130)	4,155,154
Change in net position					196,814	870,318	1,067,132
Net position, beginning of year					3,661,415	2,615,344	6,276,759
Net position, end of year					\$ 3,858,229	\$ 3,485,662	\$ 7,343,891

CITY OF EVERMAN, TEXAS
Balance Sheet
Governmental Funds
September 30, 2022

	General Fund	2020 CO Capital Project Fund	Economic Development Corporation Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 357,606	\$ -	\$ 71,696	\$ 216,906	\$ 646,208
Investments	203,410	-	-	-	203,410
Receivables					
Taxes, net of allowances of \$53,690	158,280	-	38,465	60,128	256,873
Accounts, net of allowance of \$564	81,911	-	-	-	81,911
Restricted investments	1,259	-	435,498	579,120	1,015,877
Total assets	\$ 802,466	\$ -	\$ 545,659	\$ 856,154	\$ 2,204,279
Liabilities					
Accounts payable and accrued expenses	\$ 330,235	\$ 72,359	\$ -	\$ -	\$ 402,594
Due to State	2,121	-	-	-	2,121
Unearned revenue - American Rescue Plan Act	855,510	496,361	-	-	1,351,871
Total liabilities	1,187,866	568,720	-	-	1,756,586
Deferred inflows of resources					
Unavailable revenue - property taxes	81,350	-	-	20,437	101,787
Total deferred inflows of resources	81,350	-	-	20,437	101,787
Fund Balances					
Restricted for:					
Street improvement	-	-	-	168,375	168,375
Crime control and prevention district	-	-	-	34,047	34,047
Economic development	-	-	545,659	-	545,659
Tax increment financing zone	-	-	-	426,431	426,431
Debt service	-	-	-	206,864	206,864
LEOSE training	5,341	-	-	-	5,341
Court security fees	24,067	-	-	-	24,067
Court technology fees	23,141	-	-	-	23,141
Celebration and other donations	1,239	-	-	-	1,239
Assigned for employee appreciation fund	1,042	-	-	-	1,042
Unassigned	(521,580)	(568,720)	-	-	(1,090,300)
Total fund balances	(466,750)	(568,720)	545,659	835,717	345,906
Total liabilities, deferred inflows of resources, and fund balances	\$ 802,466	\$ -	\$ 545,659	\$ 856,154	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,245,932
Deferred inflows of resources for pensions are not financial resources and, therefore, are not reported in the funds.	(167,877)
Deferred inflows of resources for OPEB are not financial resources and, therefore, are not reported in the funds.	(1,073)
Property tax receivables, net of allowances are not available to pay for current period expenditures and, therefore, are deferred in the funds.	101,787
Accounts receivable for ambulance services are not measurable and available in the current period and are not reported in the funds.	157,532
Some liabilities, including bonds, leases, interest, net pension asset, total OPEB liability, and vacation payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(5,823,978)
Net position of governmental activities - statement of net position	\$ 3,858,229

CITY OF EVERMAN, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2022

	General Fund	2020 CO Capital Project Fund	Economic Development Corporation Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 3,059,864	\$ -	\$ 223,364	\$ 778,800	\$ 4,062,028
Licenses, permits, and fees for services	345,379	-	-	-	345,379
Intergovernmental revenue	727,716	149,247	-	121,278	998,241
Donations	299,839	-	-	-	299,839
Fines and fees	324,388	-	-	-	324,388
Interest income	3,407	747	3,410	6,866	14,430
Other revenues	130,948	-	-	-	130,948
Administrative services - other funds	579,455	-	-	-	579,455
Total revenues	5,470,996	149,994	226,774	906,944	6,754,708
Expenditures					
Administrative services - other funds	-	-	159,254	44,984	204,238
Administrative	1,442,590	-	17,407	-	1,459,997
Streets	544,044	-	-	25,870	569,914
Parks and building maintenance	170,181	-	-	-	170,181
Police	1,753,231	-	-	-	1,753,231
Maintenance garage	133,951	-	-	25,000	158,951
Fire and emergency medical services	940,571	39,072	-	-	979,643
Community and activity centers	17,179	75,275	-	-	92,454
Municipal court	120,949	-	-	-	120,949
Code enforcement	73,049	-	-	-	73,049
Library	97,516	-	-	-	97,516
Animal control	105,758	-	-	-	105,758
Capital outlay	499,489	3,096,179	-	415,270	4,010,938
Debt service	140,168	-	78,281	497,631	716,080
Total expenditures	6,038,676	3,210,526	254,942	1,008,755	10,512,899
Excess (deficiency) of revenues over (under) expenditures	(567,680)	(3,060,532)	(28,168)	(101,811)	(3,758,191)
Other financing sources and uses					
Bond proceeds	-	1,041,827	-	-	1,041,827
Lease proceeds	152,582	-	-	-	152,582
Proceeds from sale of assets	34,075	-	-	-	34,075
Total other financing sources and uses	186,657	1,041,827	-	-	1,228,484
Net change in fund balances	(381,023)	(2,018,705)	(28,168)	(101,811)	(2,529,707)
Fund balances, beginning of year	(85,727)	1,449,985	573,827	937,528	2,875,613
Fund balances, end of year	\$ (466,750)	\$ (568,720)	\$ 545,659	\$ 835,717	\$ 345,906

CITY OF EVERMAN, TEXAS
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Change in
Net Position of Governmental Activities in the Statement of Activities
For the Fiscal Year Ended September 30, 2022

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	(2,529,707)
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Governmental funds report all capital outlays as expenditures. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year.

Capital outlay	\$	4,010,938	
Depreciation		(750,064)	
			3,260,874

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, transfers, and donations) is to decrease net position.		(97,011)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property tax revenue	\$	18,004	
Ambulance revenue		(50,838)	
			(32,834)

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 funds.

Vacation payable	\$	(52,811)	
Amortization of bond premium		20,470	
			(32,341)

Pension expense in the funds is recorded as contributions when made to the TMRS plan. Pension expense (revenue) in governmental activities is recorded as the TMRS plan's pension expense (revenue). This is the net effect between the two statements.		296,409
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OPEB expense in the funds is recorded as contributions when made to the TMRS plan. OPEB expense in governmental activities is recorded as the TMRS plan's OPEB expense. This is the net effect between the two statements.		(11,282)
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The issuance of long-term debt (e.g. bonds payable, notes payable, and 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 net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Proceeds from bond issuance	\$	(1,041,827)	
Proceeds from leases		(152,582)	
Principal payments on long-term debt		537,115	
			(657,294)

Change in net position of governmental activities - statement of activities	\$	196,814
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CITY OF EVERMAN, TEXAS
Statement of Net Position
Enterprise Fund
September 30, 2022

	<u>Water and Sewer Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 631,253
Investments	202,704
Accounts receivable, net of allowance of \$3,455	<u>281,097</u>
Total current assets	<u>1,115,054</u>
Restricted assets	
Cash and cash equivalents	581,014
Investments	<u>213,053</u>
Total restricted assets	<u>794,067</u>
Noncurrent assets	
Capital assets	
Land	53,425
Construction in progress	775,570
Buildings and improvements	679,023
Water and sewer system	9,324,958
Machinery and equipment	329,540
Accumulated depreciation	(4,525,248)
Net pension asset	<u>21,006</u>
Total noncurrent assets	<u>6,658,274</u>
Total assets	<u>8,567,395</u>
Liabilities	
Current liabilities	
Payable from current assets	
Accounts payable and accrued expenses	284,499
Vacation payable	<u>9,177</u>
Total payable from current assets	<u>293,676</u>
Payable from restricted assets	
Current portion of long term obligations	204,004
Current portion of note payable	78,103
Customer deposits	160,404
Accrued interest	<u>11,408</u>
Total payable from restricted assets	<u>453,919</u>
Total current liabilities	<u>747,595</u>
Noncurrent liabilities	
Total OPEB liability	9,893
Certificates of obligation and unamortized premium	3,765,873
Note payable	<u>543,681</u>
Total noncurrent liabilities	<u>4,319,447</u>
Total liabilities	<u>5,067,042</u>
Deferred Inflows of Resources	
Deferred inflows of resources - OPEB	94
Deferred inflows of resources - pension	<u>14,597</u>
Total deferred inflows of resources	<u>14,691</u>
Net position	
Net investment in capital assets	2,370,719
Unrestricted	<u>1,114,943</u>
Total net position	<u>\$ 3,485,662</u>

