

CITY OF COLEMAN, TEXAS

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S
REPORT

YEAR ENDED

SEPTEMBER 30, 2020



Roberts & McGee CPA

CITY OF COLEMAN, TEXAS

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	12
Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds	13
Reconciliation of Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Net Position – Proprietary Funds	16
Statement of Revenue, Expenses, and Changes in Net Position – Proprietary Funds	17
Statement of Cash Flows – Proprietary Funds	18
Notes to Financial Statements	19
Required Supplementary Information:	
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual – General Fund	40
Schedule of Changes in Net Pension Liability And Related Ratios	42
Schedule of Contributions with Related Notes	44
Other Supplementary Information:	
Combining Balance Sheet – General Fund Accounts	45
Combining Schedule of Revenues, Expenditures, and Change in Fund Balance General Fund Accounts	46
Combining Statement of Net Position – Component Units	48
Combining Statement of Activities – Component Units	49
Single Audit Section:	
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 <i>Government Auditing Standards</i>	50

Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	52
Schedule of Expenditures of Federal Awards	54
Notes to Schedule of Expenditures of Federal Awards	55
Schedule of Findings and Questioned Costs	56
Summary Schedule of Prior Year Findings and Questioned Costs	57

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INDEPENDENT AUDITOR'S REPORT

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

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, 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, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–8 and 40–44 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.

Other 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 45–49 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 January 26, 2022, 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,
January 26, 2022

THE CITY OF COLEMAN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2020

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, 2020.

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 \$11,124,862 (*net position*). Of this amount, \$2,589,547 (*unrestricted*) may be used to meet the government's ongoing obligations to citizens. \$7,471,234 of the City's equity is invested in capital assets, net of related debt; and \$1,064,081 of the City's equity is restricted.
- The City's total assets increased by \$1,470,422 during the 2020 fiscal year and total liabilities decreased \$561,074.
- The net position (*equity*) of the City increased by \$710,587 during the 2020 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 \$1,170,751. This fund balance reflects an increase of \$447,101 for the current year. \$1,321,442 was transferred during the year to the General Fund from the Proprietary Funds.
- In the Utility Fund, the net position reflects \$2,282,147 of unrestricted equity, which is an increase of \$1,349,359 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 9-10 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, 2020

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 11-15 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 page 40.

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 16-18 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 19-39 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 45-49 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 \$11,124,862 at the close of the most recent fiscal year.

\$7,471,234 of the City of Coleman's net position (67 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, 2020

The City of Coleman's Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current assets	\$ 1,933,345	\$ 1,562,832	\$ 9,118,798	\$ 13,039,731
Capital assets	<u>1,124,778</u>	<u>865,641</u>	<u>17,483,663</u>	<u>12,721,958</u>
Total Assets	<u>3,058,123</u>	<u>2,428,473</u>	<u>26,602,461</u>	<u>25,761,689</u>
Deferred outflows of resources	<u>604,899</u>	<u>866,177</u>	<u>503,990</u>	<u>705,631</u>
Total assets and deferred outflows of resources	3,663,022	3,294,650	27,106,451	26,467,320
Current liabilities	411,868	445,077	1,903,958	1,993,390
Long-term liabilities	<u>1,365,231</u>	<u>1,909,679</u>	<u>14,321,379</u>	<u>14,215,364</u>
Total Liabilities	<u>1,777,099</u>	<u>2,354,756</u>	<u>16,225,337</u>	<u>16,208,754</u>
Deferred inflows of resources	<u>763,743</u>	<u>292,093</u>	<u>878,432</u>	<u>492,092</u>
Total liabilities and deferred inflows of resources	2,540,842	2,646,849	17,103,769	16,700,846
Net investment in capital assets	651,432	639,622	6,819,802	8,157,415
Restricted	389,828	361,372	674,253	539,937
Unrestricted	<u>80,920</u>	<u>(353,193)</u>	<u>2,508,627</u>	<u>1,069,122</u>
Total Net Position	<u>\$ 1,122,180</u>	<u>\$ 647,801</u>	<u>\$ 10,002,682</u>	<u>\$ 9,766,474</u>

THE CITY OF COLEMAN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020

The City of Coleman's Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues:				
Program Revenues:				
Charges for services	\$ 453,080	\$ 480,264	\$ 7,864,700	\$ 7,797,331
Capital grants & contributions			74,242	49,308
Operating grants & contributions	214,395	22,078		
General Revenues				
Property taxes	566,672	517,060		
Sales and use taxes	949,635	433,378		
Franchise taxes	78,758	78,654	30,672	22,569
Occupancy tax	32,603	48,841		
Investment earnings	2,593	2,015	20,672	39,866
Miscellaneous income	552,172	552,231	97,766	74,372
Transfers	1,321,442	1,099,407	(1,321,442)	(1,099,407)
Total Revenues	<u>4,171,350</u>	<u>3,233,928</u>	<u>6,766,610</u>	<u>6,884,039</u>
Expenses				
General administration	865,456	338,066		
Public safety	1,554,371	1,702,111		
Streets	475,769	516,917		
Public service	142,324	191,336		
Culture and recreation	370,038	390,606		
Health and inspection	20,354	14,167		
Cemetery	186,410	197,178		
Environmental	69,539	50,104		
Utility			5,490,938	5,796,463
Municipal airport			246,492	235,449
Sanitation			792,972	803,187
Interest	12,710	9,709		
Other				
Total expenses	<u>3,696,971</u>	<u>3,410,194</u>	<u>6,530,402</u>	<u>6,835,099</u>
Change in net position	474,379	(176,266)	236,208	48,940
Beginning Net Position	647,801	824,067	9,766,474	9,717,534
Prior period adjustments				
Ending Net Position	<u>\$ 1,122,180</u>	<u>\$ 647,801</u>	<u>\$ 10,002,682</u>	<u>\$ 9,766,474</u>

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.

As of the end of the current fiscal year, the City of Coleman's governmental General Fund reported an ending fund balance of \$1,533,745. Of this amount, \$1,170,751 is unassigned and available for spending at the City's discretion. This represents approximately 3 months of operating equity based on 2020 current expenditures.

Fund Budgetary Highlights

The original budget for the General Fund reflected an excess of revenue over expenditures of \$18,499. The budget was amended to reflect an excess revenue over expenditures of \$92,523. The actual expenditures were \$186,182 less than the amended budgeted amounts, and actual revenues were \$222,013 more than was budgeted.

THE CITY OF COLEMAN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The City of Coleman's investment in capital assets for its governmental activities amounted to \$1,124,778 (net of accumulated depreciation), and the investment in capital assets for its business-type activities amounted to \$17,483,663 (net of accumulated depreciation) as of September 30, 2020. This investment in capital assets includes land, buildings, improvements, infrastructure, and equipment.

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

	Governmental Activities	
	2020	2019
Land	\$ 103,730	\$ 103,730
Construction in progress		
Buildings and improvements	489,079	477,509
Furniture and equipment	2,838,091	2,487,817
Infrastructure	2,684,374	2,684,374
Accumulated depreciation	(4,990,496)	(4,887,789)
Total	\$ 1,124,778	\$ 865,641

	Business-type Activities	
	2020	2019
Land	\$ 344,998	\$ 344,998
Construction in progress	6,555,342	1,595,778
Buildings and improvements	1,413,817	1,402,247
Furniture and equipment	3,356,507	2,785,061
Infrastructure	24,522,240	24,522,240
Accumulated depreciation	(18,709,251)	(17,928,366)
Total	\$ 17,483,653	\$ 12,721,958

Additional information on the City of Coleman's capital assets can be found in Note 6 on pages 28 through 30 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, 2020, the City had long term liabilities as follows:

Governmental Activities:	
Notes payable	\$ 285,533
Capital leases	187,813
Business-type Activities:	
Notes payable	\$ 1,231,340
Bonds payable	12,957,000
Capital leases	162,860

Additional information on the City of Coleman's long term debt can be found in Note 7 on pages 30 through 33 of this report.

