

CITY OF COOPER, TEXAS
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2018

CITY OF COOPER, TEXAS
Table of Contents
September 30, 2018

	<u>Page</u>	<u>Statement</u>
Independent Auditors' Report	1	
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	3	1
Statement of Activities	4	2
Fund Financial Statements:		
Balance Sheet - Governmental Funds	5	3
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	6	4
Statement of Net Position - Proprietary Funds	8	5
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	9	6
Statement of Cash Flows - Proprietary Funds	10	7
Notes to the Financial Statements	11	
		<u>Schedule</u>
Required Supplementary Information:		
Budget Comparison Schedule - General Fund	36	1
Budget Comparison Schedule - Street and Bridge Fund	37	2
Schedule of Changes in Net Pension Liability - Texas Municipal Retirement System	38	3
Schedule of City Contributions - Texas Municipal Retirement System	39	4
Schedule of Changes in Total OPEB Liability and Related Ratios - Texas Municipal Retirement System	40	5
Schedule of OPEB Contributions - Texas Municipal Retirement System	41	6
Notes to the Required Supplementary Information	42	
Independent Auditors' 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>	45	

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of Cooper
Cooper, Texas 75432

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Cooper, Texas (the City), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Cooper, Texas, as of September 30, 2018, 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.

Emphasis of Matter

As discussed in Note I to the financial statements, in fiscal year 2018, the City adopted new accounting guidance prescribed by GASB Statement No. 75 for post-employment benefits other than pensions. Because GASB Statement No. 75 implements new measurement criteria and reporting provisions, significant information has been added to the City's financial statements. The Statement of Net Position discloses the City's OPEB liability and related deferred outflows. The Statement of Activities includes recognition of the related OPEB expense. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, the Schedule of Changes in Net Pension Liability and the Schedule of City Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2019, 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's internal control over financial reporting and compliance.

McClanahan and Holmes, LLP
Certified Public Accountants

Bonham, Texas
February 5, 2019

CITY OF COOPER, TEXAS
Statement of Net Position
September 30, 2018

Statement 1

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and Cash Equivalents	\$ 506,736	\$ 75,599	\$ 582,335
Restricted Assets:			
Cash and Cash Equivalents	58,572	71,891	130,463
Certificates of Deposit	-	74,400	74,400
Receivables (Net of Allowance for Uncollectibles)	185,794	1,295,551	1,481,345
Internal Balances	25,000	(25,000)	-
Prepaid Items	6,328	-	6,328
Capital Assets Not Being Depreciated:			
Land	58,477	-	58,477
Capital Assets (Net of Accumulated Depreciation):			
Buildings and Improvements	67,074	8,361	75,435
Machinery, Equipment, and Vehicles	121,994	36,199	158,193
Infrastructure	226,331	-	226,331
Systems and Improvements	-	5,143,881	5,143,881
Water Rights (Net of Accumulated Amortization)	-	144,346	144,346
Total Assets	1,256,306	6,825,228	8,081,534
DEFERRED OUTFLOW OF RESOURCES			
Deferred Outflows Related to Pensions	34,099	35,035	69,134
Deferred Outflows Related to OPEB	1,654	1,652	3,306
Total Deferred Outflow of Resources	35,753	36,687	72,440
LIABILITIES			
Accounts Payable	16,280	27,018	43,298
Accrued Interest Payable	602	28,806	29,408
Customers' Deposits	-	69,422	69,422
Noncurrent Liabilities:			
Due Within One Year	10,000	102,270	112,270
Due in More Than One Year	20,000	3,855,196	3,875,196
Pension Liability	15,636	15,635	31,271
OPEB Liability	17,645	17,645	35,290
Total Liabilities	80,163	4,115,992	4,196,155
DEFERRED INFLOW OF RESOURCES			
Deferred Inflows Related to Pensions	36,269	36,269	72,538
NET POSITION			
Net Investment in Capital Assets	443,876	2,600,100	3,043,976
Unrestricted	731,751	109,554	841,305
Total Net Position	\$ 1,175,627	\$ 2,709,654	\$ 3,885,281

The notes to financial statements are an integral part of this statement.

CITY OF COOPER, TEXAS
Statement of Activities
Year Ended September 30, 2018

Statement 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 573,137	\$ 3,717	\$ 11,550	\$ -	\$ (557,870)	\$ -	\$ (557,870)
Public Safety	73,477	268	-	-	(73,209)	-	(73,209)
Streets	185,102	-	-	-	(185,102)	-	(185,102)
Grants	1,023	-	-	-	(1,023)	-	(1,023)
Total Governmental Activities	<u>832,739</u>	<u>3,985</u>	<u>11,550</u>	<u>-</u>	<u>(817,204)</u>	<u>-</u>	<u>(817,204)</u>
Business-Type Activities:							
Water	495,850	547,248	-	-	-	51,398	51,398
Sewer	316,153	218,200	-	-	-	(97,953)	(97,953)
Garbage	203,035	202,053	-	-	-	(982)	(982)
Big Creek Lake	368,523	-	-	-	-	(368,523)	(368,523)
Total Business-Type Activities	<u>1,383,561</u>	<u>967,501</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(416,060)</u>	<u>(416,060)</u>
Total Primary Government	<u>\$ 2,216,300</u>	<u>\$ 971,486</u>	<u>\$ 11,550</u>	<u>\$ -</u>	<u>(817,204)</u>	<u>(416,060)</u>	<u>(1,233,264)</u>
General Revenues:							
Property Taxes					588,054	28,432	616,486
Sales Taxes					146,719	-	146,719
Franchise Taxes					88,516	-	88,516
Investment Earnings					4,678	1,671	6,349
Miscellaneous					3,719	1,600	5,319
Transfers					<u>(14,861)</u>	<u>14,861</u>	<u>-</u>
Total General Revenues and Transfers					<u>816,825</u>	<u>46,564</u>	<u>863,389</u>
Change in Net Position					(379)	(369,496)	(369,875)
Net Position - Beginning					1,190,448	3,093,594	4,284,042
Prior Period Adjustment					<u>(14,442)</u>	<u>(14,444)</u>	<u>(28,886)</u>
Net Position - Ending					<u>\$ 1,175,627</u>	<u>\$ 2,709,654</u>	<u>\$ 3,885,281</u>

The notes to financial statements are an integral part of this statement.

CITY OF COOPER, TEXAS
Balance Sheet - Governmental Funds
September 30, 2018

Statement 3

	General	Special Revenue Street and Bridge	Special Reserve	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 330,201	\$ 176,535	\$ -	\$ 506,736
Restricted Cash and Cash Equivalents	-	-	58,572	58,572
Receivables (Net of Allowance for Uncollectibles)	175,459	10,335	-	185,794
Due from Other Funds	8,472	15,000	20,000	43,472
Prepaid Items	6,328	-	-	6,328
Total Assets	<u>\$ 520,460</u>	<u>\$ 201,870</u>	<u>\$ 78,572</u>	<u>\$ 800,902</u>
LIABILITIES				
Accounts Payable	\$ 16,280	\$ -	\$ -	\$ 16,280
Due to Other Funds	10,000	-	8,472	18,472
Total Liabilities	<u>26,280</u>	<u>-</u>	<u>8,472</u>	<u>34,752</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	175,459	-	-	175,459
Total Deferred Inflows of Resources	<u>175,459</u>	<u>-</u>	<u>-</u>	<u>175,459</u>
FUND BALANCES				
Unassigned	318,721	201,870	70,100	590,691
Total Fund Balances	<u>318,721</u>	<u>201,870</u>	<u>70,100</u>	<u>590,691</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 520,460</u>	<u>\$ 201,870</u>	<u>\$ 78,572</u>	<u>\$ 800,902</u>
Fund Balances - Total Governmental Funds (above)				\$ 590,691
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. The details are as follows:				
Land			\$ 58,477	
Buildings and Improvements			695,306	
Less: Accumulated Depreciation - Buildings and Improvements			(628,232)	
Machinery, Equipment, and Vehicles			701,202	
Less: Accumulated Depreciation - Machinery, Equipment, and Vehicles			(579,208)	
Infrastructure			700,308	
Less: Accumulated Depreciation - Infrastructure			<u>(473,977)</u>	473,876
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.				175,459
Long-term liabilities and liabilities related to long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities consist of:				
Time Warrants Payable				(30,000)
Accrued Interest Payable				(602)
Included in the noncurrent liabilities is the recognition of the City's net pension liability required by GASB 68 in the amount of \$15,636, a deferred resource outflow in the amount of \$34,099, and a deferred resource inflow in the amount of \$36,269.				(17,806)
Included in the noncurrent liabilities is the recognition of the City's net OPEB liability required by GASB 75 in the amount of \$17,645 and a deferred resource outflow in the amount of \$1,654.				<u>(15,991)</u>
Net Position of Governmental Activities				<u>\$ 1,175,627</u>

The notes to financial statements are an integral part of this statement.

