

CITY OF COOPER, TEXAS
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2022

CITY OF COOPER, TEXAS
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INDEPENDENT AUDITORS' REPORT

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

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2022, and the respective changes in modified cash basis financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note I.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – 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.

Responsibilities of Management 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, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

Honorable Mayor and City Council
City of Cooper, Texas

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

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

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

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

Other Matters

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the budgetary comparison information, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

McClanahan and Holmes, LLP
Certified Public Accountants

Bonham, Texas
March 9, 2023

CITY OF COOPER, TEXAS
Statement of Net Position - Modified Cash Basis
September 30, 2022

Statement 1

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and Cash Equivalents	\$ 952,053	\$ 188,526	\$ 1,140,579
Restricted Assets:			
Cash and Cash Equivalents	539,499	263,611	803,110
Note Receivable	-	1,098,169	1,098,169
Capital Assets Not Being Depreciated:			
Land	58,477	-	58,477
Construction in Progress	-	180,486	180,486
Capital Assets (Net of Accumulated Depreciation):			
Buildings and Improvements	90,944	4,267	95,211
Machinery, Equipment, and Vehicles	689,678	50,869	740,547
Infrastructure	189,410	-	189,410
Systems and Improvements	-	3,528,252	3,528,252
Water Rights (Net of Accumulated Amortization)	-	127,362	127,362
Total Assets	<u>2,520,061</u>	<u>5,441,542</u>	<u>7,961,603</u>
LIABILITIES			
Payroll Liabilities	367	-	367
Sales Tax Payable	-	(10)	(10)
Customers' Meter Deposits	-	76,224	76,224
Noncurrent Liabilities:			
Due Within One Year	31,200	95,193	126,393
Due in More Than One Year	98,185	3,559,622	3,657,807
Total Liabilities	<u>129,752</u>	<u>3,731,029</u>	<u>3,860,781</u>
NET POSITION			
Net Investment in Capital Assets	899,124	1,368,356	2,267,480
Unrestricted	1,491,185	342,157	1,833,342
Total Net Position	<u>\$ 2,390,309</u>	<u>\$ 1,710,513</u>	<u>\$ 4,100,822</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, 2022

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	\$ 740,226	\$ 54,381	\$ -	\$ 400,787	\$ (285,058)	\$ -	\$ (285,058)
Public Safety	94,109	-	-	-	(94,109)	-	(94,109)
Streets	199,508	-	-	-	(199,508)	-	(199,508)
Grants	7,330	-	-	-	(7,330)	-	(7,330)
Interest	3,824	-	-	-	(3,824)	-	(3,824)
Total Governmental Activities	<u>1,044,997</u>	<u>54,381</u>	<u>-</u>	<u>400,787</u>	<u>(589,829)</u>	<u>-</u>	<u>(589,829)</u>
Business-Type Activities:							
Water	566,777	682,701	-	-	-	115,924	115,924
Sewer	370,952	316,617	-	-	-	(54,335)	(54,335)
Garbage	253,423	237,629	-	-	-	(15,794)	(15,794)
Big Creek Lake	405,942	-	-	-	-	(405,942)	(405,942)
Total Business-Type Activities	<u>1,597,094</u>	<u>1,236,947</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(360,147)</u>	<u>(360,147)</u>
Total Primary Government	<u>\$ 2,642,091</u>	<u>\$ 1,291,328</u>	<u>\$ -</u>	<u>\$ 400,787</u>	<u>(589,829)</u>	<u>(360,147)</u>	<u>(949,976)</u>
General Revenues:							
Property Taxes					717,203	29,525	746,728
Sales Taxes					234,658	-	234,658
Franchise Taxes					88,545	-	88,545
Investment Earnings					1,072	571	1,643
Note Receivable Interest Income					-	36,546	36,546
Gain (Loss) on Sale of Capital Assets					2,820	-	2,820
Miscellaneous					91,451	37,129	128,580
Transfers					<u>(173,109)</u>	<u>173,109</u>	<u>-</u>
Total General Revenues and Transfers					<u>962,640</u>	<u>276,880</u>	<u>1,239,520</u>
Change in Net Position					372,811	(83,267)	289,544
Net Position - Beginning					<u>2,017,498</u>	<u>1,793,780</u>	<u>3,811,278</u>
Net Position - Ending					<u>\$ 2,390,309</u>	<u>\$ 1,710,513</u>	<u>\$ 4,100,822</u>

