

**CITY OF COOPER, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**SEPTEMBER 30, 2019**

CITY OF COOPER, TEXAS  
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**INDEPENDENT AUDITORS' REPORT**

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

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, 2019, 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 1; this includes 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**

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. 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, 2019, 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 1.

Honorable Mayor and City Council  
City of Cooper, Texas

**Basis of Accounting**

We draw attention to Note 1 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 as a whole that collectively comprise the City of Cooper, Texas's 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 June 1, 2020, 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  
June 1, 2020

CITY OF COOPER, TEXAS  
Statement of Net Position - Modified Cash Basis  
September 30, 2019

Statement 1

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 579,758	\$ 110,811	\$ 690,569
Restricted Assets:			
Cash and Cash Equivalents	78,824	146,509	225,333
Certificates of Deposit	-	74,400	74,400
Note Receivable (Net of Allowance for Uncollectibles)	-	1,175,101	1,175,101
Internal Balances	5,000	(5,000)	-
Capital Assets Not Being Depreciated:			
Land	58,477	-	58,477
Capital Assets (Net of Accumulated Depreciation):			
Buildings and Improvements	62,068	7,339	69,407
Machinery, Equipment, and Vehicles	87,103	35,860	122,963
Infrastructure	192,209	-	192,209
Systems and Improvements	-	4,689,496	4,689,496
Water Rights (Net of Accumulated Amortization)	-	140,100	140,100
<b>Total Assets</b>	<b>1,063,439</b>	<b>6,374,616</b>	<b>7,438,055</b>
<b>LIABILITIES</b>			
Payroll Liabilities	4	4	8
Sales Tax Payable	-	1,149	1,149
Customers' Deposits	-	71,422	71,422
Noncurrent Liabilities:			
Due Within One Year	10,000	112,014	122,014
Due in More Than One Year	10,000	3,742,525	3,752,525
<b>Total Liabilities</b>	<b>20,004</b>	<b>3,927,114</b>	<b>3,947,118</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	379,857	2,221,128	2,600,985
Unrestricted	663,578	226,374	889,952
<b>Total Net Position</b>	<b>\$ 1,043,435</b>	<b>\$ 2,447,502</b>	<b>\$ 3,490,937</b>

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, 2019

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	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 609,577	\$ 4,455	\$ 130,816	\$ -	\$ (474,306)	\$ -	\$ (474,306)
Public Safety	77,834	-	-	-	(77,834)	-	(77,834)
Streets	212,422	-	-	-	(212,422)	-	(212,422)
Grants	120,347	-	-	-	(120,347)	-	(120,347)
Total Governmental Activities	<u>1,020,180</u>	<u>4,455</u>	<u>130,816</u>	<u>-</u>	<u>(884,909)</u>	<u>-</u>	<u>(884,909)</u>
Business-Type Activities:							
Water	492,708	650,660	-	-	-	157,952	157,952
Sewer	328,480	296,308	-	-	-	(32,172)	(32,172)
Garbage	208,228	206,825	-	-	-	(1,403)	(1,403)
Big Creek Lake	365,989	-	-	-	-	(365,989)	(365,989)
Total Business-Type Activities	<u>1,395,405</u>	<u>1,153,793</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(241,612)</u>	<u>(241,612)</u>
Total Primary Government	<u>\$ 2,415,585</u>	<u>\$ 1,158,248</u>	<u>\$ 130,816</u>	<u>\$ -</u>	<u>(884,909)</u>	<u>(241,612)</u>	<u>(1,126,521)</u>
General Revenues:							
Property Taxes					578,301	28,966	607,267
Sales Taxes					155,699	-	155,699
Franchise Taxes					98,544	-	98,544
Investment Earnings					5,179	2,399	7,578
Miscellaneous					3,818	10,715	14,533
Transfers					52,691	(52,691)	-
Total General Revenues and Transfers					<u>894,232</u>	<u>(10,611)</u>	<u>883,621</u>
Change in Net Position					9,323	(252,223)	(242,900)
Net Position - Beginning					1,175,627	2,709,654	3,885,281
Prior Period Adjustment					(141,515)	(9,929)	(151,444)
Net Position - Ending					<u>\$ 1,043,435</u>	<u>\$ 2,447,502</u>	<u>\$ 3,490,937</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, 2019