THE CITY OF COLEMAN, TEXAS

**MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

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 2020 property tax rate effective for its 2021 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 2021. The general fund budget reflects a surplus of \$64,832 with \$4,279,707 of general fund revenue and \$4,214,875 of general fund expenses. The fiscal year 2021 revenue is approximately \$195,000 less than the adjusted revenue budget for fiscal year 2020.

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, 2020

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 1,165,688	\$ 2,486,974	\$ 3,652,662	\$ 1,154,008
Restricted cash and cash equivalents	239,828	717,140	956,968	
Investments	1,648	1,713,832	1,715,480	180,190
Restricted investments	150,000		150,000	
Receivables:				
Taxes, net	173,307		173,307	100,939
Accounts, net	22,577	667,405	689,982	2,481
Other receivables	144,700	54,521	199,221	
Notes receivable				359,694
Internal balances	35,597	(35,597)		
Prepaid expenses		3,523	3,523	
Securities held in escrow		3,511,000	3,511,000	
Non-depreciable capital assets	103,730	6,900,340	7,004,070	220,931
Depreciable capital assets, net	1,021,048	10,583,323	11,604,371	245,116
TOTAL ASSETS	3,058,123	26,602,461	29,660,584	2,263,359
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	604,899	503,990	1,108,889	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	3,663,022	27,106,451	30,769,473	2,263,359
LIABILITIES				
Accounts payable and accrued expenses	320,227	842,040	1,162,267	47,906
Utility deposits		366,421	366,421	
Long term liabilities:				
Due within one year	91,641	695,497	787,138	24,341
Due after one year:				
Compensated absences	58,759	27,382	86,141	
Landfill closure liability		44,136	44,136	
Loans and certificates payable	381,705	13,479,364	13,861,069	450,659
Net pension liability	924,767	770,497	1,695,264	
TOTAL LIABILITIES	1,777,099	16,225,337	18,002,436	522,906
DEFERRED INFLOWS OF RESOURCES				
Unearned grant revenue		242,096	242,096	
Deferred inflows - pension	763,743	636,336	1,400,079	
TOTAL DEFERRED INFLOWS OF RESOURCES	763,743	878,432	1,642,175	
NET POSITION				
Net investment in capital assets	651,432	6,819,802	7,471,234	466,047
Restricted	389,828	674,253	1,064,081	
Unrestricted	80,920	2,508,627	2,589,547	1,274,406
TOTAL NET POSITION	\$ 1,122,180	\$ 10,002,682	\$ 11,124,862	\$ 1,740,453

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

CITY OF COLEMAN, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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	\$ 865,456	\$ 141,881	\$ 190,260	\$	\$ (533,315)	\$	\$ (533,315)	
Public safety	1,554,371	58,096	7,135		(1,489,140)		(1,489,140)	
Public service	142,324	22,537			(119,787)		(119,787)	
Culture and recreation	370,038	23,636			(346,402)		(346,402)	
Health and inspection	20,354				(20,354)		(20,354)	
Cemetery	186,410	57,908			(128,502)		(128,502)	
Environment	69,539				(69,539)		(69,539)	
Streets	475,769	149,022	17,000		(309,747)		(309,747)	
Interest	12,710				(12,710)		(12,710)	
Total governmental activities	3,696,971	453,080	214,395		(3,029,496)		(3,029,496)	
Business-type activities:								
Utility	5,490,938	7,018,971		37,353		1,565,386	1,565,386	
Municipal airport	246,492	39,185		36,889		(170,418)	(170,418)	
Sanitation	792,972	806,544				13,572	13,572	
Total business-type activities	6,530,402	7,864,700		74,242		1,408,540	1,408,540	
TOTAL PRIMARY GOVERNMENT	\$ 10,227,373	\$ 8,317,780	\$ 214,395	\$ 74,242	(3,029,496)	1,408,540	(1,620,956)	
Component units:								
Economic Development Corp	\$ 308,040	\$ 25,497	\$	\$				(282,543)
Coleman Community Coalition	204,712							(204,712)
Total component units	\$ 512,752	\$ 25,497	\$	\$				(487,255)
GENERAL REVENUES:								
Taxes:								
Property taxes					566,672		566,672	
Sales and use taxes					949,635		949,635	475,040
Franchise taxes					78,758	30,672	109,430	
Hotel/motel taxes					32,603		32,603	
Investment income					2,593	20,672	23,265	3,082
Miscellaneous income					552,172	97,766	649,938	258
Transfers					1,321,442	(1,321,442)		
Total general revenues					3,503,875	(1,172,332)	2,331,543	478,380
Change in net position					474,379	236,208	710,587	(8,875)
Net position - beginning					647,801	9,766,474	10,414,275	1,749,328
Net position - ending					\$ 1,122,180	\$ 10,002,682	\$ 11,124,862	\$ 1,740,453

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

CITY OF COLEMAN, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	General Fund	Nonmajor Governmental Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,165,688	\$	\$ 1,165,688
Investments	1,648		1,648
Receivables:			
Accounts, net	22,577		22,577
Property tax, net	69,101		69,101
Sales tax	81,383		81,383
Occupancy tax	8,491		8,491
Franchise tax	14,332		14,332
Grants	134,178		134,178
Due from component units	10,522		10,522
Due from other funds	35,597		35,597
Restricted Assets:			
Cash and cash equivalents	232,994	6,834	239,828
Investments	150,000		150,000
TOTAL ASSETS	\$ 1,926,511	\$ 6,834	\$ 1,933,345
LIABILITIES:			
Accounts payable and accrued expenses	\$ 320,227	\$	\$ 320,227
Due to other governmental entities			
Total Liabilities	320,227		320,227
DERERRED INFLOWS OF RESOURCES:			
Deferred revenue-Property taxes	52,539		52,539
Total liabilities and deferred inflows of resources	372,766		372,766
FUND BALANCE:			
Unassigned	1,170,751		1,170,751
Restricted	382,994	6,834	389,828
Total Fund Balance	1,553,745	6,834	1,560,579
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,926,511	\$ 6,834	\$ 1,933,345

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, 2020

Total Fund Balances - Governmental Funds	\$	1,560,579
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 \$5,753,430 and the accumulated depreciation was \$4,887,789. The net effect of the beginning balances for capital assets (net of depreciation) in the governmental activities is an increase to net position.		865,641
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 \$455,944 in the General Fund.		455,944
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 \$196,807 is to decrease net position.		(196,807)
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 \$473,346		(473,346)
Compensated absences are reported in the government wide statements but are not recorded in the fund financial statements.		(58,759)
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the governmental funds. Deferred revenue of \$52,759 is recognized in the government-wide financial statements. This results in an increase in net position.		52,539
Included on the government-wide financial statements is the recognition of the City's proportionate share of the net pension liability of \$924,767, a deferred outflow of resources of \$604,899, and a deferred inflow of resources of \$763,743. The net effect is to decrease net position.		<u>(1,083,611)</u>
Net Position of Governmental Activities	\$	<u><u>1,122,180</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, 2020