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, 2022

Statement 3

	General	Special Revenue Street and Bridge	Special Reserve	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 726,221	\$ 225,832	\$ -	\$ 952,053
Restricted Cash and Cash Equivalents	-	-	539,499	539,499
Total Assets	\$ 726,221	\$ 225,832	\$ 539,499	\$ 1,491,552
LIABILITIES				
Payroll Liabilities	\$ 367	\$ -	\$ -	\$ 367
Total Liabilities	367	-	-	367
FUND BALANCES				
Unassigned	725,854	225,832	539,499	1,491,185
Total Fund Balances	725,854	225,832	539,499	1,491,185
 Total Liabilities and Fund Balances	 \$ 726,221	 \$ 225,832	 \$ 539,499	 \$ 1,491,552

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

Total Fund Balances - Governmental Funds (above)	\$ 1,491,185
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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	738,593	
Less: Accumulated Depreciation - Buildings and Improvements	(647,649)	
Machinery, Equipment, and Vehicles	1,347,166	
Less: Accumulated Depreciation - Machinery, Equipment, and Vehicles	(657,488)	
Infrastructure	804,870	
Less: Accumulated Depreciation - Infrastructure	(615,460)	1,028,509

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	(129,385)
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Net Position of Governmental Activities	\$ 2,390,309
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CITY OF COOPER, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
For the Year Ended September 30, 2022

Statement 4

	Special Revenue			Total Governmental Funds
	General	Street and Bridge	Special Reserve	
REVENUES				
Property Taxes	\$ 717,203	\$ -	\$ -	\$ 717,203
Sales and Mixed Beverage Taxes	-	234,658	-	234,658
Franchise Taxes	-	88,545	-	88,545
Licenses and Permits	4,381	-	-	4,381
Charges for Services	50,000	-	-	50,000
Intergovernmental	66,603	-	391,041	457,644
Investment Earnings	807	181	84	1,072
Contributions and Donations	9,746	-	-	9,746
Miscellaneous	15,494	-	-	15,494
Total Revenues	<u>864,234</u>	<u>323,384</u>	<u>391,125</u>	<u>1,578,743</u>
EXPENDITURES				
Current:				
General Government	604,572	-	-	604,572
Public Safety	94,109	-	-	94,109
Streets	-	199,508	-	199,508
Grants	-	-	7,330	7,330
Capital Outlay	91,188	49,571	-	140,759
Debt Service:				
Principal	30,615	-	-	30,615
Interest	3,824	-	-	3,824
Total Expenditures	<u>824,308</u>	<u>249,079</u>	<u>7,330</u>	<u>1,080,717</u>
Excess of Revenues Over Expenditures	<u>39,926</u>	<u>74,305</u>	<u>383,795</u>	<u>498,026</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	23,129	-	34,560	57,689
Transfers Out	(9,801)	(8,987)	(212,010)	(230,798)
Proceeds from Sale of Capital Assets	2,820	-	-	2,820
Insurance Recoveries	9,354	-	-	9,354
Total Other Financing Sources (Uses)	<u>25,502</u>	<u>(8,987)</u>	<u>(177,450)</u>	<u>(160,935)</u>
Net Changes in Fund Balances	65,428	65,318	206,345	337,091
Fund Balances - Beginning	660,426	160,514	333,154	1,154,094
Fund Balances - Ending	<u>\$ 725,854</u>	<u>\$ 225,832</u>	<u>\$ 539,499</u>	<u>\$ 1,491,185</u>

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

Net Changes in Fund Balances - Total Governmental Funds (above) \$ 337,091

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 (\$140,759) exceeded depreciation (\$135,654) in the current year. 5,105

