

**CITY OF COLEMAN, TEXAS**

---

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S  
REPORT

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YEAR ENDED

SEPTEMBER 30, 2022



**Roberts & McGee CPA**

CITY OF COLEMAN, TEXAS

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report.....	1
Management's Discussion and Analysis .....	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	10
Statement of Activities .....	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	12
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	13
Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds .....	14
Reconciliation of Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	16
Statement of Net Position – Proprietary Funds .....	17
Statement of Revenue, Expenses, and Changes in Net Position – Proprietary Funds.....	18
Statement of Cash Flows – Proprietary Funds .....	19
Notes to Financial Statements .....	20
Required Supplementary Information:	
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual – General Fund .....	42
Schedule of Changes in Net Pension Liability And Related Ratios.....	44
Schedule of Contributions with Related Notes.....	46
Other Supplementary Information:	
Combining Balance Sheet – Non-major Governmental Funds.....	47
Combining Schedule of Revenues, Expenditures, and Change in Fund Balance Non-Major Governmental Funds .....	50
Combining Statement of Net Position – Component Units .....	53
Combining Statement of Activities – Component Units .....	54
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> .....	55

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance .....	57
Schedule of Expenditures of Federal Awards .....	59
Notes to Schedule of Expenditures of Federal Awards .....	60
Schedule of Findings and Questioned Costs .....	61
Summary Schedule of Prior Year Findings and Questioned Costs .....	62

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## INDEPENDENT AUDITOR'S REPORT

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

### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Coleman, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

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

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibility for the Audit of the Financial Statements**

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

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

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

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension related schedules on pages 4-9 and 42-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Coleman, Texas' basic financial statements. The other supplementary schedules on pages 47-54 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 on page 59, 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 October 16, 2023, on our consideration of City of Coleman, Texas' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Coleman, Texas' internal control over financial reporting and compliance.

  
Roberts & McGee, CPA

Abilene, Texas  
October 16, 2023

# THE CITY OF COLEMAN, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2022

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, 2022.

### 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 \$13,527,459 (*net position*). Of this amount, \$3,425,542 (*unrestricted*) may be used to meet the government's ongoing obligations to citizens. \$8,453,621 of the City's equity is invested in capital assets, net of related debt; and \$1,648,296 of the City's equity is restricted.
- The City's total assets and deferred outflows increased by \$906 during the 2022 fiscal year and total liabilities and deferred liabilities decreased by \$1,448,465.
- The net position (*equity*) of the City increased by \$1,397,436 during the 2022 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 \$1,493,552. The total fund balance in the general fund increased \$343,213 from current year operations. \$1,323,242 was transferred during the year to the General Fund from the Proprietary Funds.
- In the Utility Funds, the net position reflects \$2,634,089 of unrestricted equity, which is an increase of \$540,986 for the current year.

### Overview of the Financial Statements

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

#### *Government-Wide Financial Statements*

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

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

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

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

#### *Fund Financial Statements*

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

## THE CITY OF COLEMAN, TEXAS

### MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2022

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 major 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. The American Rescue Plan is also considered a major governmental fund, and there are 14 non-major governmental funds.

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

The City of Coleman adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget on pages 42 and 43.

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-41 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 47-54 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 \$13,527,459 at the close of the most recent fiscal year.

\$8,453,621 of the City of Coleman's net position (62 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, 2022

**The City of Coleman's Net Position**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current assets	\$ 4,142,063	\$ 2,433,045	\$ 5,250,005	\$ 7,155,843
Capital assets	<u>1,560,384</u>	<u>1,291,649</u>	<u>20,115,884</u>	<u>19,979,885</u>
Total Assets	<u>5,702,447</u>	<u>3,724,694</u>	<u>25,365,889</u>	<u>27,135,728</u>
Deferred outflows of resources	<u>369,640</u>	<u>482,563</u>	<u>307,977</u>	<u>402,062</u>
Total assets and deferred outflows of resources	6,072,087	4,207,257	25,673,866	27,537,790
Current liabilities	405,770	430,055	1,494,995	2,476,554
Long-term liabilities	<u>742,955</u>	<u>1,384,916</u>	<u>12,641,363</u>	<u>13,573,329</u>
Total Liabilities	<u>1,148,725</u>	<u>1,814,971</u>	<u>14,136,358</u>	<u>16,049,883</u>
Deferred inflows of resources	<u>2,088,917</u>	<u>562,132</u>	<u>844,494</u>	<u>1,239,973</u>
Total liabilities and deferred inflows of resources	3,237,642	2,377,103	14,980,852	17,289,856
Net investment in capital assets	1,069,624	694,945	7,383,997	7,480,240
Restricted	973,368	350,637	674,928	674,591
Unrestricted	<u>791,453</u>	<u>784,572</u>	<u>2,634,089</u>	<u>2,093,103</u>
Total Net Position	<u>\$ 2,834,445</u>	<u>\$ 1,830,154</u>	<u>\$ 10,693,014</u>	<u>\$ 10,247,934</u>

**THE CITY OF COLEMAN, TEXAS**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022

**The City of Coleman's Changes in Net Position**

	Governmental Activities		Business-type Activities	
	2022	2021	2022	2021
Revenues:				
Program Revenues:				
Charges for services	\$ 443,915	\$ 461,595	\$ 8,504,978	\$ 8,058,624
Capital grants & contributions	183,690		65,529	62,495
Operating grants & contributions	186,660	342,946		
General Revenues				
Property taxes	618,787	595,589		
Sales and use taxes	1,454,231	1,053,868		
Franchise taxes	99,620	85,335	38,554	32,657
Occupancy tax	47,301	45,555		
Investment earnings	1,676	1,579	14,927	2,808
Miscellaneous income	602,355	608,870	116,435	348,249
Transfers	1,161,935	1,474,343	(1,161,935)	(1,474,343)
Total Revenues	4,800,170	4,669,680	7,578,488	7,030,490
Expenses				
General administration	1,156,521	963,784		
Public safety	1,451,332	1,719,058		
Streets	468,021	503,259		
Public service	148,823	149,526		
Culture and recreation	413,593	391,830		
Health and inspection	21,660	21,807		
Cemetery	152,913	147,882		
Environmental	29,397	31,834		
Utility			6,096,091	5,743,107
Municipal airport			228,957	231,799
Sanitation			790,683	768,835
Interest	23,231	27,564		
Other				
Total expenses	3,865,491	3,956,544	7,115,731	6,743,741
Change in net position	934,679	713,136	462,757	286,749
Beginning Net Position	1,830,154	1,122,180	10,247,934	10,002,682
Prior period adjustments	69,612	(5,162)	(17,677)	(41,497)
Ending Net Position	\$ 2,834,445	\$ 1,830,154	\$ 10,693,014	\$ 10,247,934