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

CITY OF EVERMAN, TEXAS
Statement of Revenues, Expenses, and Changes in Net Position
Enterprise Fund
For the Fiscal Year Ended September 30, 2022

	<u>Water and Sewer Fund</u>
Operating revenues	
Water and sewer sales, net of bad debt expense	\$ 2,496,028
Other income	<u>745</u>
Total operating revenues	<u>2,496,773</u>
Operating expenses	
Water	541,642
Sewer	748,238
Administrative services - General Fund	375,217
Depreciation	<u>271,066</u>
Total operating expenses	<u>1,936,163</u>
Operating income	<u>560,610</u>
Non-operating revenues (expenses)	
Interest income	6,027
Fines and fees	1,060
Interest expense and fiscal charge	<u>(47,175)</u>
Total non-operating revenues (expenses)	<u>(40,088)</u>
Income before contributions	520,522
Capital grants and contributions	<u>349,796</u>
Total contributions	<u>349,796</u>
Change in net position	870,318
Net position, beginning of year	<u>2,615,344</u>
Net position, end of year	<u><u>\$ 3,485,662</u></u>

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

CITY OF EVERMAN, TEXAS
Statement of Cash Flows
Enterprise Fund
For the Fiscal Year Ended September 30, 2022

	<u>Water and Sewer Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 2,572,711
Cash paid to suppliers	(749,178)
Cash paid to employees	(359,113)
Cash paid to other funds	<u>(743,135)</u>
Net cash provided by operating activities	<u>721,285</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	(3,256,849)
Proceeds from capital grants	349,796
Principal payments on long-term debt	(268,621)
Interest payments and fiscal charge	<u>(55,722)</u>
Net cash used in capital and related financing activities	<u>(3,231,396)</u>
Cash flows from investing activities:	
Cash paid for purchase of investments	(700,000)
Proceeds from sale of investments	1,838,047
Interest income	<u>6,027</u>
Net cash provided by investing activities	<u>1,144,074</u>
Net decrease in cash and cash equivalents	(1,366,037)
Cash and cash equivalents at beginning of year	<u>2,578,304</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,212,267</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM THE STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION	
Cash and cash equivalents	\$ 631,253
Restricted cash and cash equivalents	<u>581,014</u>
Total cash and cash equivalents	<u><u>\$ 1,212,267</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 560,610
Adjustments to reconcile operating income to net cash provided by operations:	
Depreciation	271,066
Provision for bad debt	-
(Increase) decrease in:	
Accounts receivable	73,386
Increase (decrease) in:	
Accounts payable and accrued expenses	187,983
Customer deposits	2,552
Due to general fund	(367,918)
Net pension liability	(21,248)
Total OPEB liability	(191)
Accrued vacation	3,746
Deferred inflows of resources- Pension	11,240
Deferred inflows of resources- OPEB	<u>59</u>
Net cash provided by operating activities	<u><u>\$ 721,285</u></u>

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2022

Note A. Summary of Significant Accounting Policies

The accounting policies of the City of Everman, Texas (the City) conform to accounting principles generally accepted in the United States of America as applicable to governments, except where specifically noted. The following are the most significant policies.

Financial Reporting Entity

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with the data of the primary government.

Blended Component Units

Crime Control and Prevention District – The 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.

Economic Development Corporation (EDC) – The City 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.

Tax Increment Financing Reinvestment Zone Number One (the TIF) – The City created the TIF 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.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2022

Note A. Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

The two government-wide financial statements, the Statement of Net Position and the Statement of Activities, report information on all of the non-fiduciary activities of the City. Governmental activities, which include those activities primarily supported by taxes or intergovernmental revenue, are reported separately from business-type activities, which generally rely on fees and charges for support. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The Statement of Activities reflects 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 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 in program revenues are reported as general revenues. Separate financial statements are provided for governmental and proprietary funds.

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds to aid financial management activities and to demonstrate legal compliance. Separate financial statements are provided for governmental funds and proprietary funds. These statements present each major fund as a separate column on the fund financial statements, while all nonmajor funds are aggregated and presented in a single column. Combining statements for nonmajor funds are presented within the Supplemental Information section.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources while modified accrual is used for the basis of accounting. The City reports the following major governmental funds:

General Fund is the main operating fund of the City and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Economic Development Corporation Fund is reported as a special revenue fund of the City and is utilized to account for the half-penny sales tax which can only be spent on projects and improvements that promote economic development activities within the City.

2020 CO Capital Project Fund accounts for and reports 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 Obligation.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2022

Note A. Summary of Significant Accounting Policies (Continued)

In addition to the major funds listed above, the City reports the following nonmajor governmental funds: the Crime Control and Prevention District Fund, the Debt Service Fund, the Street Improvement Fund, the Tax Increment Financing Zone Fund, and the Capital Project Fund.

Proprietary Funds

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included in the Statement of Net Position.

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 City's proprietary funds are charges to customers for sales and services. Operating expenses for the proprietary funds include the cost of sales and services, personnel and contractual services, supplies and maintenance, and depreciation/amortization on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City reports the following major proprietary fund:

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.

Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these activities are included in the Statement of Net Position. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been met.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2022

Note A. Summary of Significant Accounting Policies (Continued)

The governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. This focus is on the determination of and changes in financial position. Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Revenues from taxes are considered available if received within 60 days after the fiscal year-end. Revenue from contributions and other grants are recognized when applicable eligibility requirements, including time requirements, are met and are considered available if received within 60 days after the fiscal year-end. Program revenues such as fines, licenses and permits, and other charges for services are considered to be measurable and available when cash is received. Expenditures are recorded when the related liability is incurred and payment is due, except for principal and interest on long-term debt and certain estimated liabilities which are recorded only when the obligation has matured and is due and payable shortly after year-end as required by GAAP.

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

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.

Excess of Expenditures over Appropriations

For the year ended September 30, 2022, expenditures exceeded appropriations in the General Fund by \$180,244 and in the 2020 CO Capital Projects Fund by \$1,033,526.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2022

Note A. Summary of Significant Accounting Policies (Continued)

Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. streets, bridges, sidewalks, curbs, and drainage 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 \$5,000 or more and an estimated useful life in excess of two years. Donated capital assets are recorded at estimated fair market value at the date of donation. Right to use lease assets are reported at the present value of the future lease payments (lease liability), plus any ancillary cost to place the asset in service, plus any additional payments made at the beginning of the lease term, less any lease incentives received from the lessor prior to the commencement of the lease term.