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 30,615

Change in Net Position of Governmental Activities \$ 372,811

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, 2022

Statement 5

	Business-Type Activities				Total Enterprise Funds
	Water	Sewer	Garbage	Big Creek Lake	
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 132,053	\$ 42,733	\$ 13,740	\$ -	\$ 188,526
Restricted Cash and Cash Equivalents	76,224	-	-	187,387	263,611
Note Receivable - Current Portion	-	-	-	19,508	19,508
Due from Other Funds	-	-	-	114	114
Total Current Assets	<u>208,277</u>	<u>42,733</u>	<u>13,740</u>	<u>207,009</u>	<u>471,759</u>
Noncurrent Assets:					
Note Receivable - Long-Term Portion	-	-	-	1,078,661	1,078,661
Capital Assets:					
Construction in Progress	180,486	-	-	-	180,486
Buildings and Improvements	-	-	30,269	-	30,269
Machinery, Equipment, and Vehicles	280,800	23,398	37,122	-	341,320
Systems and Improvements	2,652,640	6,036,855	-	6,543,393	15,232,888
Less Accumulated Depreciation	(1,746,220)	(3,799,622)	(63,124)	(6,412,123)	(12,021,089)
Water Rights	-	-	-	203,790	203,790
Less Accumulated Amortization	-	-	-	(76,428)	(76,428)
Total Noncurrent Assets	<u>1,367,706</u>	<u>2,260,631</u>	<u>4,267</u>	<u>1,337,293</u>	<u>4,969,897</u>
Total Assets	<u>1,575,983</u>	<u>2,303,364</u>	<u>18,007</u>	<u>1,544,302</u>	<u>5,441,656</u>
LIABILITIES					
Current Liabilities:					
Sales Tax Payable	-	-	(10)	-	(10)
Customers' Meter Deposits	76,224	-	-	-	76,224
Revenue Bonds	-	-	-	60,000	60,000
Time Warrants Payable	5,467	-	-	-	5,467
Water Rights Payable	-	-	-	29,726	29,726
Due to Other Funds	114	-	-	-	114
Total Current Liabilities	<u>81,805</u>	<u>-</u>	<u>(10)</u>	<u>89,726</u>	<u>171,521</u>
Noncurrent Liabilities:					
Revenue Bonds	-	-	-	2,250,000	2,250,000
Water Rights Payable	-	-	-	1,229,571	1,229,571
Bond Premium	-	-	-	80,051	80,051
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,559,622</u>	<u>3,559,622</u>
Total Liabilities	<u>81,805</u>	<u>-</u>	<u>(10)</u>	<u>3,649,348</u>	<u>3,731,143</u>
NET POSITION					
Net Investment in Capital Assets	1,362,239	2,260,631	4,267	(2,258,781)	1,368,356
Unrestricted	131,939	42,733	13,750	153,735	342,157
Total Net Position	<u>\$ 1,494,178</u>	<u>\$ 2,303,364</u>	<u>\$ 18,017</u>	<u>\$ (2,105,046)</u>	<u>\$ 1,710,513</u>

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, 2022

Statement 6

	Business-Type Activities				Total Enterprise Funds
	Water	Sewer	Garbage	Big Creek Lake	
OPERATING REVENUES:					
Charges for Services:					
Water Services	\$ 679,401	\$ -	\$ -	\$ -	\$ 679,401
Sewer Services	-	316,617	-	-	316,617
Refuse Collections	-	-	237,629	-	237,629
Water and Sewer Taps	3,300	-	-	-	3,300
Taxes	-	-	-	29,525	29,525
Miscellaneous	635	6,458	3,250	26,786	37,129
Total Operating Revenues	<u>683,336</u>	<u>323,075</u>	<u>240,879</u>	<u>56,311</u>	<u>1,303,601</u>
OPERATING EXPENSES:					
Personnel Services	239,289	96,419	8,031	-	343,739
Insurance	9,560	5,838	-	-	15,398
Materials, Supplies, and Repairs	217,813	66,436	-	43	284,292
Refuse Service Contract	-	-	239,182	-	239,182
Utilities	38,695	31,203	1,610	-	71,508
Other	7,229	13,429	3,576	33,095	57,329
Depreciation	53,945	157,627	1,024	134,699	347,295
Amortization	-	-	-	4,246	4,246
Total Operating Expenses	<u>566,531</u>	<u>370,952</u>	<u>253,423</u>	<u>172,083</u>	<u>1,362,989</u>
Operating Income (Loss)	<u>116,805</u>	<u>(47,877)</u>	<u>(12,544)</u>	<u>(115,772)</u>	<u>(59,388)</u>
NONOPERATING REVENUES (EXPENSES):					
Investment Earnings	169	45	23	334	571
Note Receivable Interest Income	-	-	-	36,546	36,546
Interest Expense	(246)	-	-	(132,363)	(132,609)
Bond Issuance Costs	-	-	-	(101,496)	(101,496)
Total Nonoperating Income (Expense)	<u>(77)</u>	<u>45</u>	<u>23</u>	<u>(196,979)</u>	<u>(196,988)</u>
Income (Loss) Before Transfers	116,728	(47,832)	(12,521)	(312,751)	(256,376)
Transfers In	195,701	-	-	158,071	353,772
Transfers Out	<u>(95,620)</u>	<u>(77,941)</u>	<u>(6,912)</u>	<u>(190)</u>	<u>(180,663)</u>
Changes in Net Position	216,809	(125,773)	(19,433)	(154,870)	(83,267)
Net Position - Beginning	1,277,369	2,429,137	37,450	(1,950,176)	1,793,780
Net Position - Ending	<u>\$ 1,494,178</u>	<u>\$ 2,303,364</u>	<u>\$ 18,017</u>	<u>\$ (2,105,046)</u>	<u>\$ 1,710,513</u>