Statement 3

	General	Street and Bridge	Special Revenue Special Reserve	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 360,155	\$ 219,603	\$ -	\$ 579,758
Restricted Cash and Cash Equivalents	-	-	78,824	78,824
Due from Other Funds	8,472	15,000	-	23,472
<b>Total Assets</b>	<b>\$ 368,627</b>	<b>\$ 234,603</b>	<b>\$ 78,824</b>	<b>\$ 682,054</b>
<b>LIABILITIES</b>				
Payroll Liabilities	\$ 4	\$ -	\$ -	\$ 4
Due to Other Funds	10,000	-	8,472	18,472
<b>Total Liabilities</b>	<b>10,004</b>	<b>-</b>	<b>8,472</b>	<b>18,476</b>
<b>FUND BALANCES</b>				
Unassigned	358,623	234,603	70,352	663,578
<b>Total Fund Balances</b>	<b>358,623</b>	<b>234,603</b>	<b>70,352</b>	<b>663,578</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 368,627</b>	<b>\$ 234,603</b>	<b>\$ 78,824</b>	<b>\$ 682,054</b>
Amounts reported for governmental activities in the statement of net position are different because:				
Total Fund Balances - Governmental Funds (above)				\$ 663,578
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			695,306	
Less: Accumulated Depreciation - Buildings and Improvements			(633,238)	
Machinery, Equipment, and Vehicles			701,202	
Less: Accumulated Depreciation - Machinery, Equipment, and Vehicles			(614,099)	
Infrastructure			700,308	
Less: Accumulated Depreciation - Infrastructure			(508,099)	399,857
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				(20,000)
<b>Net Position of Governmental Activities</b>				<b>\$ 1,043,435</b>

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  
Year Ended September 30, 2019

Statement 4

	General	Special Revenue Street and Bridge	Special Reserve	Total Governmental Funds
<b>REVENUES</b>				
Property Taxes	\$ 578,301	\$ -	\$ -	\$ 578,301
Sales Taxes	-	155,699	-	155,699
Franchise Taxes	-	98,544	-	98,544
Licenses and Permits	4,455	-	-	4,455
Intergovernmental	-	-	120,067	120,067
Investment Earnings	3,400	1,247	532	5,179
Contributions and Donations	10,749	-	-	10,749
Miscellaneous	3,818	-	-	3,818
Total Revenues	<u>600,723</u>	<u>255,490</u>	<u>120,599</u>	<u>976,812</u>
<b>EXPENDITURES</b>				
Current:				
General Government	534,658	-	-	534,658
Public Safety	77,834	-	-	77,834
Streets	-	212,422	-	212,422
Grants	-	-	120,347	120,347
Debt Service:				
Principal	10,000	-	-	10,000
Interest	900	-	-	900
Total Expenditures	<u>623,392</u>	<u>212,422</u>	<u>120,347</u>	<u>956,161</u>
Excess of Revenues Over Expenditures	<u>(22,669)</u>	<u>43,068</u>	<u>252</u>	<u>20,651</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	52,691	-	-	52,691
Total Other Financing Sources (Uses)	<u>52,691</u>	<u>-</u>	<u>-</u>	<u>52,691</u>
Net Changes in Fund Balances	30,022	43,068	252	73,342
Fund Balances - Beginning	318,721	201,870	70,100	590,691
Prior Period Adjustment	9,880	(10,335)	-	(455)
Fund Balances - Ending	<u>\$ 358,623</u>	<u>\$ 234,603</u>	<u>\$ 70,352</u>	<u>\$ 663,578</u>

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

Net Changes in Fund Balances - Total Governmental Funds	\$ 73,342
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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 depreciation expense (\$74,019) exceeded capital outlay in the current period. (74,019)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Expenses in the statement of activities that are not payable from current financial resources are not reported as expenses in the funds.	<u>10,000</u>
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Change in Net Position of Governmental Activities	<u>\$ 9,323</u>
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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, 2019

