

CITY OF COOPER, TEXAS
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2021

CITY OF COOPER, TEXAS
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McClanahan and Holmes, LLP
CERTIFIED PUBLIC ACCOUNTANTS

STEVEN W. MOHUNDRO, CPA
GEORGE H. STRUVE, CPA
RUSSELL P. WOOD, CPA
DEBRA J. WILDER, CPA
TEFFANY A. KAVANAUGH, CPA
APRIL J. HATFIELD, CPA

228 SIXTH STREET S.E.
PARIS, TEXAS 75460
903-784-4316
FAX 903-784-4310

304 WEST CHESTNUT
DENISON, TEXAS 75020
903-465-6070
FAX 903-465-6093

1400 WEST RUSSELL
BONHAM, TEXAS 75418
903-583-5574
FAX 903-583-9453

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 modified cash basis 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, 2021, 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 the modified cash basis of accounting described in Note I; 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 modified cash basis financial position of the governmental activities, the business-type activities, and each major fund of the City of Cooper, Texas, as of September 30, 2021, and the respective changes in modified cash basis financial position, and,

Honorable Mayor and City Council
City of Cooper, Texas

where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note I of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cooper, Texas' basic financial statements. The budgetary comparison schedules, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2021, 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
December 29, 2021

CITY OF COOPER, TEXAS
Statement of Net Position - Modified Cash Basis
September 30, 2021

Statement 1

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and Cash Equivalents	\$ 812,468	\$ 144,429	\$ 956,897
Restricted Assets:			
Cash and Cash Equivalents	341,626	157,026	498,652
Certificates of Deposit	-	74,400	74,400
Note Receivable	-	1,123,477	1,123,477
Capital Assets Not Being Depreciated:			
Land	58,477	-	58,477
Construction in Progress	-	11,415	11,415
Capital Assets (Net of Accumulated Depreciation):			
Buildings and Improvements	58,216	5,291	63,507
Machinery, Equipment, and Vehicles	727,756	45,190	772,946
Infrastructure	178,955	-	178,955
Systems and Improvements	-	3,818,306	3,818,306
Water Rights (Net of Accumulated Amortization)	-	131,608	131,608
Total Assets	<u>2,177,498</u>	<u>5,511,142</u>	<u>7,688,640</u>
LIABILITIES			
Sales Tax Payable	-	1,189	1,189
Customers' Meter Deposits	-	74,570	74,570
Noncurrent Liabilities:			
Due Within One Year	30,440	118,839	149,279
Due in More Than One Year	129,560	3,522,764	3,652,324
Total Liabilities	<u>160,000</u>	<u>3,717,362</u>	<u>3,877,362</u>
NET POSITION			
Net Investment in Capital Assets	863,404	1,526,685	2,390,089
Unrestricted	1,154,094	267,095	1,421,189
Total Net Position	<u>\$ 2,017,498</u>	<u>\$ 1,793,780</u>	<u>\$ 3,811,278</u>

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

CITY OF COOPER, TEXAS
Statement of Activities - Modified Cash Basis
Year Ended September 30, 2021

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	\$ 724,164	\$ 4,628	\$ 306,644	\$ 511,415	\$ 98,523	\$ -	\$ 98,523
Public Safety	90,877	-	-	-	(90,877)	-	(90,877)
Streets	312,825	-	-	-	(312,825)	-	(312,825)
Grants	5,030	-	-	-	(5,030)	-	(5,030)
Interest	269	-	-	-	(269)	-	(269)
Total Governmental Activities	1,133,165	4,628	306,644	511,415	(310,478)	-	(310,478)
Business-Type Activities:							
Water	559,500	672,011	-	-	-	112,511	112,511
Sewer	354,239	307,874	-	-	-	(46,365)	(46,365)
Garbage	222,939	217,452	-	-	-	(5,487)	(5,487)
Big Creek Lake	419,349	-	-	-	-	(419,349)	(419,349)
Total Business-Type Activities	1,556,027	1,197,337	-	-	-	(358,690)	(358,690)
Total Primary Government	\$ 2,689,192	\$ 1,201,965	\$ 306,644	\$ 511,415	(310,478)	(358,690)	(669,168)
General Revenues:							
Property Taxes					690,838	31,023	721,861
Sales Taxes					197,201	-	197,201
Franchise Taxes					82,948	-	82,948
Investment Earnings					9,959	3,141	13,100
Note Receivable Interest Income					-	42,695	42,695
Gain (Loss) on Sale of Capital Assets					9,000	-	9,000
Miscellaneous					141,884	40,163	182,047
Transfers					49,066	(49,066)	-
Total General Revenues and Transfers					1,180,896	67,956	1,248,852
Change in Net Position					870,418	(290,734)	579,684
Net Position - Beginning					1,147,080	2,084,514	3,231,594
Net Position - Ending					\$ 2,017,498	\$ 1,793,780	\$ 3,811,278

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

CITY OF COOPER, TEXAS
 Balance Sheet - Modified Cash Basis
 Governmental Funds
 September 30, 2021