	General Fund	Nonmajor Governmental	Total Governmental Funds
REVENUE:			
Taxes:			
Property tax	\$ 574,469	\$	\$ 574,469
Sales tax	943,715		943,715
Franchise tax	78,758		78,758
Occupancy tax	32,603		32,603
Alcohol beverage tax	5,920		5,920
Licenses & permits	12,784		12,784
Grants	212,581	1,814	214,395
Fines and forfeitures	52,233		52,233
Investment income	2,590	3	2,593
General service fees	239,846		239,846
Internal franchise fees	239,846		239,846
Rental revenue	25,108		25,108
Street repair fee	147,889		147,889
Charges for services	252,957		252,957
Donations	7,049		7,049
Miscellaneous Income	2,290		2,290
Total Revenue	2,830,638	1,817	2,832,455
EXPENDITURES:			
Current:			
General government	744,553		744,553
Public safety			
Other	104,946		104,946
Police department	898,930	185	899,115
Fire department	440,907		440,907
Public service			
Animal control	57,463		57,463
Municipal court	80,765		80,765
Health and sanitation	5,540		5,540
Cultural and recreation			
Library	140,537		140,537
Parks	192,551		192,551
City park pool	23,476		23,476
Health and inspection			
City inspection	20,354		20,354
Environmental	69,225		69,225
Cemetery	176,769		176,769
Streets	432,918		432,918
EDC	96,937		96,937
Debt service:			
Principal retired	48,470		48,470
Interest	12,710		12,710
Capital outlay	455,944		455,944
Total Expenditures	4,002,995	185	4,003,180

CITY OF COLEMAN, TEXAS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - continued
YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Nonmajor Governmental	Total Governmental Funds
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURE	(1,172,357)	1,632	(1,170,725)
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of debt	295,797		295,797
Proceeds from sale of assets	25,250		25,250
Transfers in (out)	1,321,442		1,321,442
Total other financing sources (uses)	<u>1,642,489</u>		<u>1,642,489</u>
CHANGE IN FUND BALANCE	470,132	1,632	471,764
FUND BALANCE AT BEGINNING OF YEAR	<u>1,083,613</u>	<u>5,202</u>	<u>1,088,815</u>
FUND BALANCE AT END OF YEAR	<u>\$ 1,553,745</u>	<u>\$ 6,834</u>	<u>\$ 1,560,579</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, 2020

Net Change in Fund Balances - Governmental Funds	\$	471,764
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 \$455,944.		455,944
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 \$196,807 is to decrease net position.		(196,807)
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 \$247,327.		(247,327)
Changes in compensated absences are shown in the statement of activities but are not included in the fund financial statements		9,010
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 \$7,797. This results in a decrease in net position.		(7,797)
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 decrease in the amount of \$10,408.		<u>(10,408)</u>
Change in Net Position of Governmental Activities	\$	<u><u>474,379</u></u>

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

CITY OF COLEMAN, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2020

	Utility Fund	Airport Fund	Sanitation Fund	Total Proprietary
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 2,096,073	\$ 305,060	\$ 85,841	\$ 2,486,974
Investments	1,713,832			1,713,832
Accounts receivable, net	594,463		72,942	667,405
Other receivables	12,882	41,639		54,521
Prepaid expenses	3,523	-		3,523
Restricted cash and cash equivalents	674,253		42,887	717,140
Securities held in escrow	3,511,000			3,511,000
Total Current Assets	8,606,026	346,699	201,670	9,154,395
Noncurrent Assets:				
Capital assets:				
Land	223,411	100,000	21,587	344,998
Construction in progress	6,537,438	17,904		6,555,342
Buildings and improvements	147,243	2,706,633		2,853,876
Infrastructure	25,191,670		21,247	25,212,917
Machinery and equipment	54,716	983,600	187,456	1,225,772
Less: Accumulated depreciation	(16,696,332)	(1,806,426)	(206,484)	(18,709,242)
Total Noncurrent Assets	15,458,146	2,001,711	23,806	17,483,663
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	503,990			503,990
Total Assets and Deferred Outflows of Resources	24,568,162	2,348,410	225,476	27,142,048
LIABILITIES:				
Accounts payable	755,211	1,690	52,252	809,153
Due to other funds	53,882	(614)	(17,671)	35,597
Accrued interest	32,887			32,887
Utility deposits	366,421			366,421
Notes payable	152,550		4,947	157,497
Certificates of obligation	538,000			538,000
Total current	1,898,951	1,076	39,528	1,939,555
Long term liabilities:				
Compensated absences	27,382		-	27,382
Landfill closure liability			44,136	44,136
Notes payable	1,226,261		10,442	1,236,703
Certificates of obligation	12,242,661			12,242,661
Net pension liability	770,497			770,497
Total Liabilities	16,165,752	1,076	94,106	16,260,934
DEFERRED INFLOWS OF RESOURCES				
Unearned grant revenue		242,096		242,096
Deferred inflows - pension	636,336			636,336
Total Deferred Inflows of Resources	636,336	242,096		878,432
NET POSITION:				
Net investment in capital assets	4,809,674	2,001,711	8,417	6,819,802
Restricted	674,253			674,253
Unrestricted	2,282,147	103,527	122,953	2,508,627
Total Net Position	\$ 7,766,074	\$ 2,105,238	\$ 131,370	\$ 10,002,682

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, 2020

	Utility Fund	Municipal Airport Fund	Sanitation Fund	Total Proprietary Funds
OPERATING REVENUE:				
Water Sales	\$ 2,003,792	\$	\$	\$ 2,003,792
Sewer charges	688,464			688,464
Electric sales	4,223,667			4,223,667
Sanitation charges			806,544	806,544
Gas & oil sales		39,185		39,185
Utilities transfer fee	29,010			29,010
Franchise fee			30,672	30,672
Penalties on utility service	74,038			74,038
Rental income		14,290		14,290
Other income	46,256	1,580	18,139	65,975
Total Operating Revenue	<u>7,065,227</u>	<u>55,055</u>	<u>855,355</u>	<u>7,975,637</u>
OPERATING EXPENSES:				
Utility department				
Utility office and shop	112,174			112,174
Electricity acquisition and distribution	2,591,756			2,591,756
Water production and distribution	1,230,419			1,230,419
Lake Coleman	91,966			91,966
Sewer collection and treatment	472,383			472,383
Utility administration	915,994			915,994
Municipal airport		246,492		246,492
Sanitation			792,972	792,972
Total Operating Expenses	<u>5,414,692</u>	<u>246,492</u>	<u>792,972</u>	<u>6,454,156</u>
Operating Income	<u>1,650,535</u>	<u>(191,437)</u>	<u>62,383</u>	<u>1,521,481</u>
NON-OPERATING REVENUE (EXPENSES)				
Interest income	18,734	1,804	134	20,672
Interest expense	(75,561)		(685)	(76,246)
Gain (loss) on sale of assets	17,501			17,501
Grant income	37,353	36,889		74,242
Total Non-operating	<u>(1,973)</u>	<u>38,693</u>	<u>(551)</u>	<u>36,169</u>
NET INCOME BEFORE OPERATING TRANSFERS	1,648,562	(152,744)	61,832	1,557,650
OPERATING TRANSFERS				
Transfers in (out)	(1,350,276)	28,834	-	(1,321,442)
Total Operating Transfers	<u>(1,350,276)</u>	<u>28,834</u>	<u>-</u>	<u>(1,321,442)</u>
CHANGE IN NET POSITION	298,286	(123,910)	61,832	236,208
NET POSITION - BEGINNING OF YEAR	<u>7,467,788</u>	<u>2,229,148</u>	<u>69,538</u>	<u>9,766,474</u>
NET POSITION - END OF YEAR	<u>\$ 7,766,074</u>	<u>\$ 2,105,238</u>	<u>\$ 131,370</u>	<u>\$ 10,002,682</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, 2020