CITY OF COOPER, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2018

Statement 4

	General	Special Revenue		Total Governmental Funds
		Street and Bridge	Special Reserve	
REVENUES				
Property Taxes	\$ 570,597	\$ -	\$ -	\$ 570,597
Sales Taxes	-	146,719	-	146,719
Franchise Taxes	-	88,516	-	88,516
Licenses and Permits	3,717	-	-	3,717
Fines and Fees	268	-	-	268
Investment Earnings	3,235	1,060	383	4,678
Contributions and Donations	11,550	-	-	11,550
Miscellaneous	3,074	645	-	3,719
Total Revenues	592,441	236,940	383	829,764
EXPENDITURES				
Current:				
General Government	493,691	-	-	493,691
Public Safety	73,477	-	-	73,477
Streets	-	183,224	-	183,224
Grants	-	-	1,023	1,023
Debt Service:				
Principal	10,000	-	-	10,000
Interest	1,200	-	-	1,200
Total Expenditures	578,368	183,224	1,023	762,615
Excess of Revenues Over Expenditures	14,073	53,716	(640)	67,149
OTHER FINANCING SOURCES (USES)				
Transfers In	52,484	-	-	52,484
Transfers Out	(47,345)	(20,000)	-	(67,345)
Total Other Financing Sources (Uses)	5,139	(20,000)	-	(14,861)
Net Changes in Fund Balances	19,212	33,716	(640)	52,288
Fund Balances - Beginning	299,509	168,154	70,740	538,403
Fund Balances - Ending	\$ 318,721	\$ 201,870	\$ 70,100	\$ 590,691

The notes to financial statements are an integral part of this statement.

CITY OF COOPER, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2018

Statement 4 (Continued)

Net Changes in Fund Balances - Total Governmental Funds	\$	52,288
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense.		(74,016)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		17,457
Expenses in the statement of activities that are not payable from current financial resources are not reported as expenses in the funds.		150
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the Statement of Net Position.		10,000
Current year changes due to GASB 68 required adjustments to pension expense.		(4,709)
Current year changes due to GASB 75 required adjustments to OPEB expense.		<u>(1,549)</u>
Change in Net Position - Governmental Activities	<u>\$</u>	<u>(379)</u>

The notes to financial statements are an integral part of this statement.

CITY OF COOPER, TEXAS
Statement of Net Position
Proprietary Funds
September 30, 2018

Statement 5

	Business-Type Activities				Total Enterprise Funds
	Water	Sewer	Garbage	Big Creek Lake	
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 28,488	\$ 11,606	\$ 35,505	\$ -	\$ 75,599
Restricted Cash and Cash Equivalents	-	-	-	71,891	71,891
Restricted Certificates of Deposit	-	-	-	74,400	74,400
Accounts Receivable (Net of Allowance for Uncollectibles)	55,708	25,886	15,972	-	97,566
Note Receivable - Current Portion	-	-	-	22,884	22,884
Total Current Assets	84,196	37,492	51,477	169,175	342,340
Noncurrent Assets:					
Note Receivable - Long-Term Portion	-	-	-	1,175,101	1,175,101
Capital Assets:					
Buildings and Improvements	-	-	30,269	-	30,269
Machinery, Equipment, and Vehicles	242,180	11,989	64,623	-	318,792
Systems and Improvements	2,625,526	5,978,891	-	6,543,393	15,147,810
Less Accumulated Depreciation	(1,486,408)	(3,182,418)	(86,528)	(5,553,076)	(10,308,430)
Water Rights	-	-	-	203,790	203,790
Less Accumulated Amortization	-	-	-	(59,444)	(59,444)
Total Noncurrent Assets	1,381,298	2,808,462	8,364	2,309,764	6,507,888
Total Assets	1,465,494	2,845,954	59,841	2,478,939	6,850,228
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows Related to Pensions	23,258	11,076	701	-	35,035
Deferred Outflows Related to OPEB	1,173	446	33	-	1,652
Total Deferred Outflows of Resources	24,431	11,522	734	-	36,687
LIABILITIES					
Current Liabilities:					
Accounts Payable	7,196	4,831	14,991	-	27,018
Accrued Interest Payable	-	-	-	28,806	28,806
Customers' Deposits	69,422	-	-	-	69,422
Certificates of Obligation	-	-	-	36,000	36,000
Revenue Bonds	-	-	-	33,000	33,000
Time Warrant	3,559	3,558	-	-	7,117
Water Rights Payable	-	-	-	26,153	26,153
Due to Other Funds	20,000	5,000	-	-	25,000
Total Current Liabilities	100,177	13,389	14,991	123,959	252,516
Noncurrent Liabilities:					
Certificates of Obligation	-	-	-	1,655,000	1,655,000
Revenue Bonds	-	-	-	841,000	841,000
Time Warrant	8,112	8,112	-	-	16,224
Water Rights Payable	-	-	-	1,342,972	1,342,972
Pension Liability	9,764	5,543	328	-	15,635
OPEB Liability	12,528	4,764	353	-	17,645
Total Noncurrent Liabilities	30,404	18,419	681	3,838,972	3,888,476
Total Liabilities	130,581	31,808	15,672	3,962,931	4,140,992
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows Related to Pensions	25,260	10,283	726	-	36,269
NET POSITION					
Net Investment in Capital Assets	1,369,627	2,796,792	8,364	(1,574,683)	2,600,100
Unrestricted	(35,543)	18,593	35,813	90,691	109,554
Total Net Position	\$ 1,334,084	\$ 2,815,385	\$ 44,177	\$ (1,483,992)	\$ 2,709,654

The notes to financial statements are an integral part of this statement.

CITY OF COOPER, TEXAS
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended September 30, 2018

Statement 6

	Business-Type Activities				Total Enterprise Funds
	Water	Sewer	Garbage	Big Creek Lake	
OPERATING REVENUES:					
Charges for Services:					
Water Services	\$ 546,048	\$ -	\$ -	\$ -	\$ 546,048
Sewer Services	-	218,200	-	-	218,200
Refuse Collections	-	-	202,053	-	202,053
Water and Sewer Taps	1,200	-	-	-	1,200
Taxes	-	-	-	28,432	28,432
Miscellaneous	152	1,010	438	-	1,600
Total Operating Revenues	547,400	219,210	202,491	28,432	997,533
OPERATING EXPENSES:					
Personnel Services	158,013	59,598	3,730	-	221,341
Insurance	12,625	8,106	96	-	20,827
Materials and Supplies	216,623	54,651	-	-	271,274
Refuse Service Contract	-	-	190,292	-	190,292
Utilities	40,129	36,628	4,091	-	80,848
Other	3,040	8,008	3,802	750	15,600
Depreciation	65,390	149,132	1,024	241,449	456,995
Amortization	-	-	-	4,246	4,246
Total Operating Expenses	495,820	316,123	203,035	246,445	1,261,423
Operating Income (Loss)	51,580	(96,913)	(544)	(218,013)	(263,890)
NONOPERATING REVENUES (EXPENSES):					
Investment Earnings	467	66	290	848	1,671
Interest Expense	(30)	(30)	-	(122,078)	(122,138)
Total Nonoperating Income (Expense)	437	36	290	(121,230)	(120,467)
Income (Loss) Before Transfers	52,017	(96,877)	(254)	(339,243)	(384,357)
Transfers In	30,000	40,000	-	165,572	235,572
Transfers Out	(136,150)	(74,561)	(10,000)	-	(220,711)
Changes in Net Position	(54,133)	(131,438)	(10,254)	(173,671)	(369,496)
Net Position - Beginning	1,398,472	2,950,723	54,720	(1,310,321)	3,093,594
Prior Period Adjustment	(10,255)	(3,900)	(289)	-	(14,444)
Net Position - Ending	\$ 1,334,084	\$ 2,815,385	\$ 44,177	\$ (1,483,992)	\$ 2,709,654

The notes to financial statements are an integral part of this statement.