**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.

**THE CITY OF COLEMAN, TEXAS**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022

**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 \$2,227,169. \$1,493,552 of this balance is unassigned and available for spending at the City's discretion. This represents approximately 5 months of operating equity based on 2022 current expenditures.

**Fund Budgetary Highlights**

The original budget for the General Fund reflected an excess of revenue over expenditures of \$18,497. The budget was amended to reflect an excess revenue over expenditures of \$67,918. The actual expenditures were \$168,801 less than the amended budgeted amounts, and actual revenues were \$176,227 more than was budgeted.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets** - The City of Coleman's investment in capital assets for its governmental activities amounted to \$1,560,384 (net of accumulated depreciation), and the investment in capital assets for its business-type activities amounted to \$20,115,884 (net of accumulated depreciation) as of September 30, 2022. This investment in capital assets includes land, buildings, improvements, infrastructure, and equipment.

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

	Governmental Activities	
	2022	2021
Land	\$ 103,730	\$ 103,730
Construction in progress	192,107	
Buildings and improvements	629,901	544,305
Furniture and equipment	3,161,643	3,117,721
Infrastructure	2,684,374	2,684,374
Right of use assets	241,196	
Accumulated depreciation	(5,452,567)	(5,158,481)
Total	\$ 1,560,384	\$ 1,291,649
	Business-type Activities	
	2022	2021
Land	\$ 344,998	\$ 344,998
Construction in progress	43,607	8,745,836
Buildings and improvements	1,662,800	1,645,650
Furniture and equipment	3,906,526	4,071,067
Infrastructure	34,144,863	24,494,409
Right of use assets	175,905	
Accumulated depreciation	(20,162,815)	(19,322,075)
Total	\$ 20,115,884	\$ 19,979,885

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

**THE CITY OF COLEMAN, TEXAS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022**

**Debt Administration**

The City of Coleman has long term debt in the form of bonds, notes payable and right of use liabilities. As of September 30, 2022, the City had long term liabilities as follows:

Governmental Activities:	
Notes payable	\$ 384,919
Right of use liabilities	105,841
Business-type Activities:	
Notes payable	\$ 1,001,271
Bonds payable	11,873,000
Right of use liabilities	77,394

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

***ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES***

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

- The City of Coleman adopted a 2022 property tax rate effective for its 2023 fiscal year of .460006 per \$100 property valuation. This is composed of the maintenance and operations rate of .284127 and the interest and sinking rate of .175879 per \$100 property valuation.
- These indicators were taken into account when adopting the general fund budget for fiscal year 2023. The general fund budget reflects a surplus of \$25,278 with \$5,606,822 of general fund revenue and \$5,581,544 of general fund expenses. The fiscal year 2023 revenue is approximately \$1,055,000 more than the adjusted revenue budget for fiscal year 2022. This increase includes \$700,000 of proposed financing proceeds.

**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, 2022**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,353,469	\$ 2,329,345	\$ 4,682,814	\$ 991,270
Restricted cash and cash equivalents	798,784	717,933	1,516,717	
Investments		1,860,516	1,860,516	181,205
Restricted investments	151,648		151,648	
Receivables:				
Taxes, net	221,907		221,907	138,090
Accounts, net	64,701	698,660	763,361	2,175
Other receivables	22,035	111,070	133,105	
Notes receivable				630,085
Internal balances	529,519	(529,519)		
Securities held in escrow		62,000	62,000	
Non-depreciable capital assets	295,837	388,605	684,442	220,931
Depreciable capital assets, net	1,264,547	19,727,279	20,991,826	201,510
<b>TOTAL ASSETS</b>	<b>5,702,447</b>	<b>25,365,889</b>	<b>31,068,336</b>	<b>2,365,266</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows - pension	369,640	307,977	677,617	
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>6,072,087</b>	<b>25,673,866</b>	<b>31,745,953</b>	<b>2,365,266</b>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	264,797	605,277	870,074	45,689
Utility deposits		369,741	369,741	
Long term liabilities:				
Due within one year	140,973	519,977	660,950	26,481
Due after one year:				
Compensated absences	55,061	36,541	91,602	
Landfill closure liability		49,208	49,208	
Loans and certificates payable	349,787	12,273,910	12,623,697	398,579
Net pension liability	338,107	281,704	619,811	
<b>TOTAL LIABILITIES</b>	<b>1,148,725</b>	<b>14,136,358</b>	<b>15,285,083</b>	<b>470,749</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unearned grant revenue	1,365,908	242,096	1,608,004	
Deferred inflows - pension	723,009	602,398	1,325,407	
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,088,917</b>	<b>844,494</b>	<b>2,933,411</b>	
<b>NET POSITION</b>				
Net investment in capital assets	1,069,624	7,383,997	8,453,621	422,441
Restricted	973,368	674,928	1,648,296	
Unrestricted	791,453	2,634,089	3,425,542	1,472,076
<b>TOTAL NET POSITION</b>	<b>\$ 2,834,445</b>	<b>\$ 10,693,014</b>	<b>\$ 13,527,459</b>	<b>\$ 1,894,517</b>