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, 2022

Statement 7

	Business-Type Activities				Total Enterprise Funds
	Water	Sewer	Garbage	Big Creek Lake	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ 684,990	\$ 323,075	\$ 240,879	\$ 56,311	\$ 1,305,255
Payments to Suppliers and Service Providers	(273,297)	(116,906)	(245,567)	(33,138)	(668,908)
Payments to Employees for Salaries and Benefits	(239,289)	(96,419)	(8,031)	-	(343,739)
Decrease in Interfund Payables	114	-	-	(114)	-
Net Cash Provided by (Used For) Operating Activities	<u>172,518</u>	<u>109,750</u>	<u>(12,719)</u>	<u>23,059</u>	<u>292,608</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from Other Funds	195,701	-	-	158,071	353,772
Transfers to Other Funds	(95,620)	(77,941)	(6,912)	(190)	(180,663)
Net Cash Provided by (Used For) Noncapital Financing Activities	<u>100,081</u>	<u>(77,941)</u>	<u>(6,912)</u>	<u>157,881</u>	<u>173,109</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and Construction of Capital Assets	(200,378)	(30,589)	-	-	(230,967)
Proceeds from Issuance of Revenue Bond	-	-	-	2,398,945	2,398,945
Principal Paid on Certificates of Obligation	-	-	-	(1,578,000)	(1,578,000)
Principal Paid on Revenue Bonds	-	-	-	(762,000)	(762,000)
Principal Paid on Time Warrants Payable	(8,050)	-	-	-	(8,050)
Principal Paid on Water Rights	-	-	-	(28,789)	(28,789)
Interest Paid on Certificates of Obligation	-	-	-	(55,593)	(55,593)
Interest Paid on Revenue Bonds	-	-	-	(43,763)	(43,763)
Interest Paid on Time Warrants Payable	(246)	-	-	-	(246)
Interest Paid on Water Rights	-	-	-	(41,901)	(41,901)
Bond Issuance Costs Paid on Capital Debt	-	-	-	(101,496)	(101,496)
Net Cash Provided by (Used For) Capital and Related Financing Activities	<u>(208,674)</u>	<u>(30,589)</u>	<u>-</u>	<u>(212,597)</u>	<u>(451,860)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Principal Received on Note Receivable	-	-	-	25,308	25,308
Proceeds from Certificates of Deposit	-	-	-	74,400	74,400
Interest on Investments	169	45	23	334	571
Interest on Note Receivable	-	-	-	36,546	36,546
Net Cash Provided by (Used For) Investing Activities	<u>169</u>	<u>45</u>	<u>23</u>	<u>136,588</u>	<u>136,825</u>
Net Increase (Decrease) in Cash and Cash Equivalents	64,094	1,265	(19,608)	104,931	150,682
Cash and Cash Equivalents - Beginning	144,183	41,468	33,348	82,456	301,455
Cash and Cash Equivalents - Ending	<u>\$ 208,277</u>	<u>\$ 42,733</u>	<u>\$ 13,740</u>	<u>\$ 187,387</u>	<u>\$ 452,137</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
Operating Income (Loss)	<u>\$ 116,805</u>	<u>\$ (47,877)</u>	<u>\$ (12,544)</u>	<u>\$ (115,772)</u>	<u>\$ (59,388)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) by Operating Activities:					
Depreciation and Amortization	53,945	157,627	1,024	138,945	351,541
(Increase) Decrease in Due from Other Funds	-	-	-	(114)	(114)
Increase (Decrease) in Sales Tax Payable	-	-	(1,199)	-	(1,199)
Increase (Decrease) in Amounts Payable to Other Funds	114	-	-	-	114
Increase (Decrease) in Customers' Deposits	1,654	-	-	-	1,654
Total Adjustments	<u>55,713</u>	<u>157,627</u>	<u>(175)</u>	<u>138,831</u>	<u>351,996</u>
Net Cash Provided by (Used For) Operating Activities	<u>\$ 172,518</u>	<u>\$ 109,750</u>	<u>\$ (12,719)</u>	<u>\$ 23,059</u>	<u>\$ 292,608</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, 2022