CITY OF COOPER, TEXAS
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2018

Statement 7

	Business-Type Activities				Total Enterprise Funds
	Water	Sewer	Garbage	Big Creek Lake	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ 545,388	\$ 216,971	\$ 202,326	\$ 50,592	\$ 1,015,277
Payments to Suppliers and Service Providers	(279,242)	(108,486)	(198,081)	(750)	(586,559)
Payments to Employees for Salaries and Benefits	(154,253)	(58,159)	(3,606)	-	(216,018)
Net Cash Provided by (Used For) Operating Activities	<u>111,893</u>	<u>50,326</u>	<u>639</u>	<u>49,842</u>	<u>212,700</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from Other Funds	30,000	40,000	-	165,572	235,572
Transfers to Other Funds	(136,150)	(74,561)	(10,000)	-	(220,711)
Net Cash Provided by (Used For) Noncapital Financing Activities	<u>(106,150)</u>	<u>(34,561)</u>	<u>(10,000)</u>	<u>165,572</u>	<u>14,861</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and Construction of Capital Assets	(11,989)	(18,727)	-	-	(30,716)
Proceeds from Issuance of Time Warrant	11,989	11,989	-	-	23,978
Principal Paid on Certificates of Obligation	-	-	-	(35,000)	(35,000)
Principal Paid on Revenue Bonds	-	-	-	(32,000)	(32,000)
Principal Paid on Time Warrant	(318)	(319)	-	-	(637)
Principal Paid on Water Rights	-	-	-	(25,329)	(25,329)
Interest Paid on Long-Term Debt	(30)	(30)	-	(122,838)	(122,898)
Net Cash Provided by (Used For) Capital and Related Financing Activities	<u>(348)</u>	<u>(7,087)</u>	<u>-</u>	<u>(215,167)</u>	<u>(222,602)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on Investments	467	66	290	848	1,671
Net Cash Provided by (Used For) Investing Activities	<u>467</u>	<u>66</u>	<u>290</u>	<u>848</u>	<u>1,671</u>
Net Increase (Decrease) in Cash and Cash Equivalents	5,862	8,744	(9,071)	1,095	6,630
Cash and Cash Equivalents - Beginning	22,626	2,862	44,576	70,796	140,860
Cash and Cash Equivalents - Ending	<u>\$ 28,488</u>	<u>\$ 11,606</u>	<u>\$ 35,505</u>	<u>\$ 71,891</u>	<u>\$ 147,490</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
Operating Income (Loss)	<u>\$ 51,580</u>	<u>\$ (96,913)</u>	<u>\$ (544)</u>	<u>\$ (218,013)</u>	<u>\$ (263,890)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) by Operating Activities:					
Depreciation and Amortization	65,390	149,132	1,024	245,695	461,241
(Increase) Decrease in Receivables	(2,633)	(2,239)	(165)	22,160	17,123
(Increase) Decrease in Deferred Outflows	25,147	9,563	708	-	35,418
Increase (Decrease) in Accounts Payable	(6,825)	(1,093)	200	-	(7,718)
Increase (Decrease) in Pension Liability	(33,777)	(12,838)	(934)	-	(47,549)
Increase (Decrease) in OPEB Liability	1,941	738	55	-	2,734
Increase (Decrease) in Customers' Deposits	621	-	-	-	621
Increase (Decrease) in Deferred Inflows	10,449	3,976	295	-	14,720
Total Adjustments	<u>60,313</u>	<u>147,239</u>	<u>1,183</u>	<u>267,855</u>	<u>476,590</u>
Net Cash Provided by (Used For) Operating Activities	<u>\$ 111,893</u>	<u>\$ 50,326</u>	<u>\$ 639</u>	<u>\$ 49,842</u>	<u>\$ 212,700</u>

The notes to financial statements are an integral part of this statement.

CITY OF COOPER, TEXAS
Notes to the Financial Statements
September 30, 2018

I. Summary of Significant Accounting Policies

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities), report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

B. Reporting Entity

The City of Cooper, Texas (the City) is a municipal corporation governed by an elected mayor and five-member council. The accompanying financial statements present the funds and account groups of the City.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

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

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds. Separate statements for each fund category, governmental and proprietary, are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

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

Special Revenue Funds:

The Street and Bridge Fund accounts for the operation and maintenance of the City's infrastructure of roadways and bridges within the City.

The Special Reserve Fund is used to account for specific revenue sources that are legally restricted to expenditures for specified purposes.

The government reports the following major proprietary funds:

The Water Fund accounts for the water distribution system as well as the billings and collections for that service.

The Sewer Fund accounts for the sewer system as well as the collection activities for that service.

CITY OF COOPER, TEXAS
Notes to the Financial Statements (Continued)
September 30, 2018

I. Summary of Significant Accounting Policies (Continued)

D. Basis of Presentation – Fund Financial Statements (Continued)

The Garbage Fund accounts for the waste collection assets as well as the collection activities for that service.

The Big Creek Lake Fund accounts for lake assets, debt, and debt service activities.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transaction or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

CITY OF COOPER, TEXAS
Notes to the Financial Statements (Continued)
September 30, 2018

I. Summary of Significant Accounting Policies (Continued)

E. Measurement Focus and Basis of Accounting (Continued)

Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within sixty days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the economic resource measurement focus and the accrual basis of accounting.

F. Budgetary Information

1. Budgetary Basis of Accounting

As set forth in the City Charter, the City Council adopts an annual budget for the General Fund, Street and Bridge Fund, and Enterprise Funds. The annual budgets for the General Fund and Street, and Bridge Fund are prepared in accordance with the basis of accounting for those funds. The budget for the Enterprise Funds is adopted under a basis consistent with GAAP, except the depreciation; certain capital expenses, and nonoperating income and expense items are not considered.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by expense category. Expenditures may not exceed appropriations. The City Mayor is authorized to transfer budgeted amounts within and among departments; however, any revision that alters the total expenditure/expense must be approved by the City Council.

Subsequent to year-end, the City Council adopts an amended budget approving such additional expenditures/expenses. For the year ended September 30, 2018, the original budget expenditures were not changed. All annual appropriations lapse at fiscal year-end.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

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

2. Certificates of Deposit

Statutes authorize the City to invest in obligations of the U.S. Treasury, direct obligations of the State of Texas, other obligations guaranteed or insured by the State of Texas or the United States, obligations of states and political subdivisions of any state meeting certain rating requirements, certificates of deposit, and fully collateralized direct repurchase agreements having a defined termination date.

At September 30, 2018, the City had invested in only certificates of deposit.

The City did not engage in repurchase or reverse repurchase agreement transactions during the current year.

CITY OF COOPER, TEXAS
Notes to the Financial Statements (Continued)
September 30, 2018

I. Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by business-type activities during the current fiscal year was \$122,138. Of this amount, none was included as part of the cost of capital assets under construction.