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. Capital assets are depreciated/amortized using the straight-line method over the following estimated useful lives:

Buildings and improvements	5 - 30 years
Infrastructure	5 - 35 years
Water and sewer system	5 - 35 years
Machinery and equipment	3 - 20 years
Vehicles	5 - 15 years

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position 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 position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has no deferred outflows of resources.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2022

Note A. Summary of Significant Accounting Policies (Continued)

In addition to liabilities, the statement of net position or balance sheet will sometimes include a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has deferred inflows of resources related to unavailable revenue from property taxes reported in the governmental fund balance sheet. The City also has deferred inflows of resources related to the pension and OPEB plans reported in the statement of net position.

Fund Balance

The City adopted a fund balance policy in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Governmental fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws and regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through a resolution. Assigned fund balances are constrained by an intent to be used for specific purposes but are neither restricted or committed. Assignments are made by the City's Finance Director.

For the classification of the governmental fund balances, the City considers an expenditure to be made from the most restrictive classification first when more than one classification is available.

Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net investment in capital assets – This category consists of all capital assets net of accumulated depreciation/amortization and reduced by outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets.

Restricted net position – This category consists of external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments, enabling legislation, and constitutional provisions.

Unrestricted net position – This category represents net position not restricted for any project or other purpose.

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

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2022

Note A. Summary of Significant Accounting Policies (Continued)

Concentration of Credit Risk

The City has property taxes receivable from residents and businesses all of whom are located in the City. Also, the City has utility charges receivable from residents and businesses located in the City and surrounding areas.

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS' 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.

Other Post-Employment Benefits (OPEB)

The total OPEB liability has been determined using the economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits; OPEB expense; and information about assets, liabilities, and additions to/deductions from these amounts.

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. These risks are covered by the City's participation in the Texas Municipal League Intergovernmental Risk Pool (TMLIRP) for liability, property, and workers' compensation insurance. These are self-sustaining risk pools operated on a statewide basis for the benefit of several hundred Texas cities and other public entities. The City pays annual premiums to the TMLIRP, which retains risk of loss up to \$1,000,000 for property and liability insurance and up to \$1,500,000 for workers' compensation and obtains independent coverage for losses in excess of these amounts. The City retains no risk except for deductible amounts ranging from \$500 to \$10,000.

There have been no significant reductions in coverage in the current fiscal year and there have been no settlements exceeding insurance coverage in the current year or the past three fiscal years.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2022

Note A. Summary of Significant Accounting Policies (Continued)

Use of Estimates

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

Implementation of New Accounting Standard

During the year ended September 30, 2022, the City implemented Governmental Accounting Standards Board Statement No. 87, *Leases*. The statement establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. This statement was adopted by the City as of October 1, 2021. There was no effect on beginning net position or fund balances due to the implementation of this standard.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net position.

Note B. Reconciliation of Government-wide and Fund Financial Statements

The following is an explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position:

The governmental fund balance sheet includes a reconciliation between fund balance for total governmental funds and net position as reported in the government-wide statement of net position. One element of that reconciliation explains "some liabilities, including bonds, leases, interest, net pension asset, and vacation payable, are not due and payable in the current period and, therefore, are not reported in the funds."

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2022

Note B. Reconciliation of Government-wide and Fund Financial Statements (Continued)

The details of this \$5,823,978 difference are as follows:

Certificates of obligation	\$ (2,010,000)
General obligation bonds	(1,550,000)
Unamortized bond premium	(142,601)
Tax notes	(455,000)
Notes payable - direct borrowing	(949,303)
Lease liability	(650,143)
Accrued interest payable	(18,069)
Net Pension asset	241,564
Total OPEB liability	(113,769)
Vacation payable	<u>(176,657)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	 <u><u>\$ (5,823,978)</u></u>

Note C. Deposits, Securities, 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.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2022

Note C. Deposits, Securities, and Investments (Continued)

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 and follow the criteria established by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. 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 – Investments are exposed to interest rate risk if there are changes in market interest rates that will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity (WAM) of its portfolio. The City has no specific limitations with respect to this metric. At September 30, 2022, the WAM of the City's investment in LOGIC was 19 days.

Credit Risk – State statute requires that investments in Local Government Investment Pools be rated AAA or the equivalent by a nationally recognized credit rating agency. As of September 30, 2022, the LOGIC investment pool was rated AAAM by Standard and Poor's.

Concentration of Credit Risk – The City's Investment policy does not place a limit on the amount that may be invested in any one issuer. As of September 30, 2022, 100.00% of the City's portfolio was invested one local government investment pool.

Custodial Credit Risk – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. At September 30, 2022, the City's cash and cash equivalents were insured or collateralized with securities held by the City or by its agent in the City's name.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2022

Note D. Local Tax Revenues and Receivables

Ad valorem taxes are levied each October 1 from valuations assessed as of the prior January 1 and are recognized as revenue when they become available beginning on the date of levy, October 1. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay current liabilities. In the governmental fund financial statements, taxes not expected to be collected within sixty days of the fiscal year end are recorded as deferred inflows and are recognized when they become available. Taxes collected prior to the levy date to which they apply are recorded as deferred inflows of resources and recognized as revenue of the period to which they apply.

Note E. Restricted Assets

Restricted assets in the Enterprise Fund of \$794,067 are held for customers' meter deposits, to repay principal and interest on certificates of obligation and notes, and to fund capital projects (unspent debt proceeds).

The following is a summary of restricted assets:

Customer deposits	\$ 160,404
2020 CO issue	137,887
Debt service	75,166
TWDB escrow	<u>420,610</u>
Total	<u><u>\$ 794,067</u></u>

Note F. Interfund Activity and Balances

Interfund transactions for the fiscal year ended September 30, 2022 are as follows:

Administrative overhead reimbursement from Enterprise Fund	\$ 375,217
Administrative overhead reimbursement	
from Street Improvement Fund	21,492
from Economic Development Corporation (EDC) Fund	159,254
from Crime Control and Prevention District Fund	<u>23,492</u>
Total interfund transactions	<u><u>\$ 579,455</u></u>

The General Fund charges the Enterprise Fund, the Economic Development Corporation, the Crime Control and Prevention District Fund, and the Street Improvement Fund an administrative fee for certain general and administrative services provided to such funds.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2022

Note G. Capital Assets

Capital asset activity for the year ended September 30, 2022 was as follows:

	Restated Balance 09/30/2021	Additions/ Adjustments	Disposals/ Adjustments	Balance 09/30/2022
Governmental activities				
Capital assets not being depreciated/amortized:				
Land	\$ 265,786	\$ -	\$ -	\$ 265,786
 Total capital assets not being depreciated/amortized	<u>265,786</u>	<u>-</u>	<u>-</u>	<u>265,786</u>
 Other capital assets				
Buildings and improvements	5,681,168	1,867,098	173,695	7,374,571
Infrastructure	2,685,882	415,279	-	3,101,161
Machinery and equipment	1,136,635	534,152	76,229	1,594,558
Vehicles	1,821,005	1,041,827	980,895	1,881,937
Right of Use leased asset - vehicles*	<u>677,152</u>	<u>152,582</u>	<u>-</u>	<u>829,734</u>
 Total other capital assets	12,001,842	4,010,938	1,230,819	14,781,961
 Less accumulated depreciation/ amortization for:				
Buildings and improvements	2,708,798	283,522	173,365	2,818,955
Infrastructure	1,200,518	136,034	-	1,336,552
Machinery and equipment	724,415	85,365	76,230	733,550
Vehicles	1,551,833	40,062	884,218	707,677
Right of use leased asset - vehicles*	<u>-</u>	<u>205,081</u>	<u>-</u>	<u>205,081</u>
 Total accumulated depreciation/ amortization	<u>6,185,564</u>	<u>750,064</u>	<u>1,133,813</u>	<u>5,801,815</u>
 Other capital assets, net	<u>5,816,278</u>	<u>3,260,874</u>	<u>97,006</u>	<u>8,980,146</u>
 Governmental activities capital assets, net*	<u>\$ 6,082,064</u>	<u>\$ 3,260,874</u>	<u>\$ 97,006</u>	<u>\$ 9,245,932</u>