Statement 5

	Business-Type Activities				Total Enterprise Funds
	Water	Sewer	Garbage	Big Creek Lake	
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 23,007	\$ 45,760	\$ 42,044	\$ -	\$ 110,811
Restricted Cash and Cash Equivalents	71,422	-	-	75,087	146,509
Restricted Certificates of Deposit	-	-	-	74,400	74,400
Note Receivable - Current Portion	-	-	-	23,629	23,629
Total Current Assets	94,429	45,760	42,044	173,116	355,349
Noncurrent Assets:					
Note Receivable - Long-Term Portion	-	-	-	1,151,472	1,151,472
Capital Assets:					
Buildings and Improvements	-	-	30,269	-	30,269
Machinery, Equipment, and Vehicles	245,537	15,347	64,623	-	325,507
Systems and Improvements	2,625,526	5,978,891	-	6,543,393	15,147,810
Less Accumulated Depreciation	(1,554,531)	(3,334,282)	(87,553)	(5,794,525)	(10,770,891)
Water Rights	-	-	-	203,790	203,790
Less Accumulated Amortization	-	-	-	(63,690)	(63,690)
Total Noncurrent Assets	1,316,532	2,659,956	7,339	2,040,440	6,024,267
Total Assets	1,410,961	2,705,716	49,383	2,213,556	6,379,616
LIABILITIES					
Current Liabilities:					
Payroll Liabilities	-	4	-	-	4
Sales Tax Payable	-	-	1,149	-	1,149
Customers' Deposits	71,422	-	-	-	71,422
Certificates of Obligation	-	-	-	38,000	38,000
Revenue Bonds	-	-	-	39,000	39,000
Time Warrant	4,005	4,005	-	-	8,010
Water Rights Payable	-	-	-	27,004	27,004
Due to Other Funds	-	5,000	-	-	5,000
Total Current Liabilities	75,427	9,009	1,149	104,004	189,589
Noncurrent Liabilities:					
Certificates of Obligation	-	-	-	1,617,000	1,617,000
Revenue Bonds	-	-	-	802,000	802,000
Time Warrant	3,778	3,779	-	-	7,557
Water Rights Payable	-	-	-	1,315,968	1,315,968
Total Noncurrent Liabilities	3,778	3,779	-	3,734,968	3,742,525
Total Liabilities	79,205	12,788	1,149	3,838,972	3,932,114
NET POSITION					
Net Investment in Capital Assets	1,308,749	2,652,172	7,339	(1,747,132)	2,221,128
Unrestricted	23,007	40,756	40,895	121,716	226,374
Total Net Position	\$ 1,331,756	\$ 2,692,928	\$ 48,234	\$ (1,625,416)	\$ 2,447,502

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  
Year Ended September 30, 2019

Statement 6

	Business-Type Activities				Total Enterprise Funds
	Water	Sewer	Garbage	Big Creek Lake	
OPERATING REVENUES:					
Charges for Services:					
Water Services	\$ 649,160	\$ -	\$ -	\$ -	\$ 649,160
Sewer Services	-	296,308	-	-	296,308
Refuse Collections	-	-	206,825	-	206,825
Water and Sewer Taps	1,500	-	-	-	1,500
Taxes	-	-	-	28,966	28,966
Miscellaneous	990	3,203	6,522	-	10,715
Total Operating Revenues	<u>651,650</u>	<u>299,511</u>	<u>213,347</u>	<u>28,966</u>	<u>1,193,474</u>
OPERATING EXPENSES:					
Personnel Services	178,420	64,238	5,462	-	248,120
Insurance	12,978	9,323	101	-	22,402
Materials and Supplies	188,578	62,489	-	-	251,067
Refuse Service Contract	-	-	198,907	-	198,907
Utilities	34,254	34,880	185	-	69,319
Other	10,058	5,388	2,549	752	18,747
Depreciation	68,123	151,865	1,024	241,449	462,461
Amortization	-	-	-	4,246	4,246
Total Operating Expenses	<u>492,411</u>	<u>328,183</u>	<u>208,228</u>	<u>246,447</u>	<u>1,275,269</u>
Operating Income (Loss)	<u>159,239</u>	<u>(28,672)</u>	<u>5,119</u>	<u>(217,481)</u>	<u>(81,795)</u>
NONOPERATING REVENUES (EXPENSES):					
Investment Earnings	456	232	296	1,415	2,399
Interest Expense	<u>(297)</u>	<u>(297)</u>	<u>-</u>	<u>(119,542)</u>	<u>(120,136)</u>
Total Nonoperating Income (Expense)	<u>159</u>	<u>(65)</u>	<u>296</u>	<u>(118,127)</u>	<u>(117,737)</u>
Income (Loss) Before Transfers	159,398	(28,737)	5,415	(335,608)	(199,532)
Transfers In	701	-	-	166,079	166,780
Transfers Out	<u>(137,037)</u>	<u>(81,733)</u>	<u>-</u>	<u>(701)</u>	<u>(219,471)</u>
Changes in Net Position	23,062	(110,470)	5,415	(170,230)	(252,223)
Net Position - Beginning	1,334,084	2,815,385	44,177	(1,483,992)	2,709,654
Prior Period Adjustment	<u>(25,390)</u>	<u>(11,987)</u>	<u>(1,358)</u>	<u>28,806</u>	<u>(9,929)</u>
Net Position - Ending	<u>\$ 1,331,756</u>	<u>\$ 2,692,928</u>	<u>\$ 48,234</u>	<u>\$ (1,625,416)</u>	<u>\$ 2,447,502</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  
Year Ended September 30, 2019

