

CITY OF COLEMAN, TEXAS

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S
REPORT

YEAR ENDED

SEPTEMBER 30, 2021



Roberts & McGee CPA

CITY OF COLEMAN, TEXAS

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Coleman, Texas:

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Coleman, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Coleman, Texas, as of September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension related schedules on pages 4-9 and 41-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Coleman, Texas' basic financial statements. The other supplementary schedules on pages 46-50 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 3, 2023, on our consideration of City of Coleman, Texas' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 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 City of Coleman, Texas' internal control over financial reporting and compliance.


Roberts & McGee, CPA

Abilene, Texas,
July 3, 2023

THE CITY OF COLEMAN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2021

As management of the City of Coleman, we offer readers of the City of Coleman, Texas' financial statements this narrative overview and analysis of the financial activities of the City of Coleman, Texas for the fiscal year ended September 30, 2021.

Financial Highlights

Government-Wide Financial Statements

- The assets of the City of Coleman exceeded its liabilities at the close of the most recent fiscal year by \$12,078,088 (*net position*). Of this amount, \$2,877,675 (*unrestricted*) may be used to meet the government's ongoing obligations to citizens. \$8,175,185 of the City's equity is invested in capital assets, net of related debt; and \$1,025,228 of the City's equity is restricted.
- The City's total assets increased by \$1,199,838 during the 2021 fiscal year and total liabilities decreased \$137,582.
- The net position (*equity*) of the City increased by \$999,885 during the 2021 fiscal year.

Fund Financial Statements

- As of the close of the current fiscal year, the City of Coleman's General Fund reported an ending unassigned fund balance of \$1,733,319. This fund balance reflects an increase of \$562,568 for the current year. \$1,474,343 was transferred during the year to the General Fund from the Proprietary Funds.
- In the Utility Fund, the net position reflects \$2,093,103 of unrestricted equity, which is a decrease of \$415,524 for the current year.

Overview of the Financial Statements

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

Government-Wide Financial Statements

The *statement of net position* presents information on all of the City of Coleman's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Coleman is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements reflect functions of the City of Coleman that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the City of Coleman include general administration, public safety, public service, streets, culture and recreation, health and inspection, cemetery, and environmental.

The government-wide financial statements can be found on pages 10-11 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Coleman, like other state and local governments, uses fund accounting

THE CITY OF COLEMAN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2021

to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Coleman can be divided into two categories: governmental funds and proprietary funds.

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

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

The City of Coleman maintains two governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund, and the law enforcement fund, which is considered to be a non-major fund.

The governmental fund financial statements can be found on pages 12-16 of this report.

The City of Coleman adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget on pages 41 and 42.

Proprietary funds. When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but it provides more detail and additional information, such as cash flows, for the proprietary funds. The proprietary fund financial statements can be found on pages 17-19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-40 of this report.

Other information. Other schedules in connection with the general fund accounts and the component units are presented immediately following the required supplementary information. These schedules can be found on pages 46-50 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Coleman, assets exceeded liabilities by \$12,078,088 at the close of the most recent fiscal year.

\$8,175,185 of the City of Coleman's net position (68 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), net of related debt. The City of Coleman uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

THE CITY OF COLEMAN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021

The City of Coleman's Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current assets	\$ 2,433,045	\$ 1,933,345	\$ 7,155,843	\$ 9,118,798
Capital assets	<u>1,291,649</u>	<u>1,124,778</u>	<u>19,979,885</u>	<u>17,483,663</u>
Total Assets	<u>3,724,694</u>	<u>3,058,123</u>	<u>27,135,728</u>	<u>26,602,461</u>
Deferred outflows of resources	<u>482,563</u>	<u>604,899</u>	<u>402,062</u>	<u>503,990</u>
Total assets and deferred outflows of resources	4,207,257	3,663,022	27,537,790	27,106,451
Current liabilities	430,055	411,868	2,476,554	1,903,958
Long-term liabilities	<u>1,384,916</u>	<u>1,365,231</u>	<u>13,573,329</u>	<u>14,321,379</u>
Total Liabilities	<u>1,814,971</u>	<u>1,777,099</u>	<u>16,049,883</u>	<u>16,225,337</u>
Deferred inflows of resources	<u>562,132</u>	<u>763,743</u>	<u>1,239,973</u>	<u>878,732</u>
Total liabilities and deferred inflows of resources	2,377,103	2,540,842	17,289,856	17,104,069
Net investment in capital assets	694,945	651,432	7,480,240	6,819,802
Restricted	350,637	389,828	674,591	674,253
Unrestricted	<u>784,572</u>	<u>80,920</u>	<u>2,093,103</u>	<u>2,508,627</u>
Total Net Position	<u>\$ 1,830,154</u>	<u>\$ 1,122,180</u>	<u>\$ 10,247,934</u>	<u>\$ 10,002,682</u>

THE CITY OF COLEMAN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021

The City of Coleman's Changes in Net Position

	Governmental Activities		Business-type Activities	
	2021	2020	2021	2020
Revenues:				
Program Revenues:				
Charges for services	\$ 461,595	\$ 453,080	\$ 8,058,624	\$ 7,864,700
Capital grants & contributions			62,495	74,242
Operating grants & contributions	342,946	214,395		
General Revenues				
Property taxes	595,589	566,672		
Sales and use taxes	1,053,868	949,635		
Franchise taxes	85,335	78,758	32,657	30,672
Occupancy tax	45,555	32,603		
Investment earnings	1,579	2,593	2,808	20,672
Miscellaneous income	608,870	552,172	348,249	97,766
Transfers	1,474,343	1,321,442	(1,474,343)	(1,321,442)
Total Revenues	4,669,680	4,171,350	7,030,490	6,766,610
Expenses				
General administration	963,784	865,456		
Public safety	1,719,058	1,554,371		
Streets	503,259	475,769		
Public service	149,526	142,324		
Culture and recreation	391,830	370,038		
Health and inspection	21,807	20,354		
Cemetery	147,882	186,410		
Environmental	31,834	69,539		
Utility			5,743,107	5,490,938
Municipal airport			231,799	246,492
Sanitation			768,835	792,972
Interest	27,564	12,710		
Other				
Total expenses	3,956,544	3,696,971	6,743,741	6,530,402
Change in net position	713,136	474,379	286,749	236,208
Beginning Net Position	1,122,180	647,801	10,002,682	9,766,474
Prior period adjustments	(5,162)		(41,497)	
Ending Net Position	\$ 1,830,154	\$ 1,122,180	\$ 10,247,934	\$ 10,002,682

FINANCIAL ANALYSIS OF THE GOVERNMENTS FUNDS

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

Governmental funds. The focus of the City of Coleman's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Coleman's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

THE CITY OF COLEMAN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021

As of the end of the current fiscal year, the City of Coleman's governmental General Fund reported an ending fund balance of \$2,024,886. Of this amount, \$1,733,319 is unassigned and available for spending at the City's discretion. This represents approximately 4.5 months of operating equity based on 2021 current expenditures.

Fund Budgetary Highlights

The original budget for the General Fund reflected an excess of revenue over expenditures of \$64,831. The budget was amended to reflect an excess revenue over expenditures of \$84,950. The actual expenditures were \$277,220 less than the amended budgeted amounts, and actual revenues were \$168,867 more than was budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The City of Coleman's investment in capital assets for its governmental activities amounted to \$1,291,649 (net of accumulated depreciation), and the investment in capital assets for its business-type activities amounted to \$19,979,885 (net of accumulated depreciation) as of September 30, 2021. This investment in capital assets includes land, buildings, improvements, infrastructure, and equipment.

The City of Coleman's Capital Assets
(net of depreciation)

	Governmental Activities	
	2021	2020
Land	\$ 103,730	\$ 103,730
Buildings and improvements	544,305	489,079
Furniture and equipment	3,117,721	2,838,091
Infrastructure	2,684,374	2,684,374
Accumulated depreciation	(5,158,481)	(4,990,496)
Total	\$ 1,291,649	\$ 1,124,778
	Business-type Activities	
	2021	2020
Land	\$ 344,998	\$ 344,998
Construction in progress	8,745,836	6,555,342
Buildings and improvements	1,645,650	1,413,817
Furniture and equipment	4,071,067	3,356,507
Infrastructure	24,494,409	24,522,240
Accumulated depreciation	(19,322,075)	(18,709,251)
Total	\$ 19,979,885	\$ 17,483,653

Additional information on the City of Coleman's capital assets can be found in Note 6 on pages 29 through 31 of this report.

Debt Administration

The City of Coleman has long term debt in the form of bonds, notes payable and capital leases. As of September 30, 2021, the City had long term liabilities as follows:

THE CITY OF COLEMAN, TEXAS

**MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

Governmental Activities:

Notes payable	\$ 460,113
Capital leases payable	136,591

Business-type Activities:

Notes payable	\$ 1,118,259
Bonds payable	12,419,000
Capital leases payable	118,444

Additional information on the City of Coleman's long-term debt can be found in Note 7 on pages 31 through 35 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City and the component units of the City are working to bring new businesses into the City of Coleman. By bringing in new business, revenue of the City is increased through sales tax and property tax.

- The City of Coleman adopted a 2021 property tax rate effective for its 2022 fiscal year of .438623 per \$100 property valuation. This is composed of the maintenance and operations rate of .283330 and the interest and sinking rate of .155293 per \$100 property valuation.
- These indicators were taken into account when adopting the general fund budget for fiscal year 2022. The general fund budget reflects a surplus of \$15,785 with \$4,555,461 of general fund revenue and \$4,539,676 of general fund expenses. The fiscal year 2022 revenue is approximately \$155,000 less than the adjusted revenue budget for fiscal year 2021.

Requests for Information

This financial report is designed to provide a general overview of the City of Coleman's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Secretary, City of Coleman, 200 West Live Oak, Coleman, Texas 76834.