*Beginning balances have been adjusted to reflect the adoption of GASB 87, *Leases*.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2022

Note G. Capital Assets (Continued)

	Balance 09/30/2021	Additions/ Adjustments	Disposals/ Adjustments	Balance 09/30/2022
Business-type activities				
Capital assets not being depreciated:				
Construction in progress	\$ 1,784,231	\$ 1,997,666	\$ 3,006,327	\$ 775,570
Land	53,425	-	-	53,425
Total capital assets not being depreciated	1,837,656	1,997,666	3,006,327	828,995
Other capital assets				
Buildings and improvements	630,200	48,823	-	679,023
Water and sewer system	6,060,556	3,272,331	7,929	9,324,958
Machinery and equipment	265,340	64,200	-	329,540
Total other capital assets	6,956,096	3,385,354	7,929	10,333,521
Less accumulated depreciation for:				
Building and improvements	630,200	1,356	-	631,556
Water and sewer system	3,446,524	258,067	7,929	3,696,662
Machinery and equipment	185,387	11,643	-	197,030
Total accumulated depreciation	4,262,111	271,066	7,929	4,525,248
Other capital assets, net	2,693,985	3,114,288	-	5,808,273
Business-type activities capital assets, net	<u>\$ 4,531,641</u>	<u>\$ 5,111,954</u>	<u>\$ 3,006,327</u>	<u>\$ 6,637,268</u>

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2022

Note G. Capital Assets (Continued)

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

Governmental activities:

Administrative	\$ 41,072
Streets	152,924
Parks and building maintenance	108,776
Police	137,566
Maintenance garage	137,404
Fire and emergency medial services	77,692
Community and activity centers	71,944
Municipal court	2,956
Library	12,223
Animal control	7,507
Total Governmental activities	<u>\$ 750,064</u>

Business-type activities:

Water	\$ 267,454
Sewer	3,612
Total Business-type activities	<u>\$ 271,066</u>

Note H. Long-Term Debt

Long-term debt of the City consists of bonds payable, tax notes, a note payable from direct borrowing, and leases. Retirement of the governmental funds debt is provided from the debt service tax together with interest earned within the Debt Service Fund. Retirement of the enterprise fund debt is provided from the revenue of the system. Long-term debt at September 30, 2022 consists of the following:

Governmental activities

General Obligation Bonds

Series 2013 General Obligation Bonds

- To acquire, repair and construct permanent public improvements, including streets and parks.
- Original balance of \$2,475,000.
- Payable in annual installments of \$75,000 to \$165,000, maturing February 1, 2033.
- Interest payable February 1 and August 1 at 2.00% to 3.50%.
- Outstanding balance of \$1,550,000 at September 30, 2022.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2022

Note H. Long-Term Debt (Continued)

Certificates of Obligation

Series 2020 Combination Tax and Limited Pledge Revenue Certificates of Obligation

- To construct street, City Hall, and fire station improvements.
- Original balance of \$2,175,000.
- Payable in annual installments of \$85,000 to \$135,000, maturing September 30, 2040.
- Interest payable February 1 and August 1 at 2.00% to 4.00%.
- Outstanding balance of \$2,010,000 at September 30, 2022.

Tax Notes

Series 2021 Tax Notes

- To construct City Hall and related parking improvements.
- Original balance of \$525,000.
- Payable in annual installments of \$70,000 to \$80,000, maturing September 30, 2028.
- Interest payable February 1 and August 1 at 1.69%.
- Outstanding balance of \$455,000 at September 30, 2022.

Note Payable from Direct Borrowing

Government Capital Corporation

- To finance the purchase of a fire truck.
- Original balance of \$1,041,827.
- Payable in annual installments of \$92,524 to \$116,670, maturing May 12, 2031.
- Outstanding balance of \$949,303 at September 30, 2022, bearing interest at 2.61%.

Leases

Enterprise Fleet Management

- For City vehicles.
- Payable in monthly installments of \$409 - \$1,056 per vehicle for 60 month terms.
- Outstanding balance of \$650,143 at September 30, 2022, bearing interest at 3.69% - 6.37%.

Business-type activities

Certificates of Obligation

Series 2020 Combination Tax and Limited Pledge Revenue Certificates of Obligation

- To construct utility system improvements.
- Original balance of \$1,585,000.
- Payable in annual installments of \$60,000 to \$100,000, maturing September 30, 2040.
- Interest payable February 1 and August 1 at 2.00% to 4.00%.
- Outstanding balance of \$1,465,000 at September 30, 2022.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2022

Note H. Long-Term Debt (Continued)

Series 2020 Combination Tax and Subordinate Lien Revenue Certificates of Obligation (TWDB DWSRF)

- To construct utility system improvements.
- Original balance of \$2,700,000.
- Payable in annual installments of \$135,000, maturing September 30, 2040.
- Interest payable February 1 and August 1 at 0.00% to 0.33%.
- Outstanding balance of \$2,430,000 at September 30, 2022.

Note Payable from Direct Borrowing

Government Capital Corporation

- To finance an energy savings project.
- Original balance of \$1,017,249.
- Payable in annual installments of \$58,000 to \$96,000, maturing July 1, 2029.
- Outstanding balance of \$621,784 at September 30, 2022, bearing interest at 2.35%.

The following is a summary of the changes by type of debt for the year ended September 30, 2022:

	Restated Balance 09/30/2021	Additions	Retirements	Balance 09/30/2022	Due Within One Year
<u>Governmental activities</u>					
General obligation bonds	\$ 1,665,000	\$ -	\$ 115,000	\$ 1,550,000	\$ 120,000
Certificates of obligation	2,090,000	-	80,000	2,010,000	85,000
Unamortized bond premium	163,071	-	20,470	142,601	19,122
Tax notes	525,000	-	70,000	455,000	70,000
Notes payable - direct borrowing	-	1,041,827	92,524	949,303	94,939
Lease liability*	677,152	152,582	179,591	650,143	205,956
Vacation payable	123,846	83,674	30,863	176,657	176,657
Net pension liability / (asset)	14,952	170,942	427,458	(241,564)	-
Total OPEB liability	101,433	16,927	4,591	113,769	-
Total governmental activities*	<u>5,360,454</u>	<u>1,465,952</u>	<u>1,020,497</u>	<u>5,805,909</u>	<u>771,674</u>
<u>Business-type activities</u>					
Certificates of obligation	4,090,000	-	195,000	3,895,000	195,000
Unamortized bond premium	84,484	-	9,607	74,877	9,004
Note payable - direct borrowings	695,405	-	73,621	621,784	78,103
Vacation payable	5,431	7,620	3,874	9,177	9,177
Net pension liability / (asset)	242	15,838	37,086	(21,006)	-
Total OPEB liability	10,084	1,371	1,562	9,893	-
Total business-type activities	<u>4,885,646</u>	<u>24,829</u>	<u>320,750</u>	<u>4,589,725</u>	<u>291,284</u>
Totals	<u>\$ 10,246,100</u>	<u>\$ 1,490,781</u>	<u>\$ 1,341,247</u>	<u>\$ 10,395,634</u>	<u>\$ 1,062,958</u>

*Beginning balances have been adjusted to reflect the adoption of GASB 87, *Leases*.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2022