Statement 8

	Custodial Fund - Frankie McKinney Arts Alliance
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 457,557
Total Current Assets	457,557
Noncurrent Assets:	
Capital Assets:	
Building and Furnishings (Collections)	100,573
Building and Furnishings	9,559
Accumulated Depreciation	(398)
Total Noncurrent Assets	109,734
Total Assets	567,291
LIABILITIES	
Total Liabilities	-
NET POSITION	
Restricted for Arts	567,291
Total Net Position	\$ 567,291

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, 2022

Statement 9

	<u>Custodial Fund - Frankie McKinney Arts Alliance</u>
ADDITIONS:	
Royalties	\$ 20,997
Investment Earnings	454
Total Additions	<u>21,451</u>
DEDUCTIONS:	
Utilities	3,239
Depreciation	398
Other	14,047
Total Deductions	<u>17,684</u>
Change in Net Position	3,767
Net Position - Beginning	563,524
Net Position - Ending	<u><u>\$ 567,291</u></u>

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

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

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, 2022

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 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 fiduciary 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, 2022

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 fiduciary 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, 2022, 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	\$ 27,686
Capital Outlay	64,488
Debt Service	31,439
Transfers Out	2,889

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.

Subsequent to year-end, the City Council adopts an amended budget approving such additional expenditures/expenses. For the year ended September 30, 2022, the original budget expenditures were not changed. All annual appropriations lapse at fiscal year-end.

CITY OF COOPER, TEXAS
Notes to Financial Statements (Continued)
September 30, 2022

I. Summary of Significant Accounting Policies (Continued)

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. Investments

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, 2022, the City had no investments.

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, 2022:

	<u>Big Creek Lake</u>
Note Receivable	<u>\$ 1,098,169</u>
Amount Not Expected to be Collected During the Subsequent Year	<u>\$ 1,078,661</u>

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, 2022

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
Systems 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, 2022, are as follows:

<u>General Fund</u>	<u>Cash and Cash Equivalents</u>
Grant Funds	\$ 539,499
<u>Proprietary Fund</u>	
Meter Deposits	76,224
Interest and Sinking Funds	<u>187,387</u>
	<u>263,611</u>
Total	<u>\$ 803,110</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, 2022

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, 2022

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 2021 levy amounted to .8315 for maintenance and operation and .0338 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, 2022. The over-expenditures were funded by available fund balance.

At September 30, 2022 the Big Creek Lake Fund had a deficit fund net position of \$2,105,046. 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, 2022, the City had deposits with a carrying amount of \$1,943,689, and the bank's balances were \$2,226,071. At September 30, 2022, the City was not exposed to custodial credit risk since \$500,000 was insured by FDIC and \$1,726,071 was collateralized with securities held by the pledging financial institution.

CITY OF COOPER, TEXAS
Notes to Financial Statements (Continued)
September 30, 2022

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

B. Investments

The City had no invested funds as of September 30, 2022.

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, 2022, the City represents that it was in compliance.

C. Capital Assets

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

Governmental Activities:

	Beginning Balances	Additions	Retirements	Ending Balances
Capital Assets, Not Being Depreciated:				
Land	\$ 58,477	\$ -	\$ -	\$ 58,477
Total Capital Assets, Not Being Depreciated	58,477	-	-	58,477
Capital Assets, Being Depreciated:				
Buildings and Improvements	700,976	37,617	-	738,593
Machinery, Equipment, and Vehicles	1,326,194	53,570	(32,598)	1,347,166
Infrastructure	755,298	49,572	-	804,870
Total Capital Assets, Being Depreciated	2,782,468	140,759	(32,598)	2,890,629
Less Accumulated Depreciation for:				
Buildings and Improvements	(642,760)	(4,889)	-	(647,649)
Machinery, Equipment, and Vehicles	(598,438)	(91,648)	32,598	(657,488)
Infrastructure	(576,343)	(39,117)	-	(615,460)
Total Accumulated Depreciation	(1,817,541)	(135,654)	32,598	(1,920,597)
Total Capital Assets, Being Depreciated, Net	964,927	5,105	-	970,032
Governmental Activities Capital Assets, Net	<u>\$ 1,023,404</u>	<u>\$ 5,105</u>	<u>\$ -</u>	<u>\$ 1,028,509</u>