BASIC FINANCIAL STATEMENTS

CITY OF COLEMAN, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 1,191,683	\$ 3,592,582	\$ 4,784,265	\$ 844,707
Restricted cash and cash equivalents	192,499	717,540	910,039	
Investments	1,648	1,700,878	1,702,526	180,849
Restricted investments	150,000		150,000	
Receivables:				
Taxes, net	178,557		178,557	195,798
Accounts, net	43,449	706,995	750,444	2,175
Other receivables	60,773	63,284	124,057	
Notes receivable				426,503
Internal balances	614,436	(614,436)		
Securities held in escrow		989,000	989,000	
Non-depreciable capital assets	103,730	9,090,834	9,194,564	220,931
Depreciable capital assets, net	1,187,919	10,889,051	12,076,970	221,240
TOTAL ASSETS	3,724,694	27,135,728	30,860,422	2,092,203
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	482,563	402,062	884,625	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	4,207,257	27,537,790	31,745,047	2,092,203
LIABILITIES				
Accounts payable and accrued expenses	303,650	1,394,054	1,697,704	1,990
Utility deposits		375,141	375,141	
Long term liabilities:				
Due within one year	126,405	707,359	833,764	25,600
Due after one year:				
Compensated absences	52,061	27,389	79,450	
Landfill closure liability		45,990	45,990	
Loans and certificates payable	470,299	12,781,286	13,251,585	425,060
Net pension liability	862,556	718,664	1,581,220	
TOTAL LIABILITIES	1,814,971	16,049,883	17,864,854	452,650
DEFERRED INFLOWS OF RESOURCES				
Unearned grant revenue		771,615	771,615	
Deferred inflows - pension	562,132	468,358	1,030,490	
TOTAL DEFERRED INFLOWS OF RESOURCES	562,132	1,239,973	1,802,105	
NET POSITION				
Net investment in capital assets	694,945	7,480,240	8,175,185	442,171
Restricted	350,637	674,591	1,025,228	
Unrestricted	784,572	2,093,103	2,877,675	1,197,382
TOTAL NET POSITION	\$ 1,830,154	\$ 10,247,934	\$ 12,078,088	\$ 1,639,553

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

CITY OF COLEMAN, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	PRIMARY GOVERNMENT			
					Governmental Activities	Business-type Activities	Total	
PRIMARY GOVERNMENT:								
Governmental activities:								
General administration	\$ 963,784	\$ 145,092	\$ 158,714	\$	\$ (659,978)	\$	\$ (659,978)	
Public safety	1,719,058	10,642	179,232		(1,529,184)		(1,529,184)	
Public service	149,526	48,429			(101,097)		(101,097)	
Culture and recreation	391,830	31,643	5,000		(355,187)		(355,187)	
Health and inspection	21,807				(21,807)		(21,807)	
Cemetery	147,882	71,650			(76,232)		(76,232)	
Environment	31,834				(31,834)		(31,834)	
Streets	503,259	154,139			(349,120)		(349,120)	
Interest	27,564				(27,564)		(27,564)	
Total governmental activities	3,956,544	461,595	342,946		(3,152,003)		(3,152,003)	
Business-type activities:								
Utility	5,743,107	7,215,617				1,472,510	1,472,510	
Municipal airport	231,799	50,488		62,495		(118,816)	(118,816)	
Sanitation	768,835	792,519				23,684	23,684	
Total business-type activities	6,743,741	8,058,624		62,495		1,377,378	1,377,378	
TOTAL PRIMARY GOVERNMENT	\$ 10,700,285	\$ 8,520,219	\$ 342,946	\$ 62,495	(3,152,003)	1,377,378	(1,774,625)	
Component units:								
Economic Development Corp	\$ 511,841	\$ 29,019	\$	\$				(482,822)
Coleman Community Coalition	160,792							(160,792)
Total component units	\$ 672,633	\$ 29,019	\$	\$				(643,614)
GENERAL REVENUES:								
Taxes:								
Property taxes					595,589		595,589	
Sales and use taxes					1,053,868		1,053,868	528,262
Franchise taxes					85,335	32,657	117,992	
Hotel/motel taxes					45,555		45,555	
Investment income					1,579	2,808	4,387	998
Miscellaneous income					608,870	348,249	957,119	2,903
Transfers					1,474,343	(1,474,343)		
Total general revenues					3,865,139	(1,090,629)	2,774,510	532,163
Change in net position					713,136	286,749	999,885	(111,451)
Net position - beginning, adjusted					1,117,018	9,961,185	11,078,203	1,751,004
Net position - ending					\$ 1,830,154	\$ 10,247,934	\$ 12,078,088	\$ 1,639,553

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

CITY OF COLEMAN, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,191,683	\$	\$ 1,191,683
Investments	1,648		1,648
Receivables:			
Accounts, net	43,449		43,449
Property tax, net	55,405		55,405
Sales tax	96,230		96,230
Occupancy tax		12,167	12,167
Franchise tax	14,755		14,755
Grants	50,251		50,251
Due from component units	10,522		10,522
Due from other funds	614,184	252	614,436
Restricted Assets:			
Cash and cash equivalents	141,567	50,932	192,499
Investments	150,000		150,000
TOTAL ASSETS	\$ 2,369,694	\$ 63,351	\$ 2,433,045
LIABILITIES:			
Accounts payable and accrued expenses	\$ 299,369	\$ 4,281	\$ 303,650
Due to other governmental entities			
Total Liabilities	299,369	4,281	303,650
DERERRED INFLOWS OF RESOURCES:			
Deferred revenue-Property taxes	45,439		45,439
Total liabilities and deferred inflows of resources	344,808	4,281	349,089
FUND BALANCE:			
Unassigned	1,733,319		1,733,319
Restricted	291,567	59,070	350,637
Total Fund Balance	2,024,886	59,070	2,083,956
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,369,694	\$ 63,351	\$ 2,433,045

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

CITY OF COLEMAN, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
 SEPTEMBER 30, 2021

Total Fund Balances - Governmental Funds	\$	2,083,956
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$6,115,274 and the accumulated depreciation was \$4,990,496. The net effect of the beginning balances for capital assets (net of depreciation) in the governmental activities is an increase to net position.		1,124,778
Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. There were current year capital asset purchases of \$394,205 in the General Fund.		394,205
Depreciation expense is not reflected in the governmental funds, but is recorded in the government-wide financial statements as an expense and an increase to accumulated depreciation. The net effect of the current year depreciation expense of \$227,334 is to decrease net position.		(227,334)
Long term debt is not due and payable in the current period and, therefore, it is not reported in governmental funds. The net effect of recognizing long term debt in the governmental activities is a decrease to net position of \$596,704		(596,704)
Compensated absences are reported in the government wide statements but are not recorded in the fund financial statements.		(52,061)
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the governmental funds. Deferred revenue of \$45,439 is recognized in the government-wide financial statements. This results in an increase in net position.		45,439
Included on the government-wide financial statements is the recognition of the City's proportionate share of the net pension liability of \$862,556, a deferred outflow of resources of \$482,563, and a deferred inflow of resources of \$562,132. The net effect is to decrease net position.		<u>(942,125)</u>
Net Position of Governmental Activities	\$	<u><u>1,830,154</u></u>

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

CITY OF COLEMAN, TEXAS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2021

	General Fund	Nonmajor Governmental	Total Governmental Funds
REVENUE:			
Taxes:			
Property tax	\$ 602,689	\$	\$ 602,689
Sales tax	1,041,606		1,041,606
Franchise tax	85,335		85,335
Occupancy tax		45,555	45,555
Alcohol beverage tax	12,262		12,262
Licenses & permits	18,572		18,572
Grants	341,219	1,727	342,946
Fines and forfeitures	88,089		88,089
Investment income	1,556	23	1,579
General service fees	243,265		243,265
Internal franchise fees	243,265		243,265
Rental revenue	25,644		25,644
Street repair fee	147,716		147,716
Charges for services	225,789		225,789
Donations	4,944		4,944
Miscellaneous Income	4,431		4,431
Total Revenue	3,086,382	47,305	3,133,687
EXPENDITURES:			
Current:			
General government	815,273	48,782	864,055
Public safety			
Other	104,946		104,946
Police department	915,114	1,021	916,135
Fire department	652,333		652,333
Public service			
Animal control	57,516		57,516
Municipal court	96,234		96,234
Health and sanitation	3,954		3,954
Cultural and recreation			
Library	150,809		150,809
Parks	194,139		194,139
City park pool	51,271		51,271
Health and inspection			
City inspection	21,807		21,807
Environmental	34,281		34,281
Cemetery	145,501		145,501
Streets	462,405		462,405
EDC	94,444		94,444
Debt service:			
Principal retired	126,642		126,642
Interest	27,564		27,564
Capital outlay	394,205		394,205
Total Expenditures	4,348,438	49,803	4,398,241

CITY OF COLEMAN, TEXAS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - continued
YEAR ENDED SEPTEMBER 30, 2021

	General Fund	Nonmajor Governmental	Total Governmental Funds
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURE	(1,262,056)	(2,498)	(1,264,554)
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of debt	250,000		250,000
Proceeds from sale of assets	68,750		68,750
Transfers in (out)	1,474,343		1,474,343
Total other financing sources (uses)	<u>1,793,093</u>		<u>1,793,093</u>
CHANGE IN FUND BALANCE	531,037	(2,498)	528,539
FUND BALANCE AT BEGINNING OF YEAR	1,499,011	61,568	1,560,579
Adjustment to beginning fund balance	<u>(5,162)</u>		<u>(5,162)</u>
FUND BALANCE AT END OF YEAR	<u>\$ 2,024,886</u>	<u>\$ 59,070</u>	<u>\$ 2,083,956</u>

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

CITY OF COLEMAN, TEXAS
RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2021

Net Change in Fund Balances - Governmental Funds	\$	528,539
Amounts reported for governmental activities in the statement of activities are different because:		
Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The current year capital asset purchases in the General Fund were \$394,205.		394,205
Depreciation expense is not reflected in the governmental funds, but is recorded in the government-wide financial statements as an expense and an increase to accumulated depreciation. The net effect of the current year depreciation expense of \$227,334 is to decrease net position.		(227,334)
The issuance of long term debt provides current financial resources to governmental funds, while repayment of the principal of long term debt consumes the current financial resources of governmental funds. The net effect of recognizing current issuance and payments on long term debt in the government-wide financial statements is a net decrease to net position of \$123,358.		(123,358)
Changes in compensated absences are shown in the statement of activities but are not included in the fund financial statements		6,698
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the governmental funds. The current year adjustment to revenue recognized in the government-wide financial statements is \$7,100. This results in a decrease in net position.		(7,100)
Certain expenditures for pension that are recorded to the fund financial statements must be recorded as deferred outflows of resources. The City's share of the unrecognized deferred inflows and outflows for TMRS as of the measurement date must be amortized and the City's proportionate share of the pension expense must be recognized. These cause the change in net position to increase in the amount of \$141,486.		141,486
Change in Net Position of Governmental Activities	\$	713,136