	Utility Fund	Municipal Airport Fund	Sanitation Fund	Total Proprietary Funds
Cash flows from operating activities:				
Receipts from customers	\$ 6,911,035	\$ 578	\$ 797,328	\$ 7,708,941
Receipts from other operation functions	149,304	15,870	48,811	213,985
Payments to suppliers	(1,641,519)	(34,673)	(545,819)	(2,222,011)
Payments to employees and related taxes and benefits	(1,846,621)		(62,619)	(1,909,240)
Payments to others	(1,540,835)	(66,730)	(170,238)	(1,777,803)
Net cash provided (used) by operating activities	<u>2,031,364</u>	<u>(84,955)</u>	<u>67,463</u>	<u>2,013,872</u>
Cash flows from noncapital financing activities:				
Operating transfers in/out	(1,364,176)	32,451	(44,771)	(1,376,496)
Grant proceeds	37,353			37,353
Net cash provided (used) by noncapital financing activities	<u>(1,326,823)</u>	<u>32,451</u>	<u>(44,771)</u>	<u>(1,339,143)</u>
Cash flows from capital and related financing activities:				
Principal payments on long-term debt	(552,805)		(4,774)	(557,579)
Interest payments on long-term debt	(33,393)		(685)	(34,078)
Acquisition and construction of capital assets	(5,569,881)	-	-	(5,569,881)
Proceeds from sales of assets	16,957			16,957
Capital grant proceeds	-	36,889		36,889
Net cash provided (used) by capital and related financing activities	<u>508,494</u>	<u>36,889</u>	<u>(5,459)</u>	<u>539,924</u>
Cash flows from investing activities:				
Interest income	18,734	1,804	134	20,672
Purchase of investments	(69,583)			(69,583)
Net cash provided (used) by investing activities	<u>(50,849)</u>	<u>1,804</u>	<u>134</u>	<u>(48,911)</u>
Net increase (decrease) in cash and cash equivalents	1,162,186	(13,811)	17,367	1,165,742
Cash and cash equivalents at beginning of year	<u>1,608,140</u>	<u>318,871</u>	<u>111,361</u>	<u>2,038,372</u>
Cash and cash equivalents at end of year	<u>\$ 2,770,326</u>	<u>\$ 305,060</u>	<u>\$ 128,728</u>	<u>\$ 3,204,114</u>
Cash and cash equivalents	\$ 2,096,073	\$ 305,060	\$ 85,841	\$ 2,486,974
Restricted cash and cash equivalents	674,253	-	42,887	717,140
Total Cash and cash equivalents	<u>\$ 2,770,326</u>	<u>\$ 305,060</u>	<u>\$ 128,728</u>	<u>\$ 3,204,114</u>
Reconciliation of operating income to net cash				
Provided (used) by operating activities:				
Operating income	\$ 1,650,535	\$ (191,437)	\$ 62,383	\$ 1,521,481
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	651,722	150,342	6,656	808,720
Adjustment to landfill post closure liability			524	524
(Increase) Decrease in accounts receivable	(7,591)	(38,607)	(9,216)	(55,414)
(Increase) Decrease in prepaid expenses	4,025	8,701		12,726
Increase (Decrease) in accounts payable	(255,626)	(13,954)	7,224	(262,356)
Increase (Decrease) in payroll accruals	(545)		(108)	(653)
Increase (Decrease) in pension liability	(13,859)			(13,859)
Increase (Decrease) in customer deposits	2,703			2,703
Net cash provided (used) by operating activities	<u>2,031,364</u>	<u>(84,955)</u>	<u>67,463</u>	<u>\$ 2,013,872</u>

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

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2020

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, 2020

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, 2020

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 fund:

The law enforcement fund accounts for the expenditures of law enforcement within the City.

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, 2020

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 2020 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 \$186,182 and general fund revenues were more than budgeted amounts by \$222,013. The City's overall revenues over expenditures compared to the amended budget reflected a favorable variance of \$377,609.

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, 2020

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, 2020

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, 2020.

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 \$389,828 restricted funds at September 30, 2020.

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2020

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, 2020.

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 be pledged collateral held by the City's bank in the City's name at September 30, 2020.

The Coleman Economic Development Corporation and the Coleman Community Coalition Type B Economic Development Corporation were fully collateralized at September 30, 2020.

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, 2020

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, 2020 are as follows:

	<u>Reported Amount and Fair Value</u>
Governmental Activities	
Certificates of Deposit	\$ <u>151,648</u>
Total Governmental Activities	<u>151,648</u>
Business-type Activities	
Certificates of Deposit	100,000
TexPool	<u>1,613,832</u>
	<u>1,713,832</u>
Total Investments	\$ <u><u>1,865,480</u></u>

Custodial credit risk – deposits. Deposits in financial institutions are carried at cost which approximates fair value. At September 30, 2020, 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, 2020, 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, 2020

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, 2020, \$6,089,000 had been received by the City, and \$3,511,000 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, 2020 was \$.423843 per \$100 valuation (.276683 for maintenance and operations and .147160 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	\$	95,551
Less: Allowance for uncollectible taxes		<u>(26,450)</u>
Property tax receivable, net		69,101
Sales tax receivable		81,383
Occupancy tax receivable		8,491
Franchise tax receivable		14,332
Grant receivable		134,178
Due from other governments		10,522
Accounts receivable		<u>22,577</u>
	\$	<u><u>340,584</u></u>

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 \$594,463 (net of an allowance of \$7,000) and \$72,942 (net of an allowance of \$738), respectively.

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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:

	<u>Cash and Cash</u>	
	<u>Equivalents</u>	<u>Investments</u>
Governmental Activities:		
Deposits held for debt service	\$ 102,440	\$
Deposits held for acquisition and perpetual care	10,325	150,000
Deposits held for public safety	32,136	
Deposits held for tourism	46,173	
Unspent grant proceeds	48,754	
Total Governmental Activities	\$ 239,828	\$ 150,000
 Business-Type Activities:		
Deposits held for debt service	\$ 674,253	\$
Deposits held for landfill trust	42,887	
	\$ 717,140	\$

NOTE 6: CAPITAL ASSETS

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

<u>Government Activities:</u>	<u>Balance</u> <u>September 30,</u> <u>2019</u>	<u>Additions/</u> <u>Completions</u>	<u>Retirements/</u> <u>Adjustments</u>	<u>Balance</u> <u>September 30,</u> <u>2020</u>
Capital assets, not being depreciated:				
Land	\$ 103,730	\$	\$	\$ 103,730
Construction in progress	-			-
Total capital assets, not being depreciated	<u>103,730</u>	<u>-</u>	<u>-</u>	<u>103,730</u>
Capital assets being depreciated:				
Buildings and improvements	477,509	11,570		489,079
Furniture and equipment	2,487,817	444,375	(94,100)	2,838,092
Infrastructure	2,684,374			2,684,374
Total assets being depreciated	<u>5,649,700</u>	<u>455,945</u>	<u>(94,100)</u>	<u>6,011,545</u>
Less accumulated depreciation for:				
Buildings and improvements	(375,537)	(26,304)		(401,841)
Furniture and equipment	(2,021,155)	(161,329)	94,100	(2,088,384)
Infrastructure	(2,491,097)	(9,175)		(2,500,272)
Total accumulated depreciation	<u>(4,887,789)</u>	<u>(196,808)</u>	<u>94,100</u>	<u>(4,990,497)</u>
Total capital assets being depreciated, net	<u>761,911</u>	<u>259,137</u>	<u>-</u>	<u>1,021,048</u>
Governmental activities capital assets, net	\$ 865,641	\$ 259,137	\$ -	\$ 1,124,778