CITY OF COOPER, TEXAS
Notes to Financial Statements (Continued)
September 30, 2022

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	\$ 10,758
Public Safety	76,024
Streets	<u>48,872</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 135,654</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	\$ 11,415	\$ 169,071	\$ -	\$ 180,486
Total Capital Assets, Not Being Depreciated	<u>11,415</u>	<u>169,071</u>	<u>-</u>	<u>180,486</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	30,269	-	-	30,269
Machinery, Equipment, and Vehicles	321,963	19,357	-	341,320
Systems and Improvements	<u>15,190,349</u>	<u>42,539</u>	<u>-</u>	<u>15,232,888</u>
Total Capital Assets, Being Depreciated	<u>15,542,581</u>	<u>61,896</u>	<u>-</u>	<u>15,604,477</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(24,978)	(1,024)	-	(26,002)
Machinery, Equipment, and Vehicles	(276,773)	(13,678)	-	(290,451)
Systems and Improvements	<u>(11,372,043)</u>	<u>(332,593)</u>	<u>-</u>	<u>(11,704,636)</u>
Total Accumulated Depreciation	<u>(11,673,794)</u>	<u>(347,295)</u>	<u>-</u>	<u>(12,021,089)</u>
Total Capital Assets, Being Depreciated, Net	<u>3,868,787</u>	<u>(285,399)</u>	<u>-</u>	<u>3,583,388</u>
Business-Type Activities Capital Assets, Net	<u>\$ 3,880,202</u>	<u>\$ (116,328)</u>	<u>\$ -</u>	<u>\$ 3,763,874</u>

Business-Type Activities:

Water	\$ 53,945
Sewer	157,627
Garbage	1,024
Big Creek Lake	<u>134,699</u>
Total Depreciation Expense – Business-Type Activities	<u>\$ 347,295</u>

CITY OF COOPER, TEXAS
Notes to Financial Statements (Continued)
September 30, 2022

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>
Capital Assets, Being Depreciated:				
Improvements	-	9,559	-	9,559
Total Capital Assets, Being Depreciated	<u>-</u>	<u>9,559</u>	<u>-</u>	<u>9,559</u>
Less Accumulated Depreciation for:				
Improvements	-	(398)	-	(398)
Total Accumulated Depreciation	<u>-</u>	<u>(398)</u>	<u>-</u>	<u>(398)</u>
Total Capital Assets, Being Depreciated, Net	<u>-</u>	<u>9,161</u>	<u>-</u>	<u>9,161</u>
Business-Type Activities Capital Assets, Net	<u>\$ 100,573</u>	<u>\$ 9,161</u>	<u>\$ -</u>	<u>\$ 109,734</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:

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

\$2,310,000 General Obligation Refunding Bonds, Series 2022, due in annual principal installments varying from \$60,000 to \$140,000 with final payment due July 1, 2043. Interest is payable semi-annually at rates ranging from 3% to 4%.

The ordinances authorizing the issuance of the General Obligation Refunding Bonds require that ad valorem taxes be levied and collected at a rate sufficient to pay principal and interest as they come due on general obligation refunding bonds. 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 \$46,200.

CITY OF COOPER, TEXAS
Notes to Financial Statements (Continued)
September 30, 2022

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

D. 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, 2022, 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	\$ 160,000	\$ -	\$ 30,615	\$ 129,385	\$ 31,200
Total Governmental Activities	<u>\$ 160,000</u>	<u>\$ -</u>	<u>\$ 30,615</u>	<u>\$ 129,385</u>	<u>\$ 31,200</u>
<u>Business-Type Activities</u>					
Certificates of Obligation	\$ 1,578,000	\$ -	\$ 1,578,000	\$ -	\$ -
Bonds	762,000	2,310,000	762,000	2,310,000	60,000
Time Warrants	13,517	-	8,050	5,467	5,467
Water Rights Payable	1,288,086	-	28,789	1,259,297	29,726
Issuance Premiums	-	88,945	8,894	80,051	-
Total Business-Type Activities	<u>\$ 3,641,603</u>	<u>\$2,398,945</u>	<u>\$ 2,385,733</u>	<u>\$ 3,654,815</u>	<u>\$ 95,193</u>