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

CITY OF COLEMAN, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2021

	Utility Fund	Airport Fund	Sanitation Fund	Total Proprietary
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 2,927,376	\$ 481,283	\$ 183,923	\$ 3,592,582
Investments	1,700,878			1,700,878
Accounts receivable, net	652,008		54,987	706,995
Other receivables	12,882	50,402		63,284
Restricted cash and cash equivalents	674,591		42,949	717,540
Securities held in escrow	989,000			989,000
Total Current Assets	6,956,735	531,685	281,859	7,770,279
Noncurrent Assets:				
Capital assets:				
Land	223,411	100,000	21,587	344,998
Construction in progress	8,727,932	17,904		8,745,836
Buildings and improvements	152,809	2,938,466		3,091,275
Infrastructure	25,872,832		21,247	25,894,079
Machinery and equipment	54,716	983,600	187,456	1,225,772
Less: Accumulated depreciation	(17,168,022)	(1,945,350)	(208,703)	(19,322,075)
Total Noncurrent Assets	17,863,678	2,094,620	21,587	19,979,885
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	402,062			402,062
Total Assets and Deferred Outflows of Resources	25,222,475	2,626,305	303,446	28,152,226
LIABILITIES:				
Accounts payable	1,056,623	234,301	56,533	1,347,457
Due to other funds	610,690	(1,390)	5,136	614,436
Accrued interest	46,597			46,597
Utility deposits	375,141			375,141
Notes payable	156,232		5,127	161,359
Certificates of obligation	546,000			546,000
Total current	2,791,283	232,911	66,796	3,090,990
Long term liabilities:				
Compensated absences	27,389		-	27,389
Landfill closure liability			45,990	45,990
Notes payable	1,070,029		5,315	1,075,344
Certificates of obligation	11,705,942			11,705,942
Net pension liability	718,664			718,664
Total Liabilities	16,313,307	232,911	118,101	16,664,319
DEFERRED INFLOWS OF RESOURCES				
Unearned grant revenue	529,519	242,096		771,615
Deferred inflows - pension	468,358			468,358
Total Deferred Inflows of Resources	997,877	242,096		1,239,973
NET POSITION:				
Net investment in capital assets	5,374,475	2,094,620	11,145	7,480,240
Restricted	674,591			674,591
Unrestricted	1,862,225	56,678	174,200	2,093,103
Total Net Position	\$ 7,911,291	\$ 2,151,298	\$ 185,345	\$ 10,247,934

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

CITY OF COLEMAN, TEXAS
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Utility Fund	Municipal Airport Fund	Sanitation Fund	Total Proprietary Funds
OPERATING REVENUE:				
Water Sales	\$ 2,123,595	\$	\$	\$ 2,123,595
Sewer charges	691,028			691,028
Electric sales	4,317,654			4,317,654
Sanitation charges			792,519	792,519
Gas & oil sales		50,488		50,488
Utilities transfer fee	27,454			27,454
Franchise fee			32,657	32,657
Penalties on utility service	55,886			55,886
Rental income		13,660		13,660
Other income	67,439	170,929	20,544	258,912
Total Operating Revenue	<u>7,283,056</u>	<u>235,077</u>	<u>845,720</u>	<u>8,363,853</u>
OPERATING EXPENSES:				
Utility department				
Utility office and shop	120,156			120,156
Electricity acquisition and distribution	2,835,796			2,835,796
Water production and distribution	1,313,461			1,313,461
Lake Coleman	130,804			130,804
Sewer collection and treatment	486,731			486,731
Utility administration	702,006			702,006
Municipal airport		231,799		231,799
Sanitation			768,835	768,835
Total Operating Expenses	<u>5,588,954</u>	<u>231,799</u>	<u>768,835</u>	<u>6,589,588</u>
Operating Income	<u>1,694,102</u>	<u>3,278</u>	<u>76,885</u>	<u>1,774,265</u>
NON-OPERATING REVENUE (EXPENSES)				
Interest income	2,457	221	130	2,808
Interest expense	(153,641)		(512)	(154,153)
Gain (loss) on sale of assets	75,677			75,677
Grant income		62,495		62,495
Total Non-operating	<u>(75,507)</u>	<u>62,716</u>	<u>(382)</u>	<u>(13,173)</u>
NET INCOME BEFORE OPERATING TRANSFERS	1,618,595	65,994	76,503	1,761,092
OPERATING TRANSFERS				
Transfers in (out)	(1,474,343)	-	-	(1,474,343)
Total Operating Transfers	<u>(1,474,343)</u>	<u>-</u>	<u>-</u>	<u>(1,474,343)</u>
CHANGE IN NET POSITION	144,252	65,994	76,503	286,749
NET POSITION - BEGINNING OF YEAR	7,766,074	2,105,238	131,370	10,002,682
Adjustment to net position	965	(19,934)	(22,528)	(41,497)
NET POSITION - END OF YEAR	<u>\$ 7,911,291</u>	<u>\$ 2,151,298</u>	<u>\$ 185,345</u>	<u>\$ 10,247,934</u>

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

CITY OF COLEMAN, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Utility Fund	Municipal Airport Fund	Sanitation Fund	Total Proprietary Funds
Cash flows from operating activities:				
Receipts from customers	\$ 7,084,417	\$ 21,791	\$ 787,946	\$ 7,894,154
Receipts from other operation functions	150,779	184,589	53,201	388,569
Payments to suppliers	(1,764,943)	(41,563)	(544,787)	(2,351,293)
Payments to employees and related taxes and benefits	(1,755,443)		(61,746)	(1,817,189)
Payments to others	(1,206,226)	(50,534)	(153,948)	(1,410,708)
Net cash provided (used) by operating activities	<u>2,508,584</u>	<u>114,283</u>	<u>80,666</u>	<u>2,703,533</u>
Cash flows from noncapital financing activities:				
Operating transfers in/out	(917,535)	(776)	22,807	(895,504)
Grant proceeds	529,519			529,519
Net cash provided (used) by noncapital financing activities	<u>(388,016)</u>	<u>(776)</u>	<u>22,807</u>	<u>(365,985)</u>
Cash flows from capital and related financing activities:				
Principal payments on long-term debt	(690,550)		(4,947)	(695,497)
Interest payments on long-term debt	(139,931)		(512)	(140,443)
Acquisition and construction of capital assets	(3,080,815)	-	-	(3,080,815)
Proceeds from sales of assets	75,677			75,677
Capital grant proceeds	-	62,495		62,495
Net cash provided (used) by capital and related financing activities	<u>(1,304,338)</u>	<u>62,495</u>	<u>(5,459)</u>	<u>(1,247,302)</u>
Cash flows from investing activities:				
Interest income	2,457	221	130	2,808
Purchase of investments	12,954			12,954
Net cash provided (used) by investing activities	<u>15,411</u>	<u>221</u>	<u>130</u>	<u>15,762</u>
Net increase (decrease) in cash and cash equivalents	831,641	176,223	98,144	1,106,008
Cash and cash equivalents at beginning of year	<u>2,770,326</u>	<u>305,060</u>	<u>128,728</u>	<u>3,204,114</u>
Cash and cash equivalents at end of year	<u>\$ 3,601,967</u>	<u>\$ 481,283</u>	<u>\$ 226,872</u>	<u>\$ 4,310,122</u>
Cash and cash equivalents	\$ 2,927,376	\$ 481,283	\$ 183,923	\$ 3,592,582
Restricted cash and cash equivalents	674,591	-	42,949	717,540
Total Cash and cash equivalents	<u>\$ 3,601,967</u>	<u>\$ 481,283</u>	<u>\$ 226,872</u>	<u>\$ 4,310,122</u>
Reconciliation of operating income to net cash				
Provided (used) by operating activities:				
Operating income	\$ 1,694,102	\$ 3,278	\$ 76,885	\$ 1,774,265
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	675,283	138,924	2,219	816,426
Adjustment to landfill post closure liability			1,854	1,854
(Increase) Decrease in accounts receivable	(56,580)	(28,697)	(4,573)	(89,850)
(Increase) Decrease in prepaid expenses	3,523	-		3,523
Increase (Decrease) in accounts payable	301,412	778	4,281	306,471
Increase (Decrease) in payroll accruals	7		-	7
Increase (Decrease) in pension liability	(117,883)			(117,883)
Increase (Decrease) in customer deposits	8,720			8,720
Net cash provided (used) by operating activities	<u>2,508,584</u>	<u>114,283</u>	<u>80,666</u>	<u>\$ 2,703,533</u>

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

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2021

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Coleman, Texas have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to city units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

REPORTING ENTITY

The City of Coleman, Texas is a general law municipality governed by an elected Mayor and City Council. The City's major operations include the following basic services: public safety (police, fire, dispatch), public service (animal control, municipal court, health, and sanitation), cultural and recreation (library, park, city pool), health and inspection, cemetery, highways and streets, water, sewer, solid waste, electric, and general administrative services.

In conformity with U.S. generally accepted accounting principles, the City has considered all potential component units. The basic criterion is the governing body's ability to exercise oversight responsibility which includes financial interdependency, selection of governing authority, the designation of management, and accountability for fiscal matters.

Discretely Presented Component Units

The City has oversight responsibility for the Coleman Economic Development Corporation and the Coleman Community Coalition Type B Economic Development Corporation. The City is financially accountable for these component units since the City Council appoints a majority of their boards, and the City is able to impose its will on the entities. The audited financial information of the discretely presented component units is presented in a separate column in the City's financial statements to emphasize that they are legally separate from the City. The discretely presented component units also provide separately issued audited financial statements.

The Coleman Economic Development Corporation (Corporation) is a non-profit corporation established and governed by the Texas Development Corporation Act of 1979, as amended, Chapter 505 of the Local Government Code. The purpose of the Corporation is to promote economic development within the City, to promote and encourage employment and the public welfare of, for, and on behalf of the City, to develop projects allowed under Chapter 505 of the Act, including without limitation, new and existing industrial and manufacturing concerns, parks, auditoriums, open space improvements, athletic and exhibition facilities, and other related improvements, and for maintenance and operating cost of the publicly owned and operated projects by developing, implementing, providing and financing projects under the Act. These activities are funded by sales tax collected within the City limits of the City of Coleman. During the year, the Corporation was governed by a seven-member board of directors who were appointed by the City Council.