Statement 3

	General	Special Revenue Street and Bridge	Special Reserve	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 651,954	\$ 160,514	\$ -	\$ 812,468
Restricted Cash and Cash Equivalents	-	-	341,626	341,626
Due from Other Funds	8,472	-	-	8,472
Total Assets	\$ 660,426	\$ 160,514	\$ 341,626	\$ 1,162,566
LIABILITIES				
Due to Other Funds	\$ -	\$ -	\$ 8,472	\$ 8,472
Total Liabilities	-	-	8,472	8,472
FUND BALANCES				
Unassigned	660,426	160,514	333,154	1,154,094
Total Fund Balances	660,426	160,514	333,154	1,154,094
 Total Liabilities and Fund Balances	 \$ 660,426	 \$ 160,514	 \$ 341,626	 \$ 1,162,566
Amounts reported for governmental activities in the statement of net position are different because:				
Total Fund Balances - Governmental Funds (above)				\$ 1,154,094
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The details of this are as follows:				
Land			\$ 58,477	
Buildings and Improvements			700,976	
Less: Accumulated Depreciation - Buildings and Improvements			(642,760)	
Machinery, Equipment, and Vehicles			1,326,194	
Less: Accumulated Depreciation - Machinery, Equipment, and Vehicles			(598,438)	
Infrastructure			755,298	
Less: Accumulated Depreciation - Infrastructure			(576,343)	1,023,404
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. This liability consists of:				
Time Warrants Payable				(160,000)
Net Position of Governmental Activities				\$ 2,017,498

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 - Modified Cash Basis
Governmental Funds
For the Year Ended September 30, 2021

Statement 4

	General	Special Revenue		Total Governmental Funds
		Street and Bridge	Special Reserve	
REVENUES				
Property Taxes	\$ 690,838	\$ -	\$ -	\$ 690,838
Sales and Mixed Beverage Taxes	-	197,201	-	197,201
Franchise Taxes	-	82,948	-	82,948
Licenses and Permits	4,628	-	-	4,628
Intergovernmental	36,975	-	807,787	844,762
Investment Earnings	7,012	2,142	805	9,959
Contributions and Donations	10,272	-	-	10,272
Miscellaneous	81,644	23,265	-	104,909
Total Revenues	831,369	305,556	808,592	1,945,517
EXPENDITURES				
Current:				
General Government	566,027	-	-	566,027
Public Safety	90,862	-	-	90,862
Streets	-	312,825	-	312,825
Grants	-	-	30	30
Capital Outlay	305,725	54,990	500,000	860,715
Debt Service:				
Principal	10,000	-	-	10,000
Interest	269	-	-	269
Total Expenditures	972,883	367,815	500,030	1,840,728
Excess of Revenues Over Expenditures	(141,514)	(62,259)	308,562	104,789
OTHER FINANCING SOURCES (USES)				
Transfers In	120,244	-	21,600	141,844
Transfers Out	(7,209)	(6,394)	(79,175)	(92,778)
Proceeds from Issuance of Long-Term Debt	160,000	-	-	160,000
Proceeds from Sale of Capital Assets	9,000	-	-	9,000
Total Other Financing Sources (Uses)	282,035	(6,394)	(57,575)	218,066
Net Changes in Fund Balances	140,521	(68,653)	250,987	322,855
Fund Balances - Beginning	519,905	229,167	82,167	831,239
Fund Balances - Ending	\$ 660,426	\$ 160,514	\$ 333,154	\$ 1,154,094

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

Net Changes in Fund Balances - Total Governmental Funds (above)	\$ 322,855
Governmental funds report capital outlays as expenditures. However, in the Government-Wide Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$812,961) exceeded depreciation (\$115,398) in the current year.	697,563
Proceeds from the issuance of debt is income in the Governmental Fund, but increases liabilities in the Statements of Net Position.	(160,000)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position	10,000
Change in Net Position of Governmental Activities	\$ 870,418

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

CITY OF COOPER, TEXAS
Statement of Net Position - Modified Cash Basis
Proprietary Funds
September 30, 2021

Statement 5

	Business-Type Activities				Total Enterprise Funds
	Water	Sewer	Garbage	Big Creek Lake	
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 69,613	\$ 41,468	\$ 33,348	\$ -	\$ 144,429
Restricted Cash and Cash Equivalents	74,570	-	-	82,456	157,026
Restricted Certificates of Deposit	-	-	-	74,400	74,400
Note Receivable - Current Portion	-	-	-	18,893	18,893
Total Current Assets	144,183	41,468	33,348	175,749	394,748
Noncurrent Assets:					
Note Receivable - Long-Term Portion	-	-	-	1,104,584	1,104,584
Capital Assets:					
Construction in Progress	11,415	-	-	-	11,415
Buildings and Improvements	-	-	30,269	-	30,269
Machinery, Equipment, and Vehicles	269,493	15,348	37,122	-	321,963
Systems and Improvements	2,632,640	6,014,316	-	6,543,393	15,190,349
Less Accumulated Depreciation	(1,692,275)	(3,641,995)	(62,100)	(6,277,424)	(11,673,794)
Water Rights	-	-	-	203,790	203,790
Less Accumulated Amortization	-	-	-	(72,182)	(72,182)
Total Noncurrent Assets	1,221,273	2,387,669	5,291	1,502,161	5,116,394
Total Assets	1,365,456	2,429,137	38,639	1,677,910	5,511,142
LIABILITIES					
Current Liabilities:					
Sales Tax Payable	-	-	1,189	-	1,189
Customers' Meter Deposits	74,570	-	-	-	74,570
Certificates of Obligation	-	-	-	41,000	41,000
Revenue Bonds	-	-	-	41,000	41,000
Time Warrants Payable	8,050	-	-	-	8,050
Water Rights Payable	-	-	-	28,789	28,789
Total Current Liabilities	82,620	-	1,189	110,789	194,598
Noncurrent Liabilities:					
Certificates of Obligation	-	-	-	1,537,000	1,537,000
Revenue Bonds	-	-	-	721,000	721,000
Time Warrants Payable	5,467	-	-	-	5,467
Water Rights Payable	-	-	-	1,259,297	1,259,297
Total Noncurrent Liabilities	5,467	-	-	3,517,297	3,522,764
Total Liabilities	88,087	-	1,189	3,628,086	3,717,362
NET POSITION					
Net Investment in Capital Assets	1,207,756	2,387,669	5,291	(2,074,031)	1,526,685
Unrestricted	69,613	41,468	32,159	123,855	267,095
Total Net Position	\$ 1,277,369	\$ 2,429,137	\$ 37,450	\$ (1,950,176)	\$ 1,793,780