Land and Construction in Progress are not depreciated. The other property, plant, and equipment of the primary government is being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Building and Improvements	20-40
Machinery and Equipment	5-7
Vehicles	5
Furniture and Equipment	5
Infrastructure	20
System Infrastructure	10-40

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position 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. Changes in net pension liability and the OPEB liability result in recognition of deferred outflows.

CITY OF COOPER, TEXAS
Notes to the Financial Statements (Continued)
September 30, 2018

I. Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

5. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, changes in net pension liability and the OPEB liability result in recognition of deferred inflows.

6. Net Position Flow Assumption

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

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

7. Fund Balance Flow Assumptions

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

8. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. The City does not have any restricted fund balances by enabling legislation.

CITY OF COOPER, TEXAS
Notes to the Financial Statements (Continued)
September 30, 2018

I. Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

8. Fund Balance Policies (Continued)

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

H. Revenues and Expenditures/Expenses

1. Program Revenues and Expenditures/Expenses

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

The City's property taxes are levied on October 1 and are due no later than January 31 of the following year. Taxes become delinquent February 1, after which time penalties and interest and, if not paid by July, attorney's collection fees are added. A tax lien attaches to property (real and personal) on January 1 of each year to secure the payment of all taxes, penalties, and interest ultimately imposed on the property. The lien is effective until all such amounts are paid.

3. Compensated Absences

Sick leave that is not used during the year is paid at regular salary rates on the last day of the fiscal year. As of September 30, 2018, there were no compensated absences to record in the accompanying financial statements.

4. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 Water, Sewer, Garbage, and Big Creek Lake funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF COOPER, TEXAS
Notes to the Financial Statements (Continued)
September 30, 2018

I. Summary of Significant Accounting Policies (Continued)

I. Recent Accounting Pronouncements Adopted

GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions, relates to governmental employers that provide post-employment benefits other than pensions and is effective for fiscal years beginning after June 15, 2017. This statement requires the recognition of the City's proportionate share of Texas Municipal Retirement System's Supplemental Death Benefits Fund OPEB liability, including related deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about assets, liabilities, and additions to/deduction from OPEB liabilities.

II. Stewardship, Compliance, and Accountability

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. There were no instances of noncompliance considered material to the financial statements.

At September 30, 2018, the Big Creek Lake Fund had a deficit fund net position of \$1,483,992. The deficit will be eliminated as resources are obtained.

For the year ended September 30, 2018, the City's expenditures exceeded appropriations at the legal level of control in the General Fund as follows:

<u>Object Category</u>	<u>Expenditures Exceeding Appropriations</u>
Principal	\$ 10,000
Interest	1,200
Transfers Out	47,345

For the year ended September 30, 2018, the City's expenditures exceeded appropriations at the legal level of control in the Street and Bridge Fund as follows:

<u>Object Category</u>	<u>Expenditures Exceeding Appropriations</u>
Transfers Out	\$ 20,000

III. Detailed Notes on All Activities and Funds

A. Cash Deposits With Financial Institutions

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned, or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (FDIC). Deposited funds may be invested in certificates of deposit in institutions that are domiciled in the State of Texas. Collateral agreements must be approved prior to deposit of funds as provided by law. The City Council approves and designates a list of authorized depository institutions based on evaluation of solicited responses and certifications provided by financial institutions and recommendations of the City Council.

As of September 30, 2018, the City was not exposed to custodial credit risk since deposits are insured or collateralized with securities held by the pledging financial institution's trust department or agent in the name of the City. The carrying amount of deposits was \$787,028. The bank balances were \$802,084.

CITY OF COOPER, TEXAS
Notes to the Financial Statements (Continued)
September 30, 2018

III. Detailed Notes on All Activities and Funds (Continued)

B. Investments

The City only invested funds in certificates of deposit issued by a state or national bank insured by FDIC.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

C. Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables in the aggregate, including the applicable allowances for uncollectible accounts as of September 30, 2018:

	<u>General</u>	<u>Street and Bridge</u>	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Big Creek Lake</u>	<u>Total</u>
Receivables:							
Property Taxes	\$ 194,954	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 194,954
Sales Taxes	-	9,960	-	-	-	-	9,960
Franchise Taxes	-	375	-	-	-	-	375
Accounts	-	-	55,708	25,886	15,972	-	97,566
Notes	-	-	-	-	-	1,197,985	1,197,985
Gross Receivables	<u>194,954</u>	<u>10,335</u>	<u>55,708</u>	<u>25,886</u>	<u>15,972</u>	<u>1,197,985</u>	<u>1,500,840</u>
Less: Allowance							
for Uncollectibles	<u>(19,495)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,495)</u>
Net Receivables	<u>\$ 175,459</u>	<u>\$ 10,335</u>	<u>\$ 55,708</u>	<u>\$ 25,886</u>	<u>\$ 15,972</u>	<u>\$ 1,197,985</u>	<u>\$ 1,481,345</u>
Amount Not Expected to be Collected During the Subsequent Year	<u>\$ 171,560</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,175,101</u>	<u>\$ 1,346,661</u>

CITY OF COOPER, TEXAS
Notes to the Financial Statements (Continued)
September 30, 2018

III. Detailed Notes on All Activities and Funds (Continued)

D. Capital Assets

Capital asset activity for the year ended September 30, 2018, was as follows:

Governmental Activities

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balances</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 58,477	\$ -	\$ -	\$ 58,477
Total Capital Assets, Not Being Depreciated	<u>58,477</u>	<u>-</u>	<u>-</u>	<u>58,477</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	695,306	-	-	695,306
Machinery, Equipment, and Vehicles	701,202	-	-	701,202
Infrastructure	700,308	-	-	700,308
Total Capital Assets, Being Depreciated	<u>2,096,816</u>	<u>-</u>	<u>-</u>	<u>2,096,816</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	623,226	5,006	-	628,232
Machinery, Equipment, and Vehicles	544,319	34,889	-	579,208
Infrastructure	439,856	34,121	-	473,977
Total Accumulated Depreciation	<u>1,607,401</u>	<u>74,016</u>	<u>-</u>	<u>1,681,417</u>
Total Capital Assets, Being Depreciated, Net	<u>489,415</u>	<u>(74,016)</u>	<u>-</u>	<u>415,399</u>
Governmental Activities Capital Assets, Net	<u>\$ 547,892</u>	<u>\$ (74,016)</u>	<u>\$ -</u>	<u>\$ 473,876</u>

Depreciation Expense was charged to the functions/programs of the governmental activities of the primary government as follows:

Governmental Activities:	
General Government	\$ 62,174
Public Safety	5,921
Streets	5,921
Total Depreciation Expense – Governmental Activities	<u>\$ 74,016</u>

CITY OF COOPER, TEXAS
Notes to the Financial Statements (Continued)
September 30, 2018

III. Detailed Notes on All Activities and Funds (Continued)

D. Capital Assets (Continued)

Business-Type Activities

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balances</u>
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ -	\$ -	\$ -	\$ -
Total Capital Assets, Not Being Depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	30,269	-	-	30,269
Machinery, Equipment, and Vehicles	294,814	23,978	-	318,792
Systems and Improvements	<u>15,141,072</u>	<u>6,738</u>	<u>-</u>	<u>15,147,810</u>
Total Capital Assets, Being Depreciated	<u>15,466,155</u>	<u>30,716</u>	<u>-</u>	<u>15,496,871</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	20,884	1,024	-	21,908
Machinery, Equipment, and Vehicles	278,273	4,320	-	282,593
Systems and Improvements	<u>9,552,278</u>	<u>451,651</u>	<u>-</u>	<u>10,003,929</u>
Total Accumulated Depreciation	<u>9,851,435</u>	<u>456,995</u>	<u>-</u>	<u>10,308,430</u>
Total Capital Assets, Being Depreciated, Net	<u>5,614,720</u>	<u>(426,279)</u>	<u>-</u>	<u>5,188,441</u>
Business-Type Activities Capital Assets, Net	<u>\$ 5,614,720</u>	<u>\$ (426,279)</u>	<u>\$ -</u>	<u>\$ 5,188,441</u>

Business-Type Activities:

Water	\$ 65,390
Sewer	149,132
Garbage	1,024
Big Creek Lake	<u>241,449</u>
Total Depreciation Expense – Business-Type Activities	<u>\$ 456,995</u>

CITY OF COOPER, TEXAS
Notes to the Financial Statements (Continued)
September 30, 2018

III. Detailed Notes on All Activities and Funds (Continued)

E. Defined Benefit Pension Plans

1. Plan Description

The City participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) and 414(h)(2) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

2. 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.