Statement 7

	Business-Type Activities				
	Water	Sewer	Garbage	Big Creek Lake	Total Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from Customers and Users	\$ 653,650	\$ 299,511	\$ 213,347	\$ 51,850	\$ 1,218,358
Payments to Suppliers and Service Providers	(245,868)	(112,080)	(201,626)	(752)	(560,326)
Payments to Employees for Salaries and Benefits	(178,420)	(64,234)	(5,478)	-	(248,132)
Decrease in Interfund Payables	(20,000)	-	-	-	(20,000)
Net Cash Provided by (Used For) Operating Activities	<u>209,362</u>	<u>123,197</u>	<u>6,243</u>	<u>51,098</u>	<u>389,900</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers from Other Funds	701	-	-	166,079	166,780
Transfers to Other Funds	<u>(137,037)</u>	<u>(81,733)</u>	<u>-</u>	<u>(701)</u>	<u>(219,471)</u>
Net Cash Provided by (Used For)					
Noncapital Financing Activities	<u>(136,336)</u>	<u>(81,733)</u>	<u>-</u>	<u>165,378</u>	<u>(52,691)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and Construction of Capital Assets	(3,357)	(3,358)	-	-	(6,715)
Principal Paid on Certificates of Obligation	-	-	-	(36,000)	(36,000)
Principal Paid on Revenue Bonds	-	-	-	(33,000)	(33,000)
Principal Paid on Time Warrant	(3,887)	(3,887)	-	-	(7,774)
Principal Paid on Water Rights	-	-	-	(26,153)	(26,153)
Interest Paid on Long-Term Debt	<u>(297)</u>	<u>(297)</u>	<u>-</u>	<u>(119,542)</u>	<u>(120,136)</u>
Net Cash Provided by (Used For) Capital and Related Financing Activities	<u>(7,541)</u>	<u>(7,542)</u>	<u>-</u>	<u>(214,695)</u>	<u>(229,778)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest on Investments	<u>456</u>	<u>232</u>	<u>296</u>	<u>1,415</u>	<u>2,399</u>
Net Cash Provided by (Used For) Investing Activities	<u>456</u>	<u>232</u>	<u>296</u>	<u>1,415</u>	<u>2,399</u>
Net Increase (Decrease) in Cash and Cash Equivalents	65,941	34,154	6,539	3,196	109,830
Cash and Cash Equivalents - Beginning	28,488	11,606	35,505	71,891	147,490
Cash and Cash Equivalents - Ending	<u>\$ 94,429</u>	<u>\$ 45,760</u>	<u>\$ 42,044</u>	<u>\$ 75,087</u>	<u>\$ 257,320</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>					
Operating Income (Loss)	<u>\$ 159,239</u>	<u>\$ (28,672)</u>	<u>\$ 5,119</u>	<u>\$ (217,481)</u>	<u>\$ (81,795)</u>
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) by Operating Activities:</b>					
Depreciation and Amortization	68,123	151,865	1,024	245,695	466,707
(Increase) Decrease in Receivables	-	-	-	22,884	22,884
Increase (Decrease) in Payroll Liabilities	-	4	(16)	-	(12)
Increase (Decrease) in Sales Tax Payable	-	-	116	-	116
Increase (Decrease) in Amounts Payable to Other Funds	(20,000)	-	-	-	(20,000)
Increase (Decrease) in Customers' Deposits	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
Total Adjustments	<u>50,123</u>	<u>151,869</u>	<u>1,124</u>	<u>268,579</u>	<u>471,695</u>
Net Cash Provided by (Used For) Operating Activities	<u>\$ 209,362</u>	<u>\$ 123,197</u>	<u>\$ 6,243</u>	<u>\$ 51,098</u>	<u>\$ 389,900</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, 2019