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 - Modified Cash Basis
Proprietary Funds
For the Year Ended September 30, 2021

Statement 6

	Business-Type Activities				Total Enterprise Funds
	Water	Sewer	Garbage	Big Creek Lake	
OPERATING REVENUES:					
Charges for Services:					
Water Services	\$ 668,261	\$ -	\$ -	\$ -	\$ 668,261
Sewer Services	-	307,874	-	-	307,874
Refuse Collections	-	-	217,452	-	217,452
Water and Sewer Taps	3,750	-	-	-	3,750
Taxes	-	-	-	31,023	31,023
Miscellaneous	2,034	4,470	9,805	23,853	40,162
Total Operating Revenues	674,045	312,344	227,257	54,876	1,268,522
OPERATING EXPENSES:					
Personnel Services	218,602	84,381	4,107	-	307,090
Insurance	13,608	8,065	64	-	21,737
Materials and Supplies	206,586	68,022	-	-	274,608
Refuse Service Contract	-	-	214,669	-	214,669
Utilities	35,939	32,186	781	-	68,906
Other	14,300	6,790	2,294	23,468	46,852
Depreciation	70,004	154,777	1,024	241,449	467,254
Amortization	-	-	-	4,246	4,246
Total Operating Expenses	559,039	354,221	222,939	269,163	1,405,362
Operating Income (Loss)	115,006	(41,877)	4,318	(214,287)	(136,840)
NONOPERATING REVENUES (EXPENSES):					
Investment Earnings	1,069	374	320	1,378	3,141
Note Receivable Interest Income	-	-	-	42,695	42,695
Interest Expense	(462)	(17)	-	(150,185)	(150,664)
Total Nonoperating Income (Expense)	607	357	320	(106,112)	(104,828)
Income (Loss) Before Transfers	115,613	(41,520)	4,638	(320,399)	(241,668)
Transfers In	18,351	-	-	156,179	174,530
Transfers Out	(133,216)	(85,754)	(4,320)	(306)	(223,596)
Changes in Net Position	748	(127,274)	318	(164,526)	(290,734)
Net Position - Beginning	1,276,621	2,556,411	37,132	(1,785,650)	2,084,514
Net Position - Ending	\$ 1,277,369	\$ 2,429,137	\$ 37,450	\$ (1,950,176)	\$ 1,793,780

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

CITY OF COOPER, TEXAS
Statement of Cash Flows - Modified Cash Basis
Proprietary Funds
For the Year Ended September 30, 2021

Statement 7

	Business-Type Activities				Total Enterprise Funds
	Water	Sewer	Garbage	Big Creek Lake	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ 675,308	\$ 312,344	\$ 227,257	\$ 54,876	\$ 1,269,785
Payments to Suppliers and Service Providers	(270,433)	(115,063)	(217,774)	(23,468)	(626,738)
Payments to Employees for Salaries and Benefits	(218,602)	(84,381)	(4,107)	-	(307,090)
Decrease in Interfund Payables	-	(5,000)	-	-	(5,000)
Net Cash Provided by (Used For) Operating Activities	<u>186,273</u>	<u>107,900</u>	<u>5,376</u>	<u>31,408</u>	<u>330,957</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from Other Funds	18,351	-	-	156,179	174,530
Transfers to Other Funds	(133,216)	(85,754)	(4,320)	(306)	(223,596)
Net Cash Provided by (Used For) Noncapital Financing Activities	<u>(114,865)</u>	<u>(85,754)</u>	<u>(4,320)</u>	<u>155,873</u>	<u>(49,066)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and Construction of Capital Assets	(11,415)	(6,300)	-	-	(17,715)
Principal Paid on Certificates of Obligation	-	-	-	(39,000)	(39,000)
Principal Paid on Revenue Bonds	-	-	-	(40,000)	(40,000)
Principal Paid on Time Warrants Payable	(11,630)	(3,779)	-	-	(15,409)
Principal Paid on Water Rights	-	-	-	(27,882)	(27,882)
Interest Paid on Certificates of Obligation	-	-	-	(70,656)	(70,656)
Interest Paid on Revenue Bonds	-	-	-	(36,721)	(36,721)
Interest Paid on Time Warrants Payable	(462)	(17)	-	-	(479)
Interest Paid on Water Rights	-	-	-	(42,808)	(42,808)
Net Cash Provided by (Used For) Capital and Related Financing Activities	<u>(23,507)</u>	<u>(10,096)</u>	<u>-</u>	<u>(257,067)</u>	<u>(290,670)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Principal Received on Note Receivable	-	-	-	27,995	27,995
Interest on Investments	1,069	374	320	1,378	3,141
Interest on Note Receivable	-	-	-	42,695	42,695
Net Cash Provided by (Used For) Investing Activities	<u>1,069</u>	<u>374</u>	<u>320</u>	<u>72,068</u>	<u>73,831</u>
Net Increase (Decrease) in Cash and Cash Equivalents	48,970	12,424	1,376	2,282	65,052
Cash and Cash Equivalents - Beginning	95,213	29,044	31,972	80,174	236,403
Cash and Cash Equivalents - Ending	<u>\$ 144,183</u>	<u>\$ 41,468</u>	<u>\$ 33,348</u>	<u>\$ 82,456</u>	<u>\$ 301,455</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
Operating Income (Loss)	<u>\$ 115,006</u>	<u>\$ (41,877)</u>	<u>\$ 4,318</u>	<u>\$ (214,287)</u>	<u>\$ (136,840)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) by Operating Activities:					
Depreciation and Amortization	70,004	154,777	1,024	245,695	471,500
Increase (Decrease) in Due to Other Funds	-	(5,000)	-	-	(5,000)
Increase (Decrease) in Sales Tax Payable	-	-	34	-	34
Increase (Decrease) in Customers' Deposits	1,263	-	-	-	1,263
Total Adjustments	<u>71,267</u>	<u>149,777</u>	<u>1,058</u>	<u>245,695</u>	<u>467,797</u>
Net Cash Provided by (Used For) Operating Activities	<u>\$ 186,273</u>	<u>\$ 107,900</u>	<u>\$ 5,376</u>	<u>\$ 31,408</u>	<u>\$ 330,957</u>