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

**CITY OF COLEMAN, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION PRIMARY GOVERNMENT			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>PRIMARY GOVERNMENT:</b>								
Governmental activities:								
General administration	\$ 1,156,521	\$ 130,403	\$ 61,776	\$ 183,690	\$ (780,652)		\$ (780,652)	
Public safety	1,451,332	31,127	92,304		(1,327,901)		(1,327,901)	
Public service	148,823	30,613			(118,210)		(118,210)	
Culture and recreation	413,593	36,914	32,580		(344,099)		(344,099)	
Health and inspection	21,660				(21,660)		(21,660)	
Cemetery	152,913	59,558			(93,355)		(93,355)	
Environment	29,397				(29,397)		(29,397)	
Streets	468,021	155,300			(312,721)		(312,721)	
Interest	23,231				(23,231)		(23,231)	
<b>Total governmental activities</b>	<b>3,865,491</b>	<b>443,915</b>	<b>186,660</b>	<b>183,690</b>	<b>(3,051,226)</b>		<b>(3,051,226)</b>	
Business-type activities:								
Utility	6,096,091	7,614,622		2,000		1,520,531	1,520,531	
Municipal airport	228,957	64,700		63,529		(100,728)	(100,728)	
Sanitation	790,683	825,656				34,973	34,973	
<b>Total business-type activities</b>	<b>7,115,731</b>	<b>8,504,978</b>		<b>65,529</b>		<b>1,454,776</b>	<b>1,454,776</b>	
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 10,981,222</b>	<b>\$ 8,948,893</b>	<b>\$ 186,660</b>	<b>\$ 249,219</b>	<b>(3,051,226)</b>	<b>1,454,776</b>	<b>(1,596,450)</b>	
Component units:								
Economic Development Corp	\$ 304,401	\$ 48,063		\$				(256,338)
Coleman Community Coalition	222,526							(222,526)
<b>Total component units</b>	<b>\$ 526,927</b>	<b>\$ 48,063</b>		<b>\$</b>				<b>(478,864)</b>
<b>GENERAL REVENUES:</b>								
Taxes:								
Property taxes					618,787		618,787	
Sales and use taxes					1,454,231		1,454,231	738,892
Franchise taxes					99,620	38,554	138,174	
Hotel/motel taxes					47,301		47,301	
Investment income					1,676	14,927	16,603	1,468
Miscellaneous income					602,355	116,435	718,790	768
Transfers					1,161,935	(1,161,935)		
<b>Total general revenues</b>					<b>3,985,905</b>	<b>(992,019)</b>	<b>2,993,886</b>	<b>741,128</b>
Change in net position					934,679	462,757	1,397,436	262,264
Net position - beginning, adjusted					1,899,766	10,230,257	12,130,023	1,632,253
<b>Net position - ending</b>					<b>\$ 2,834,445</b>	<b>\$ 10,693,014</b>	<b>\$ 13,527,459</b>	<b>\$ 1,894,517</b>

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

**CITY OF COLEMAN, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2022**

	General Fund	American Rescue Plan Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,353,469	\$	\$	\$ 2,353,469
Receivables:				
Accounts, net	50,350		14,351	64,701
Property tax, net	55,672			55,672
Sales tax	138,090			138,090
Occupancy tax			13,263	13,263
Franchise tax	14,882			14,882
Grants	14,567			14,567
Due from component units	7,468			7,468
Due from other funds	(531,611)	1,061,130		529,519
Restricted Assets:				
Cash and cash equivalents	581,969		216,815	798,784
Investments	151,648			151,648
<b>TOTAL ASSETS</b>	<b>\$ 2,836,504</b>	<b>1,061,130</b>	<b>\$ 244,429</b>	<b>\$ 4,142,063</b>
<b>LIABILITIES:</b>				
Accounts payable and accrued expenses	\$ 260,119		\$ 4,678	\$ 264,797
Due to others				
<b>Total Liabilities</b>	<b>260,119</b>		<b>4,678</b>	<b>264,797</b>
<b>DERERRED INFLOWS OF RESOURCES:</b>				
Deferred revenue	349,216	1,061,130		1,410,346
<b>Total liabilities and deferred inflows of resources</b>	<b>609,335</b>	<b>1,061,130</b>	<b>4,678</b>	<b>1,675,143</b>
<b>FUND BALANCE:</b>				
Unassigned	1,493,552			1,493,552
Restricted	733,617		239,751	973,368
<b>Total Fund Balance</b>	<b>2,227,169</b>		<b>239,751</b>	<b>2,466,920</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 2,836,504</b>	<b>\$ 1,061,130</b>	<b>\$ 244,429</b>	<b>\$ 4,142,063</b>

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, 2022

Total Fund Balances - Governmental Funds	\$	2,466,920
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$6,582,685 and the accumulated depreciation was \$5,192,492. The net effect of the beginning balances for capital assets (net of depreciation) in the governmental activities is an increase to net position.		1,390,193
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 430,266 in the governmental funds.		430,266
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 \$260,075 is to decrease net position.		(260,075)
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 \$490,760		(490,760)
Compensated absences are reported in the government wide statements but are not recorded in the fund financial statements.		(55,061)
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the governmental funds. Deferred revenue of \$44,438 is recognized in the government-wide financial statements. This results in an increase in net position.		44,438
Included on the government-wide financial statements is the recognition of the City's proportionate share of the net pension liability of \$338,107, a deferred outflow of resources of \$369,640, and a deferred inflow of resources of \$723,009. The net effect is to decrease net position.		<u>(691,476)</u>
Net Position of Governmental Activities	\$	<u><u>2,834,445</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, 2022**