Upon retirement, benefits depend on the sum of the employee's contributions, with interest, and the city-financed monetary credits, with interest. City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits. Prior Service Credit, granted by each city joining TMRS, is a monetary credit equal to the accumulated value of the percentage of prior service credit adopted times an employee's deposits that would have been made, based on the average salary prior to participation, for the number of months the employee has been employed, accruing 3% annual interest, and including the matching ratio adopted by the city. Monetary credits for service since each plan began (or current service credits) are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, each city can grant, either annually or on an annually repeating basis, another type of monetary credit referred to as Updated Service Credit. This monetary credit is determined by hypothetically re-computing the member's account balance by assuming that the current member deposit rate of the currently employing city (3%, 5%, 6%, or 7%) has always been in effect. The computation also assumes that the member's salary has always been the member's average salary — using a salary calculation based on the 36-month period ending a year before the effective date of calculation. This hypothetical account balance is increased by 3% each year (not the actual interest credited to the member's account in previous years), and increased by the city match currently in effect (100%, 150%, or 200%). The resulting sum is then compared to the member's actual account balance increased by the actual city match and actual interest credited. If the hypothetical calculation exceeds the actual calculation, the member is granted a monetary credit (or Updated Service Credit) equal to the difference between the hypothetical calculation and the actual calculation times the percentage adopted.

At retirement, the benefit is calculated as if the sum of the employee's contributions with interest and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options: retiree life only; one of three survivor lifetime options; or one of three guaranteed term options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution (PLSD) in an amount equal to 12, 24, or 36 monthly payments under the retiree life only option, which cannot exceed 75% of the total member deposits and interest.

CITY OF COOPER, TEXAS
Notes to the Financial Statements (Continued)
September 30, 2018

III. Detailed Notes on All Activities and Funds (Continued)

E. Defined Benefit Pension Plans (Continued)

2. Benefits Provided (Continued)

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

Employee Deposit Rate:	6%
Matching Ratio (City to Employee):	1 to 1
A Member is Vested After	5 Years
Service Retirement Eligibility (Expressed as Age/Years of Service)	60/5, 0/25
Updated Service Credit	100% Repeating
Annuity Increase (to Retirees)	0% of CPI

3. Employees Covered by Benefit Terms.

At the December 31, 2017, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	5
Inactive Employees Entitled to but not yet Receiving Benefits	4
Active Employees	<u>13</u>
Total	<u>22</u>

4. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, 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 actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Cooper were required to contribute 6% of their annual gross earnings during the fiscal year. The full contribution rates for the City of Cooper were 3.96% and 5.19% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018, were \$19,980 and were equal to the required contributions.

5. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017 and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

CITY OF COOPER, TEXAS
Notes to the Financial Statements (Continued)
September 30, 2018

III. Detailed Notes on All Activities and Funds (Continued)

E. Defined Benefit Pension Plans (Continued)

6. Actuarial Assumptions

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary Increases	3.5% to 10.5%, including inflation
Investment Rate of Return	6.75%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with adjustments.

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. 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 of 2.5%.

CITY OF COOPER, TEXAS
Notes to the Financial Statements (Continued)
September 30, 2018

III. Detailed Notes on All Activities and Funds (Continued)

E. Defined Benefit Pension Plans (Continued)

6. Actuarial Assumptions (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100.00%	

7. Discount Rate

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

8. Changes in the Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total</u>	<u>Plan</u>	<u>Net</u>
	<u>Pension</u>	<u>Fiduciary</u>	<u>Pension</u>
	<u>Liability</u>	<u>Net Position</u>	<u>Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) – (b)</u>
Balance at 12/31/2016	\$ 1,401,882	\$ 1,275,513	\$ 126,369
Changes for the year:			
Service Cost	36,859	-	36,859
Interest	93,878	-	93,878
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(10,338)	-	(10,338)
Changes of Assumptions	-	-	-
Contributions – Employer	-	15,780	(15,780)
Contributions – Employee	-	23,909	(23,909)
Net Investment Income	-	176,769	(176,769)
Benefit Payments, Including Refunds of Employee Contributions	(59,067)	(59,067)	-
Administrative Expense	-	(916)	916
Other Changes	-	(46)	46
Net Changes	61,332	156,429	(95,097)
Balance at 12/31/2017	\$ 1,463,214	\$ 1,431,942	\$ 31,272

CITY OF COOPER, TEXAS
Notes to the Financial Statements (Continued)
September 30, 2018

III. Detailed Notes on All Activities and Funds (Continued)

E. Defined Benefit Pension Plans (Continued)

8. Changes in the Pension Liability (Continued)

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

	1% Decrease (5.75%)	Current Single Rate Assumption (6.75%)	1% Increase (7.75%)
City's Net Pension Liability	\$185,376	\$31,272	\$(100,312)

9. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

10. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2018, the City recognized pension expense of \$27,525.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience (Net of Current Year Amortization)	\$ 40,522	\$ 37,733
Changes in Actuarial Assumptions	12,811	-
Difference Between Projected and Actual Investment Earnings (Net of Current Year Amortization)	-	34,805
Contributions Subsequent to the Measurement Date	15,801	-
Total	\$ 69,134	\$ 72,538

CITY OF COOPER, TEXAS
Notes to the Financial Statements (Continued)
September 30, 2018

III. Detailed Notes on All Activities and Funds (Continued)

E. Defined Benefit Pension Plans (Continued)

10. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$15,801 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 for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending September 30,	
2019	\$ 5,833
2020	3,882
2021	(8,618)
2022	(20,179)
2023	(123)
Thereafter	-

F. Other Post Employment Benefit (OPEB) Obligations

1. Plan Description

The City also participates in the single-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

2. Benefits

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an "other post-employment benefit" (OPEB) and is a fixed amount of \$7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the Pension Trust Fund.

3. Employees Covered by Benefit Terms

At the December 31, 2017 valuation and measurement date, the following employees were covered by benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	3
Inactive Employees Entitled to but not yet Receiving Benefits	2
Active Employees	<u>13</u>
Total	<u>18</u>

CITY OF COOPER, TEXAS
Notes to the Financial Statements (Continued)
September 30, 2018

III. Detailed Notes on All Activities and Funds (Continued)

F. Other Post Employment Benefit (OPEB) Obligations (Continued)

4. Contributions

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. 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. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

Employees of the City were not required to contribute to the OPEB plan during the fiscal year. The contribution rates for the City were 0.32% and 0.34% of gross earnings in calendar year 2017 and 2018, respectively. The City's TMRS SDBF for the year ended September 30, 2018 were \$1,373 and were equal to the required contributions.

5. Changes in the OPEB Liability

	Increase (Decrease)
	Total OPEB Liability
Balance at 12/31/2016	\$ 29,822
Changes for the year:	
Service Cost	1,713
Interest	1,157
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes of Assumptions	2,718
Contributions – Employer	-
Contributions – Employee	-
Net Investment Income	-
Benefit Payments, Including Refunds of Employee Contributions	(120)
Administrative Expense	-
Other Changes	-
Net Changes	5,468
Balance at 12/31/2017	\$ 35,290

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.31% (the applicable discount rate of an unfunded OPEB is based on an index of tax exempt 20-year municipal bond rates rated as AA or higher), as well as what the City's total OPEB liability would have been if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate.