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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, 2019	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2020
Capital assets, not being depreciated:				
Land	\$ 344,998	\$	\$	\$ 344,998
Construction in progress	1,595,778	4,959,564		6,555,342
Total capital assets, not being depreciated	<u>1,940,776</u>	<u>4,959,564</u>	<u>-</u>	<u>6,900,340</u>
Capital assets being depreciated:				
Buildings and improvements	1,402,247	11,570		1,413,817
Machinery and equipment	2,785,061	598,747	(27,300)	3,356,508
Infrastructure	24,522,240			24,522,240
Total assets being depreciated	<u>28,709,548</u>	<u>610,317</u>	<u>(27,300)</u>	<u>29,292,565</u>
Less accumulated depreciation for:				
Buildings and improvements	(451,806)	(44,282)		(496,088)
Machinery and equipment	(2,533,141)	(169,682)	27,844	(2,674,979)
Infrastructure	(14,943,419)	(594,756)		(15,538,175)
Total accumulated depreciation	<u>(17,928,366)</u>	<u>(808,720)</u>	<u>27,844</u>	<u>(18,709,242)</u>
Total capital assets being depreciated, net	<u>10,781,182</u>	<u>(198,403)</u>	<u>544</u>	<u>10,583,323</u>
Business-type activities capital assets, net	<u>\$ 12,721,958</u>	<u>\$ 4,761,161</u>	<u>\$ 544</u>	<u>\$ 17,483,663</u>

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

Governmental activities:

General government	\$ 18,614
Fire	63,440
Public safety	49,201
Streets	41,160
Culture and recreation	11,987
Cemetery	12,406
	<u>\$ 196,808</u>

Business-type activities:

Utility shop	\$ 3,425
Sewer collection and treatment	50,581
Lake Coleman	13,990
Electricity acquisition and distributions	287,973
Sanitation	6,656
Municipal airport	150,342
Water production and distribution	295,753
	<u>\$ 808,720</u>

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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, 2019	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2020
Capital assets, not being depreciated:				
Land	\$ 220,931	\$ _____	\$ _____	\$ 220,931
Total capital assets, not being depreciated	<u>220,931</u>	<u>_____</u>	<u>_____</u>	<u>220,931</u>
Capital assets being depreciated:				
Buildings and improvements	450,672			450,672
Furniture and Equipment	54,340			54,340
Total assets being depreciated	<u>505,012</u>	<u>_____</u>	<u>_____</u>	<u>505,012</u>
Less accumulated depreciation for:				
Buildings and improvements	(179,993)	(25,562)		(205,555)
Furniture and Equipment	(53,265)	(1,076)		(54,341)
Total accumulated depreciation	<u>(233,258)</u>	<u>(26,638)</u>	<u>_____</u>	<u>(259,896)</u>
Total capital assets being depreciated, net	<u>271,754</u>	<u>(26,638)</u>	<u>_____</u>	<u>245,116</u>
Business-type activities capital assets, net	<u>\$ 492,685</u>	<u>\$ (26,638)</u>	<u>\$ _____</u>	<u>\$ 466,047</u>

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

Economic Development Corporation	\$ 20,841
Community Coalition	<u>5,797</u>
Total Depreciation	<u>\$ 26,638</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 09/30/2020 is \$40,847.

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 09/30/2020 is \$153,776.

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 09/30/2020 is \$90,910.

The City entered into a capital lease agreement with Enterprise Fleet during the year ended September 30, 2020. 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 \$187,813.

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2020

NOTE 7: LONG TERM DEBT - continued

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 9/30/2020 is \$176,339, and the balance of the outstanding certificates of obligation at 9/30/2020 is \$3,155,000.

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 09/30/2020 is \$385,000.

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 09/30/2020 for the brush chipper is \$15,389.

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 09/30/2020 is \$9,417,000.

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 09/30/2020 is \$1,125,002.

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 09/30/2020 is \$90,949.

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 \$162,860.

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 7: LONG TERM DEBT - continued

A schedule of the City's transaction in the long-term debt for the year ended September 30, 2020 is as follows:

	<u>Balance at</u> <u>09/30/2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at</u> <u>09/30/2020</u>
Primary Government:				
<i>Governmental Activities:</i>				
Notes Payable	\$ 226,019	\$ 90,910	\$ (31,396)	\$ 285,533
Capital Leases		204,887	(17,074)	187,813
Compensated Absences	<u>67,770</u>		<u>(9,011)</u>	<u>58,759</u>
	<u>293,789</u>	<u>295,797</u>	<u>(57,481)</u>	<u>532,105</u>
 <i>Business-Type Activities:</i>				
Notes Payable	\$ 20,163	\$ 1,215,951	\$ (4,774)	\$ 1,231,340
Bonds Payable	13,495,000		(538,000)	12,957,000
Premium on Bonds	(185,620)		9,281	(176,339)
Capital Leases		177,665	(14,805)	162,860
Landfill Closure and Post Closure	43,612	524		44,136
Compensated Absences	<u>28,035</u>		<u>(653)</u>	<u>27,382</u>
	<u>13,401,190</u>	<u>1,394,140</u>	<u>(548,951)</u>	<u>14,246,379</u>
 Total Primary Government	 <u>13,694,979</u>	 <u>1,689,937</u>	 <u>(606,432)</u>	 <u>14,778,484</u>

The annual aggregate maturities for the governmental and business-type activities at September 30, 2020:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Long Term Bonds:			
<i>Business-type activities:</i>			
2021	\$ 538,000	\$ 146,357	\$ 684,357
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
2026-2030	1,812,000	609,580	2,421,580
2031-2035	1,892,000	533,903	2,425,903
2036-2040	1,812,000	451,973	2,263,973
2041-2045	1,246,000	362,666	1,608,666
2046-2050	1,345,000	266,168	1,611,168
2051-2055	1,455,000	161,487	1,616,487
2056-2059	<u>1,248,000</u>	<u>47,786</u>	<u>1,295,786</u>
	<u>\$ 12,957,000</u>	<u>\$ 3,119,985</u>	<u>\$ 16,076,985</u>

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 7: LONG TERM DEBT - continued

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Notes Payable:			
<i>Governmental Activities:</i>			
2021	\$ 40,419	\$ 10,360	\$ 50,779
2022	41,944	8,834	50,778
2023	43,527	7,250	50,777
2024	30,552	5,738	36,290
2025	31,725	4,564	36,289
2026-2030	<u>97,366</u>	<u>5,786</u>	<u>103,152</u>
	<u>\$ 285,533</u>	<u>\$ 42,532</u>	<u>\$ 328,065</u>
 <i>Business-type activities:</i>			
2021	\$ 113,080	\$ 41,430	\$ 154,510
2022	116,944	37,568	154,512
2023	120,938	33,573	154,511
2024	119,562	29,490	149,052
2025	123,635	25,419	149,054
2026-2030	<u>637,181</u>	<u>63,556</u>	<u>700,737</u>
	<u>\$ 1,231,340</u>	<u>\$ 231,036</u>	<u>\$ 1,462,376</u>
 Capital Leases Payable			
<i>Governmental Activities:</i>			
2021	\$ 51,222	\$ 12,519	\$ 63,741
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>\$ 187,813</u>	<u>\$ 45,579</u>	<u>\$ 233,392</u>
 <i>Business-type activities:</i>			
2021	\$ 44,416	\$ 10,779	\$ 55,195
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>\$ 162,860</u>	<u>\$ 39,523</u>	<u>\$ 202,383</u>
Total Primary Government	<u>\$ 14,824,546</u>	<u>\$ 3,478,655</u>	<u>\$ 18,303,201</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 09/30/2020 is \$475,000.