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

Year Ending September 30,	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		Total
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2023	\$ 31,200	\$ 3,239	\$ 95,193	\$ 125,391	\$ 255,023
2024	31,980	2,459	130,693	122,573	287,705
2025	32,780	1,659	136,691	118,574	289,704
2026	33,425	840	122,722	113,869	270,856
2027	-	-	123,787	109,654	233,441
2028-2032	-	-	686,152	486,201	1,172,353
2033-2037	-	-	818,464	362,011	1,180,475
2038-2042	-	-	891,387	197,668	1,089,055
2043-2047	-	-	332,280	63,973	396,253
2048-2052	-	-	237,395	23,661	261,056
Total	<u>\$ 129,385</u>	<u>\$ 8,197</u>	<u>\$ 3,574,764</u>	<u>\$ 1,723,575</u>	<u>\$ 5,435,921</u>

CITY OF COOPER, TEXAS
Notes to Financial Statements (Continued)
September 30, 2022

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

E. Interfund Receivables and Payables

The composition of interfund balances as of September 30, 2022, is as follows:

Due to/from Other Funds:

Due from Water Fund to:	
Big Creek Lake Fund	\$ 114
Total Due from Water Fund	<u>\$ 114</u>

The interfund balance of \$114 due to the Big Creek Lake Fund is related to interest revenue and is expected to be repaid within the next year.

The composition of interfund transfers for the year ended September 30, 2022 is as follows:

	Transfer In				Total
	General	Water	Big Creek Lake	Special Reserve	
Transfer Out:					
General	\$ -	\$ 2,889	\$ -	\$ 6,912	\$ 9,801
Street and Bridge	-	2,075	-	6,912	8,987
Special Reserve	22,939	189,071	-	-	212,010
Water	-	-	88,708	6,912	95,620
Sewer	-	1,666	69,363	6,912	77,941
Garbage	-	-	-	6,912	6,912
Big Creek Lake	<u>190</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>190</u>
Total	<u>\$ 23,129</u>	<u>\$ 195,701</u>	<u>\$ 158,071</u>	<u>\$ 34,560</u>	<u>\$ 411,461</u>

During the year ended September 30, 2022, the City made fund transfers for regular operations of the City.

F. Pension Plan

1. Plan Description

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

CITY OF COOPER, TEXAS
Notes to Financial Statements (Continued)
September 30, 2022

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

F. Pension Plan (Continued)

1. Plan Description (Continued)

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

Employees Covered by Benefit Terms.

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

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	8
Active employees	<u>13</u>
Total	<u>29</u>

3. Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the member's total compensation, and the city matching ratios are either 1:1(1 to 1), 1.5:1 (1 ½ to 1) or 2:1 (2 to 1), both as adopted by the governing body of the city. The City has adopted a matching percentage of 100%. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 6% of their annual compensation during the fiscal year. The contribution rates for the City were 5.71% and 5.96% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS, which include amounts contributed for Supplemental Death Benefits, for the year ended September 30, 2022, were \$28,851 and were equal to the required contributions.

The funded status as of December 31, 2021, 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
12/31/2021	\$1,639,087	\$1,773,750	92.4%	\$134,663	\$481,205	28.0%

CITY OF COOPER, TEXAS
Notes to Financial Statements (Continued)
September 30, 2022

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

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, 2021 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>

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 0.30% and 0.34% of gross earnings in calendar year 2021 and 2022, 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.

CITY OF COOPER, TEXAS
Notes to Financial Statements (Continued)
September 30, 2022

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

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, 2022, was approximately \$252,922.

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 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, 2022, was approximately \$19,938.

During the year, the City entered into an interlocal cooperative agreement with Delta County and Delta County Emergency Services District for the funding for firefighting and suppression equipment and vehicles for fighting and suppressing fires as well as firefighting personnel. Per the agreement, each participant will contribute \$7,902 per quarter and \$17,498 in start up costs in the first year. The City's contribution for the year ended September 30, 2022, was \$33,302 and was equal to the required contribution.

4. Construction Commitments

At September 30, 2022, the City has outstanding contract commitments totaling approximately \$183,446 related to improvements of the water treatment plant.

CITY OF COOPER, TEXAS
Notes to Financial Statements (Continued)
September 30, 2022

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

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, 2022. 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.

Asset Retirement Obligation

The City has incurred certain asset retirement obligations related to the disposal of their water treatment plant, per state regulations. The City is on the modified cash basis and therefore has not recorded a liability for the legally required closure costs of these facilities. Further, the estimated liability of the legally required closure costs for the water treatment plant cannot be reasonably estimated as of September 30, 2022, since the specific legally required costs of retirement have not yet been identified. As of September 30, 2022, the City has not begun any retirement procedures related to the disposal of these assets.