	General Fund	American Rescue Plan Fund	Nonmajor Governmental	Total Governmental Funds
<b>REVENUE:</b>				
Taxes:				
Property tax	\$ 410,637	\$	\$ 209,151	\$ 619,788
Sales tax	1,435,923			1,435,923
Franchise tax	99,620			99,620
Occupancy tax			47,301	47,301
Alcohol beverage tax	18,308			18,308
Licenses & permits	15,579			15,579
Grants	368,855		1,495	370,350
Fines and forfeitures	69,649		13	69,662
Investment income	1,619		57	1,676
General service fees	261,694			261,694
Internal franchise fees	261,694			261,694
Rental revenue	25,144			25,144
Street repair fee			153,605	153,605
Charges for services	205,069			205,069
Donations	12,130		3,130	15,260
Miscellaneous Income	16,020		18	16,038
Total Revenue	3,201,941		414,770	3,616,711
<b>EXPENDITURES:</b>				
Current:				
General government	995,566		47,747	1,043,313
Public safety				
Other	105,197			105,197
Police department	796,074		1,442	797,516
Fire department	566,989		1,501	568,490
Public service				
Animal control	72,609			72,609
Municipal court	83,586			83,586
Health and sanitation	8,296			8,296
Cultural and recreation				
Library	184,795			184,795
Parks	189,815			189,815
City park pool	47,000			47,000
Health and inspection				
City inspection	21,420			21,420
Environmental	25,308			25,308
Cemetery	154,044			154,044
Streets	265,837		163,022	428,859
EDC	99,586			99,586
Debt service:				
Principal retired	134,876			134,876
Interest	23,231			23,231
Capital outlay	430,266			430,266
Total Expenditures	4,204,495		213,712	4,418,207

**CITY OF COLEMAN, TEXAS**  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS - continued**  
**YEAR ENDED SEPTEMBER 30, 2022**

	General Fund	American Rescue Plan Fund	Nonmajor Governmental	Total Governmental Funds
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	\$ (1,002,554)	\$	\$ 201,058	\$ (801,496)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	22,525			22,525
Transfers in (out)	<u>1,323,242</u>	<u>                    </u>	<u>(161,307)</u>	<u>1,161,935</u>
Total other financing sources (uses)	<u>1,345,767</u>	<u>                    </u>	<u>(161,307)</u>	<u>1,184,460</u>
CHANGE IN FUND BALANCE	343,213		39,751	382,964
FUND BALANCE AT BEGINNING OF YEAR	2,024,886		59,070	2,083,956
Adjustment to beginning fund balance	<u>(140,930)</u>	<u>                    </u>	<u>140,930</u>	<u>                    </u>
FUND BALANCE AT END OF YEAR	<u>\$ 2,227,169</u>	<u>\$</u>	<u>\$ 239,751</u>	<u>\$ 2,466,920</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, 2022**

Net Change in Fund Balances - Governmental Funds	\$	382,964
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 \$430,266.		430,266
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 \$260,075 is to decrease net position.		(260,075)
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 increase to net position of \$134,876.		134,876
Changes in compensated absences are shown in the statement of activities but are not included in the fund financial statements		(3,000)
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 \$1,001. This results in a decrease in net position.		(1,001)
Certain expenditures for pension that are recorded to the fund financial statements must be recorded as deferred outflows of resources. The City's share of the unrecognized deferred inflows and outflows for TMRS as of the measurement date must be amortized and the City's proportionate share of the pension expense must be recognized. These cause the change in net position to increase in the amount of \$250,649.		250,649
Change in Net Position of Governmental Activities	\$	934,679

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

**CITY OF COLEMAN, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2022**

	Utility Fund	Airport Fund	Sanitation Fund	Total Proprietary
<b>ASSETS:</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 2,057,164	\$ 36,588	\$ 235,593	\$ 2,329,345
Investments	1,614,822	245,694		1,860,516
Accounts receivable, net	642,460		56,200	698,660
Other receivables	-	111,070		111,070
Restricted cash and cash equivalents	674,928		43,005	717,933
Securities held in escrow	62,000			62,000
<b>Total Current Assets</b>	<b>5,051,374</b>	<b>393,352</b>	<b>334,798</b>	<b>5,779,524</b>
<b>Noncurrent Assets:</b>				
<b>Capital assets:</b>				
Land	223,411	100,000	21,587	344,998
Construction in progress	25,703	17,904		43,607
Buildings and improvements	128,514	2,938,466		3,066,980
Infrastructure	35,400,190		21,247	35,421,437
Machinery and equipment	54,716	983,600	187,456	1,225,772
Right of use assets	175,905			175,905
Less: Accumulated depreciation	(17,893,605)	(2,060,507)	(208,703)	(20,162,815)
<b>Total Noncurrent Assets</b>	<b>18,114,834</b>	<b>1,979,463</b>	<b>21,587</b>	<b>20,115,884</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows - pension	307,977			307,977
<b>Total Assets and Deferred Outflows of Resources</b>	<b>23,474,185</b>	<b>2,372,815</b>	<b>356,385</b>	<b>26,203,385</b>
<b>LIABILITIES:</b>				
Accounts payable and accrued expenses	502,404	1,613	57,094	561,111
Due to other funds	529,519	-	-	529,519
Accrued interest	44,166			44,166
Utility deposits	369,741			369,741
Right of use liabilities	46,084			46,084
Notes payable	115,624		5,269	120,893
Certificates of obligation	353,000			353,000
<b>Total current</b>	<b>1,960,538</b>	<b>1,613</b>	<b>62,363</b>	<b>2,024,514</b>
<b>Long term liabilities:</b>				
Compensated absences	36,541		-	36,541
Landfill closure liability			49,208	49,208
Notes payable	880,378		-	880,378
Right of use liabilities	31,310			31,310
Certificates of obligation	11,362,222			11,362,222
Net pension liability	281,704			281,704
<b>Total Liabilities</b>	<b>14,552,693</b>	<b>1,613</b>	<b>111,571</b>	<b>14,665,877</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unearned grant revenue		242,096		242,096
Deferred inflows - pension	602,398			602,398
<b>Total Deferred Inflows of Resources</b>	<b>602,398</b>	<b>242,096</b>		<b>844,494</b>
<b>NET POSITION:</b>				
Net investment in capital assets	5,388,216	1,979,463	16,318	7,383,997
Restricted	674,928			674,928
Unrestricted	2,255,950	149,643	228,496	2,634,089
<b>Total Net Position</b>	<b>\$ 8,319,094</b>	<b>\$ 2,129,106</b>	<b>\$ 244,814</b>	<b>\$ 10,693,014</b>