	1% Decrease in Discount Rate (2.31%)	Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
City's total OPEB Liability	\$ 42,188	\$ 35,290	\$ 29,870

CITY OF COOPER, TEXAS
Notes to the Financial Statements (Continued)
September 30, 2018

III. Detailed Notes on All Activities and Funds (Continued)

F. Other Post Employment Benefit (OPEB) Obligations (Continued)

6. Supplemental Death Benefits Fund Net Position

Detailed information about the plan's net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

7. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

For the year ended September 30, 2018, the City recognized OPEB expense in the amount of \$3,317.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience (Net of Current Year Amortization)	\$ -	\$ -
Changes in Actuarial Assumptions	2,271	-
Difference Between Projected and Actual Investment Earnings (Net of Current Year Amortization)	-	-
Contributions Subsequent to the Measurement Date	1,035	-
Total	<u>\$ 3,306</u>	<u>\$ -</u>

\$1,035 reported as deferred outflows of resources related to OPEBs resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Fiscal Year Ending September 30,	
2019	\$ 447
2020	447
2021	447
2022	447
2023	447
Thereafter	36

CITY OF COOPER, TEXAS
Notes to the Financial Statements (Continued)
September 30, 2018

III. Detailed Notes on All Activities and Funds (Continued)

G. Commitments

1. Water Storage Commitments

A contract with the Sulphur River Municipal Water District (the District) for water storage space in Cooper Lake entitles the City to utilize approximately 11% of the storage space between elevations 440.0 and 415.5 feet above sea level. Twenty-five percent (2,000 acre-feet) is for present storage and the remaining seventy-five percent (6,000 acre-feet) is for future water storage. The City is to repay the District the entire amount of construction costs allocated to the water storage right acquired by the City. The City is obligated to pay .25% of the ordinary operation and maintenance cost of the project annually and .21% of major capital replacements when incurred.

The City has contracts with two entities to sell 87.5% of the City's water storage rights in Cooper Lake. These entities are responsible for paying their respective percentages of the costs billed to the City for these rights.

2. Water Sales and Commitments

The City has a contract extending for thirty-two years to sell treated water to one entity. Total water sales under this contract to this entity during the year ended September 30, 2018, was approximately \$196,550.

The City has a contract with an entity to sell water storage rights at Big Creek Lake for \$50,000 annually through March 2025.

3. Interlocal Cooperative Agreement

During the year, the City participated in an interlocal cooperative agreement with the Sulphur River Regional Mobility Authority. The City's payments are to assist in funding completion of approximately 10.4 miles of four-lane divided highway in Delta County, Texas. The City considers this a cost sharing arrangement; accordingly, the financial statements do not reflect a liability related to this agreement. Annual payments of \$10,430 include principal and interest at 3.68%. The outstanding balance of this commitment at September 30, 2018, was approximately \$55,402.

H. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases insurance coverage from commercial insurers and participates in risk pools to limit risk of loss in these areas. The risk pools maintain adequate protection from catastrophic losses to protect their financial integrity. Aggregate protection is also maintained to ensure that the City shall at no time be assessed. The City's contributions are limited to the rates calculated under the agreement. There has been no significant reduction in insurance coverage during the year ended September 30, 2018. There have been no settlements in excess of insurance coverage in any of the prior three fiscal years.

CITY OF COOPER, TEXAS
Notes to the Financial Statements (Continued)
September 30, 2018

III. Detailed Notes on All Activities and Funds (Continued)

I. Long-Term Liabilities

Long-term debt is comprised of the following in the governmental activities:

\$50,000 Time Warrant, due in annual installments of \$10,000 with final payment due February 8, 2021. Interest is payable annually at 3.00%.

Long-term debt is comprised of the following in the business type activities:

\$800,000 Waterworks and Sewer System Revenue Bonds, Series 2000A, due in annual installments varying from \$17,000 to \$42,000 with final payment due July 1, 2039. Interest is payable semi-annually at 4.5%.

\$245,000 Waterworks and Sewer System Revenue Bonds, Series 2000B, due in annual installments varying from \$6,000 to \$13,000 with final payment due July 1, 2039. Interest is payable semi-annually at 4.5%.

\$210,000 Waterworks and Sewer System Revenue Bonds, Series 2005, due in annual installments varying from \$10,000 to \$20,000 with final payment due July 1, 2025. Interest is payable semi-annually at rates ranging from 4.97% to 5.42%.

\$1,883,000 Combination Tax and Revenue Certificates of Obligation, Series 2005, due in annual installments varying from \$34,000 to \$125,000 with final payment due July 1, 2043. Interest is payable semi-annually at 4.375%.

\$100,000 Combination Tax and Revenue Certificates of Obligation, Series 2006, due in annual installments varying from \$2,000 to \$7,000 with final payment due July 1, 2043. Interest is payable semi-annually at 4.25%.

\$23,978 Time Warrant, due in monthly installments varying from \$637 to \$696 with final payment due September 10, 2021. Interest is payable monthly at 3%.

The revenues of the Waterworks and Sewer System, after deducting the expenses of operation and maintenance, are pledged for payment of bonds and interest. The ordinances authorizing the issuance of the bonds require that monthly deposits be made to Interest and Sinking Funds in amounts sufficient to pay the next maturing bonds and interest.

A Reserve Fund is required to be accumulated with a required reserve amount of at least \$74,400, the average annual principal and interest requirements of the 2000A, 2000B, and 2005 Series bonds. At September 30, 2018, the asset balances in the Interest and Sinking Funds and Reserve Fund are \$71,891 and \$74,400, respectively.

The ordinances authorizing the issuance of the Combination Tax and Revenue Certificates of Obligation require that ad valorem taxes be levied and collected at a rate sufficient to pay principal and interest as they come due on certificates of obligation. They also require that these funds be placed in special Interest and Sinking Funds created solely for the benefit of the obligations at an amount not less than \$39,660. Revenues from the Waterworks and Sewer System are also pledged to secure the certificates of obligation.

CITY OF COOPER, TEXAS
Notes to the Financial Statements (Continued)
September 30, 2018

III. Detailed Notes on All Activities and Funds (Continued)

I. Long-Term Liabilities (Continued)

Water Rights Debt:

The City has rights to water storage at Cooper Lake. Payments for these rights are \$70,691 due annually, including principal and interest at 3.25% through 2041 and \$52,211 for ten years thereafter.

A summary of the long-term debt transactions for the year ended September 30, 2018, are as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balances</u>	<u>Due Within One year</u>
<u>Governmental Activities</u>					
Time Warrants	\$ 40,000	\$ -	\$ 10,000	\$ 30,000	\$ 10,000
Total Governmental Activities	<u>\$ 40,000</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 30,000</u>	<u>\$ 10,000</u>
<u>Business-Type Activities</u>					
Certificates of Obligation	\$ 1,726,000	\$ -	\$ 35,000	\$ 1,691,000	\$ 36,000
Revenue Bonds	906,000	-	32,000	874,000	33,000
Time Warrant	-	23,978	637	23,341	7,117
Water Rights Payable	1,394,454	-	25,329	1,369,125	26,153
Total Business-Type Activities	<u>\$ 4,026,454</u>	<u>\$ 23,978</u>	<u>\$ 92,966</u>	<u>\$ 3,957,466</u>	<u>\$102,270</u>

CITY OF COOPER, TEXAS
Notes to the Financial Statements (Continued)
September 30, 2018

III. Detailed Notes on All Activities and Funds (Continued)

I. Long-Term Liabilities (Continued)

Annual debt services requirements to maturity for long-term debt are as follows:

Year Ending September 30,	Governmental Funds		Proprietary Funds		Total
	Principal	Interest	Principal	Interest	
2019	\$ 10,000	\$ 900	\$ 102,270	\$ 156,418	\$ 269,588
2020	10,000	600	111,994	152,533	275,127
2021	10,000	300	115,115	148,292	273,707
2022	-	-	110,789	144,035	254,824
2023	-	-	114,726	139,744	254,470
2024	-	-	118,693	135,285	253,978
2025	-	-	128,691	130,655	259,346
2026	-	-	111,722	125,677	237,399
2027	-	-	115,787	121,117	236,904
2028	-	-	121,886	116,390	238,276
2029	-	-	126,021	111,406	237,427
2030	-	-	131,192	106,253	237,445
2031	-	-	137,402	100,885	238,287
2032	-	-	141,651	95,255	236,906
2033	-	-	147,941	89,453	237,394
2034	-	-	153,273	83,388	236,661
2035	-	-	160,648	77,101	237,749
2036	-	-	167,068	70,506	237,574
2037	-	-	173,534	63,664	237,198
2038	-	-	182,048	56,509	238,557
2039	-	-	190,611	49,018	239,629
2040	-	-	167,225	41,166	208,391
2041	-	-	173,891	34,425	208,316
2042	-	-	181,612	27,410	209,022
2043	-	-	169,908	20,078	189,986
2044	-	-	39,141	13,069	52,210
2045	-	-	40,415	11,796	52,211
2046	-	-	41,729	10,481	52,210
2047	-	-	43,087	9,124	52,211
2048	-	-	44,488	7,722	52,210
2049	-	-	45,935	6,275	52,210
2050	-	-	47,430	4,781	52,211
2051	-	-	48,973	3,238	52,211
2052	-	-	50,570	1,645	52,215
Total	\$ 30,000	\$ 1,800	\$ 3,957,466	\$ 2,464,794	\$ 6,454,060

CITY OF COOPER, TEXAS
Notes to the Financial Statements (Continued)
September 30, 2018

III. Detailed Notes on All Activities and Funds (Continued)

J. Interfund Receivables and Payables

The composition of interfund balances as of September 30, 2018, is as follows:

Due to/from Other Funds:

Due from General Fund to:	
Street and Bridge Fund	<u>\$10,000</u>
Total Due from General Fund	<u>\$10,000</u>
Due from Sewer Fund to:	
Street and Bridge Fund	<u>\$ 5,000</u>
Total Due from Sewer	<u>\$ 5,000</u>
Due from Water Fund to:	
Special Reserve Fund	<u>\$20,000</u>
Total Due from Water Fund	<u>\$20,000</u>
Due from Special Reserve to:	
General Fund	<u>\$ 8,472</u>
Total Due from Special Reserve	<u>\$ 8,472</u>

The interfund balances of \$15,000 due to the Street and Bridge Fund and \$20,000 due to Special Revenue Fund represent transactions made for regular operations of the City and are not expected to be repaid within the next year. The interfund balance of \$8,472 due to the General Fund is related to grant expenditures and is expected to be repaid within the next year.

The composition of interfund transfers for the year ended September 30, 2018 is as follows:

	Transfer In				Total
	General	Water	Sewer	Big Creek Lake	
Transfer Out:					
General	\$ -	\$ 20,000	\$ 20,000	\$ 7,345	\$ 47,345
Street and Bridge	-	-	20,000	-	20,000
Water	52,484	-	-	83,666	136,150
Sewer	-	-	-	74,561	74,561
Garbage	-	10,000	-	-	10,000
Total	<u>\$ 52,484</u>	<u>\$ 30,000</u>	<u>\$ 40,000</u>	<u>\$ 165,572</u>	<u>\$ 288,056</u>

During the year ended September 30, 2018, the City made fund transfers for regular operations of the City.

CITY OF COOPER, TEXAS
Notes to the Financial Statements (Continued)
September 30, 2018

III. Detailed Notes on All Activities and Funds (Continued)

K. Contingencies

In the normal course of operations, the City receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Accordingly, the City's compliance with applicable grant requirements has not yet been established. The amount, if any, of reimbursements which may be required by the granting agencies cannot be determined at this time.

L. Restricted Assets

Certain proceeds of the City of Cooper's bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

The balances of the City's restricted asset accounts at September 30, 2018, are as follows:

	Cash and Cash Equivalents	Certificates of Deposit
Reserved Funds	\$ -	\$ 74,400
Interest and Sinking Funds	71,891	-
Grant Funds	58,572	-
 Total	\$ 130,463	\$ 74,400

M. Intangible Assets

The City has a contract for water storage space in Cooper Lake. Management has elected to amortize this intangible asset over a forty-eight year useful life.

N. Prior Period Adjustment

During fiscal year 2018, the City adopted GASB Statement No. 75 for Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. With GASB 75, the City must assume their proportionate share of the Net OPEB Liability of the Texas Municipal Retirement System. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The prior period adjustment totaled \$(14,442) for governmental activities and \$(14,444) for business type activities. The restated beginning net position of governmental activities and business type activities is \$1,176,006 and \$3,079,150, respectively.

CITY OF COOPER, TEXAS
Notes to the Financial Statements (Continued)
September 30, 2018

III. Detailed Notes on All Activities and Funds (Continued)

O. Supplementary Information

Water Rates:

First 2,000 Gallons (Minimum Charge)	\$16.35
Each additional 1,000 gallons	3.00

Sewer Rates:

First 2,000 Gallons (Minimum Charge)	\$13.00
Each additional 1,000 gallons	3.50

Garbage Rates:

Residential	\$12.69
Hand Collection	22.31
2 yd. Dumpster	68.07
3 yd. Dumpster	80.03
4 yd. Dumpster	103.82
6 yd. Dumpster	147.10
8 yd. Dumpster	190.54

Number of Customers:

Water	903
Sewer	852
Garbage	805

Water Produced for Resale	181,562,000 gallons
Water Sold	136,697,300 gallons

City Council Members:

- Darren Braddy – Mayor
- David Phillips – Mayor Pro-Tem
- E.J. Cates – Council Member
- Allen Foster – Council Member
- Willie “Bear” Wilkins – Council Member
- Donna Thomason – Council Member

Administrative Staff:

- Dean Eudy – City Judge
- Edgar J. Garrett, Jr. – City Attorney
- Emily Howse – City Secretary / City Administrator
- Terry Palmer – Water / Waste Water Superintendent
- James Jarrell – City Foreman, October 2017 – June 2018
- Will Anderton – City Foreman, June 2018 – September 2018

CITY OF COOPER, TEXAS
 Required Supplementary Information
 Budget Comparison Schedule - General Fund
 Year Ended September 30, 2018

Schedule 1

	Original and Final Budgeted Amount	Actual	Variance with Final Budget
REVENUES			
Property Taxes	\$ 572,222	\$ 570,597	\$ (1,625)
Licenses and Permits	1,000	3,717	2,717
Fines and Fees	700	268	(432)
Investment Earnings	-	3,235	3,235
Contributions and Donations	12,000	11,550	(450)
Miscellaneous	350	3,074	2,724
Total Revenues	586,272	592,441	6,169
EXPENDITURES			
Current:			
General Government	517,597	493,691	23,906
Public Safety	80,675	73,477	7,198
Debt Service:			
Principal	-	10,000	(10,000)
Interest	-	1,200	(1,200)
Total Expenditures	598,272	578,368	19,904
Excess of Revenues Over Expenditures	(12,000)	14,073	26,073
OTHER FINANCING SOURCES (USES)			
Transfers In	12,000	52,484	40,484
Transfers Out	-	(47,345)	(47,345)
Total Other Financing Sources (Uses)	12,000	5,139	(6,861)
Net Change in Fund Balance	-	19,212	19,212
Fund Balance - Beginning	299,509	299,509	-
Fund Balance - Ending	\$ 299,509	\$ 318,721	\$ 19,212

CITY OF COOPER, TEXAS
 Required Supplementary Information
 Budget Comparison Schedule - Street and Bridge Fund
 Year Ended September 30, 2018