The Coleman Community Coalition Type B Economic Development Corporation (Coalition) is a non-profit corporation established and governed by the Texas Development Corporation Act of 1979, as amended, Chapter 505 of the Local Government Code. The purpose of the Coalition is to promote economic development within the City, to promote and encourage employment and the public welfare of, for, and on behalf of the City, to develop projects allowed under Chapter 505 of the Act, including without limitation, new and existing industrial and manufacturing concerns, parks, auditoriums, open space improvements, athletic and exhibition facilities, and other related improvements, and for maintenance and operating cost of the publicly owned and operated projects by developing, implementing, providing and financing projects under the Act. These activities are funded by sales tax collected within the City limits of the City of Coleman. During the year, the Corporation was governed by a seven-member board of directors who were appointed by the City Council.

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2021

NOTE 1: *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental and proprietary funds. An emphasis of the fund financial statements is placed on major governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds, and issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Because different measurement focuses and bases of accounting are used in the government-wide statements of net position and governmental fund statements, amounts reported as restricted fund balances in the governmental funds may be different from amounts reported as restricted net position in the statement of net position.

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Property taxes, sales taxes, franchise taxes, hotel/motel taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fund Types and Major Funds

Governmental Funds

The City reports the following major governmental fund:

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

The City also reports the following nonmajor governmental special revenue funds:

The law enforcement fund accounts for the expenditures of law enforcement within the City and the occupancy tax fund accounts for the revenue and expenditures from the occupancy tax receipts.

Proprietary Funds

The City reports the following major enterprise funds:

The utility fund accounts for the operation of the water distribution system, the sewer and the electric services for the City. The utility fund is financed and operated in a manner similar to private business enterprises where the intent of the government body is that the costs of providing services to the general public on a continuing basis will be financed or recovered primarily through user charges.

The municipal airport fund accounts for revenues and expenses associated with the operations of the City owned airport.

The sanitation fund accounts for revenues and expenses associated with the operations of the City's sanitation department.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Within unrestricted resources, committed would be considered spent first, followed by assigned, and then unassigned amounts.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenue. Likewise, general revenues include all taxes.

Budgetary Control

Formal budgetary accounting is employed for all required governmental fund types and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The City Manager submits an annual budget to the City Council in accordance with the City Charter. The budget is presented to the City Council for review, and public hearings are held to address priorities and the allocations of resources. In August, the City Council adopts the annual fiscal year budget for the City's operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Annual appropriations lapse at fiscal year-end. The operating budgets of the City were amended during the fiscal year.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by sources. Expenditures are budgeted by department and class. Budget revisions at the class level are subject to review by the City Council.

Excess of Expenditures over Appropriations

During fiscal year 2021 in the general fund, expenditures exceeded the amended budget in several departments; however, funds were available to cover all unbudgeted expenditures with current year revenue and unrestricted fund balance. General fund expenses were less than budgeted amounts by \$277,220 and general fund revenues were more than budgeted amounts by \$168,867. The City's overall revenues over expenditures compared to the amended budget reflected a favorable variance of \$446,087.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reported period. Actual results could differ from those estimates.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity

Cash and Cash Equivalents

For purposes of the statement of cash flows, all cash and highly liquid investments are considered to be cash equivalents if they have an initial maturity of three months or less when purchased.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (the current portion of interfund loans) or "advances to/from other funds" (the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and tax receivables are shown net of an allowance for uncollectibles.

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1: *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

Prepaid Items

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

Restricted Assets

Certain governmental fund assets are classified as restricted on the balance sheet and statement of net position because their use is limited by legal or contractual requirements and terms of trust agreements. These include funds restricted for debt service and improvements.

Also, certain other resources set aside for debt repayment and other purposes, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants and contract agreements. These include assets for bond debt service.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for the proprietary fund. In the governmental fund financial statements, capital assets are recorded as expenditures. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets are stated at historical cost or estimated cost if actual historical cost is not available. The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the lives is not capitalized.

Capital assets in the government-wide statements and the proprietary fund statements are depreciated on the straight-line method over the estimated useful lives of the respective assets. Depreciation of all exhaustible capital assets is charged as an expense against operations. The estimated useful lives of fixed assets are as follows:

Buildings and Improvements	20 - 50 years
Infrastructure	20 - 40 years
Equipment	3 - 10 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has deferred outflows of resources for the difference between projected and actual earnings for its pension plan and contributions to these plans after the measurement date, but before the end of the fiscal year.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has deferred inflows of resources for the differences between expected and actual experience related to the pension plan. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

On the governmental fund financial statements, in addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources are reported in the governmental funds and proprietary funds for unavailable revenues from property taxes and grant receipts.

Compensated Absences

Full time, permanent employees are granted vacation benefits in varying amounts to specified maximums. The estimated liabilities include required salary-related payments. Compensated absences are reported as accrued in the government-wide, proprietary, and component unit financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees.

Long-term Obligations

In the government-wide, proprietary, and component unit financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premium and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premiums or discounts and deferred amounts on refunding. Issuance costs are reported as expenditures in the period incurred.

The governmental fund financial statements recognize the proceeds for debt and premiums as other financing sources of the current period. Issuance costs are reported as debt service expenditures.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and addition to/deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at their fair value.

Fund Balance Classifications

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has no nonspendable funds for the year ended September 30, 2021.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the revenue note and restricted through debt covenants. Federal or state funds are restricted for use only for a specific use. The City has \$350,637 restricted funds at September 30, 2021.

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2021

NOTE 1: *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the City Council's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the Council delegating this responsibility to management through the budgetary process. The City has no assigned funds for the year ended September 30, 2021.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

NOTE 2: *DEPOSITS AND INVESTMENTS*

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Cash Deposits

The City's cash deposits were entirely covered by FDIC insurance or pledged collateral held by the City's bank in the City's name at September 30, 2021.

The Coleman Economic Development Corporation and the Coleman Community Coalition Type B Economic Development Corporation were fully collateralized at September 30, 2021.

Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment 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 equity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act (Act) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2: DEPOSITS AND INVESTMENTS - continued

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposits, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The City's investments at September 30, 2021 are as follows:

	Reported Amount and Fair Value
Governmental Activities	
Certificates of Deposit	\$ 151,648
Total Governmental Activities	151,648
 Business-type Activities	
Certificates of Deposit	100,000
TexPool	1,600,878
	1,700,878
 Total Investments	 \$ 1,852,526

Custodial credit risk – deposits. Deposits in financial institutions are carried at cost which approximates fair value. At September 30, 2021, the City had cash and cash investments, which represents cash on hand, demand deposits and savings accounts at federally insured local banks. At September 30, 2021, the City's deposits were fully secured by federal depository insurance and pledged securities held by the City's agent in the City's name.

Statutes authorize the City to invest in obligations of the U.S. Treasury or the State of Texas, certain repurchase agreements, common trust funds, certificates of deposit that are guaranteed or insured by the Federal Deposit Insurance Corporation, and other investments specifically authorized by Chapter 2256 Public Funds Investment Act (PFIA) and Chapter 2257 Collateral for Public Funds of the Texas Government Code. The City is in compliance with the requirements of the PFIA.

Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in an active market for identical assets; level 2 inputs are significant other observable inputs or quoted prices in markets that are not active; and level 3 inputs are significant unobservable inputs. Because the investments are restricted by policy and state law to active secondary markets, the market approach is being used for valuation. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities.

The exit or fair market prices used for these fair market valuations of the portfolio are all level 1 and represent unadjusted quoted prices in active markets for identical assets and liabilities that have been accessed at the measurement date.

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 3: SECURITIES HELD IN ESCROW

The securities held in escrow are related to the issuance of the 2019 and 2019A certificates of obligation for the water treatment plant improvements. The US Department of Agriculture Rural Development provides the debt proceeds to the City as the City expends the funds on the project. At September 30, 2021, \$6,089,000 had been received by the City, and \$989,000 was held by the escrow agent. The remaining securities will be released by the USDA and paid to the City during the next fiscal year as the water treatment plant improvements are completed.

NOTE 4: ACCOUNTS RECEIVABLE

Governmental Activities

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of tax bill and are delinquent if not paid before February 1 of the year following the year in which tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period. The tax rate to finance general governmental services and to service the debt for the year ended September 30, 2021 was \$.438623 per \$100 valuation (.283330 for maintenance and operations and .155293 for debt service).

Allowances for uncollectible taxes receivable within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

In the governmental fund financial statements, property tax receivable is recorded in the General Fund. At fiscal year-end, the receivable represents delinquent taxes. If the receivables are not paid within 60 days of year-end, they are recorded as deferred revenue.

Receivables included in governmental activities are as follows:

Property tax receivable	\$	83,206
Less: Allowance for uncollectible taxes		(27,801)
Property tax receivable, net		55,405
Sales tax receivable		96,230
Occupancy tax receivable		12,167
Franchise tax receivable		14,755
Grant receivable		50,251
Due from other governments		10,522
Accounts receivable		43,449
	\$	282,779

Business-Type Activities

Accounts receivables in the proprietary funds include amounts due from customers primarily for utility and sanitation services. An allowance has been recorded to estimate the uncollectible receivables at year end. The accounts receivables in the Utility Fund and the Sanitation Fund total \$652,008 (net of an allowance of \$12,882) and \$54,987 (net of an allowance of \$738), respectively.