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 7: LONG TERM DEBT - continued

The annual aggregate maturities for the component unit governmental type activities at September 30, 2020 are as follows:

	Principal	Interest	Total
Notes Payable:			
<i>Component Unit: Governmental Activities:</i>			
2021	\$ 24,341	\$ 16,758	\$ 41,099
2022	25,600	15,499	41,099
2023	26,481	14,618	41,099
2024	27,392	13,707	41,099
2025	28,333	12,766	41,099
2026-2030	156,970	48,523	205,493
2031-2035	185,883	19,610	205,493
	\$ 475,000	\$ 141,481	\$ 616,481

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	\$ 28,259
General	Sanitation	7,952
Airport	General	614
Sanitation	Utility	25,623

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

Interfund Transfers

The following schedule reports transfers between funds:

Tranfers Out	Transfers In	Amount	Purpose
Utility	General	\$ 1,485,537	Annual subsidy
General	Utility	194,545	Debt serivce
Utility	Airport	28,834	Annual subsidy
Utility	General	30,450	Reimbursement

NOTE 11: PENSION PLAN

A. Plan Description

The City of Coleman participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

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 (2018/2019)	16.54%/16.89%
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, 2020

NOTE 11: PENSION PLAN - continued

Employees covered by benefit terms

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	57
Inactive employees entitled to but not yet receiving benefits	40
Active employees	<u>56</u>
Total	153

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 16.54% and 16.89% in calendar years 2019 and 2020 respectively. The City's contributions to TMRS for the year ended September 30, 2020 were \$436,329, and were equal to the required contributions.

D. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2019, 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, 2019 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, 2020

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, 2014 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	\$ 3,771,202	\$ 1,695,264	\$(30,708)

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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 12/31/2018	\$ 15,855,290	\$12,835,666	\$3,019,624
Changes for the year:			
Service cost	442,536		442,536
Interest	1,060,310		1,060,310
Change of benefit terms			
Difference between expected and actual experience	(175,952)		(175,952)
Changes of assumptions	(39,664)		(39,664)
Contributions – employer		449,983	(449,983)
Contributions – employee		190,397	(190,397)
Net Investment Income		1,982,760	(1,982,760)
Benefit Payments, including refunds of employee contributions	(736,534)	(736,534)	
Administrative expense		(11,213)	11,213
Other changes		(337)	337
Net Changes	550,696	1,875,056	(1,324,360)
Balance 12/31/2019	\$ 16,405,986	\$ 14,710,722	\$ 1,695,264

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, 2020, the City recognized pension expense of \$433,395.

At September 30, 2020, 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	\$ 10,798	\$ 143,861
Changes in actuarial assumptions		28,134
Difference between projected and actual investment earnings	783,431	1,228,084
Contributions subsequent to the measurement date	314,660	
Total	\$ 1,108,889	\$ 1,400,079

\$314,660 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. 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, 2020

NOTE 11: PENSION PLAN - continued

Year Ended December 31:	
2020	\$ (195,899)
2021	(196,977)
2022	10,295
2023	(223,269)
2024	0
Thereafter	0
Total	\$ (605,850)

NOTE 12: HEALTH CARE COVERAGE

During the year ended September 30, 2020 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 \$44,136 reported as a landfill closure and post-closure liability at September 30, 2020 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 2020. 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, 2020.

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, 2020

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUE:				
Taxes:				
Property tax	\$ 528,675	\$ 538,425	\$ 574,469	\$ 36,044
Sales tax	820,000	880,000	943,715	63,715
Franchise tax	70,000	90,000	78,758	(11,242)
Occupancy tax	42,150	42,150	32,603	(9,547)
Alcohol beverage tax	5,230	5,700	5,920	220
Total taxes	<u>1,466,055</u>	<u>1,556,275</u>	<u>1,635,465</u>	<u>79,190</u>
Licenses & permits	16,000	13,000	12,784	(216)
Intergovernmental	30,500	95,803	212,581	116,778
Fines and forfeitures	82,800	61,350	52,233	(9,117)
Investment income	1,970	2,174	2,590	416
General service fees	247,914	240,803	239,846	(957)
Internal franchise fees	247,914	240,803	239,846	(957)
Rental revenue	25,044	25,108	25,108	
Street repair fee	141,000	141,000	147,889	6,889
Charges for services	190,475	223,119	252,957	29,838
Donations	500	7,100	7,049	(51)
Miscellaneous Income	2,650	2,090	2,290	200
Total Revenue	<u>2,452,822</u>	<u>2,608,625</u>	<u>2,830,638</u>	<u>222,013</u>
EXPENDITURES:				
Current:				
General government	641,966	710,129	744,553	(34,424)
Public safety				
Other	100,000	104,950	104,946	4
Police department	930,119	982,346	898,930	83,416
Fire department	502,654	512,755	440,907	71,848
Public service				
Animal control	60,650	60,419	57,463	2,956
Municipal court	101,526	70,213	80,765	(10,552)
Health and sanitation	11,700	8,327	5,540	2,787
Cultural and recreation				
Library	128,771	134,471	140,537	(6,066)
Parks	190,113	192,548	192,551	(3)
City park pool	35,825	30,837	23,476	7,361
Health and inspection				
City inspection	22,999	41,926	20,354	21,572
Environmental	57,363	66,195	69,225	(3,030)
Cemetery	197,209	213,645	176,769	36,876
Streets	577,544	462,218	432,918	29,300
EDC	95,640	93,905	96,937	(3,032)
Total Current Expenditures	<u>3,654,079</u>	<u>3,684,884</u>	<u>3,485,871</u>	<u>199,013</u>
Capital outlay	299,000	419,984	455,944	(35,960)
Debt service:				
Principal retired	27,045	71,309	48,470	22,839
Interest	13,000	13,000	12,710	290
Total Expenditures	<u>3,993,124</u>	<u>4,189,177</u>	<u>4,002,995</u>	<u>186,182</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, 2020