Statement 8

Frankie  
McKinney  
Foundation

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 348,779
Certificate of Deposit	<u>107,753</u>
Total Current Assets	<u>456,532</u>

Noncurrent Assets:

Capital Assets:	
Building and Furnishings (Collections)	<u>100,573</u>
Total Noncurrent Assets	<u>100,573</u>
Total Assets	<u>557,105</u>

LIABILITIES

Current Liabilities:

Payroll Liabilities	<u>183</u>
Total Liabilities	<u>183</u>

NET POSITION

Unrestricted Net Position	<u>556,922</u>
Total Net Position	<u><u>\$ 556,922</u></u>

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, 2019

Statement 9

	<u>Frankie McKinney Foundation</u>
ADDITIONS:	
Royalties	\$ 12,113
Rental	420
Investment Earnings	<u>5,393</u>
Total Additions	<u>17,926</u>
DEDUCTIONS:	
Personnel Services	3,330
Insurance	3,746
Repairs	14,679
Utilities	5,203
Other	4,242
Bank Closure Loss	<u>85,917</u>
Total Deductions	<u>117,117</u>
Changes in Net Position	(99,191)
Net Position - Beginning	<u>656,113</u>
Net Position - Ending	<u><u>\$ 556,922</u></u>

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

CITY OF COOPER, TEXAS  
Notes to Financial Statements  
September 30, 2019

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, 2019

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 Foundation (the Foundation).

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, 2019

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. 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, 2019, 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	\$ 6,008
Public Safety	134

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 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, 2019, 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, 2019

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. 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, 2019, 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, that includes the applicable allowance for uncollectible accounts as of September 30, 2019:

	<u>Big Creek Lake</u>
Note Receivable	<u>\$ 1,175,101</u>
Gross Receivable	1,175,101
Less: Allowance for Uncollectibles	-
Net Receivables	<u>\$ 1,175,101</u>

Amount Not Expected to be Collected During the Subsequent Year	<u>\$ 1,151,472</u>
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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, 2019

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 and Equipment	5-7
Vehicles	5
Furniture and Equipment	5
Infrastructure	20
System Infrastructure	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 Foundation 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, 2019, are as follows:

<u>General Fund</u>	<u>Cash and Cash Equivalents</u>	<u>Certificate of Deposit</u>
Grant Funds	\$ 78,824	\$ -
 <u>Proprietary Fund</u>		
Reserved Funds	\$ -	\$ 74,400
Meter Deposits	71,422	-
Interest and Sinking Funds	75,087	
Total	<u>\$ 146,509</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, 2019

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, 2019

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 2018 levy amounted to .8926 for maintenance and operation and .0446 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, 2019. The over-expenditures were funded by available fund balance.

At September 30, 2019 the Big Creek Lake Fund had a deficit fund net position of \$1,625,416. 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, 2019, the City was not exposed to custodial credit risk since deposits are insured or collateralized with securities held by the pledging financial institution's trust department or agent in the name of the City. The carrying amount of deposits was \$990,302 and the bank's balances were \$1,099,017. 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.

As of September 30, 2019, the Frankie McKinney Foundation (the Foundation) had deposits with a carrying amount and bank's balance of \$456,532. At September 30, 2019, the Foundation had deposits of \$1,423 that were exposed to custodial credit risk because they were uninsured and uncollateralized. The Foundation's Certificate of Deposit totaling \$107,753 is considered a deposit for this footnote but is classified as certificate of deposit on the face of the financial statements.

CITY OF COOPER, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2019

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.

C. Capital Assets

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.