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, 2022**

	Utility Fund	Municipal Airport Fund	Sanitation Fund	Total Proprietary Funds
<b>OPERATING REVENUE:</b>				
Water Sales	\$ 2,183,424	\$	\$	\$ 2,183,424
Sewer charges	722,002			722,002
Electric sales	4,612,487			4,612,487
Sanitation charges			825,656	825,656
Gas & oil sales		64,700		64,700
Utilities transfer fee	28,190			28,190
Franchise fee			38,554	38,554
Penalties on utility service	68,519			68,519
Rental income		14,920		14,920
Other income	37,749	39,965	23,801	101,515
Total Operating Revenue	<u>7,652,371</u>	<u>119,585</u>	<u>888,011</u>	<u>8,659,967</u>
<b>OPERATING EXPENSES:</b>				
Utility department				
Utility office and shop	134,766			134,766
Electricity acquisition and distribution	3,080,231			3,080,231
Water production and distribution	1,387,151			1,387,151
Lake Coleman	98,937			98,937
Sewer collection and treatment	534,287			534,287
Utility administration	693,892			693,892
Municipal airport		228,957		228,957
Sanitation			790,683	790,683
Total Operating Expenses	<u>5,929,264</u>	<u>228,957</u>	<u>790,683</u>	<u>6,948,904</u>
Operating Income	<u>1,723,107</u>	<u>(109,372)</u>	<u>97,328</u>	<u>1,711,063</u>
<b>NON-OPERATING REVENUE (EXPENSES)</b>				
Interest income	13,028	1,801	98	14,927
Interest expense	(166,541)		(286)	(166,827)
Gain (loss) on sale of assets				-
Grant income	2,000	63,529		65,529
Total Non-operating	<u>(151,513)</u>	<u>65,330</u>	<u>(188)</u>	<u>(86,371)</u>
<b>NET INCOME BEFORE OPERATING TRANSFERS</b>	1,571,594	(44,042)	97,140	1,624,692
<b>OPERATING TRANSFERS</b>				
Transfers in (out)	(1,146,114)	21,850	(37,671)	(1,161,935)
Total Operating Transfers	<u>(1,146,114)</u>	<u>21,850</u>	<u>(37,671)</u>	<u>(1,161,935)</u>
<b>CHANGE IN NET POSITION</b>	425,480	(22,192)	59,469	462,757
<b>NET POSITION - BEGINNING OF YEAR</b>	7,911,291	2,151,298	185,345	10,247,934
Adjustment to net position	(17,677)			(17,677)
<b>NET POSITION - END OF YEAR</b>	<u>\$ 8,319,094</u>	<u>\$ 2,129,106</u>	<u>\$ 244,814</u>	<u>\$ 10,693,014</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, 2022**

	Utility Fund	Municipal Airport Fund	Sanitation Fund	Total Proprietary Funds
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 7,522,061	\$ 4,032	\$ 824,443	\$ 8,350,536
Receipts from other operation functions	134,458	54,885	62,355	251,698
Payments to suppliers	(1,912,336)	(30,713)	(564,093)	(2,507,142)
Payments to employees and related taxes and benefits	(1,907,223)		(61,088)	(1,968,311)
Payments to others	(2,138,595)	(315,775)	(161,723)	(2,616,093)
Net cash provided (used) by operating activities	<u>1,698,365</u>	<u>(287,571)</u>	<u>99,894</u>	<u>1,510,688</u>
<b>Cash flows from noncapital financing activities:</b>				
Operating transfers in/out	(1,756,804)	23,240	(42,807)	(1,776,371)
Grant proceeds	2,000			2,000
Net cash provided (used) by noncapital financing activities	<u>(1,754,804)</u>	<u>23,240</u>	<u>(42,807)</u>	<u>(1,774,371)</u>
<b>Cash flows from capital and related financing activities:</b>				
Principal payments on long-term debt	(701,331)		(5,173)	(706,504)
Interest payments on long-term debt	(159,691)		(286)	(159,977)
Acquisition and construction of capital assets	(978,498)	-	-	(978,498)
Capital grant proceeds	-	63,529		63,529
Net cash provided (used) by capital and related financing activities	<u>(912,520)</u>	<u>63,529</u>	<u>(5,459)</u>	<u>(854,450)</u>
<b>Cash flows from investing activities:</b>				
Interest income	13,028	1,801	98	14,927
Distributions from investments	86,056			86,056
Purchase of investments		(1,717)		(1,717)
Net cash provided (used) by investing activities	<u>99,084</u>	<u>84</u>	<u>98</u>	<u>99,266</u>
Net increase (decrease) in cash and cash equivalents	(869,875)	(200,718)	51,726	(1,018,867)
Cash and cash equivalents at beginning of year	<u>3,601,967</u>	<u>237,306</u>	<u>226,872</u>	<u>4,066,145</u>
Cash and cash equivalents at end of year	<u>\$ 2,732,092</u>	<u>\$ 36,588</u>	<u>\$ 278,598</u>	<u>\$ 3,047,278</u>
Cash and cash equivalents	\$ 2,057,164	\$ 36,588	\$ 235,593	\$ 2,329,345
Restricted cash and cash equivalents	674,928	-	43,005	717,933
Total Cash and cash equivalents	<u>\$ 2,732,092</u>	<u>\$ 36,588</u>	<u>\$ 278,598</u>	<u>\$ 3,047,278</u>
<b>Reconciliation of operating income to net cash</b>				
Provided (used) by operating activities:				
Operating income	\$ 1,723,107	\$ (109,372)	\$ 97,328	\$ 1,711,063
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	725,012	115,157	-	840,169
Adjustment to landfill post closure liability			3,218	3,218
(Increase) Decrease in accounts receivable	9,548	(60,668)	(1,213)	(52,333)
(Increase) Decrease in prepaid expenses	-	-		-
Increase (Decrease) in accounts payable	(554,219)	(232,688)	561	(786,346)
Increase (Decrease) in payroll accruals	9,152		-	9,152
Increase (Decrease) in pension liability	(208,835)			(208,835)
Increase (Decrease) in customer deposits	(5,400)			(5,400)
Net cash provided (used) by operating activities	<u>1,698,365</u>	<u>(287,571)</u>	<u>99,894</u>	<u>\$ 1,510,688</u>

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

## CITY OF COLEMAN, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2022

*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, 2022

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, 2022

#### *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 funds:

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 American Rescue Plan Fund was established to report the grant revenues and expenses from the American Rescue Plan Grant.