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 5: RESTRICTED ASSETS

The amounts reported as restricted assets of the governmental activities and business-type activities are comprised of assets held by trustee and depository banks for the following restricted purposes:

	Cash and Cash	
	Equivalents	Investments
Governmental Activities:		
Deposits held for debt service	\$ 104,951	\$ -
Deposits held for acquisition and perpetual care	10,910	150,000
Deposits held for public safety	32,906	
Deposits held for tourism	43,640	
Unspent grant proceeds	92	
Total Governmental Activities	\$ 192,499	\$ 150,000
 Business-Type Activities:		
Deposits held for debt service	\$ 674,591	\$ -
Deposits held for landfill trust	42,949	
	\$ 717,540	\$ -

NOTE 6: CAPITAL ASSETS

A summary of changes in governmental capital assets is as follows:

<u>Government Activities:</u>	Balance September 30, 2020	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2021
Capital assets, not being depreciated:				
Land	\$ 103,730	\$ -	\$ -	\$ 103,730
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	103,730	-	-	103,730
Capital assets being depreciated:				
Buildings and improvements	502,579	41,726	-	544,305
Furniture and equipment	2,824,591	352,480	(59,350)	3,117,721
Infrastructure	2,684,374	-	-	2,684,374
Total assets being depreciated	6,011,544	394,206	(59,350)	6,346,400
Less accumulated depreciation for:				
Buildings and improvements	(401,841)	(10,738)	-	(412,579)
Furniture and equipment	(2,088,384)	(207,422)	59,350	(2,236,456)
Infrastructure	(2,500,271)	(9,175)	-	(2,509,446)
Total accumulated depreciation	(4,990,496)	(227,335)	59,350	(5,158,481)
Total capital assets being depreciated, net	1,021,048	166,871	-	1,187,919
Governmental activities capital assets, net	\$ 1,124,778	\$ 166,871	\$ -	\$ 1,291,649

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 6: CAPITAL ASSETS - continued

A summary of changes in business-type capital assets is as follows:

<u>Business-type activities:</u>	Balance September 30, 2020	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2021
Capital assets, not being depreciated:				
Land	\$ 344,998	\$	\$	\$ 344,998
Construction in progress	<u>6,555,341</u>	<u>2,190,495</u>		<u>8,745,836</u>
Total capital assets, not being depreciated	<u>6,900,339</u>	<u>2,190,495</u>	<u>-</u>	<u>9,090,834</u>
Capital assets being depreciated:				
Buildings and improvements	1,413,817	231,833		1,645,650
Machinery and equipment	3,356,508	880,321	(165,762)	4,071,067
Infrastructure	<u>24,522,240</u>	<u>10,000</u>	<u>(37,831)</u>	<u>24,494,409</u>
Total assets being depreciated	<u>29,292,565</u>	<u>1,122,154</u>	<u>(203,593)</u>	<u>30,211,126</u>
Less accumulated depreciation for:				
Buildings and improvements	(496,087)	(44,667)		(540,754)
Machinery and equipment	(2,674,979)	(184,196)	165,762	(2,693,413)
Infrastructure	<u>(15,538,176)</u>	<u>(587,563)</u>	<u>37,831</u>	<u>(16,087,908)</u>
Total accumulated depreciation	<u>(18,709,242)</u>	<u>(816,426)</u>	<u>203,593</u>	<u>(19,322,075)</u>
Total capital assets being depreciated, net	<u>10,583,323</u>	<u>305,728</u>		<u>10,889,051</u>
Business-type activities capital assets, net	<u>\$ 17,483,662</u>	<u>\$ 2,496,223</u>	<u>\$ -</u>	<u>\$ 19,979,885</u>

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

Governmental activities:

General government	\$ 20,056
Fire	63,665
Public safety	59,865
Streets	58,311
Culture and recreation	13,782
Cemetery	<u>11,656</u>
	<u>\$ 227,335</u>

Business-type activities:

Utility shop	\$ 8,557
Sewer collection and treatment	52,089
Lake Coleman	13,156
Electricity acquisition and distributions	319,748
Sanitation	2,219
Municipal airport	138,924
Water production and distribution	<u>281,733</u>
	<u>\$ 816,426</u>

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 6: CAPITAL ASSETS - continued

A summary of changes in City of Coleman, Texas component unit's capital assets is as follows:

<u>Component Units Combined</u>	Balance September 30, 2020	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2021
Capital assets, not being depreciated:				
Land	\$ 220,931	\$	\$	\$ 220,931
Total capital assets, not being depreciated	<u>220,931</u>			<u>220,931</u>
Capital assets being depreciated:				
Buildings and improvements	397,657			397,657
Signs and Equipment	<u>107,355</u>			<u>107,355</u>
Total assets being depreciated	<u>505,012</u>			<u>505,012</u>
Less accumulated depreciation for:				
Buildings and improvements	(172,396)	(18,380)		(190,776)
Furniture and Equipment	<u>(87,500)</u>	<u>(5,496)</u>		<u>(92,996)</u>
Total accumulated depreciation	<u>(259,896)</u>	<u>(23,876)</u>		<u>(283,772)</u>
Total capital assets being depreciated, net	<u>245,116</u>	<u>(23,876)</u>		<u>221,240</u>
Component Unit capital assets, net	<u>\$ 466,047</u>	<u>\$ (23,876)</u>	<u>\$</u>	<u>\$ 442,171</u>

Depreciation expense was charged to functions/programs of the component unit as follows:

Economic Development Corporation	\$ 18,380
Community Coalition	<u>5,496</u>
 Total Depreciation	 <u>\$ 23,876</u>

NOTE 7: LONG TERM DEBT

Governmental Activities

In March 2016, the City entered into a note agreement with Government Capital Financing to purchase a brush chipper for the sanitation fund and two police cars for the general fund in the amount of \$121,613. The interest rate is 3.61% and two payments per year of \$9,974, including interest, are due from the City for 14 total payments. The balance for the police cars at 09/30/2021 is \$27,716.

In August 2017, the City entered into a note agreement with Government Capital Financing to purchase a Pelican street sweeper in the amount of \$208,540. The interest rate is 3.996% and semi-annual payments of \$12,722, including interest, are due from the City through July 31, 2027. The balance at 09/30/2021 is \$134,294.

In March 2020, the City entered into a note agreement with Government Capital Financing to purchase a front end loader for the streets department in the amount of \$90,910. The interest rate is 3.3344% and calls for a yearly payment of \$10,845, including interest through March 2030. The balance for this note at 09/30/2021 is \$83,104.

The City entered into a capital lease agreement with Enterprise Fleet during the year ended September 30, 2021. The general fund leased a total of 7 vehicles during FY 2020 for a total amount of \$204,887. The lease calls from monthly lease payments for 48 months. The payments begin when the vehicles are delivered. The balance of the general fund capital lease at year end is \$136,591.

CITY OF COLEMAN, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 7: LONG TERM DEBT - continued

In December 2020, the City entered into a note agreement with Government Capital Financing to purchase police vehicles in the amount of \$250,000. The interest rate is 2.998% and calls for a yearly payment of \$39,686, including interest through September 2027. The balance for this note at 09/30/2021 is \$214,999.

Business-Type Activities

In January 2008, the City was approved for Tax and Utility System Surplus Revenue Certificates of Obligation, Series 2008, in the amount of \$5,024,000 from the Drinking Water State Revolving Fund administered by the Texas Water Development Board. The release of funds is required to occur through multiple installments. The funds will include an additional \$885,000 in Loan Forgiveness through the DWSRT Disadvantaged Program. The bonds are 0% interest. A bond discount of \$269,149 resulted in the imputed interest at 5.25%. The bond discount at 9/30/2021 is \$167,058, and the balance of the outstanding certificates of obligation at 9/30/2020 is \$2,985,000.

In January 2013, the City issued \$1,765,000 of General Obligation Refunding Bonds, which refunded the Tax and Utility System Surplus Revenue Certificates of Obligation. Interest rates are at 1.83%. The refunding issue achieved total present value savings equal to 11.582% of the \$1,680,000 refunded amount. Average annual savings will be \$23,402 from 2014 to 2022. Total debt service savings through the life of the refunding issue is \$214,725. The balance at 09/30/2021 is \$195,000.

In March 2016, the City entered into a note agreement with Government Capital Financing to purchase a brush chipper for the sanitation fund and two police cars for the general fund in the amount of \$121,613. The interest rate is 3.61% and two payments per year of \$9,974, including interest, are due from the City for 14 total payments. The balance at 09/30/2021 for the brush chipper is \$10,442.

In April 2019, the City entered into loan agreements with the US Department of Agriculture – Rural Utilities Services to provide funding for the City of Coleman’s water treatment plant improvements in the amount of \$9,600,000. The USDA Rural Development loan is secured by the City of Coleman Series 2019 and 2019A revenue certificates of obligation. The Series 2019, in the amount of \$8,000,000, is at a fixed interest rate of 1.375%, and the Series 2019A, in the amount of \$1,600,000, is at a fixed interest rate of 2.125%. Annual payments of principal and interest are due through April of 2059. The balance at 09/30/2021 is \$9,239,000.

In March 2020, the City entered into a note agreement with Government Capital Financing to purchase several pieces of heavy equipment for the Utility Funds in the amount of \$1,125,002. The interest rate is 3.3344% and calls for a yearly payment of \$134,210, including interest through March 2030. The balance for this note at 09/30/2021 is \$1,028,412.

In October 2019, the City entered into a note agreement with Caterpillar Financial Services to purchase a backhoe loader in the amount of \$87,800. The interest rate is 3.84998% and calls for a monthly payments of \$1,237 beginning October 2020. The balance for this note (including accrued interest) at 09/30/2021 is \$79,405.

The City entered into a capital lease agreement with Enterprise Fleet during the year ended September 30, 2020. The utility fund leased a total of 5 vehicles during FY 2020 for a total amount of \$177,665. The lease calls from monthly lease payments for 48 months. The payments begin when the vehicles are delivered. The balance of the utility fund capital lease at year end is \$118,444.