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

CITY OF COOPER, TEXAS
Statement of Net Position - Modified Cash Basis
Fiduciary Fund
September 30, 2021

Statement 8

Frankie
McKinney
Arts Alliance

ASSETS

Current Assets:

Cash and Cash Equivalents

\$ 462,951

Total Current Assets

462,951

Noncurrent Assets:

Capital Assets:

Building and Furnishings (Collections)

100,573

Total Noncurrent Assets

100,573

Total Assets

563,524

LIABILITIES

Current Liabilities:

Payroll Liabilities

-

Total Current Liabilities:

-

Total Liabilities

-

NET POSITION

Restricted for Arts

563,524

Total Net Position

\$ 563,524

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

CITY OF COOPER, TEXAS
Statement of Changes in Net Position - Modified Cash Basis
Fiduciary Fund
Year Ended September 30, 2021

Statement 9

	<u>Frankie McKinney Arts Alliance</u>
ADDITIONS:	
Royalties	\$ 11,693
Investment Earnings	1,836
Miscellaneous	199
Total Additions	<u>13,728</u>
DEDUCTIONS:	
Personnel Services	3,368
Insurance	1,755
Repairs	235
Utilities	6,531
Other	10,892
Total Deductions	<u>22,781</u>
Changes in Net Position	(9,053)
Net Position - Beginning	<u>572,577</u>
Net Position - Ending	<u><u>\$ 563,524</u></u>

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

CITY OF COOPER, TEXAS
Notes to Financial Statements
September 30, 2021

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.

Except for the use of the modified cash basis of accounting as discussed in Note I.E., the City complies with accounting principles generally accepted in the United States of America as applicable to governments. Accounting principles generally accepted in the United States of America include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of this Note.

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.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category, governmental, proprietary, and fiduciary 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.

CITY OF COOPER, TEXAS
Notes to Financial Statements (Continued)
September 30, 2021

I. Summary of Significant Accounting Policies (Continued)

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

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.

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.

Additionally, the government reports the following fund types:

The Custodial Fund accounts for resources held by the City in a custodial capacity to provide cultural enhancement to the City of Cooper. The City's Custodial Fund is the Frankie McKinney Arts Alliance.

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**

In the government-wide statement of net position and the statement of activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting as defined below:

1. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
2. The proprietary fund types and fiduciary funds are reported using the "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and

CITY OF COOPER, TEXAS
Notes to Financial Statements (Continued)
September 30, 2021

I. Summary of Significant Accounting Policies (Continued)

E. Measurement Focus and Basis of Accounting (Continued)

liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary and the Frankie McKinney fund balances are classified as net position. In the fund financial statements, the “current financial resources: measurement focus”, as applied to the modified cash basis of accounting is used.

The City of Cooper prepares its financial statements on the modified cash basis. The modified cash basis recognizes revenue when collected rather than when it is earned, and expenses are generally recognized when paid rather than when the obligation is incurred. Therefore, the financial statements do not reflect receivables, payables, and accrued items. However, payroll liabilities and other amounts that the City collects and distributes to third parties are shown as accruals. Depreciation of fixed assets is presented in the government-wide statements and the proprietary fund statements. This basis is a basis of accounting other than accounting principles generally accepted in the United States of America.

F. Budgetary Information

1. Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with the modified cash basis of accounting. The appropriate budget is prepared by fund and department.

2. Excess of Expenditures Over Appropriations

For the year ended September 30, 2021, the City’s expenditures exceed appropriation at the legal level of control in the General Fund as follows:

<u>Object Category</u>	<u>Expenditures Exceeding Appropriations</u>
General Government	\$ 13,107
Public Safety	2,746
Capital Outlay – General	20,140
Streets	97,695

The over-expenditures were funded by available fund balance.

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 City does not adopt an annual budget for the special reserve fund because the City is not legally required to do so. The budget for the Enterprise Funds is adopted under a basis consistent with the modified cash basis of accounting.

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.