Capital asset activity for the year ended September 30, 2019, 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	695,306	-	-	695,306
Machinery, Equipment, and Vehicles	701,202	-	-	701,202
Infrastructure	700,308	-	-	700,308
Total Capital Assets, Being Depreciated	2,096,816	-	-	2,096,816
Less Accumulated Depreciation for:				
Buildings and Improvements	628,232	5,006	-	633,238
Machinery, Equipment, and Vehicles	579,208	34,891	-	614,099
Infrastructure	473,977	34,122	-	508,099
Total Accumulated Depreciation	1,681,417	74,019	-	1,755,436
Total Capital Assets, Being Depreciated, Net	415,399	(74,019)	-	341,380
Governmental Activities Capital Assets, Net	\$ 473,876	\$ (74,019)	\$ -	\$ 399,857

CITY OF COOPER, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2019

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	\$ 62,175
Public Safety	5,922
Streets	<u>5,922</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 74,019</u>

Business-Type Activities:

	Beginning Balances	Additions	Retirements	Ending Balances
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ -	\$ -	\$ -	\$ -
Total Capital Assets, Not Being Depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	30,269	-	-	30,269
Machinery, Equipment, and Vehicles	318,792	6,715	-	325,507
Systems and Improvements	<u>15,147,810</u>	<u>-</u>	<u>-</u>	<u>15,147,810</u>
Total Capital Assets, Being Depreciated	<u>15,496,871</u>	<u>6,715</u>	<u>-</u>	<u>15,503,586</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	21,908	1,022	-	22,930
Machinery, Equipment, and Vehicles	282,593	7,054	-	289,647
Systems and Improvements	<u>10,003,929</u>	<u>454,385</u>	<u>-</u>	<u>10,458,314</u>
Total Accumulated Depreciation	<u>10,308,430</u>	<u>462,461</u>	<u>-</u>	<u>10,770,891</u>
Total Capital Assets, Being Depreciated, Net	<u>5,188,441</u>	<u>(455,746)</u>	<u>-</u>	<u>4,732,695</u>
Business-Type Activities Capital Assets, Net	<u>\$ 5,188,441</u>	<u>\$ (455,746)</u>	<u>\$ -</u>	<u>\$ 4,732,695</u>

Business-Type Activities:

Water	\$ 68,123
Sewer	151,865
Garbage	1,024
Big Creek Lake	<u>241,449</u>
Total Depreciation Expense – Business-Type Activities	<u>\$ 462,461</u>

CITY OF COOPER, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2019

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:

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

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

\$800,000 Waterworks and Sewer System Revenue Bonds, Series 2000A, due in annual installments varying from \$18,000 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 5.02% to 5.42%.

\$1,883,000 Combination Tax and Revenue Certificates of Obligation, Series 2005, due in annual installments varying from \$36,000 to \$125,000 with final payment due July 1, 2043. Interest is payable semi-annually at 4.375%.

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

\$23,978 Time Warrant, due in monthly installments varying from \$658 to \$696 with final payment due September 10, 2021. Interest is payable monthly at 3%.

CITY OF COOPER, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2019

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, 2019, the asset balances in the Interest and Sinking Funds and Reserve Fund are \$75,087 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, 2019, are as follows:

	Beginning Balances	Additions	Retirements	Ending Balances	Due Within One year
<b><u>Governmental Activities</u></b>					
Time Warrants	\$ 30,000	\$ -	\$ 10,000	\$ 20,000	\$ 10,000
Total Governmental Activities	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 20,000</u>	<u>\$ 10,000</u>
<b><u>Business-Type Activities</u></b>					
Certificates of Obligation	\$ 1,691,000	\$ -	\$ 36,000	\$ 1,655,000	\$ 38,000
Revenue Bonds	874,000	-	33,000	841,000	39,000
Time Warrant	23,341	-	7,774	15,567	8,010
Water Rights Payable	1,369,125	-	26,153	1,342,972	27,004
Total Business-Type Activities	<u>\$ 3,957,466</u>	<u>\$ -</u>	<u>\$ 102,927</u>	<u>\$ 3,854,539</u>	<u>\$ 112,014</u>