Note H. Long-Term Debt (Continued)

The annual requirements to amortize long-term debt as of September 30, 2022 are as follows:

Governmental Activities

Fiscal Year Ending	General Obligation Bonds		Certificates of Obligation		Tax Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 120,000	\$ 47,550	\$ 85,000	\$ 50,900	\$ 70,000	\$ 7,098
2024	125,000	43,875	90,000	47,400	75,000	5,873
2025	125,000	40,125	90,000	43,800	75,000	4,606
2026	130,000	36,300	95,000	40,100	75,000	3,338
2027	135,000	31,988	100,000	36,200	80,000	2,028
2028-2032	750,000	85,812	550,000	130,600	80,000	676
2033-2037	165,000	2,475	605,000	70,250	-	-
2038-2042	-	-	395,000	11,950	-	-
Total	<u>\$ 1,550,000</u>	<u>\$ 288,125</u>	<u>\$ 2,010,000</u>	<u>\$ 431,200</u>	<u>\$ 455,000</u>	<u>\$ 23,619</u>

Fiscal Year Ending	Note Payable From Direct Borrowing		Lease Liability		Total
	Principal	Interest	Principal	Interest	
2023	\$ 94,939	\$ 24,777	\$ 205,956	\$ 27,056	\$ 733,276
2024	97,417	22,299	216,263	17,080	740,207
2025	99,959	19,756	151,254	7,483	656,983
2026	102,568	17,147	53,506	2,763	555,722
2027	105,245	14,470	23,164	541	528,636
2028-2032	449,175	29,686	-	-	2,075,949
2033-2037	-	-	-	-	842,725
2038-2042	-	-	-	-	406,950
Total	<u>\$ 949,303</u>	<u>\$ 128,135</u>	<u>\$ 650,143</u>	<u>\$ 54,923</u>	<u>\$ 6,540,448</u>

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2022

Note H. Long-Term Debt (Continued)

Business-type Activities

Fiscal Year Ending	Certificates of Obligation		Note Payable From Direct Borrowing		Total
	Principal	Interest	Principal	Interest	
2023	\$ 195,000	\$ 39,179	\$ 78,103	\$ 14,612	\$ 326,894
2024	200,000	36,679	82,770	12,777	332,226
2025	200,000	34,079	89,172	10,831	334,082
2026	205,000	31,379	91,267	8,736	336,382
2027	210,000	28,479	93,412	6,591	338,482
2028-2032	1,075,000	104,745	187,060	6,545	1,373,350
2033-2037	1,115,000	60,035	-	-	1,175,035
2038-2042	695,000	10,689	-	-	705,689
Total	<u>\$ 3,895,000</u>	<u>\$ 345,264</u>	<u>\$ 621,784</u>	<u>\$ 60,092</u>	<u>\$ 4,922,140</u>

Note I. Accumulated Unpaid Vacation and Sick Leave

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. The City's aggregate liability for accrued vacation payable as of September 30, 2022 was \$185,834.

Note J. Restricted Net Position

The government-wide statement of net position reports \$1,174,512 of restricted net position which is restricted by enabling legislation for the following:

Economic development	\$ 545,659
Street improvements	168,375
Crime Control and Prevention District	34,047
Tax increment financing zone	<u>426,431</u>
Total	<u>\$ 1,174,512</u>

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2022

Note K. Defined Benefit Pension Plan

Plan Description

The City participates as one of 901 plans in defined benefit pension cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8, Subtitle G, (TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at www.tmrs.com.

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 member's benefit is calculated based on the sum of the member's contributions with interest, the city-financed monetary credits with interest, and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest.

Plan provisions for the City are as follows:

Employee deposit rate	5.0%
Matching ratio (city to employee)	2 to 1
Years required for vesting	5
Retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	100% Repeating Transfers
Annuity increase (to retirees)	70% of CPI Repeating

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2022

Note K. Defined Benefit Pension Plan (Continued)

Employees covered by benefit terms.

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	27
Inactive employees entitled to but not yet receiving benefits	51
Active employees	<u>50</u>
Total	<u><u>128</u></u>

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the city matching ratios are either 1:1 (1 to 1), 1.5:1 (1 ½ to 1) or 2:1 (2 to 1), both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 7.98% and 7.77% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2022 were \$218,156, and were equal to the required contributions.

Net Pension Asset

The City's Net Pension Asset (NPA) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the NPA was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The TPL in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2022

Note K. Defined Benefit Pension Plan (Continued)

Salary increases were 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 are 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 through 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 Rate (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 expense 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. The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Public Equity	35.00%	7.55%
Core Fixed Income	6.00%	2.00%
Non-Core Fixed Income	20.00%	5.68%
Other Public and Private Markets	12.00%	7.22%
Real Estate	12.00%	6.85%
Hedge Funds	5.00%	5.35%
Private Equity	10.00%	10.00%
Total	<u>100.00%</u>	

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2022

Note K. Defined Benefit Pension Plan (Continued)

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 member 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 members. 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 the Net Pension Liability (Asset)	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 12/31/2020	\$ 7,266,555	\$ 7,251,361	\$ 15,194
Changes for the year:			
Service cost	306,472	-	306,472
Interest	485,861	-	485,861
Difference between expected and actual experience	266,684	-	266,684
Contributions - employer	-	226,465	(226,465)
Contributions - employee	-	168,883	(168,883)
Net investment income	-	945,776	(945,776)
Benefit payments, including refunds of employee contributions	(443,708)	(443,708)	-
Administrative expense	-	(4,374)	4,374
Other changes	-	31	(31)
Net changes	615,309	893,073	(277,764)
Balance at 12/31/2021	<u>\$ 7,881,864</u>	<u>\$ 8,144,434</u>	<u>\$ (262,570)</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate:

The following presents the Net Pension Liability (Asset) of the City, calculated using the discount rate of 6.75%, as well as what the City's Net Pension Liability (Asset) 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 Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Net pension liability (asset)	\$ 835,237	\$ (262,570)	\$ (1,155,641)

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2022

Note K. Defined Benefit Pension Plan (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at www.tnrs.com.

Pension Revenue and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the fiscal year ended September 30, 2022, the City recognized pension revenue of \$306,417.

At September 30, 2022, 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 experience	\$ 136,047	\$ -
Changes of assumptions	4,907	-
Net difference between projected and actual earnings	-	485,136
Contributions made subsequent to measurement date	161,708	-
Total	<u>\$ 302,662</u>	<u>\$ 485,136</u>

\$161,708 reported 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 (Asset) for the fiscal year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Calendar year ended
December 31:

2023	\$ (59,819)
2024	(133,683)
2025	(59,419)
2026	<u>(91,261)</u>
Total	<u>\$ (344,182)</u>

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2022

Note L. Other Postemployment Benefits

Plan Description

The City participates in a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF) administered by the Texas Municipal Retirement System (TMRS). The City has elected, by ordinance, to participate in this program and provide group-term life insurance coverage for both active and retired employees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be a single-employer unfunded other postemployment benefit (OPEB) plan. Since only the retiree participants qualifies as an OPEB, the SDBF is administered through a non-qualifying trust per paragraph 4, item (b), of the Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Benefits Provided

The death benefit for active members 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 OPEB and is a fixed amount of \$7,500.

Employees covered by benefit terms.

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>50</u>
Total	<u><u>67</u></u>

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. 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. As such, contributions fund the covered active member and retiree deaths on a pay-as-you-go basis.

The City's contributions to the TMRS SDBF for the year ended September 30, 2022 were \$1,613, which equaled the required contributions.

Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2022

Note L. Other Postemployment Benefits (Continued)

Actuarial assumptions:

The TOL in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	1.84%
Retirees' share of benefit-related costs	\$0

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021. All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68. Mortality rates for service retirees were based on the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Mortality rates for disabled retirees were based on the 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. 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 used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 through December 31, 2018.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at 12/31/2020	\$ 111,517
Changes for the year:	
Service cost	10,909
Interest	2,324
Difference between expected and actual experience	(3,466)
Changes of assumptions	3,902
Benefit payments	<u>(1,524)</u>
Net changes	<u>12,145</u>
Balance at 12/31/2021	<u>\$ 123,662</u>

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2022

Note L. Other Postemployment Benefits (Continued)

Sensitivity of the Total OPEB Liability to changes in the discount rate:

The following presents the Total OPEB Liability of the City, calculated using the discount rate of 1.84%, 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 (0.84%) or 1-percentage-point higher (2.84%) than the current rate:

	1% Decrease in Discount Rate (0.84%)	Current Discount Rate (1.84%)	1% Increase in Discount Rate (2.84%)
Total OPEB liability	\$ 150,950	\$ 123,662	\$ 102,171

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

For the year ended September 30, 2022, the City recognized OPEB expense of \$11,396.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 24,270
Changes of assumptions	21,854	-
Contributions made subsequent to measurement date	1,249	-
Total	<u>\$ 23,103</u>	<u>\$ 24,270</u>

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2022

Note L. Other Postemployment Benefits (Continued)

The City reported \$1,249 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the total OPEB liability for the fiscal year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Calendar year ended December 31:	
2023	\$ (407)
2024	(1,193)
2025	(486)
2026	(303)
2027	(73)
Thereafter	46
Total	<u>\$ (2,416)</u>

Note M. Commitments

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, 2022, the City's expenses in the Water and Sewer Fund for water and sewer treatment were \$29,600 and \$746,208, respectively.

Note N. Economic Development Program Agreement

The City negotiated an Economic Development Program Agreement with Advanced Capital Resources, Inc. (Company) that purchased property from the City for the purpose of renovating the shopping center on the property and leasing the center to commercial retail businesses. The Company is also planning to construct a building on the property which will serve as a grocery store. This agreement is structured in accordance with Chapter 380 of the Texas Local Government Code. Under this agreement, the City is to provide incentives to the Company to make the improvements and renovations to the property and the shopping center. Provided that the Company is in full compliance with the terms and conditions of this agreement, the City will waive several permit and related fees for renovation work to the shopping center and construction of the grocery store.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2022

Note N. Economic Development Program Agreement (Continued)

The City will also make program grant payments to the Company as follows:

- For a period of three years beginning on the ad valorem tax effective date, the following percentages of the incremental ad valorem revenues for the corresponding tax year will become due and payable to the Company. According to the agreement, "incremental" means the increase in the ad valorem tax revenues over the ad valorem tax revenues that would be due on the value of the property and any improvements as of the effective date of the agreement.

Tax Year 1	60% of incremental Ad Valorem Revenues
Tax Year 2	40% of incremental Ad Valorem Revenues
Tax Year 3	20% of incremental Ad Valorem Revenues

- The City will make the program grant payments to the Company on an annual basis on or before the first day of March following the applicable tax year for which ad valorem taxes on the property were paid.

The Company completed the renovation phase as of September 30, 2018 and obtained a certificate of occupancy for the shopping center during fiscal year 2019. The ad valorem tax effective date was the first January 1st following the issuance of a certificate of occupancy for the shopping center. The tax abatement for fiscal year 2022 was \$5,429.

Note O. Subsequent Events

The City evaluated subsequent events through May 1, 2023, the date the financial statements were available to be issued, noting no events requiring disclosure.

**REQUIRED SUPPLEMENTAL
INFORMATION**

CITY OF EVERMAN, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
- Budget and Actual -
General Fund
For the Fiscal Year Ended September 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 3,381,664	\$ 3,426,664	\$ 3,059,864	\$ (366,800)
Licenses, permits, and fees for services	378,500	378,500	345,379	(33,121)
Intergovernmental revenue	556,856	679,156	727,716	48,560
Donations	157,000	193,525	299,839	106,314
Fines and fees	345,200	356,200	324,388	(31,812)
Interest income	1,000	1,000	3,407	2,407
Other revenues	31,824	218,012	130,948	(87,064)
Administrative services - other funds	566,834	566,834	579,455	12,621
Total revenues	5,418,877	5,819,890	5,470,996	(348,894)
Expenditures				
Administrative	1,558,669	1,641,744	1,663,503	(21,759)
Streets	599,110	544,995	544,053	942
Parks and building maintenance	140,582	239,697	242,186	(2,489)
Police	1,684,965	1,753,965	1,769,193	(15,228)
Maintenance garage	239,926	296,926	426,701	(129,775)
Fire	834,931	922,931	940,571	(17,640)
Community and activity centers	9,000	16,000	17,179	(1,179)
Municipal court	113,199	121,699	120,949	750
Code enforcement	72,361	73,661	73,049	612
Library	94,933	130,671	125,854	4,817
Animal control	109,743	116,143	115,438	705
Total expenditures	5,457,419	5,858,432	6,038,676	(180,244)
Excess (deficiency) of revenues over (under) expenditures	(38,542)	(38,542)	(567,680)	(168,651)
Other financing sources				
Lease proceeds	-	-	152,582	152,582
Proceeds from sale of assets	80,000	80,000	34,075	(45,925)
	80,000	80,000	186,657	106,657
Net change in fund balance	\$ 41,458	\$ 41,458	(381,023)	\$ (635,795)
Fund balance, beginning of year			(85,727)	
Fund balance, end of year			\$ (466,750)	

CITY OF EVERMAN, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
- Budget and Actual -
2020 CO Capital Project Fund
For the Fiscal Year Ended September 30, 2022

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual Amounts	
Revenues				
Intergovernmental revenue	\$ -	\$ 645,608	\$ 149,247	\$ (496,361)
Interest income	1,000	1,000	747	(253)
Total revenues	1,000	646,608	149,994	(496,614)
Expenditures				
Fire and emergency medical services	-	22,000	39,072	(17,072)
Community and activity centers	-	17,000	75,275	(58,275)
Capital outlay	-	2,138,000	3,096,179	(958,179)
Total expenditures	-	2,177,000	3,210,526	(1,033,526)
Excess (deficiency) of revenues over (under) expenditures	1,000	(1,530,392)	(3,060,532)	(1,530,140)
Other financing sources and uses				
Bond proceeds	-	-	1,041,827	(1,547,212)
Total other financing sources and uses	-	-	1,041,827	(1,547,212)
Net change in fund balances	\$ 1,000	\$ (1,530,392)	\$ (2,018,705)	\$ (3,077,352)
Fund balance, beginning of year			1,449,985	
Fund balance, end of year			\$ (568,720)	

CITY OF EVERMAN, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
- Budget and Actual -
Economic Development Corporation Fund
For the Fiscal Year Ended September 30, 2022

	Budgeted Amounts		Variance with Final Budget Favorable (Unfavorable)
	Original and Final	Actual Amounts	
Revenues			
Sales tax	\$ 175,000	\$ 223,364	\$ 48,364
Interest income	750	3,410	2,660
Total revenues	175,750	226,774	51,024
Expenditures			
Administrative services - other funds	159,254	159,254	-
Administrative	25,875	17,407	8,468
Capital outlay	20,000	-	20,000
Debt service	78,281	78,281	-
Total expenditures	283,410	254,942	28,468
Excess (deficiency) of revenues over (under) expenditures	(107,660)	(28,168)	79,492
Net change in fund balance	<u>\$ (107,660)</u>	<u>(28,168)</u>	<u>\$ 79,492</u>
Fund balance, beginning of year		573,827	
Fund balance, end of year		<u>\$ 545,659</u>	