CITY OF COOPER, TEXAS
Notes to Financial Statements (Continued)
September 30, 2021

I. Summary of Significant Accounting Policies (Continued)

F. Budgetary Information (Continued)

2. Excess of Expenditures Over Appropriation (Continued)

Subsequent to year-end, the City Council adopts an amended budget approving such additional expenditures/expenses. For the year ended September 30, 2021, the original budget expenditures were not changed. All annual appropriations lapse at fiscal year-end.

G. Assets, Liabilities, 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, 2021, 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.

3. Note Receivable

Below is the detail of the note receivable, that is in relation to water rights, as of September 30, 2021:

	<u>Big Creek Lake</u>
Note Receivable	\$ 1,123,477
Amount Not Expected to be Collected During the Subsequent Year	\$ 1,104,584

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. Infrastructure acquired prior to the implementation of GASB 34 are included in the financial statements.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

CITY OF COOPER, TEXAS
Notes to Financial Statements (Continued)
September 30, 2021

I. Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities, and Net Position/Fund Balance (Continued)

4. Capital Assets (Continued)

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>
Buildings and Improvements	20-40
Machinery, Equipment, and Vehicles	5-7
Infrastructure	20
System and Improvements	10-40

Collections: In accordance with guidance issued by the Texas Comptroller of Public Accounts, collections are capitalized but not depreciated. Collections are valued at their historical cost or fair value at the date of donation. The Frankie McKinney Arts Alliance has buildings and furnishings which it capitalizes as collections.

5. Restricted Assets

The City considers cash within the Water Fund restricted for the repayment of meter deposits.

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, 2021, are as follows:

<u>General Fund</u>	<u>Cash and Cash Equivalents</u>	<u>Certificate of Deposit</u>
Grant Funds	\$ 341,626	\$ -
<u>Proprietary Fund</u>		
Reserved Funds	-	74,400
Meter Deposits	74,570	-
Interest and Sinking Funds	82,456	-
Total	<u>\$ 498,652</u>	<u>\$ 74,400</u>

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.

CITY OF COOPER, TEXAS
Notes to Financial Statements (Continued)
September 30, 2021

I. Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities, and Net Position/Fund Balance (Continued)

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.

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 has by resolution authorized the finance director to assign fund balance. 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

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.

CITY OF COOPER, TEXAS
Notes to Financial Statements (Continued)
September 30, 2021

I. Summary of Significant Accounting Policies (Continued)

H. Revenues and Expenditures/Expenses (Continued)

2. Property Taxes (Continued)

The lien is effective until all such amounts are paid. Tax rates per \$100 valuation for the 2020 levy amounted to .8344 for maintenance and operation and .0369 for the interest and sinking fund.

3. 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.

II. Stewardship, Compliance, and Accountability

Violations of Legal or Contractual Provisions

Note I.F.2., on the Excess of Expenditures Over Appropriations, describes a budgetary violation that occurred during the year ended September 30, 2021. The over-expenditures were funded by available fund balance.

At September 30, 2021 the Big Creek Lake Fund had a deficit fund net position of \$1,950,176. The deficit will be eliminated as resources are obtained.

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, 2021, the City had deposits with a carrying amount of \$1,529,949, and the bank's balances were \$ 2,023,572. At September 30, 2021, the City had deposits of \$133,588 that were exposed to custodial credit risk because they were uninsured and uncollateralized. The City's Certificates of Deposit totaling \$74,400 are considered deposits for this footnote but are classified as certificates of deposit on the face of the financial statements.

CITY OF COOPER, TEXAS
Notes to Financial Statements (Continued)
September 30, 2021

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

B. Certificates of Deposit

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.

The City is required by Government Code Chapter 2256, The Public Funds Investment Act ("Act"), to adopt, implement, and publicize an investment policy. That policy must be written, primarily emphasize safety of principal and liquidity, address investment diversification, yield, and maturity and the quality and capability of investment management, and include a list of the types of authorized investments in which the investing entity's funds may be invested, and the maximum allowable stated maturity of any individual investment owned by the entity. As of September 30, 2021, the City represents that it was in compliance.

C. Capital Assets

Capital asset activity for the year ended September 30, 2021, 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	5,670	-	700,976
Machinery, Equipment, and Vehicles	681,963	752,301	(108,070)	1,326,194
Infrastructure	700,308	54,990	-	755,298
Total Capital Assets, Being Depreciated	<u>2,077,577</u>	<u>812,961</u>	<u>(108,070)</u>	<u>2,782,468</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(638,244)	(4,516)	-	(642,760)
Machinery, Equipment, and Vehicles	(629,748)	(76,760)	108,070	(598,438)
Infrastructure	(542,221)	(34,122)	-	(576,343)
Total Accumulated Depreciation	<u>(1,810,213)</u>	<u>(115,398)</u>	<u>108,070</u>	<u>(1,817,541)</u>
Total Capital Assets, Being Depreciated, Net	<u>267,364</u>	<u>697,563</u>	<u>-</u>	<u>964,927</u>
Governmental Activities Capital Assets, Net	<u>\$ 325,841</u>	<u>\$ 697,563</u>	<u>\$ -</u>	<u>\$ 1,023,404</u>

CITY OF COOPER, TEXAS
Notes to Financial Statements (Continued)
September 30, 2021

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

C. Capital Assets (Continued)

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

Governmental Activities:	
General Government	\$ 4,516
Public Safety	69,262
Streets	<u>41,620</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 115,398</u>