The City also reports the nonmajor governmental special revenue funds to account for various revenues and expenses restricted or committed to certain purposes. The non-major funds include law enforcement, occupancy tax, court technology and security, street improvement and cemetery improvement funds.

##### *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.

## CITY OF COLEMAN, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2022

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

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

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 2022 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 \$168,801 and general fund revenues were more than budgeted amounts by \$176,227. The City's overall revenues over expenditures compared to the amended budget reflected a favorable variance of \$345,028.

#### *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."

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

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

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

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, 2022

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, 2022.

*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 \$973,368 restricted funds at September 30, 2022.

## CITY OF COLEMAN, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2022

#### 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, 2022.

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

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

#### NOTE 2: *DEPOSITS AND INVESTMENTS*

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

##### *Cash Deposits*

The City’s cash deposits were entirely covered by FDIC insurance or pledged collateral held by the City’s bank in the City’s name at September 30, 2022.

The Coleman Economic Development Corporation and the Coleman Community Coalition Type B Economic Development Corporation were fully collateralized at September 30, 2022.

##### *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, 2022

*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, 2022 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>1,760,516</u>
	<u>1,860,516</u>
Total Investments	\$ <u><u>2,012,164</u></u>

*Custodial credit risk – deposits.* Deposits in financial institutions are carried at cost which approximates fair value. At September 30, 2022, 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, 2022, 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, 2022

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, 2022, \$8,996,000 had been received by the City, and \$62,000 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, 2022 was \$.441866 per \$100 valuation (.290438 for maintenance and operations and .151428 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	\$	82,762
Less: Allowance for uncollectible taxes		<u>(27,090)</u>
Property tax receivable, net		55,672
Sales tax receivable		138,090
Occupancy tax receivable		13,263
Franchise tax receivable		14,882
Street improvement fee		14,351
Grant receivable		14,567
Due from other governments		7,468
Accounts receivable		<u>50,350</u>
	\$	<u><u>308,643</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 \$642,460 (net of an allowance of \$21,147) and \$56,200 (net of an allowance of \$1739), respectively.



**CITY OF COLEMAN, TEXAS**

NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

*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>
<b>Governmental Activities:</b>		
Deposits held for debt service	\$ 118,835	\$
Deposits held for acquisition and perpetual care	10,911	150,000
Deposits held for public safety	22,559	
Deposits held for tourism	42,512	1,648
Deposits held for street improvement	21,998	
Unspent grant proceeds	581,969	
<b>Total Governmental Activities</b>	<b>\$ 798,784</b>	<b>\$ 151,648</b>
<b>Business-Type Activities:</b>		
Deposits held for debt service	\$ 674,928	\$
Deposits held for landfill trust	43,005	
	<u>717,933</u>	<u></u>

*NOTE 6: CAPITAL ASSETS*

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

<u>Government Activities:</u>	<u>Balance</u>			<u>Balance</u>
	<u>September 30,</u>	<u>Additions/</u>	<u>Retirements/</u>	<u>September 30,</u>
	<u>2021</u>	<u>Completions</u>	<u>Adjustments</u>	<u>2022</u>
Capital assets, not being depreciated:				
Land	\$ 103,730	\$	\$	\$ 103,730
Construction in progress	24,750	167,357		192,107
Total capital assets, not being depreciated	<u>128,480</u>	<u>167,357</u>	<u>-</u>	<u>295,837</u>
Capital assets being depreciated:				
Buildings and improvements	597,544	32,357		629,901
Furniture and equipment	2,931,091	230,553		3,161,644
Right of use assets	241,195			241,195
Infrastructure	2,684,374			2,684,374
Total assets being depreciated	<u>6,454,204</u>	<u>262,910</u>	<u>-</u>	<u>6,717,114</u>
Less accumulated depreciation for:				
Buildings and improvements	(412,579)	(19,303)		(431,882)
Furniture and equipment	(2,188,677)	(171,298)		(2,359,975)
Right of use assets	(81,790)	(60,299)		(142,089)
Infrastructure	(2,509,446)	(9,175)		(2,518,621)
Total accumulated depreciation	<u>(5,192,492)</u>	<u>(260,075)</u>	<u>-</u>	<u>(5,452,567)</u>
Total capital assets being depreciated, net	<u>1,261,712</u>	<u>2,835</u>	<u>-</u>	<u>1,264,547</u>
<b>Governmental activities capital assets, net</b>	<b>\$ 1,390,192</b>	<b>\$ 170,192</b>	<b>\$ -</b>	<b>\$ 1,560,384</b>