CITY OF COOPER, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2019

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 Funds		Proprietary Funds		Total
	Principal	Interest	Principal	Interest	
2020	\$ 10,000	\$ 600	\$ 112,014	\$ 152,513	\$ 275,127
2021	10,000	300	114,439	148,271	273,010
2022	-	-	110,789	144,035	254,824
2023	-	-	114,726	139,744	254,470
2024	-	-	118,693	135,285	253,978
2025	-	-	128,691	130,655	259,346
2026	-	-	111,722	125,677	237,399
2027	-	-	115,787	121,117	236,904
2028	-	-	121,886	116,390	238,276
2029	-	-	126,021	111,406	237,427
2030	-	-	131,192	106,253	237,445
2031	-	-	137,402	100,885	238,287
2032	-	-	141,651	95,255	236,906
2033	-	-	147,941	89,453	237,394
2034	-	-	153,273	83,388	236,661
2035	-	-	160,648	77,101	237,749
2036	-	-	167,068	70,506	237,574
2037	-	-	173,534	63,664	237,198
2038	-	-	182,048	56,509	238,557
2039	-	-	190,611	49,018	239,629
2040	-	-	167,225	41,166	208,391
2041	-	-	173,891	34,425	208,316
2042	-	-	181,612	27,410	209,022
2043	-	-	169,908	20,078	189,986
2044	-	-	39,141	13,069	52,210
2045	-	-	40,415	11,796	52,211
2046	-	-	41,729	10,481	52,210
2047	-	-	43,087	9,124	52,211
2048	-	-	44,488	7,722	52,210
2049	-	-	45,935	6,275	52,210
2050	-	-	47,430	4,781	52,211
2051	-	-	48,973	3,238	52,211
2052	-	-	50,569	1,645	52,214
Total	<u>\$ 20,000</u>	<u>\$ 900</u>	<u>\$ 3,854,539</u>	<u>\$ 2,308,335</u>	<u>\$ 6,183,774</u>

CITY OF COOPER, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2019

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

E. Interfund Receivables and Payables

The composition of interfund balances as of September 30, 2019, is as follows:

Due to/from Other Funds:

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

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

The composition of interfund transfers for the year ended September 30, 2019 is as follows:

	Transfer In			Total
	General	Water	Big Creek Lake	
Transfer Out:				
Water	\$ 52,691	\$ -	\$ 84,346	\$ 137,037
Sewer	-	-	81,733	81,733
Big Creek Lake	-	701	-	701
Total	<u>\$ 52,691</u>	<u>\$ 701</u>	<u>\$ 166,079</u>	<u>\$ 219,471</u>

During the year ended September 30, 2019, the City made fund transfers for regular operations of the City.

CITY OF COOPER, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2019

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

F. Pension Plan

A. Plan Description

The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) and 414(h)(2) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

B. 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, 2018, 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	3
Active Employees	<u>13</u>
Total	<u>24</u>

The funded status as of December 31, 2018, 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
12/31/2018	\$1,427,737	\$1,516,962	94.1%	\$89,225	\$417,092	21.4%

CITY OF COOPER, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2019

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

F. Pension Plan (Continued)

C. 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 5.19% and 5.23% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019, were \$23,071 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, 2018 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, 2019

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 0.34% and 0.30% of gross earnings in calendar year 2018 and 2019, 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.tmrs.com](http://www.tmrs.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, 2019, was approximately \$204,291.

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, 2019

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

H. Commitments (Continued)

3. Interlocal Cooperative Agreement

During the year, the City participated in an interlocal cooperative agreement with the Sulphur River Regional Mobility Authority. The City's payments are to assist in funding completion of approximately 10.4 miles of four-lane divided highway in Delta County, Texas. The City considers this a cost sharing arrangement; accordingly, the financial statements do not reflect a liability related to this agreement. Annual payments of \$10,430 include principal and interest at 3.68%. The outstanding balance of this commitment at September 30, 2019, was approximately \$47,011.

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, 2019. 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. Bank Loss Failure

On May 31, 2019, The Enloe State Bank was closed by the Texas Department of Banking. As a result, the Foundation experienced a loss of \$85,917 due to deposits not being insured or collateralized with securities held by the pledging financial institutions' trust department or agent in the name of the Foundation. All insured deposits were transferred to Legend Bank N.A.

M. Prior Period Adjustment

During fiscal year 2019, the City converted to the modified cash basis of accounting. The change in accounting principle required a prior period adjustment to report the effect of the conversion retroactively. The amount of the prior period adjustment is \$(141,515) for the Governmental Activities, \$(445) for the General Fund and Special Revenue Funds, and \$(9,929) for the Business-type Activities. The restated beginning net position is \$1,034,112 for the Governmental Activities and \$2,699,725 for the Business-type Activities.

CITY OF COOPER, TEXAS  
Notes to Financial Statements (Continued)  
September 30, 2019

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

N. Subsequent Events

The City has evaluated subsequent events through June 1, 2020, which is the date the financial statements were available to be issued, and management has determined no additional disclosures are necessary.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread through the United States. The spread of COVID19 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the City is unable to determine if it will have a material impact to its operations.