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	<u>\$ -</u>	<u>\$ 11,415</u>	<u>\$ -</u>	<u>\$ 11,415</u>
Total Capital Assets, Not Being Depreciated	<u>-</u>	<u>11,415</u>	<u>-</u>	<u>11,415</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	30,269	-	-	30,269
Machinery, Equipment, and Vehicles	321,963	-	-	321,963
Systems and Improvements	<u>15,184,049</u>	<u>6,300</u>	<u>-</u>	<u>15,190,349</u>
Total Capital Assets, Being Depreciated	<u>15,536,281</u>	<u>6,300</u>	<u>-</u>	<u>15,542,581</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(23,954)	(1,024)	-	(24,978)
Machinery, Equipment, and Vehicles	(268,551)	(8,222)	-	(276,773)
Systems and Improvements	<u>(10,914,035)</u>	<u>(458,008)</u>	<u>-</u>	<u>(11,372,043)</u>
Total Accumulated Depreciation	<u>(11,206,540)</u>	<u>(467,254)</u>	<u>-</u>	<u>(11,673,794)</u>
Total Capital Assets, Being Depreciated, Net	<u>4,329,741</u>	<u>(460,954)</u>	<u>-</u>	<u>3,868,787</u>
Business-Type Activities Capital Assets, Net	<u>\$ 4,329,741</u>	<u>\$ (449,539)</u>	<u>\$ -</u>	<u>\$ 3,880,202</u>

Business-Type Activities:

Water	\$ 70,004
Sewer	154,777
Garbage	1,024
Big Creek Lake	<u>241,449</u>
Total Depreciation Expense – Business-Type Activities	<u>\$ 467,254</u>

CITY OF COOPER, TEXAS
Notes to Financial Statements (Continued)
September 30, 2021

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

C. Capital Assets (Continued)

Fiduciary Fund Activities:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balances</u>
Capital Assets, Not Being Depreciated:				
Building and Furnishings (Collections)	\$ 100,573	\$ -	\$ -	\$ 100,573
Total Capital Assets, Not Being Depreciated	<u>100,573</u>	<u>-</u>	<u>-</u>	<u>100,573</u>
Fiduciary Fund Activities Capital Assets	<u>\$ 100,573</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,573</u>

D. Long-Term Liabilities

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

\$160,000 Time Warrant, due in annual installments of \$34,440 with final payment due October 1, 2025. Interest is payable annually at 2.5%.

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 \$20,000 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 \$15,000 to \$20,000 with final payment due July 1, 2025. Interest is payable semi-annually at rates ranging from 5.12% to 5.42%.

\$1,883,000 Combination Tax and Revenue Certificates of Obligation, Series 2005, due in annual installments varying from \$39,000 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 4.375%.

\$23,956 Time Warrant, due in monthly installments of \$691 with final payment due May 11, 2023. Interest is payable monthly at 2.5%.

CITY OF COOPER, TEXAS
Notes to Financial Statements (Continued)
September 30, 2021

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

D. Long-Term Liabilities (Continued)

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, 2021, the asset balances in the Interest and Sinking Funds and Reserve Fund are \$82,456 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.

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, 2021, 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	\$ 10,000	\$ 160,000	\$ 10,000	\$ 160,000	\$ 30,440
Total Governmental Activities	<u>\$ 10,000</u>	<u>\$ 160,000</u>	<u>\$ 10,000</u>	<u>\$ 160,000</u>	<u>\$ 30,440</u>
<u>Business-Type Activities</u>					
Certificates of Obligation	\$ 1,617,000	\$ -	\$ 39,000	\$ 1,578,000	\$ 41,000
Revenue Bonds	802,000	-	40,000	762,000	41,000
Time Warrants	28,926	-	15,409	13,517	8,050
Water Rights Payable	1,315,968	-	27,882	1,288,086	28,789
Total Business-Type Activities	<u>\$ 3,763,894</u>	<u>\$ -</u>	<u>\$ 122,291</u>	<u>\$ 3,641,603</u>	<u>\$ 118,839</u>

CITY OF COOPER, TEXAS
Notes to Financial Statements (Continued)
September 30, 2021

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

D. Long-Term Liabilities (Continued)

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

Year Ending September 30,	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2022	\$ 30,440	\$ 4,000	\$ 118,839	\$ 144,281	\$ 297,560
2023	31,200	3,239	120,193	139,795	294,427
2024	31,980	2,459	118,693	135,285	288,417
2025	32,780	1,659	128,691	130,655	293,785
2026	33,600	840	111,722	125,677	271,839
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	-	-	50,569	1,645	52,214
Total	\$ 160,000	\$ 12,197	\$ 3,641,603	\$ 2,007,848	\$ 5,821,648

CITY OF COOPER, TEXAS
Notes to Financial Statements (Continued)
September 30, 2021

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

E. Interfund Receivables and Payables

The composition of interfund balances as of September 30, 2021, is as follows:

Due to/from Other Funds:

Due from Special Reserve to:	
General Fund	<u>\$ 8,472</u>
Total Due from Special Reserve	<u>\$ 8,472</u>

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, 2021 is as follows:

	Transfer In				Total
	General	Water	Big Creek Lake	Special Reserve	
Transfer Out:					
General	\$ -	\$ 2,889	\$ -	\$ 4,320	\$ 7,209
Street and Bridge	-	2,074	-	4,320	6,394
Special Reserve	67,760	11,415	-	-	79,175
Water	52,484	-	76,412	4,320	133,216
Sewer	-	1,667	79,767	4,320	85,754
Garbage	-	-	-	4,320	4,320
Big Creek Lake	-	306	-	-	306
Total	<u>\$ 120,244</u>	<u>\$ 18,351</u>	<u>\$ 156,179</u>	<u>\$ 21,600</u>	<u>\$ 316,374</u>

During the year ended September 30, 2021, the City made fund transfers for regular operations of the City.