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	\$ (1,540,302)	\$ (1,580,552)	\$ (1,172,357)	\$ 408,195
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	240,000	358,777	295,797	(62,980)
Proceeds from sale of assets	10,000	15,000	25,250	10,250
Transfers in (out)	<u>1,308,801</u>	<u>1,299,298</u>	<u>1,321,442</u>	<u>22,144</u>
Total other financing sources (uses)	<u>1,558,801</u>	<u>1,673,075</u>	<u>1,642,489</u>	<u>(30,586)</u>
CHANGE IN FUND BALANCE	18,499	92,523	470,132	377,609
FUND BALANCE AT BEGINNING OF YE	<u>1,083,613</u>	<u>1,083,613</u>	<u>1,083,613</u>	
FUND BALANCE AT END OF YEAR	<u>\$ 1,102,112</u>	<u>\$ 1,176,136</u>	<u>\$ 1,553,745</u>	<u>\$ 377,609</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>
Total Pension Liability			
Service cost	\$ 323,904	\$ 377,525	\$ 417,201
Interest (on the Total Pension Liability)	888,783	924,126	917,852
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(150,669)	(642,470)	(74,352)
Change of Assumptions	-	265,483	-
Benefit payments, including refunds of employee contributions	<u>(611,161)</u>	<u>(556,701)</u>	<u>(540,307)</u>
Net Change in Total Pension Liability	450,857	367,963	720,394
Total Pension Liability - Beginning	<u>12,840,535</u>	<u>13,291,392</u>	<u>13,659,355</u>
Total Pension Liability - Ending (a)	<u>\$ 13,291,392</u>	<u>\$ 13,659,355</u>	<u>\$ 14,379,749</u>
 Plan Fiduciary Net Position			
Contributions - Employer	415,577	\$ 466,754	\$ 469,352
Contributions - Employee	157,466	175,944	184,134
Net Investment Income	589,342	16,004	738,919
Benefit payments, including refunds of employee contributions	(611,161)	(556,701)	(540,307)
Administrative Expense	(6,153)	(9,748)	(8,349)
Other	<u>(506)</u>	<u>(482)</u>	<u>(450)</u>
Net Change in Plan Fiduciary Net Position	544,565	91,771	843,299
Plan Fiduciary Net Position - Beginning	<u>10,301,892</u>	<u>10,846,457</u>	<u>10,938,228</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 10,846,457</u>	<u>\$ 10,938,228</u>	<u>\$ 11,781,527</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 2,444,935</u>	<u>\$ 2,721,127</u>	<u>\$ 2,598,222</u>
 Plan Fiduciary Net Position as a Percentage of			
Total Pension Liability	81.61%	80.08%	81.93%
 Covered Employee Payroll	\$ 2,249,513	\$ 2,513,483	\$ 2,625,558
 Net Pension Liability as a Percentage of Covered Employee Payroll			
Employee Payroll	108.69%	108.26%	98.96%

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>2017</u>	<u>2018</u>	<u>2019</u>
Total Pension Liability			
Service cost	\$ 431,194	\$ 443,500	\$ 442,536
Interest (on the Total Pension Liability)	963,026	1,017,027	1,060,310
Changes of benefit terms		-	-
Difference between expected and actual experience	130,771	(47,718)	(175,952)
Change of Assumptions	-	-	(39,664)
Benefit payments, including refunds of employee contributions	<u>(656,599)</u>	<u>(805,660)</u>	<u>(736,534)</u>
Net Change in Total Pension Liability	868,392	607,149	550,696
Total Pension Liability - Beginning	<u>14,379,749</u>	<u>15,248,141</u>	<u>15,855,290</u>
Total Pension Liability - Ending (a)	<u>\$ 15,248,141</u>	<u>\$ 15,855,290</u>	<u>\$ 16,405,986</u>
 Plan Fiduciary Net Position			
Contributions - Employer	\$ 458,907	\$ 457,439	\$ 449,983
Contributions - Employee	191,645	194,274	190,397
Net Investment Income	1,632,467	(401,280)	1,982,760
Benefit payments, including refunds of employee contributions	(656,599)	(805,660)	(736,534)
Administrative Expense	(8,462)	(7,757)	(11,213)
Other	<u>(429)</u>	<u>(406)</u>	<u>(337)</u>
Net Change in Plan Fiduciary Net Position	1,617,529	(563,390)	1,875,056
Plan Fiduciary Net Position - Beginning	<u>11,781,527</u>	<u>13,399,056</u>	<u>12,835,666</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 13,399,056</u>	<u>\$ 12,835,666</u>	<u>\$ 14,710,722</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 1,849,085</u>	<u>\$ 3,019,624</u>	<u>\$ 1,695,264</u>
 Plan Fiduciary Net Position as a Percentage of			
Total Pension Liability	87.87%	80.96%	89.67%
 Covered Employee Payroll	\$ 2,662,668	\$ 2,775,341	\$ 2,719,953
 Net Pension Liability as a Percentage of Covered Employee Payroll			
Employee Payroll	69.44%	108.80%	62.33%

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>
Actuarially Determined Contribution	\$ 393,556	\$ 446,857	\$ 453,772	\$ 455,732	\$ 469,702	\$ 454,415	\$ 436,329
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>
Contributions deficiency (excess)	<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>
Contributions as a percentage of covered payroll	17.95%	18.54%	17.97%	17.05%	16.39%	16.46%	16.79%

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	26 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, 2020

	General	Payroll	Disbursement	Total General Fund
ASSETS				
Cash and cash equivalents	\$ 1,153,628	\$ 36,499	\$ (24,439)	\$ 1,165,688
Investments	1,648			1,648
Receivables:				
Accounts, net	22,577			22,577
Property tax, net	69,101			69,101
Sales tax	81,383			81,383
Occupancy tax	8,491			8,491
Franchise tax	14,332			14,332
Grants	134,178			134,178
Due from component units	10,522			10,522
Due (to) from other funds	(167,290)	178,272	24,615	35,597
Prepaid expenses				
Restricted Assets:				
Cash and cash equivalents	232,994			232,994
Investments	150,000			150,000
Total Assets	<u>\$ 1,711,564</u>	<u>\$ 214,771</u>	<u>\$ 176</u>	<u>\$ 1,926,511</u>
LIABILITIES:				
Accounts payable and accrued expenses	\$ 105,396	\$ 214,831	\$	\$ 320,227
Due to other governmental entities				
Total Liabilities	<u>105,396</u>	<u>214,831</u>		<u>320,227</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	<u>52,539</u>			<u>52,539</u>
Total Liabilities and Deferred Inflows of Resources	<u>157,935</u>	<u>214,831</u>		<u>372,766</u>
FUND BALANCE:				
Nonspendable				
Unassigned	1,170,635	(60)	176	1,170,751
Restricted	<u>382,994</u>			<u>382,994</u>
Total Fund Balance	<u>1,553,629</u>	<u>(60)</u>	<u>176</u>	<u>1,553,745</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 1,711,564</u>	<u>\$ 214,771</u>	<u>\$ 176</u>	<u>\$ 1,926,511</u>

CITY OF COLEMAN, TEXAS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GENERAL FUND ACCOUNTS
SEPTEMBER 30, 2020

	General	Payroll	Disbursement	Total General Fund
REVENUES				
Taxes:				
Property tax	\$ 574,469	\$	\$	\$ 574,469
Sales tax	943,715			943,715
Franchise tax	78,758			78,758
Occupancy tax	32,603			32,603
Alcohol beverage tax	5,920			5,920
Licenses and permits	12,784			12,784
Grants	212,581			212,581
Fines and forfeitures	52,233			52,233
Investment income	2,458	32	100	2,590
General service fees	239,846			239,846
Internal franchise fees	239,846			239,846
Rental revenue	25,108			25,108
Street repair fee	147,889			147,889
Charges for services	252,957			252,957
Donations	7,049			7,049
Miscellaneous revenue	2,237	53		2,290
Total Revenues	2,830,453	85	100	2,830,638
EXPENDITURES				
Current:				
General government	744,523	30		744,553
Public safety				
Other	104,946			104,946
Police department	898,930			898,930
Fire department	440,907			440,907
Public service				
Animal control	57,463			57,463
Municipal court	80,765			80,765
Health and sanitation	5,540			5,540
Cultural and recreation				
Library	140,537			140,537
Parks	192,551			192,551
City park pool	23,476			23,476
Health and inspection				
City inspection	20,354			20,354
Environmental	69,225			69,225
Cemetery	176,769			176,769
Streets	432,918			432,918
EDC	96,937			96,937
Total Current Expenditures	3,485,841	30		3,485,871
Capital Outlay	455,944			455,944
Debt Service:				
Principal	48,470			48,470
Interest	12,710			12,710
Total Expenditures	4,002,965	30		4,002,995