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

Number of Customers:

Water	902
Sewer	848
Garbage	807

Water Produced for Resale	160,063,000 gallons
Water Sold	130,498,300 gallons

City Council Members:

Darren Braddy – Mayor  
David Phillips – Mayor Pro-Tem  
Amanda L'Esperance – Council Member  
Allen Foster – Council Member  
Willie "Bear" Wilkins – Council Member  
Donna Thomason – Council Member

Administrative Staff:

Dean Eudy – City Judge  
Edgar J. Garrett, Jr. – City Attorney  
Emily Howse – City Secretary / City Administrator  
Terry Palmer – Water / Waste Water Superintendent  
Will Anderton – City Foreman

CITY OF COOPER, TEXAS  
 Budgetary Comparison Schedule - Modified Cash Basis - General Fund  
 Year Ended September 30, 2019

Schedule 1

	Original and Final Budgeted Amount	Actual	Variance with Final Budget
<b>REVENUES</b>			
Property Taxes	\$ 614,900	\$ 578,301	\$ (36,599)
Licenses and Permits	2,500	4,455	1,955
Fines and Fees	700	-	(700)
Investment Earnings	1,000	3,400	2,400
Contributions and Donations	8,700	10,749	2,049
Miscellaneous	350	3,818	3,468
Total Revenues	<u>628,150</u>	<u>600,723</u>	<u>(27,427)</u>
<b>EXPENDITURES</b>			
Current:			
General Government	528,650	534,658	(6,008)
Public Safety	77,700	77,834	(134)
Debt Service:			
Principal	10,000	10,000	-
Interest	900	900	-
Total Expenditures	<u>617,250</u>	<u>623,392</u>	<u>(6,142)</u>
Excess of Revenues Over Expenditures	<u>10,900</u>	<u>(22,669)</u>	<u>(33,569)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	12,000	52,691	40,691
Transfers Out	(22,900)	-	22,900
Total Other Financing Sources (Uses)	<u>(10,900)</u>	<u>52,691</u>	<u>63,591</u>
Net Change in Fund Balance	-	30,022	30,022
Fund Balance - Beginning	318,721	318,721	-
Prior Period Adjustment	9,880	9,880	-
Fund Balance - Ending	<u>\$ 328,601</u>	<u>\$ 358,623</u>	<u>\$ 30,022</u>



CITY OF COOPER, TEXAS  
 Budgetary Comparison Schedule - Modified Cash Basis -Street and Bridge Fund  
 Year Ended September 30, 2019

Schedule 2

	Original and Final Budgeted Amount	Actual	Variance with Final Budget
REVENUES			
Taxes:			
Sales Taxes	\$ 136,000	\$ 155,699	\$ 19,699
Franchise Taxes	88,000	98,544	10,544
Investment Earnings	950	1,247	297
Miscellaneous	700	-	(700)
Total Revenues	<u>225,650</u>	<u>255,490</u>	<u>29,840</u>
EXPENDITURES			
Current:			
Streets	<u>225,650</u>	<u>212,422</u>	<u>13,228</u>
Total Expenditures	<u>225,650</u>	<u>212,422</u>	<u>13,228</u>
Excess of Revenues Over Expenditures	<u>-</u>	<u>43,068</u>	<u>43,068</u>
OTHER FINANCING SOURCES (USES)			
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	43,068	43,068
Fund Balance - Beginning	201,870	201,870	-
Prior Period Adjustment	<u>(10,335)</u>	<u>(10,335)</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 191,535</u>	<u>\$ 234,603</u>	<u>\$ 43,068</u>

**McClanahan and Holmes, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

STEVEN W. MOHUNDRO, CPA  
GEORGE H. STRUVE, CPA  
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2019, 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 June 1, 2020.

**Internal Control over Financial Reporting**

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

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

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

**Financial Accounting and Reporting**

The City does not prepare the financial statements and control the period-end financial reporting process, including controls over the selection and application of accounting principles that are in conformity with generally accepted accounting principles; control over procedures used to analyze transactions comprising general ledger activity;

controls over initiating, authorizing, recording and processing journal entries into the general ledger; and controls over recording recurring and nonrecurring adjustments to the financial statements.

#### Segregation of Duties

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

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free 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*.

#### **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  
June 1, 2020