CITY OF COOPER, TEXAS
Notes to Financial Statements (Continued)
September 30, 2021

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

F. Pension Plan

1. Plan Description

The City participates as one of 895 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.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.

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.

Employees Covered by Benefit Terms.

At the December 31, 2020, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	8
Inactive Employees Entitled to but not yet Receiving Benefits	6
Active Employees	<u>13</u>
Total	<u>27</u>

The funded status as of December 31, 2020, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2020	\$1,553,138	\$1,682,050	92.3%	\$128,912	\$488,972	26.4%

CITY OF COOPER, TEXAS
Notes to Financial Statements (Continued)
September 30, 2021

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

F. Pension Plan (Continued)

3. 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 5.29% and 5.71% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$26,343 and were equal to the required contributions.

G. Other Post Employment Benefit (OPEB)

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). 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.

Employees Covered by Benefit Terms.

At the December 31, 2020 valuation and measurement date, the following employees were covered by benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	5
Inactive Employees Entitled to but not yet Receiving Benefits	1
Active Employees	<u>13</u>
Total	<u>19</u>

CITY OF COOPER, TEXAS
Notes to Financial Statements (Continued)
September 30, 2021

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

G. Other Post Employment Benefit (OPEB) (Continued)

3. 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 0.27% and 0.30% of gross earnings in calendar year 2020 and 2021, respectively.

4. 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.

H. 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, 2021, was approximately \$201,546.

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

CITY OF COOPER, TEXAS
Notes to Financial Statements (Continued)
September 30, 2021

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

H. Commitments (Continued)

3. Interlocal Cooperative Agreements

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, 2021, was approximately \$29,290.

During the year, the City participated in an interlocal cooperative agreement with the Cooper Volunteer Fire Department (VFD). The City and the VFD will purchase a new pumper fire truck to improve the VFD's fire suppression capabilities and meet the VFD's strategic and tactical needs. The City paid \$5,000 toward the required match of the fire truck.

I. 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, 2021. There have been no settlements in excess of insurance coverage in any of the prior three fiscal years.

J. 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.

K. 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.

L. Tax Abatements

As of September 30, 2021, the City provides tax abatements for real and tangible personal property for both new facilities and structures, and for the expansion or modernization of existing facilities and structures which are reasonably likely as a result of being granted abatement to contribute to the retention or expansion of primary employment or to attract major investment in the reinvestment zone that would be a benefit to the property and that would contribute to the economic development within the City.

The City may abate taxes on the increase in value of real property improvements and the entity receiving the abatement must be expected to prevent the loss of payroll or retain, increase or create a payroll on a

CITY OF COOPER, TEXAS
Notes to Financial Statements (Continued)
September 30, 2021

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

L. Tax Abatements (Continued)

permanent basis in the City and the addition of at least \$500,000 to the current ad valorem or base year value of the business property. The abatements are stated as a percentage of the increased value using the following schedule: Year 1-50%, Year 2-40%, Year 3-30%, Year 4-20%, and Year 5-10%. The city council grants abatements on a case by case basis. The City has a written tax abatement policy. An abatement agreement was approved by the city council in 2021 and will begin in the 2022 tax year.

M. Other Information

Water Rates:

First 2,000 Gallons (Minimum Charge)	\$23.35
Each additional 1,000 gallons	5.00

Sewer Rates:

First 2,000 Gallons (Minimum Charge)	\$18.00
Each additional 1,000 gallons	6.00

Garbage Rates: (effective September 2021)

Residential	\$13.37
Commercial Hand Collection	25.09
2 yd. Dumpster	76.28
3 yd. Dumpster	89.69
4 yd. Dumpster	116.36
6 yd. Dumpster	164.87
8 yd. Dumpster	213.55

Number of Customers:

Water	917
Sewer	866
Garbage	825

Water Produced for Resale	164,179,000 gallons
Water Sold	131,073,700 gallons

City Council Members:

Darren Braddy – Mayor
David Phillips – Mayor Pro-Tem
Amanda L’Esperance – Council Member
Allen Foster – Council Member
Diane Stegall – Council Member
Elmo Robinson – Council Member

Administrative Staff:

Dean Eudy – City Judge
Edgar J. Garrett, Jr. – City Attorney
Emily Howse – City Secretary / City Administrator
Sharon Moody – City Clerk
Terry Palmer – Water / Waste Water Superintendent

CITY OF COOPER, TEXAS
Notes to Financial Statements (Continued)
September 30, 2021

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

N. Subsequent Events

The City has evaluated subsequent events through December 29, 2021 which is the date the financial statements were available to be issued, and management has determined no additional disclosures are necessary.