CITY OF EVERMAN
Schedule of Changes in the Net Pension Liability and Related Ratios
Last Eight Measurement Years**

Texas Municipal Retirement System (TMRS)

Measurement Date - December 31st:*	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	\$ 306,472	\$ 295,506	\$ 285,141	\$ 266,851	\$ 253,345	\$ 224,202	\$ 202,453	\$ 149,731
Interest	485,861	462,578	458,524	432,496	406,077	377,178	375,761	359,272
Change in benefit terms including substantively automatic status	-	-	-	-	-	4,947	-	-
Difference between expected and actual experience	266,684	(25,243)	(400,287)	(12,309)	39,684	76,486	(213,513)	(25,895)
Change in assumptions	-	-	43,640	-	-	-	58,374	-
Benefit payments, including refunds of employee contributions	(443,708)	(343,078)	(321,203)	(299,971)	(328,954)	(199,664)	(238,500)	(309,317)
Net change in total pension liability	615,309	389,763	65,815	387,067	370,152	483,149	184,575	173,791
Total pension liability, beginning	7,266,555	6,876,792	6,810,977	6,423,910	6,053,758	5,570,609	5,386,034	5,212,243
Total pension liability, ending (a)	<u>\$ 7,881,864</u>	<u>\$ 7,266,555</u>	<u>\$ 6,876,792</u>	<u>\$ 6,810,977</u>	<u>\$ 6,423,910</u>	<u>\$ 6,053,758</u>	<u>\$ 5,570,609</u>	<u>\$ 5,386,034</u>
Plan Fiduciary Net Position								
Employer contributions	\$ 226,465	\$ 230,453	\$ 223,439	\$ 197,636	\$ 182,543	\$ 162,758	\$ 158,097	\$ 150,131
Employee contributions	168,883	122,719	116,861	106,485	102,902	96,307	92,024	84,060
Net investment income	945,776	511,317	900,112	(179,686)	736,149	332,651	7,242	269,809
Benefit payments, including refunds of employee contributions	(443,708)	(343,078)	(321,203)	(299,971)	(328,954)	(199,664)	(238,500)	(309,317)
Administrative expenses	(4,374)	(3,307)	(5,084)	(3,473)	(3,814)	(3,757)	(4,411)	(2,817)
Other	31	(137)	(145)	(185)	(193)	(198)	(218)	(232)
Net change in plan fiduciary net position	893,073	517,967	913,980	(179,194)	688,633	388,097	14,234	191,634
Plan fiduciary net position, beginning	7,251,361	6,733,394	5,819,414	5,998,608	5,309,975	4,921,878	4,907,644	4,716,010
Plan fiduciary net position, ending (b)	<u>\$ 8,144,434</u>	<u>\$ 7,251,361</u>	<u>\$ 6,733,394</u>	<u>\$ 5,819,414</u>	<u>\$ 5,998,608</u>	<u>\$ 5,309,975</u>	<u>\$ 4,921,878</u>	<u>\$ 4,907,644</u>
Net pension liability/(asset), ending (a) - (b)	<u>\$ (262,570)</u>	<u>\$ 15,194</u>	<u>\$ 143,398</u>	<u>\$ 991,563</u>	<u>\$ 425,302</u>	<u>\$ 743,783</u>	<u>\$ 648,731</u>	<u>\$ 478,390</u>
Plan's fiduciary net position as a percentage of total pension liability (asset)	103.33%	99.79%	97.91%	85.44%	93.38%	87.71%	88.35%	91.12%
Covered payroll	\$ 2,537,018	\$ 2,454,372	\$ 2,337,225	\$ 2,129,700	\$ 2,058,042	\$ 1,926,134	\$ 1,840,484	\$ 1,681,201
Net pension liability (asset) as a % of covered payroll	-10.35%	0.62%	6.14%	46.56%	20.67%	38.62%	35.25%	28.46%

* The amounts presented above are as of the measurement date of the collective net pension liability (asset).

** Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF EVERMAN
Schedule of Employer Pension Contributions and Related Ratios
Last Eight Fiscal Years**

Fiscal Year Ended September 30th: *	2022	2021	2020	2019	2018	2017	2016	2015
The City's actuarially determined contribution	\$ 218,156	\$ 211,388	\$ 230,653	\$ 214,256	\$ 190,994	\$ 178,759	\$ 158,902	\$ 151,299
Contributions in relation to the actuarially determined contribution	<u>218,156</u>	<u>211,388</u>	<u>230,653</u>	<u>214,256</u>	<u>190,994</u>	<u>178,759</u>	<u>158,902</u>	<u>151,299</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,788,547	\$ 2,525,947	\$ 2,443,918	\$ 2,259,031	\$ 2,083,289	\$ 2,041,511	\$ 1,872,220	\$ 1,745,348
The amount of contributions recognized by the plan in relation to the City's actuarial determined contribution as a percentage of covered payroll	7.8%	8.4%	9.4%	9.5%	9.2%	8.8%	8.5%	8.7%

Notes to Schedule of Contributions

<i>Valuation Date:</i>	Actuarially determined contribution rates are calculated as of December 31 and become effective in January - 13 months later.
<i>Methods and assumptions used to determine contribution rates:</i>	
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	24 Years (longest amortization ladder)
Asset Valuation Method	10 year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirements: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.
<i>Other information:</i>	Adopted buy-back provision.

* The amounts presented above are as of the City's applicable fiscal year-end.

** Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF EVERMAN
Schedule of Changes in the Total OPEB Liability and Related Ratios
Last Four Measurement Years**

Texas Municipal Retirement System (TMRS)

Measurement Date - December 31st:*	2021	2020	2019	2018
Total OPEB Liability - beginning of year	\$ 111,517	\$ 102,757	\$91,718	\$88,698
Service cost	10,909	9,081	7,012	8,732
Interest	2,324	2,941	3,520	3,073
Change in benefit terms	-	-	-	-
Difference between expected and actual experience	(3,466)	(17,551)	(17,045)	(1,598)
Changes of assumptions or other inputs	3,902	15,025	18,251	(6,761)
Benefit payments	(1,524)	(736)	(699)	(426)
Net changes	12,145	8,760	11,039	3,020
Total OPEB Liability - end of year	<u>\$ 123,662</u>	<u>\$ 111,517</u>	<u>\$ 102,757</u>	<u>\$ 91,718</u>
Covered payroll	\$ 2,537,018	\$ 2,454,372	\$ 2,337,225	\$ 2,129,700
Total OPEB liability as a percentage of covered payroll	4.87%	4.54%	4.40%	4.31%

* The amounts presented above are as of the measurement date of the collective total OPEB liability.

** Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF EVERMAN
Schedule of OPEB Contributions and Related Ratios
Last Four Fiscal Years**

Texas Municipal Retirement System (TMRS)

Fiscal Year Ended September 30th*:	2022	2021	2020	2019
The City's actuarially determined contribution	\$ 1,613	\$ 1,307	\$ 733	\$ 617
Contributions in relation to the actuarially determined contribution	<u>1,613</u>	<u>1,307</u>	<u>733</u>	<u>617</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,788,547	\$ 2,525,947	\$ 2,443,918	\$ 2,259,031
The amount of contributions recognized by the plan in relation to the City's actuarially determined contribution as a percentage of covered payroll	0.06%	0.05%	0.03%	0.03%

Notes to Schedule of Contributions

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January - 13 months later.