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7: LONG TERM DEBT - continued

A schedule of the City's transaction in the long-term debt for the year ended September 30, 2021 is as follows:

	<u>Balance at</u> <u>09/30/2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at</u> <u>09/30/2021</u>
Primary Government:				
<i>Governmental Activities:</i>				
Notes Payable	\$ 285,533	\$ 250,000	\$ (75,420)	\$ 460,113
Capital Leases	187,813		(51,222)	136,591
Compensated Absences	58,759		(6,698)	52,061
	<u>532,105</u>	<u>250,000</u>	<u>(133,340)</u>	<u>648,765</u>
 <i>Business-Type Activities:</i>				
Notes Payable	\$ 1,231,340	\$	\$ (113,081)	\$ 1,118,259
Bonds Payable	12,957,000		(538,000)	12,419,000
Premium on Bonds	(176,339)		9,281	(167,058)
Capital Leases	162,860		(44,416)	118,444
Landfill Closure and Post Closure	44,136	1,854		45,990
Compensated Absences	27,382	7		27,389
	<u>14,246,379</u>	<u>1,861</u>	<u>(686,216)</u>	<u>13,562,024</u>
 Total Primary Government	 <u>14,778,484</u>	 <u>251,861</u>	 <u>(819,556)</u>	 <u>14,210,789</u>

The annual aggregate maturities for the governmental and business-type activities at September 30, 2021:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Long Term Bonds:			
<i>Business-type activities:</i>			
2022	\$ 546,000	\$ 140,401	\$ 686,401
2023	353,000	135,940	488,940
2024	356,000	133,419	489,419
2025	354,000	130,305	484,305
2026	356,000	127,683	483,683
2027-2031	1,828,000	594,937	2,422,937
2032-2036	1,908,000	518,142	2,426,142
2037-2041	1,666,000	434,503	2,100,503
2042-2046	1,265,000	344,068	1,609,068
2047-2051	1,366,000	245,912	1,611,912
2052-2056	1,477,000	139,504	1,616,504
2057-2059	944,000	28,815	972,815
	<u>\$ 12,419,000</u>	<u>\$ 2,973,629</u>	<u>\$ 15,392,629</u>

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7: LONG TERM DEBT - continued

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Notes Payable:			
<i>Governmental Activities:</i>			
2022	\$ 75,184	\$ 15,280	\$ 90,464
2023	77,764	12,699	90,463
2024	65,814	10,161	75,975
2025	68,045	7,930	75,975
2026	70,353	5,623	75,976
2027-2030	<u>102,953</u>	<u>5,296</u>	<u>108,249</u>
	<u>\$ 460,113</u>	<u>\$ 56,989</u>	<u>\$ 517,102</u>
 <i>Business-type activities:</i>			
2022	\$ 116,943	\$ 37,568	\$ 154,511
2023	120,938	33,573	154,511
2024	119,562	29,490	149,052
2025	123,635	25,419	149,054
2026	127,846	21,206	149,052
2027-2030	<u>509,334</u>	<u>42,350</u>	<u>551,684</u>
	<u>\$ 1,118,258</u>	<u>\$ 189,606</u>	<u>\$ 1,307,864</u>
 Capital Leases Payable			
<i>Governmental Activities:</i>			
2022	\$ 51,222	\$ 12,519	\$ 63,741
2023	51,222	12,195	63,417
2024	<u>34,147</u>	<u>8,346</u>	<u>42,493</u>
	<u>\$ 136,591</u>	<u>\$ 33,060</u>	<u>\$ 169,651</u>
 <i>Business-type activities:</i>			
2022	\$ 44,416	\$ 10,779	\$ 55,195
2023	44,416	10,779	55,195
2024	<u>29,612</u>	<u>7,186</u>	<u>36,798</u>
	<u>\$ 118,444</u>	<u>\$ 28,744</u>	<u>\$ 147,188</u>
Total Primary Government	<u>\$ 14,252,406</u>	<u>\$ 3,282,028</u>	<u>\$ 17,534,434</u>

Component Unit: Governmental Activities

In May 2020, the Coleman Economic Development Corporation entered into a note agreement with Government Capital Financing to fund incentive payments to replace the lights at the community baseball fields in the amount of \$475,000. Principal and interest in the amount of \$41,099 is due annually for fifteen years. The interest rate is 3.439%. The outstanding balance as of 09/30/2021 is \$450,659.

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7: LONG TERM DEBT - continued

The annual aggregate maturities for the component unit governmental type activities at September 30, 2021 are as follows:

	Principal	Interest	Total
Notes Payable:			
<i>Component Unit: Governmental Activities:</i>			
2022	\$ 25,600	\$ 15,498	\$ 41,098
2023	26,481	14,618	41,099
2024	27,391	13,707	41,098
2025	28,333	12,765	41,098
2026	29,308	11,791	41,099
2027-2031	162,369	43,124	205,493
2032-2035	151,177	13,217	164,394
	\$ 450,659	\$ 124,720	\$ 575,379

NOTE 8: RISK FINANCING

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; and errors or omissions. The City has purchased commercial insurance to insure against these losses. There were no significant reductions in coverage in the past year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

NOTE 9: COMMITMENTS AND CONTINGENCIES

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Such audits could result in requests for reimbursement by the grantor agencies for expenses disallowed under terms and conditions specified in the grant agreement.

NOTE 10: BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY

Interfund Receivables and Payables

Generally, outstanding balances between funds reported as “due to/due from other funds” include outstanding loans from other funds for operating expenses. Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as “due to/due from other funds” (i.e., the current portion of interfund loans).

The following schedule reports receivables and payables at year-end:

Funds with Due From	Funds with Due to	Amount
General	Utility	\$ 541,697
Law Enforcement	General	252
General	Sanitation	75,145
Airport	General	1,390

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 10: BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY - continued

Interfund Transfers

The following schedule reports transfers between funds:

Transfers Out	Transfers In	Amount	Purpose
Utility	General	\$ 1,485,537	Annual subsidy
General	Utility	11,194	Debt service

NOTE 11: PENSION PLAN

A. Plan Description

The City of Coleman participates as one of 895 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.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. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interests.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City for the plan years 2019 and 2020 were as follows:

Employee deposit rate:	7.0%
Employer deposit rate (2020/2021)	16.89%/16.92%
Matching ratio (City to employee):	2 to 1
Years required for vesting:	5 years
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25
Updated service credit	100% Repeating, Transfers
Annuity increase (to retirees)	50% of CPI Repeating

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 11: PENSION PLAN - continued

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	61
Inactive employees entitled to but not yet receiving benefits	42
Active employees	<u>54</u>
Total	157

C. Contributions

The contribution rates for employees in the 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 Coleman were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Coleman were 16.89% and 16.92% in calendar years 2020 and 2021 respectively. The City's contributions to TMRS for the year ended September 30, 2021 were \$428,521, and were equal to the required contributions.

D. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation.

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with 4-year set-forward for males and a 3-year set forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 11: PENSION PLAN – continued

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2015 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APR's) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the are between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

Discount Rate

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

Sensitivity of the Net Pension Liability to changes in the discount rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ 3,730,061	\$ 1,581,220	\$(220,653)

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 11: PENSION PLAN - continued

Changes in the Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance as 12/31/2019	\$ 16,405,986	\$14,710,722	\$1,695,264
Changes for the year:			
Service cost	434,227		434,227
Interest	1,089,826		1,089,826
Change of benefit terms			
Difference between expected and actual experience	93,976		93,976
Changes of assumptions			
Contributions – employer		441,015	(441,015)
Contributions – employee		182,778	(182,778)
Net Investment Income		1,115,788	(1,115,788)
Benefit Payments, including refunds of employee contributions	(955,051)	(955,051)	
Administrative expense		(7,225)	7,225
Other changes		(282)	282
Net Changes	662,978	777,023	(114,045)
Balance 12/31/2020	\$ 17,068,964	\$ 15,487,744	\$ 1,581,220

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2021, the City recognized pension expense of \$169,150.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 60,172	\$ 78,382
Changes in actuarial assumptions		16,604
Difference between projected and actual investment earnings	522,288	935,504
Contributions subsequent to the measurement date	302,165	
Total	\$ 884,625	\$ 1,030,490

\$302,165 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 11: PENSION PLAN – continued

Year Ended December 31:	
2021	\$ (187,736)
2022	12,100
2023	(247,832)
2024	(24,562)
2025	0
Thereafter	0
Total	\$ (448,030)

NOTE 12: HEALTH CARE COVERAGE

During the year ended September 30, 2021 employees of the City were covered by a health insurance plan (the Plan). The City paid 100% of the employee premiums, and employees, at their option, can authorize payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The plan was authorized by Article 3.51 of the Texas Insurance Code.

NOTE 13: CLOSURE AND POST-CLOSURE CARE COSTS

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these landfill closure and post-closure costs as an operating expense in each period based on landfill capacity used. The \$45,990 reported as a landfill closure and post-closure liability at September 30, 2021 represents the cumulative amount accrued to date. This amount is based on estimates of what it would cost to perform all closure and post-closure care in 2021. The total estimated closure and post-closure costs were determined by the City’s engineering consultants and are adjusted annually by an inflation factor. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The City has applied for an amended permit to a Type IV landfill for the original landfill site. A second landfill site currently in use has the capacity for an estimated seventy-five years’ volume. The City is required by state and federal laws and regulations to provide annual assurance that financial resources will be available to provide for closure, post-closure care, and remediation or containment of environmental hazards. The City remains in compliance with all closure requirements and there are no unfunded closure costs as of September 30, 2021.

NOTE 14: PRIOR PERIOD ADJUSTMENTS

Prior period adjustments were recorded during the year ended September 30, 2021 to restate beginning fund balance in the general fund and net position in the utility fund, airport fund, and sanitation fund. The restatement was needed to properly reflect receivables from the utility system in the general, utility, and sanitation funds, and restate the grant receivable recorded in the airport fund. The following accounts were restated to correct a misstatement discovered in the prior year.

	Originally Reported	Adjusted Balance	Fund Balance/Net Position Adjustment
General Fund:			
Accounts receivable, net	22,577	17,415	\$ (5,162)
Proprietary Funds:			
Accounts receivable -Sanitation	72,942	50,414	\$ (22,528)
Accounts receivable - Utilities	594,463	595,428	965
Other receivable	41,639	21,705	(19,934)
			<u>\$ (41,497)</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COLEMAN, TEXAS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2021

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUE:				
Taxes:				
Property tax	\$ 565,694	\$ 589,193	\$ 602,689	\$ 13,496
Sales tax	820,000	950,000	1,041,606	91,606
Franchise tax	90,000	90,000	85,335	(4,665)
Occupancy tax	42,150	-	-	-
Alcohol beverage tax	5,230	10,500	12,262	1,762
Total taxes	<u>1,523,074</u>	<u>1,639,693</u>	<u>1,741,892</u>	<u>102,199</u>
Licenses & permits	15,000	15,000	18,572	3,572
Intergovernmental	229,008	562,009	341,219	(220,790)
Fines and forfeitures	70,150	80,400	88,089	7,689
Investment income	1,970	2,270	1,556	(714)
General service fees	251,243	251,243	243,265	(7,978)
Internal franchise fees	251,243	251,243	243,265	(7,978)
Rental revenue	25,094	25,644	25,644	-
Street repair fee	141,000	-	147,716	147,716
Charges for services	255,938	256,805	225,789	(31,016)
Donations	300	4,346	4,944	598
Miscellaneous Income	12,650	15,425	4,431	(10,994)
Total Revenue	<u>2,776,670</u>	<u>3,104,078</u>	<u>3,086,382</u>	<u>(17,696)</u>
EXPENDITURES:				
Current:				
General government	727,581	901,254	815,273	85,981
Public safety			-	-
Other	4,950	104,950	104,946	4
Police department	992,707	1,077,998	915,114	162,884
Fire department	479,662	640,595	652,333	(11,738)
Public service			-	-
Animal control	78,836	60,955	57,516	3,439
Municipal court	98,131	97,725	96,234	1,491
Health and sanitation	111,900	9,070	3,954	5,116
Cultural and recreation			-	-
Library	153,723	154,285	150,809	3,476
Parks	185,764	200,838	194,139	6,699
City park pool	35,430	37,681	51,271	(13,590)
Health and inspection			-	-
City inspection	44,850	41,753	21,807	19,946
Environmental	87,167	81,936	34,281	47,655
Cemetery	153,417	155,189	145,501	9,688
Streets	554,321	361,677	462,405	(100,728)
EDC	96,638	96,638	94,444	2,194
Total Current Expenditures	<u>3,805,077</u>	<u>4,022,544</u>	<u>3,800,027</u>	<u>222,517</u>
Capital outlay	92,550	441,486	394,205	47,281
Debt service:				-
Principal retired	93,942	133,628	126,642	6,986
Interest	28,000	28,000	27,564	436
Total Expenditures	<u>4,019,569</u>	<u>4,625,658</u>	<u>4,348,438</u>	<u>277,220</u>