CITY OF COOPER, TEXAS
 Budgetary Comparison Schedule - Modified Cash Basis - General Fund
 Year Ended September 30, 2021

Schedule 1

	<u>Original and Final Budgeted Amount</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Property Taxes	\$ 636,000	\$ 690,838	\$ 54,838
Fines and Forfeitures	480	-	(480)
Licenses and Permits	3,600	4,628	1,028
Investment Earnings	2,100	7,012	4,912
Contributions and Donations	7,800	10,272	2,472
Intergovernmental	108,185	36,975	(71,210)
Miscellaneous	9,726	81,644	71,918
Total Revenues	<u>767,891</u>	<u>831,369</u>	<u>63,478</u>
EXPENDITURES			
Current:			
General Government	552,920	566,027	(13,107)
Public Safety	88,116	90,862	(2,746)
Capital Outlay	285,585	305,725	(20,140)
Debt Service:			
Principal	10,000	10,000	-
Interest	300	269	31
Total Expenditures	<u>936,921</u>	<u>972,883</u>	<u>(35,962)</u>
Excess of Revenues Over Expenditures	<u>(169,030)</u>	<u>(141,514)</u>	<u>27,516</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	25,350	120,244	94,894
Transfers Out	(16,320)	(7,209)	9,111
Proceeds from Issuance of Long-Term Debt	160,000	160,000	-
Proceeds from Sale of Capital Assets	-	9,000	9,000
Total Other Financing Sources (Uses)	<u>169,030</u>	<u>282,035</u>	<u>113,005</u>
Net Change in Fund Balance	-	140,521	140,521
Fund Balance - Beginning	<u>519,905</u>	<u>519,905</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 519,905</u>	<u>\$ 660,426</u>	<u>\$ 140,521</u>

CITY OF COOPER, TEXAS
 Budgetary Comparison Schedule - Modified Cash Basis -Street and Bridge Fund
 Year Ended September 30, 2021

Schedule 2

	Original and Final Budgeted Amount	Actual	Variance with Final Budget
REVENUES			
Taxes:			
Sales and Mixed Beverage Taxes	\$ 172,500	\$ 197,201	\$ 24,701
Franchise Taxes	102,000	82,948	(19,052)
Investment Earnings	1,800	2,142	342
Miscellaneous	300	23,265	22,965
Total Revenues	276,600	305,556	28,956
EXPENDITURES			
Current:			
Streets	215,130	312,825	(97,695)
Capital Outlay	54,990	54,990	-
Total Expenditures	270,120	367,815	(97,695)
Excess of Revenues Over Expenditures	6,480	(62,259)	(68,739)
OTHER FINANCING SOURCES (USES)			
Transfers Out	(6,480)	(6,394)	(12,874)
Total Other Financing Sources (Uses)	(6,480)	(6,394)	(12,874)
Net Change in Fund Balance	-	(68,653)	(81,613)
Fund Balance - Beginning	229,167	229,167	-
Fund Balance - Ending	\$ 229,167	\$ 160,514	\$ (81,613)

McClanahan and Holmes, LLP

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN W. MOHUNDRO, CPA
GEORGE H. STRUVE, CPA
RUSSELL P. WOOD, CPA
DEBRA J. WILDER, CPA
TEFFANY A. KAVANAUGH, CPA
APRIL J. HATFIELD, CPA

228 SIXTH STREET S.E.
PARIS, TEXAS 75460
903-784-4316
FAX 903-784-4310

304 WEST CHESTNUT
DENISON, TEXAS 75020
903-465-6070
FAX 903-465-6093

1400 WEST RUSSELL
BONHAM, TEXAS 75418
903-583-5574
FAX 903-583-9453

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 modified cash basis 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, 2021, 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 December 29, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-01 and 2021-02 that we consider to be significant deficiencies.

Honorable Mayor and City Council
City of Cooper

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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* and which are described in the accompanying schedule of findings and responses.

City of Cooper's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
December 29, 2021

CITY OF COOPER, TEXAS
Schedule of Findings and Responses
Year Ended September 30, 2021

Summary of Auditors' Results

1. The auditors' report expresses an unmodified opinion on the financial statements of City of Cooper, Texas.
2. Two significant deficiencies disclosed during the audit of the financial statements are reported in the 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*. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of City of Cooper, Texas, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

Financial Statement Findings

Significant Deficiencies

Item 2021-01 Limited Segregation of Duties

Condition: Due to the City's small number of personnel, there is limited segregation of duties in all areas of the accounting system.

Criteria: Limited Segregation of Duties

Cause: This condition is caused by the size of the City.

Effect: As a result of this condition, the City is unable to segregate duties between employees.

Recommendations: We recommend that the City Council maintain close oversight of the City's operation.

Views of Responsible
Official and Planned
Corrective Actions:

The City's management agrees with the finding and the recommended procedures have been implemented.

Item 2021-02 Financial Accounting and Reporting

Condition: The City does not draft the financial statements, nor control the period-end financial reporting process including controls over procedures used to analyze transactions comprising general ledger activity; controls over recording recurring and non-recurring adjustments to the financial statements; and controls over the adequacy of note disclosures to the financial statements.

Criteria: The City's management should be responsible for drafting of the financial statements.

Cause: The City's management views the auditors' drafting of the financial statements as a matter of convenience.

Effect: As a result of this condition, the City lacks internal controls over the drafting of the financial statements in accordance with the modified cash basis of accounting.

CITY OF COOPER, TEXAS
Schedule of Findings and Responses (Continued)
Year Ended September 30, 2021

Financial Statement Findings (continued)

Significant Deficiencies (continued)

Item 2021-02 Financial Accounting and Reporting (continued)

Recommendations: The City's management should maintain close oversight of the accounting and reporting process.

Views of Responsible
Official and Planned
Corrective Actions:

The City's management agrees with the finding and plans to carefully review the draft financial statements, and notes, prior to approving them and accepting responsibility for their content and presentation.