CITY OF COLEMAN, TEXAS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GENERAL FUND ACCOUNTS - continued
SEPTEMBER 30, 2020

	General	Payroll	Disbursement	Total General Fund
Excess (Deficiency) of Revenues over (Under) Expenditures	\$ (1,172,512)	\$ 55	\$ 100	\$ (1,172,357)
OTHER FINANCING SOURCES (USES)				
Proceeds from Issuance of Debt	295,797			295,797
Proceeds from sale of assets	25,250			25,250
Transfers in (Out)	<u>1,321,442</u>	<u> </u>	<u> </u>	<u>1,321,442</u>
Total Other Financing Sources (Uses)	<u>1,642,489</u>	<u> </u>	<u> </u>	<u>1,642,489</u>
Net Change in Fund Balance	469,977	55	100	470,132
Fund Balance at beginning of year	<u>1,083,652</u>	<u>(115)</u>	<u>76</u>	<u>1,083,613</u>
Fund Balance at end of year	<u>\$ 1,553,629</u>	<u>\$ (60)</u>	<u>\$ 176</u>	<u>\$ 1,553,745</u>

CITY OF COLEMAN, TEXAS
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
SEPTEMBER 30, 2020

	Coleman Economic Development Corp	Coleman Community Coalition	Total Component Units
ASSETS:			
Cash and cash equivalents	\$ 661,979	\$ 492,029	\$ 1,154,008
Investments	128,386	51,804	180,190
Sales tax receivable	60,248	40,691	100,939
Accounts receivable	2,481		2,481
Note receivable	140,000	219,694	359,694
Non-depreciable capital assets	220,931		220,931
Depreciable capital assets, net	<u>225,260</u>	<u>19,856</u>	<u>245,116</u>
TOTAL ASSETS	<u>1,439,285</u>	<u>824,074</u>	<u>2,263,359</u>
LIABILITIES:			
Accounts payable	11,904	25,450	37,354
Due to other government	5,276	5,276	10,552
Long term liabilities:			
Due within one year	24,341		24,341
Due after one year:			
Notes payable	<u>450,659</u>		<u>450,659</u>
TOTAL LIABILITIES	<u>492,180</u>	<u>30,726</u>	<u>522,906</u>
NET POSITION:			
Net investment in capital assets	446,191	19,856	466,047
Unrestricted	<u>500,914</u>	<u>773,492</u>	<u>1,274,406</u>
TOTAL NET POSITION	<u>\$ 947,105</u>	<u>\$ 793,348</u>	<u>\$ 1,740,453</u>

CITY OF COLEMAN, TEXAS
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
YEAR ENDED SEPTEMBER 30, 2020

	Coleman Economic Development Corp	Coleman Community Coalition	Total Component Units
REVENUE:			
Sales tax revenue	\$ 237,502	\$ 237,538	\$ 475,040
Rental income	25,497		25,497
Miscellaneous income	258		258
Investment income	1,532	1,550	3,082
Total Revenue	<u>264,789</u>	<u>239,088</u>	<u>503,877</u>
OPERATING EXPENSES:			
Accounting fees	13,620	13,815	27,435
Advertising, marketing and promotion	10,696	12,520	23,216
Bad debt		12,000	12,000
Depreciation expense	20,841	5,797	26,638
Dues and subscriptions	3,141	3,149	6,290
Grants, projects and incentives	184,524	98,713	283,237
Insurance	11,757	165	11,922
Legal fees	5,230	4,741	9,971
Meals	839	774	1,613
Office expenses	412	1,496	1,908
Property taxes	2,234		2,234
Rent, parking, and utilities	5,361	3,750	9,111
Repairs and maintenance	3,159		3,159
Salaries, taxes and benefits	45,418	45,418	90,836
Supplies		1,423	1,423
Telephone and internet		455	455
Travel and seminars	808	496	1,304
Total Operating Expenses	<u>308,040</u>	<u>204,712</u>	<u>512,752</u>
CHANGE IN NET POSITION	(43,251)	34,376	(8,875)
NET POSITION AT BEGINNING OF YEAR	<u>990,356</u>	<u>758,972</u>	<u>1,749,328</u>
NET POSITION AT END OF YEAR	<u>\$ 947,105</u>	<u>\$ 793,348</u>	<u>\$ 1,740,453</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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 26, 2022.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

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
January 26, 2022

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 described 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, 2020. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Coleman, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Coleman, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Coleman, Texas' compliance.

Opinion on Each Major Federal Program

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, 2020.

Report on Internal Control Over Compliance

Management of the City of Coleman, Texas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Coleman, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Coleman, Texas' 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Roberts & McGee, CPA

Abilene, Texas
January 26, 2022

CITY OF COLEMAN, TEXAS

Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2020

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	Pass- through Grantor's Number	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>4,937,944</u>
Total U.S. Department of Agriculture			<u>4,937,944</u>
<u>U.S Department of Justice</u>			
Passed through the Texas Department of Transportation			
Edward Byrne Memorial Justice Assistance Grant	16.738	DJ3822501	<u>30,000</u>
Total U.S Department of Justice			<u>30,000</u>
<u>U.S Department of Transportation</u>			
Passed through the Texas Department of Transportation			
CARES Act Airport Improvement Program	20.106	20CRCOLEM	<u>30,000</u>
Total U.S Department of Transportation			<u>30,000</u>
<u>U.S Department of the Treasury</u>			
Passed through the Texas Department of Emergency Management			
Coronavirus Relief Fund	21.019	#562	<u>182,930</u>
Total U.S Department of the Treasury			<u>182,930</u>
Total Federal Awards			<u>\$ <u>5,180,874</u></u>

CITY OF COLMAN, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED SEPTEMBER 30, 2020

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, 2020. 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.

SUBRECIPIENTS

There were no subrecipients of the federal expenditures presented in the accompanying schedule of expenditures of federal awards.

CITY OF COLEMAN, TEXAS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2020**

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 I 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, 2020**

Finding 2019-001 – Material weakness in internal control over the timing and preparation of bank reconciliations.

- a. **Condition:** Bank reconciliations prepared by City staff during the year were not prepared timely and there were several instances of inaccurate outstanding items on the bank reconciliations which misstated the cash balances.
- b. **Criteria:** Proper and timely preparation of bank reconciliations is a key control of any organization to prevent misappropriation of funds, abuse, and misstatement of financial position.
- c. **Cause:** The activities of preparing accurate and timely bank reconciliations has been an issue with the City due to the lack of knowledgeable staff and the design of the financial system.
- d. **Effect:** Due to the lack of accurate and timely bank reconciliations, accurate and timely financial reports were not being provided to the Management and Council of the City.
- e. **Recommendation:** The City needs to engage outside assistance and/or hire internal staff that have the appropriate skill, knowledge, and experience that can ensure that the bank reconciliations are prepared timely and are accurate.
- f. **City Response:** The City has contracted with an outside consultant to prepare the bank reconciliations and has contracted with a local CPA to review the bank reconciliations and assist with other balance sheet reconciliations to ensure the accurate reporting of the financial reports.
- g. **Corrective Action:** The City's response to the prior year finding was appropriate and resulted in bank reconciliations for the September 30, 2020 year that were prepared timely and accurately.