CITY OF COLEMAN, TEXAS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND - continued
YEAR ENDED SEPTEMBER 30, 2021

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	\$ (1,242,899)	\$ (1,521,580)	\$ (1,262,056)	\$ 259,524
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	-	250,000	250,000	-
Proceeds from sale of assets	10,000	66,300	68,750	2,450
Transfers in (out)	<u>1,297,730</u>	<u>1,290,230</u>	<u>1,474,343</u>	<u>184,113</u>
Total other financing sources (uses)	<u>1,307,730</u>	<u>1,606,530</u>	<u>1,793,093</u>	<u>186,563</u>
CHANGE IN FUND BALANCE	64,831	84,950	531,037	446,087
FUND BALANCE AT BEGINNING OF Y.	1,499,011	1,499,011	1,499,011	-
Adjustment to beginning fund balance	<u>(5,162)</u>	<u>(5,162)</u>	<u>(5,162)</u>	<u>-</u>
				-
FUND BALANCE AT END OF YEAR	<u>\$ 1,558,680</u>	<u>\$ 1,578,799</u>	<u>\$ 2,024,886</u>	<u>\$ 446,087</u>

CITY OF COLEMAN, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Years (will ultimately be displayed)
YEARS ENDED DECEMBER 31

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total Pension Liability				
Service cost	\$ 323,904	\$ 377,525	\$ 417,201	\$ 431,194
Interest (on the Total Pension Liability)	888,783	924,126	917,852	963,026
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(150,669)	(642,470)	(74,352)	130,771
Change of Assumptions	-	265,483	-	-
Benefit payments, including refunds	<u>(611,161)</u>	<u>(556,701)</u>	<u>(540,307)</u>	<u>(656,599)</u>
Net Change in Total Pension Liability	450,857	367,963	720,394	868,392
Total Pension Liability - Beginning	<u>12,840,535</u>	<u>13,291,392</u>	<u>13,659,355</u>	<u>14,379,749</u>
Total Pension Liability - Ending (a)	<u>\$ 13,291,392</u>	<u>\$ 13,659,355</u>	<u>\$ 14,379,749</u>	<u>\$ 15,248,141</u>
 Plan Fiduciary Net Position				
Contributions - Employer	415,577	\$ 466,754	\$ 469,352	\$ 458,907
Contributions - Employee	157,466	175,944	184,134	191,645
Net Investment Income	589,342	16,004	738,919	1,632,467
Benefit payments, including refunds	(611,161)	(556,701)	(540,307)	(656,599)
Administrative Expense	(6,153)	(9,748)	(8,349)	(8,462)
Other	<u>(506)</u>	<u>(482)</u>	<u>(450)</u>	<u>(429)</u>
Net Change in Plan Fiduciary Net Position	544,565	91,771	843,299	1,617,529
Plan Fiduciary Net Position - Beginning	<u>10,301,892</u>	<u>10,846,457</u>	<u>10,938,228</u>	<u>11,781,527</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 10,846,457</u>	<u>\$ 10,938,228</u>	<u>\$ 11,781,527</u>	<u>\$ 13,399,056</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 2,444,935</u>	<u>\$ 2,721,127</u>	<u>\$ 2,598,222</u>	<u>\$ 1,849,085</u>
 Plan Fiduciary Net Position as a Percentage of				
Total Pension Liability	81.61%	80.08%	81.93%	87.87%
 Covered Employee Payroll	\$ 2,249,513	\$ 2,513,483	\$ 2,625,558	\$ 2,662,668
 Net Pension Liability as a Percentage of Covered				
Employee Payroll	108.69%	108.26%	98.96%	69.44%

CITY OF COLEMAN, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Years (will ultimately be displayed)
YEARS ENDED DECEMBER 31

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total Pension Liability			
Service cost	\$ 443,500	\$ 442,536	\$ 434,227
Interest (on the Total Pension Liability)	1,017,027	1,060,310	1,089,826
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(47,718)	(175,952)	93,976
Change of Assumptions	-	(39,664)	-
Benefit payments, including refunds of employee contributions	<u>(805,660)</u>	<u>(736,534)</u>	<u>(955,051)</u>
Net Change in Total Pension Liability	607,149	550,696	662,978
Total Pension Liability - Beginning	<u>15,248,141</u>	<u>15,855,290</u>	<u>16,405,986</u>
Total Pension Liability - Ending (a)	<u>\$ 15,855,290</u>	<u>\$ 16,405,986</u>	<u>\$ 17,068,964</u>
 Plan Fiduciary Net Position			
Contributions - Employer	\$ 457,439	\$ 449,983	\$ 441,015
Contributions - Employee	194,274	190,397	182,778
Net Investment Income	(401,280)	1,982,760	1,115,788
Benefit payments, including refunds of employee contributions	(805,660)	(736,534)	(955,051)
Administrative Expense	(7,757)	(11,213)	(7,225)
Other	<u>(406)</u>	<u>(337)</u>	<u>(283)</u>
Net Change in Plan Fiduciary Net Position	(563,390)	1,875,056	777,022
Plan Fiduciary Net Position - Beginning	<u>13,399,056</u>	<u>12,835,666</u>	<u>14,710,722</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 12,835,666</u>	<u>\$ 14,710,722</u>	<u>\$ 15,487,744</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 3,019,624</u>	<u>\$ 1,695,264</u>	<u>\$ 1,581,220</u>
 Plan Fiduciary Net Position as a Percentage of			
Total Pension Liability	80.96%	89.67%	90.74%
 Covered Employee Payroll	\$ 2,775,341	\$ 2,719,953	\$ 2,611,107
 Net Pension Liability as a Percentage of Covered			
Employee Payroll	108.80%	62.33%	60.56%

CITY OF COLEMAN, TEXAS
SCHEDULE OF CONTRIBUTIONS
Last 10 Years (will ultimately be displayed)
YEARS ENDED SEPTEMBER 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Actuarially Determined Contribution	\$ 393,556	\$ 446,857	\$ 453,772	\$ 455,732	\$ 469,702	\$ 454,415	\$ 436,329	\$ 428,521
Contributions in relation to the actuarially determined contribution	<u>393,556</u>	<u>446,857</u>	<u>453,772</u>	<u>455,732</u>	<u>469,702</u>	<u>454,415</u>	<u>436,329</u>	<u>428,521</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	<u>\$ 2,192,839</u>	<u>\$ 2,409,604</u>	<u>\$ 2,525,286</u>	<u>\$ 2,673,271</u>	<u>\$ 2,866,320</u>	<u>\$ 2,760,552</u>	<u>\$ 2,598,601</u>	<u>\$ 2,533,958</u>
Contributions as a percentage of covered payroll	17.95%	18.54%	17.97%	17.05%	16.39%	16.46%	16.79%	16.91%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Notes Actuarially determined contribution rates are calculated as of December 31st and become effective in January, 13 months later

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 Years
Asset Valuation Method	10 Year smoothed market: 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

OTHER SUPPLEMENTARY INFORMATION

CITY OF COLEMAN, TEXAS
COMBINING BALANCE SHEET
GENERAL FUND ACCOUNTS
SEPTEMBER 30, 2021

	General	Payroll	Disbursement	Total General Fund
ASSETS				
Cash and cash equivalents	\$ 1,009,845	\$ 189,860	\$ (8,022)	\$ 1,191,683
Investments	1,648			1,648
Receivables:				
Accounts, net	43,449			43,449
Property tax, net	55,405			55,405
Sales tax	96,230			96,230
Franchise tax	14,755			14,755
Grants	50,251			50,251
Due from component units	10,522			10,522
Due (to) from other funds	762,236	(154,976)	6,924	614,184
Restricted Assets:				
Cash and cash equivalents	141,567			141,567
Investments	150,000			150,000
Total Assets	<u>\$ 2,335,908</u>	<u>\$ 34,884</u>	<u>\$ (1,098)</u>	<u>\$ 2,369,694</u>
LIABILITIES:				
Accounts payable and accrued expenses	\$ 264,778	\$ 34,591	\$	\$ 299,369
Due to other governmental entities				
Total Liabilities	<u>264,778</u>	<u>34,591</u>		<u>299,369</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	<u>45,439</u>			<u>45,439</u>
Total Liabilities and Deferred Inflows of Resources	<u>310,217</u>	<u>34,591</u>		<u>344,808</u>
FUND BALANCE:				
Nonspendable				
Unassigned	1,734,124	293	(1,098)	1,733,319
Restricted	<u>291,567</u>			<u>291,567</u>
Total Fund Balance	<u>2,025,691</u>	<u>293</u>	<u>(1,098)</u>	<u>2,024,886</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 2,335,908</u>	<u>\$ 34,884</u>	<u>\$ (1,098)</u>	<u>\$ 2,369,694</u>