**CITY OF COLEMAN, TEXAS**

NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

*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, 2021	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2022
Capital assets, not being depreciated:				
Land	\$ 344,998	\$	\$	\$ 344,998
Construction in progress	8,745,836	917,016	(9,619,245)	43,607
Total capital assets, not being depreciated	<u>9,090,834</u>	<u>917,016</u>	<u>(9,619,245)</u>	<u>388,605</u>
Capital assets being depreciated:				
Buildings and improvements	1,645,650	17,150		1,662,800
Machinery and equipment	3,893,402	13,124		3,906,526
Right of use assets	175,906			175,906
Infrastructure	24,494,409	9,650,453		34,144,862
Total assets being depreciated	<u>30,209,367</u>	<u>9,680,727</u>	<u>-</u>	<u>39,890,094</u>
Less accumulated depreciation for:				
Buildings and improvements	(540,754)	(55,805)		(596,559)
Machinery and equipment	(2,634,534)	(153,547)		(2,788,081)
Right of use assets	(59,450)	(43,976)		(103,426)
Infrastructure	(16,087,908)	(586,841)		(16,674,749)
Total accumulated depreciation	<u>(19,322,646)</u>	<u>(840,169)</u>	<u>-</u>	<u>(20,162,815)</u>
Total capital assets being depreciated, net	<u>10,886,721</u>	<u>8,840,558</u>		<u>19,727,279</u>
Business-type activities capital assets, net	<u>\$ 19,977,555</u>	<u>\$ 9,757,574</u>	<u>\$ (9,619,245)</u>	<u>\$ 20,115,884</u>

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

Governmental activities:

General government	\$ 35,497
Fire	29,673
Public safety	85,170
Streets	67,032
Culture and recreation	27,048
Cemetery	15,655
	<u>\$ 260,075</u>

Business-type activities:

Utility shop	\$ 11,172
Sewer collection and treatment	59,690
Lake Coleman	13,116
Electricity acquisition and distributions	372,315
Municipal airport	115,157
Water production and distribution	268,719
	<u>\$ 840,169</u>

**CITY OF COLEMAN, TEXAS**

NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

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, 2021	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2022
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	397,657	1,823		399,480
Signs and Equipment	<u>107,355</u>	<u>1,823</u>		<u>109,178</u>
Total assets being depreciated	<u>505,012</u>	<u>3,646</u>		<u>508,658</u>
Less accumulated depreciation for:				
Buildings and improvements	(190,776)	(18,563)		(209,339)
Furniture and Equipment	<u>(92,996)</u>	<u>(4,813)</u>		<u>(97,809)</u>
Total accumulated depreciation	<u>(283,772)</u>	<u>(23,376)</u>		<u>(307,148)</u>
Total capital assets being depreciated, net	<u>221,240</u>	<u>(19,730)</u>		<u>201,510</u>
Component Unit capital assets, net	<u>\$ 442,171</u>	<u>\$ (19,730)</u>	<u>\$ _____</u>	<u>\$ 422,441</u>

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

Economic Development Corporation	\$ 18,563
Community Coalition	<u>4,813</u>
 Total Depreciation	 <u>\$ 23,376</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 09/30/2022 is \$14,106.

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 09/30/2022 is \$114,016.

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 09/30/2022 is \$75,038.

In December 2020, the City entered into a note agreement with Government Capital Financing to purchase police vehicles in the amount of \$250,000. The interest rate is 2.998% and calls for a yearly payment of \$39,686, including interest through September 2027. The balance for this note at 09/30/2022 is \$181,759.

**CITY OF COLEMAN, TEXAS**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

*NOTE 7: LONG TERM DEBT - continued*

The City entered into a lease agreement with Enterprise Fleet during the year ended September 30, 2021. The general fund leased a total of 7 vehicles for a total amount of \$241,196. The lease calls for monthly lease payments for 48 months. The payments begin when the vehicles are delivered. The balance of the right of use liabilities for the governmental activities at year end is \$105,841.

*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 9/30/2022 is \$157,777, and the balance of the outstanding certificates of obligation at 9/30/2022 is \$2,815,000.

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. This obligation was paid off during the year ended 09/30/2022.

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 09/30/2022 for the brush chipper is \$5,269.

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 09/30/2022 is \$9,058,000.

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 09/30/2022 is \$928,592.

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 09/30/2022 is \$67,410.

The City entered into a lease agreement with Enterprise Fleet during the year ended September 30, 2021. The utility fund leased a total of 5 vehicles for a total amount of \$175,905. The lease calls for monthly lease payments for 48 months. The payments begin when the vehicles are delivered. The balance of the right of use liabilities for the governmental activities at year end is \$77,394.

**CITY OF COLEMAN, TEXAS**

NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

*NOTE 7: LONG TERM DEBT - continued*

A schedule of the City's transaction in the long-term debt for the year ended September 30, 2022 is as follows:

	Balance at 09/30/2021	Additions	Retirements	Balance at 09/30/2022
<b>Primary Government:</b>				
<i>Governmental Activities:</i>				
Notes Payable	\$ 460,113	\$	\$ (75,194)	\$ 384,919
Right of use liabilities	165,523		(59,682)	105,841
Compensated Absences	52,061	3,000		55,061
	677,697	3,000	(134,876)	545,821
 <i>Business-Type Activities:</i>				
Notes Payable	\$ 1,118,259	\$	\$ (116,988)	\$ 1,001,271
Bonds Payable	12,419,000		(546,000)	11,873,000
Premium on Bonds	(167,058)		9,281	(157,777)
Right of use liabilities	120,909		(43,515)	77,394
Landfill Closure and Post Closure	45,990	3,218		49,208
Compensated Absences	27,389	9,153		36,542
	13,564,489	12,371	(697,222)	12,879,638
<b>Total Primary Government</b>	<b>14,242,186</b>	<b>15,371</b>	<b>(832,098)</b>	<b>13,425,459</b>

The annual aggregate maturities for the governmental and business-type activities at September 30, 2022:

	Principal	Interest	Total
<b>Long Term Bonds:</b>			
<i>Business-type activities:</i>			
2023	\$ 353,000	\$ 135,940	\$ 488,940
2024	356,000	133,418	489,418
2025	354,000	130,305	484,305
2026	356,000	127,683	483,683
2027	360,000	124,854	484,854
2028-2032	1,843,000	580,193	2,423,193
2033-2037	1,925,000	501,719	2,426,719
2038-2042	1,519,000	417,105	1,936,105
2043-2047	1,285,000	325,061	1,610,061
2048-2052	1,387,000	225,372	1,612,372
2053-2057	1,501,000	117,078	1,618,078
2058-2059	634,000	14,498	648,498
	\$ 11,873,000	\$ 2,833,226	\$ 14,706,226