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, 2022, 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 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 began in the 2022 tax year. However, no improvements had been made and, therefore, no taxes have been abated as of September 30, 2022.

CITY OF COOPER, TEXAS
Notes to Financial Statements (Continued)
September 30, 2022

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

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:

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	934
Sewer	879
Garbage	840

Water Produced for Resale	180,398,191 gallons
Water Sold	152,692,500 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
Josh Hoskison – 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
 Budgetary Comparison Schedule - Modified Cash Basis - General Fund
 Year Ended September 30, 2022

Schedule 1

	Original and Final Budgeted Amount	Actual	Variance with Final Budget
REVENUES			
Property Taxes	\$ 690,000	\$ 717,203	\$ 27,203
Fines and Forfeitures	660	-	(660)
Licenses and Permits	3,600	4,381	781
Charges for Services	-	50,000	50,000
Investment Earnings	1,200	807	(393)
Contributions and Donations	7,800	9,746	1,946
Intergovernmental	-	66,603	66,603
Miscellaneous	9,960	15,494	5,534
Total Revenues	<u>713,220</u>	<u>864,234</u>	<u>151,014</u>
EXPENDITURES			
Current:			
General Government	576,886	604,572	(27,686)
Public Safety	139,322	94,109	45,213
Capital Outlay	26,700	91,188	(64,488)
Debt Service:			
Principal	3,000	30,615	(27,615)
Interest	-	3,824	(3,824)
Total Expenditures	<u>745,908</u>	<u>824,308</u>	<u>(78,400)</u>
Excess of Revenues Over Expenditures	<u>(32,688)</u>	<u>39,926</u>	<u>72,614</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	39,600	23,129	(16,471)
Transfers Out	(6,912)	(9,801)	(2,889)
Proceeds from Sale of Capital Assets	-	2,820	2,820
Insurance Recoveries	-	9,354	9,354
Total Other Financing Sources (Uses)	<u>32,688</u>	<u>25,502</u>	<u>(7,186)</u>
Net Change in Fund Balance	-	65,428	65,428
Fund Balance - Beginning	<u>660,426</u>	<u>660,426</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 660,426</u>	<u>\$ 725,854</u>	<u>\$ 65,428</u>

CITY OF COOPER, TEXAS
 Budgetary Comparison Schedule - Modified Cash Basis -Street and Bridge Fund
 Year Ended September 30, 2022

Schedule 2

	<u>Original and Final Budgeted Amount</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Taxes:			
Sales and Mixed Beverage Taxes	\$ 191,100	\$ 234,658	\$ 43,558
Franchise Taxes	102,000	88,545	(13,455)
Investment Earnings	900	181	(719)
Miscellaneous	<u>82,800</u>	<u>-</u>	<u>(82,800)</u>
Total Revenues	<u>376,800</u>	<u>323,384</u>	<u>(53,416)</u>
EXPENDITURES			
Current:			
Streets	318,157	199,508	118,649
Capital Outlay	<u>49,571</u>	<u>49,571</u>	<u>-</u>
Total Expenditures	<u>367,728</u>	<u>249,079</u>	<u>118,649</u>
 Excess of Revenues Over Expenditures	 <u>9,072</u>	 <u>74,305</u>	 <u>65,233</u>
OTHER FINANCING SOURCES (USES)			
Transfers Out	<u>(9,072)</u>	<u>(8,987)</u>	<u>85</u>
Total Other Financing Sources (Uses)	<u>(9,072)</u>	<u>(8,987)</u>	<u>85</u>
 Net Change in Fund Balance	 -	 65,318	 65,318
 Fund Balance - Beginning	 <u>160,514</u>	 <u>160,514</u>	 <u>-</u>
Fund Balance - Ending	<u>\$ 160,514</u>	<u>\$ 225,832</u>	<u>\$ 65,318</u>

McClanahan and Holmes, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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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

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, 2022, 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 March 9, 2023.

Report on 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 2022-01 and 2022-02 that we consider to be significant deficiencies.

Honorable Mayor and City Council
City of Cooper

Report on Compliance and Other Matters

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

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the 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
March 9, 2023

CITY OF COOPER, TEXAS
Schedule of Findings and Responses
Year Ended September 30, 2022

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 2022-01 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 2022-02 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, 2022

Financial Statement Findings (continued)

Significant Deficiencies (continued)

Item 2022-02 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.