Schedule 2

	Original and Final Budgeted Amount	Actual	Variance with Final Budget
REVENUES			
Taxes:			
Sales Taxes	\$ 120,000	\$ 146,719	\$ 26,719
Franchise Taxes	88,000	88,516	516
Investment Earnings	-	1,060	1,060
Miscellaneous	400	645	245
Total Revenues	208,400	236,940	28,540
EXPENDITURES			
Current:			
Streets	208,400	183,224	25,176
Total Expenditures	208,400	183,224	25,176
Excess of Revenues Over Expenditures	-	53,716	53,716
OTHER FINANCING SOURCES (USES)			
Transfers Out	-	(20,000)	(20,000)
Total Other Financing Sources (Uses)	-	(20,000)	(20,000)
Net Change in Fund Balance	-	33,716	33,716
Fund Balance - Beginning	168,154	168,154	-
Fund Balance - Ending	\$ 168,154	\$ 201,870	\$ 33,716

CITY OF COOPER, TEXAS
Schedule of Changes in Net Pension Liability
Texas Municipal Retirement System
Year Ended September 30, 2018

Schedule 3

	Plan Year Ended December 31,			
	2017	2016	2015	2014
Total Pension Liability				
Service Cost	\$ 36,859	\$ 35,208	\$ 34,004	\$ 32,044
Interest (on the Total Pension Liability)	93,878	87,392	90,145	84,949
Changes of Benefit Terms	-	-	-	-
Difference Between Expected and Actual Experience	(10,338)	67,626	(64,190)	(7,359)
Change of Assumptions	-	-	29,671	-
Benefit Payments, Including Refunds of Employee Contributions	(59,067)	(130,871)	(35,770)	(37,017)
Net Change in Total Pension Liability	61,332	59,355	53,860	72,617
Total Pension Liability - Beginning	1,401,882	1,342,527	1,288,667	1,216,050
Total Pension Liability - Ending (a)	<u>\$ 1,463,214</u>	<u>\$ 1,401,882</u>	<u>\$ 1,342,527</u>	<u>\$ 1,288,667</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 15,780	\$ 20,053	\$ 21,982	\$ 22,051
Contributions - Employee	23,909	22,788	23,344	23,211
Net Investment Income	176,769	86,398	1,871	68,203
Benefit Payments, Including Refunds of Employee Contributions	(59,067)	(130,871)	(35,770)	(37,017)
Administrative Expense	(915)	(976)	(1,140)	(712)
Other	(46)	(53)	(56)	(59)
Net Change in Plan Fiduciary Net Position	156,430	(2,661)	10,231	75,677
Plan Fiduciary Net Position - Beginning	1,275,513	1,278,174	1,267,942	1,192,265
Plan Fiduciary Net Position - Ending (b)	<u>\$ 1,431,943</u>	<u>\$ 1,275,513</u>	<u>\$ 1,278,173</u>	<u>\$ 1,267,942</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 31,271</u>	<u>\$ 126,369</u>	<u>\$ 64,354</u>	<u>\$ 20,725</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	97.86%	90.99%	95.21%	98.39%
Covered Payroll	\$ 398,478	\$ 379,801	\$ 389,067	\$ 386,852
Net Pension Liability as a Percentage of Covered Payroll	7.85%	33.27%	16.54%	5.36%

CITY OF COOPER, TEXAS
 Schedule of City Contributions
 Texas Municipal Retirement System
 Year Ended September 30, 2018

	Fiscal Year Ended September 30,			
	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 19,980	\$ 18,399	\$ 21,982	\$ 22,051
Contributions in Relation to Actuarially Determined Contribution	<u>(19,980)</u>	<u>(18,399)</u>	<u>(21,982)</u>	<u>(22,051)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 409,967	\$ 397,791	\$ 389,067	\$ 386,852
Contributions as a Percentage of Covered Payroll	4.87%	4.63%	5.65%	5.70%

CITY OF COOPER, TEXAS
Schedule of Changes in Total OPEB Liability and Related Ratios
Texas Municipal Retirement System
Year Ended September 30, 2018

Schedule 5

	Plan Year Ended December 31,
	2017
Total OPEB Liability	
Service Cost	\$ 1,713
Interest (on the Total OPEB Liability)	1,157
Changes of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Change of Assumptions	2,718
Benefit Payments, Including Refunds of Employee Contributions	(120)
Net Change in Total OPEB Liability	5,468
Total OPEB Liability - Beginning	29,822
Total OPEB Liability - Ending (a)	\$ 35,290
Covered Payroll	\$ 398,478
Total OPEB Liability as a Percentage of Covered Payroll	8.86%

CITY OF COOPER, TEXAS
 Schedule of OPEB Contributions
 Texas Municipal Retirement System
 Year Ended September 30, 2018

Schedule 6

	Fiscal Year Ended September 30, 2018
Actuarially Determined Contribution	\$ 1,373
Contributions in Relation to Actuarially Determined Contribution	(1,373)
Contribution Deficiency (Excess)	\$ -
Covered Payroll	\$ 409,967
Contributions as a Percentage of Covered Payroll	0.33%

CITY OF COOPER, TEXAS
Notes to the Required Supplementary Information
September 30, 2018

Note 1: Budgetary Data

In accordance with state law, the City adopts an annual budget before September 30 for the subsequent year. The budget is prepared on the same modified cash basis of accounting as applied to the governmental funds in the basic financial statements.

GAAP requires that a budgetary comparison be presented for the general fund and individual major special revenue funds with annual (or biennial) appropriated budgets. The budgetary comparison must include the original budget and the final amended budget.

Note 2: Excess of Expenditures Over Appropriations

For the year ended September 30, 2018, the City's expenditures exceeded appropriations at the legal level of control in the General Fund as follows:

<u>Object Category</u>	<u>Expenditures Exceeding Appropriations</u>
Principal	\$ 10,000
Interest	1,200
Transfers Out	47,345

For the year ended September 30, 2018, the City's expenditures exceeded appropriations at the legal level of control in the Street and Bridge Fund as follows:

<u>Object Category</u>	<u>Expenditures Exceeding Appropriations</u>
Transfers Out	\$ 20,000

CITY OF COOPER, TEXAS
Notes to the Required Supplementary Information (continued)
September 30, 2018

Note 3: Schedule of City 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:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table based on rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information:	There were no benefit changes during the year.

CITY OF COOPER, TEXAS
Notes to the Required Supplementary Information (continued)
September 30, 2018

Note 4: Schedule of OPEB 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:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	17 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table based on rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information:	There were no benefit changes during the year.

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

To the Honorable Mayor and City Council
City of Cooper
Cooper, Texas 75432

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Cooper, Texas (the City), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Cooper's basic financial statements, and have issued our report thereon dated February 5, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Cooper's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City'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 consider the following to be significant deficiencies.

Financial Accounting and Reporting:

The City does not prepare the financial statements and control the period-end financial reporting process, including controls over the selection and application of accounting principles that are in conformity with generally accepted accounting principles; control over procedures used to analyze transactions comprising general ledger activity; controls over initiating, authorizing, recording and processing journal entries into the general ledger; and controls over recording recurring and nonrecurring adjustments to the financial statements.

Honorable Mayor and City Council
City of Cooper

Segregation of Duties:

A critical element in any internal control structure is the characteristic known as segregation of duties. Assigning different personnel the responsibility of authorizing transactions, recording transactions, and maintaining custody of assets achieves this internal control structure attribute. Due to the City's small number of personnel, there is limited segregation of duties in substantially all areas of the accounting system. To the extent possible, every effort should be made to utilize a "best practices" approach when considering controls over cash transactions and preparation of accounting records. We encourage the council to closely monitor its financial activities which may help offset the weakness associated with limited segregation of duties.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McClanahan and Holmes, LLP
Certified Public Accountants

Bonham, Texas
February 5, 2019