CITY OF COLEMAN, TEXAS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GENERAL FUND ACCOUNTS
SEPTEMBER 30, 2021

	General	Payroll	Disbursement	Total General Fund
REVENUES				
Taxes:				
Property tax	\$ 602,689	\$	\$	\$ 602,689
Sales tax	1,041,606			1,041,606
Franchise tax	85,335			85,335
Alcohol beverage tax	12,262			12,262
Licenses and permits	18,572			18,572
Grants	341,219			341,219
Fines and forfeitures	88,089			88,089
Investment income	1,444	32	80	1,556
General service fees	243,265			243,265
Internal franchise fees	243,265			243,265
Rental revenue	25,644			25,644
Street repair fee	147,716			147,716
Charges for services	225,789			225,789
Donations	4,944			4,944
Miscellaneous revenue	4,080	351		4,431
Total Revenues	<u>3,085,919</u>	<u>383</u>	<u>80</u>	<u>3,086,382</u>
EXPENDITURES				
Current:				
General government	813,889	30	1,354	815,273
Public safety				
Other	104,946			104,946
Police department	915,114			915,114
Fire department	652,333			652,333
Public service				
Animal control	57,516			57,516
Municipal court	96,234			96,234
Health and sanitation	3,954			3,954
Cultural and recreation				
Library	150,809			150,809
Parks	194,139			194,139
City park pool	51,271			51,271
Health and inspection				
City inspection	21,807			21,807
Environmental	34,281			34,281
Cemetery	145,501			145,501
Streets	462,405			462,405
EDC	94,444			94,444
Total Current Expenditures	<u>3,798,643</u>	<u>30</u>	<u>1,354</u>	<u>3,800,027</u>
Capital Outlay	394,205			394,205
Debt Service:				
Principal	126,642			126,642
Interest	27,564			27,564
Total Expenditures	<u>4,347,054</u>	<u>30</u>	<u>1,354</u>	<u>4,348,438</u>

CITY OF COLEMAN, TEXAS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GENERAL FUND ACCOUNTS - continued
SEPTEMBER 30, 2021

	General	Payroll	Disbursement	Total General Fund
Excess (Deficiency) of Revenues over (Under) Expenditures	\$ (1,261,135)	\$ 353	\$ (1,274)	\$ (1,262,056)
OTHER FINANCING SOURCES (USES)				
Proceeds from Issuance of Debt	250,000			250,000
Proceeds from sale of assets	68,750			68,750
Transfers in (Out)	<u>1,474,343</u>	<u>-</u>		<u>1,474,343</u>
Total Other Financing Sources (Uses)	<u>1,793,093</u>	<u>-</u>	<u>-</u>	<u>1,793,093</u>
Net Change in Fund Balance	531,958	353	(1,274)	531,037
Fund Balance at beginning of year	1,498,895	(60)	176	1,499,011
Adjustment to beginning fund balance	(5,162)			(5,162)
Fund Balance at end of year	<u>\$ 2,025,691</u>	<u>\$ 293</u>	<u>\$ (1,098)</u>	<u>\$ 2,024,886</u>

CITY OF COLEMAN, TEXAS
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
SEPTEMBER 30, 2021

	Coleman Economic Development Corp	Coleman Community Coalition	Total Component Units
ASSETS:			
Cash and cash equivalents	\$ 353,746	\$ 490,961	\$ 844,707
Investments	128,922	51,927	180,849
Sales tax receivable	97,899	97,899	195,798
Accounts receivable		2,175	2,175
Note receivable	198,000	228,503	426,503
Non-depreciable capital assets	220,931		220,931
Depreciable capital assets, net	<u>206,880</u>	<u>14,360</u>	<u>221,240</u>
TOTAL ASSETS	<u>1,206,378</u>	<u>885,825</u>	<u>2,092,203</u>
LIABILITIES:			
Accounts payable	732	1,258	1,990
Long term liabilities:			
Due within one year	25,600		25,600
Due after one year:			
Notes payable	<u>425,060</u>		<u>425,060</u>
TOTAL LIABILITIES	<u>451,392</u>	<u>1,258</u>	<u>452,650</u>
NET POSITION:			
Net investment in capital assets	427,811	14,360	442,171
Unrestricted	<u>327,175</u>	<u>870,207</u>	<u>1,197,382</u>
TOTAL NET POSITION	<u>\$ 754,986</u>	<u>\$ 884,567</u>	<u>\$ 1,639,553</u>

CITY OF COLEMAN, TEXAS
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
YEAR ENDED SEPTEMBER 30, 2021

	Coleman Economic Development Corp	Coleman Community Coalition	Total Component Units
REVENUE:			
Sales tax revenue	\$ 264,149	\$ 264,113	\$ 528,262
Rental income	29,019		29,019
Miscellaneous income	728	2,175	2,903
Investment income	2	996	998
Total Revenue	<u>293,898</u>	<u>267,284</u>	<u>561,182</u>
OPERATING EXPENSES:			
Accounting fees	7,541	7,269	14,810
Advertising, marketing and promotion	12,447	17,672	30,119
Depreciation expense	18,380	5,496	23,876
Dues and subscriptions	2,962	2,896	5,858
Grants, projects and incentives	383,311	74,167	457,478
Insurance	12,151	100	12,251
Interest expense	16,758		16,758
Legal fees	2,989	2,866	5,855
Meals	604	121	725
Miscellaneous expense	63		63
Office expenses	177	209	386
Property taxes	2,255		2,255
Rent, parking, and utilities	5,332	3,750	9,082
Repairs and maintenance	2,329		2,329
Salaries, taxes and benefits	43,833	43,791	87,624
Supplies		787	787
Telephone and internet		422	422
Travel and seminars	709	1,246	1,955
Total Operating Expenses	<u>511,841</u>	<u>160,792</u>	<u>672,633</u>
CHANGE IN NET POSITION	(217,943)	106,492	(111,451)
Transfers between Entities	20,549	(20,549)	
NET POSITION AT BEGINNING OF YEAR	<u>952,380</u>	<u>798,624</u>	<u>1,751,004</u>
NET POSITION AT END OF YEAR	<u>\$ 754,986</u>	<u>\$ 884,567</u>	<u>\$ 1,639,553</u>

SINGLE AUDIT SECTION

ROBERTS & MCGEE, CPA

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Coleman, Texas as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 3, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Coleman, Texas' 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 our opinions on the effectiveness of City of Coleman, Texas' 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 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. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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

Roberts + McGee, CPA

Roberts & McGee, CPA

Abilene, Texas
July 3, 2023

ROBERTS & MCGEE, CPA

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Coleman, Texas' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Coleman, Texas' major federal programs for the year ended September 30, 2021. The City of Coleman, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Coleman, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of City of Coleman, Texas and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Coleman Texas's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Coleman Texas's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Coleman Texas's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional commissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Coleman Texas's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Coleman, Texas's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Coleman, Texas's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Coleman, Texas' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance with we identified during the audit.

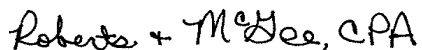
Report on Internal Control Over Compliance

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

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

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

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


Roberts & McGee, CPA

Abilene, Texas
July 3, 2023

CITY OF COLEMAN, TEXAS

Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2021

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	Pass- through Grantor's Number	Expenditures Passed Through to Subrecipients	Federal Expenditures
<u>FEDERAL AWARDS</u>				
<u>U.S. Department of Agriculture - Rural Utilities Service</u>				
Direct Program:				
Water and Waste Disposal Systems for Rural Communities	10.760	Loan 1	\$ <u> -</u>	\$ <u>2,190,494</u>
Total U.S. Department of Agriculture			<u> -</u>	<u>2,190,494</u>
 <u>U.S. Department of Transportation</u>				
Passed through the Texas Department of Transportation				
CARES Act Airport Improvement Program	20.106	20CRCOLEM	-	19,934
Airport Coronavirus Response Grant Program	20.106	21CRCOLEM	<u> -</u>	<u>13,000</u>
Total U.S. Department of Transportation			<u> -</u>	<u>32,934</u>
 <u>U.S. Department of the Treasury</u>				
Passed through the Texas Department of Emergency Management				
Coronavirus Relief Fund	21.019	#562	<u> -</u>	<u>60,830</u>
Total U.S. Department of the Treasury			<u> -</u>	<u>60,830</u>
 <u>U.S. Department of Housing and Urban Development</u>				
Passed through the Texas Department of Housing and Community Affairs				
CARES Act - Texas Emergency Mortgage Assistance Program (TEMAP)	14.228	7010000K01	<u>27,687</u>	<u>27,687</u>
Total U.S. Department of Housing and Urban Development			<u>27,687</u>	<u>27,687</u>
 <u>U.S. Department of Homeland Security</u>				
Passed through Texas Division of Emergency Management				
Emergency Shelter/EOC/Emergency Response	97.036	PA-06-TX-4586	-	50,251
Assistance to Firefighters Grants	97.044	EMW-2019- FG-02259	<u> -</u>	<u>149,818</u>
Total U.S. Department of Homeland Security			<u> -</u>	<u>200,069</u>
 Total Federal Awards			 <u>\$ 27,687</u>	 <u>\$ 2,512,014</u>

CITY OF COLMAN, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED SEPTEMBER 30, 2021

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all applicable federal awards of the City of Coleman, Texas for the year ended September 30, 2021. The City's reporting entity is defined in Note 1 of the financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies are included on the Schedule of Expenditures of Federal Awards. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance.) Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or change in net position of the City.

SIGNIFICANT ACCOUNTING POLICIES

Expenditures in the accompanying Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting. The accrual basis of accounting is described in Note 1 of the financial statements. Cost reimbursement federal loans and grants are considered to be earned to the extent of expenditures made under the provisions of the grant.

The format for the Schedule of Expenditures of Federal Awards has been prescribed by the Uniform Guidance. Such format includes revenue and expenditures recognized in the City's financial statements. City of Coleman, Texas did not elect to use the 10 percent de minimis indirect cost rate.

CITY OF COLEMAN, TEXAS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2021**

A. Summary of Auditor's Results

1. Type of auditor's report issued on the on financial statements: Unmodified
2. No significant deficiencies required to be reported in this schedule were disclosed in the audit of the financial statements.
3. Noncompliance which is material to the financial statements: None
4. No significant deficiencies required to be reported in this schedule were disclosed in the audit of the major programs.
5. Type of auditor's report on compliance for major programs: Unmodified
6. Did the audit disclose findings which are required to be reported under Sec. 510(a): No
7. Federal major programs include:
CFDA #10.760 Water and Waste Disposal Systems for Rural Communities
Federal Grantor: U.S. Department of Agriculture – Rural Utilities Service
8. Dollar threshold used to distinguish between Type A and Type B federal programs: \$750,000
9. Auditee qualified as a low-risk auditee: No

B. Findings Related to the Financial Statements

None

C. Findings and Questioned Costs Related to the Federal Award Programs

None

CITY OF COLEMAN, TEXAS

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2021**

No Findings or Questioned Costs in Prior Year