Methods and assumptions used to determine contribution rates:

Asset Valuation Method	For purposes of calculating the Total OPEB Liability, the plan is considered to be unfunded and therefore no assets are accumulated for OPEB.
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Discount Rate***	1.84%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

* The amounts presented above are as of the City's fiscal year-end.

** Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

*** The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

SUPPLEMENTAL INFORMATION

CITY OF EVERMAN, TEXAS
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2022

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Crime Control and Prevention District	Debt Service Fund	Street Improvement Fund	Tax Increment Financing Zone	Capital Project Fund	
Assets						
Cash and cash equivalents	\$ 8,062	\$ 130,061	\$ -	\$ 78,783	\$ -	\$ 216,906
Restricted investments	9,233	76,803	149,142	343,942	-	579,120
Taxes receivable	16,752	20,437	19,233	3,706	-	60,128
Total assets	\$ 34,047	\$ 227,301	\$ 168,375	\$ 426,431	\$ -	\$ 856,154
Liabilities and fund balances						
Liabilities:						
Unearned revenue - property taxes	\$ -	\$ 20,437	\$ -	\$ -	\$ -	\$ 20,437
Total liabilities	-	20,437	-	-	-	20,437
Fund balances:						
Restricted for:						
Crime control and prevention district	\$ 34,047	\$ -	\$ -	\$ -	\$ -	34,047
Debt service	-	206,864	-	-	-	206,864
Economic development	-	-	-	-	-	-
Street improvement	-	-	168,375	-	-	168,375
Tax increment financing zone	-	-	-	426,431	-	426,431
Total fund balances	34,047	206,864	168,375	426,431	-	835,717
Total liabilities and fund balances	\$ 34,047	\$ 227,301	\$ 168,375	\$ 426,431	\$ -	\$ 856,154

CITY OF EVERMAN, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Fiscal Year Ended September 30, 2022

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Crime Control and Prevention District	Debt Service Fund	Street Improvement Fund	Tax Increment Financing Zone	Capital Project Fund	
Revenues						
Property taxes	\$ -	\$ 569,356	\$ -	\$ -	\$ -	\$ 569,356
Sales tax	97,761	-	111,683	-	-	209,444
Intergovernmental revenue	-	-	-	121,278	-	121,278
Interest income	72	1,043	3,189	2,562	-	6,866
Total revenues	97,833	570,399	114,872	123,840	-	906,944
Expenditures						
Administrative services - other funds	23,492	-	21,492	-	-	44,984
Administrative	-	-	-	-	-	-
Streets	-	-	25,870	-	-	25,870
Maintenance	25,000	-	-	-	-	25,000
Capital outlay	-	-	385,279	-	29,991	415,270
Debt service	75,000	422,631	-	-	-	497,631
Total expenditures	123,492	422,631	432,641	-	29,991	1,008,755
Net change in fund balances	(25,659)	147,768	(317,769)	123,840	(29,991)	(101,811)
Fund balances, beginning of year	59,706	59,096	486,144	302,591	29,991	937,528
Fund balances, end of year	\$ 34,047	\$ 206,864	\$ 168,375	\$ 426,431	\$ -	\$ 835,717

**OVERALL COMPLIANCE AND
INTERNAL CONTROL SECTION**



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Mayor and Members of the 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, 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 (the City), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 1, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Snow Garrett Williams
May 1, 2023

CITY OF EVERMAN, TEXAS
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiencies identified that are not
considered to be material weaknesses?

X yes _____ none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiencies identified that are not
considered to be material weaknesses?

_____ yes X none reported

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

Unmodified

Any audit findings disclosed that are required to be Reported in
accordance with section 2 CFR Section 200.416(a)?

_____ yes X no

Identification of Major Programs:

<u>ALN</u>	<u>Name of Federal Program</u>
66.468	Capitalization Grants for Drinking Water State Revolving Funds
21.027	Coronavirus State and Local Fiscal Recovery Fund

Dollar threshold used to distinguish between Type A and Type B
federal programs:

\$ 750,000

Auditee qualified as a low-risk auditee?

_____ yes X no

CITY OF EVERMAN, TEXAS
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2022

Section II – Financial Statement Findings

Findings required to be reported in accordance with
Government Auditing Standards

Finding 2022-001 – Internal Controls Over Financial Reporting – Significant Deficiency

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

Views of Responsible Officials: See corrective action plan.

CITY OF EVERMAN, TEXAS
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2022

Section III – Federal Award Findings and Questioned Costs

<u>Findings/Noncompliance</u>	<u>Program</u>	<u>Questioned Costs</u>
None		

City of Everman, Texas
Summary Schedule of Prior Audit Findings
September 30, 2022

Finding 2021-001

Internal Controls Over Financial Reporting – Significant Deficiency - The financial statements were materially misstated prior to the City recording entries to adjust worker's compensation payable and related expenditures and to adjust capital asset balances at year-end. As a result, financial reports prepared throughout the fiscal year may have been relied upon in error.

Current Status

The City developed and adopted a Comprehensive Financial Management Policy in fiscal year 2021. The City will continue implementing those policies and procedures to maintain strong internal controls related to financial reporting and monitoring.

Management's Explanation if Not Implemented

See Corrective Action Plan.



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CITY OF EVERMAN

212 N. Race St.
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Management's Response and Corrective Action Plan

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.

FEDERAL AWARDS SECTION



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Mayor and Members of the 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, Texas' compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2022. 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 of Everman, Texas 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, 2022.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of 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 the 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Snow Garrett Williams

Snow Garrett Williams
May 1, 2023

CITY OF EVERMAN, TEXAS
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022

Federal Grantor/Program or Cluster Title	Federal Assistance Listing Number (ALN)	Pass-Through Entity Identifying Number	Federal Expenditures
Drinking Water State Revolving Fund Cluster:			
<u>United States Environmental Protection Agency</u>			
Passed through Texas Water Development Board			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	L1001051	\$ 1,028,537
Total Passed Through Texas Water Development Board			1,028,537
Total United States Environmental Protection Agency			1,028,537
Total Drinking Water State Revolving Fund Cluster			1,028,537
Other Programs:			
<u>Department of the Treasury</u>			
Direct Program			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027		684,047
Passed through Tarrant County			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	107048134	175,979
Total Passed Through Tarrant County			175,979
Total ALN 21.027			860,026
Total Department of the Treasury			860,026
Total Expenditures of Federal Awards			\$ 1,888,563

CITY OF EVERMAN, TEXAS
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Everman, Texas under programs of the federal government for the fiscal year ended September 30, 2022. The information in this schedule is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of the City of Everman, Texas, it is not intended to and does not present the financial position or changes in net position or cash flows of the City of Everman, Texas.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. The City of Everman, Texas has elected not to use the 10% de minimis cost rate as permitted in the Uniform Guidance, section 200.414.

Note 3: Reconciliation of Federal Expenditures:

Per Statement of Activities:

Operating Grants and Contributions	\$ 902,278
Capital Grants and Contributions	<u>745,598</u>

Total Grant and Contribution Revenue per Statement of Activities	<u>1,647,876</u>
--	------------------

Reconciling Items:

Add: Texas Water Development Board Revenue Bond funding expended in the current year	1,028,537
Less: State and local grants and contributions included above	<u>(787,850)</u>

Total Expenditures of Federal Awards	<u><u>\$ 1,888,563</u></u>
--------------------------------------	----------------------------