**CITY OF COLEMAN, TEXAS**

NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

*NOTE 7: LONG TERM DEBT - continued*

		<u>Principal</u>		<u>Interest</u>		<u>Total</u>
Notes Payable:						
<i>Governmental Activities:</i>						
2023	\$	77,764	\$	12,699	\$	90,463
2024		65,815		10,161		75,976
2025		68,045		7,930		75,975
2026		70,353		5,623		75,976
2027		72,467		3,508		75,975
2028-2030		30,475		2,061		32,536
	\$	<u>384,919</u>	\$	<u>41,982</u>	\$	<u>426,901</u>
 <i>Business-type activities:</i>						
2023	\$	120,893	\$	33,618	\$	154,511
2024		119,562		29,490		149,052
2025		123,635		25,419		149,054
2026		127,846		21,206		149,052
2027		132,203		16,851		149,054
2028-2030		377,131		25,499		402,630
	\$	<u>1,001,270</u>	\$	<u>152,083</u>	\$	<u>1,153,353</u>
 Right of Use Liabilities						
<i>Governmental Activities:</i>						
2023	\$	63,205	\$	4,437	\$	67,642
2024		42,636		899		43,535
2025						-
	\$	<u>105,841</u>	\$	<u>5,336</u>	\$	<u>111,177</u>
 <i>Business-type activities:</i>						
2023	\$	46,084	\$	3,248	\$	49,332
2024		31,310		664		31,974
2025						-
	\$	<u>77,394</u>	\$	<u>3,912</u>	\$	<u>81,306</u>
Total Primary Government	\$	<u>13,442,424</u>	\$	<u>3,036,539</u>	\$	<u>16,478,963</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 09/30/2022 is \$425,060.

**CITY OF COLEMAN, TEXAS**

NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

*NOTE 7: LONG TERM DEBT - continued*

The annual aggregate maturities for the component unit governmental type activities at September 30, 2022 are as follows:

	Principal	Interest	Total
Notes Payable:			
<i>Component Unit: Governmental Activities:</i>			
2023	\$ 26,481	\$ 14,618	\$ 41,099
2024	27,392	13,707	41,099
2025	28,333	12,766	41,099
2026	29,308	11,791	41,099
2027	30,316	10,783	41,099
2028-2032	167,953	37,540	205,493
2033-2035	115,277	8,018	123,295
	\$ 425,060	\$ 109,223	\$ 534,283

*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
American Rescue Plan	General	\$ 531,612
American Rescue Plan	Utility	529,519

**CITY OF COLEMAN, TEXAS**

NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

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

*Interfund Transfers*

The following schedule reports transfers between funds:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>	<u>Purpose</u>
Utility	General	\$ 1,319,571	Annual subsidy
Debt Service	Utility	195,307	Debt service
General	Street Maintenance	34,000	Restricted Funds
Sanitation	General	37,671	Dedicated Funds
Utility	Airport	21,850	Dedicated Funds

*NOTE 11: PENSION PLAN*

**A. Plan Description**

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

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

**B. Benefits Provided**

TMRS provides retirement, disability and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interests.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City for the plan years 2021 and 2022 were as follows:

Employee deposit rate:	7.0%
Employer deposit rate (2021/2022)	16.92%/17.49%
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, 2022

NOTE 11: PENSION PLAN - continued

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	63
Inactive employees entitled to but not yet receiving benefits	48
Active employees	<u>51</u>
Total	162

**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 16.92% and 17.49% in calendar years 2021 and 2022 respectively. The City's contributions to TMRS for the year ended September 30, 2022 were \$441,932, and were equal to the required contributions.

**D. Net Pension Liability**

The city's Net Pension Liability (NPL) was measured as of December 31, 2021, 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, 2021 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, 2022

*NOTE 11: PENSION PLAN – continued*

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

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return (Arithmetic)</b>
Global Equity	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Other public and private markets	12.0%	7.22%
Real Estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private Equity	10.0%	10.00%
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	\$ 2,797,451	\$ 619,811	\$(1,188,300)

**CITY OF COLEMAN, TEXAS**

NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

*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 12/31/2020	\$ 17,068,964	\$15,487,744	\$1,581,220
Changes for the year:			
Service cost	404,530		404,530
Interest	1,130,157		1,130,157
Change of benefit terms			
Difference between expected and actual experience	99,199		99,199
Changes of assumptions			
Contributions – employer		415,322	(415,322)
Contributions – employee		171,827	(171,827)
Net Investment Income		2,017,423	(2,017,423)
Benefit Payments, including refunds of employee contributions	(1,056,323)	(1,056,323)	
Administrative expense		(9,342)	9,342
Other changes		65	(65)
Net Changes	577,563	1,538,972	(961,409)
<b>Balance 12/31/2021</b>	<b>\$ 17,646,527</b>	<b>\$ 17,026,716</b>	<b>\$ 619,811</b>

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](http://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, 2022, the City recognized pension expense (benefit) of \$(17,558).

At September 30, 2022, 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	\$ 87,704	\$ 22,505
Changes in actuarial assumptions		5,074
Difference between projected and actual investment earnings	261,145	1,297,828
Contributions subsequent to the measurement date	328,768	
Total	\$ 677,617	\$ 1,325,407

\$328,768 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending December 31, 2022. 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, 2022

*NOTE 11: PENSION PLAN – continued*

Year Ended December 31:	
2022	\$ (144,437)
2023	(418,759)
2024	(218,962)
2025	(194,400)
2026	0
Thereafter	0
<b>Total</b>	<b>\$ (976,558)</b>

*NOTE 12: HEALTH CARE COVERAGE*

During the year ended September 30, 2022 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 \$49,208 reported as a landfill closure and post-closure liability at September 30, 2022 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 2022. 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, 2022.

*NOTE 14: PRIOR PERIOD ADJUSTMENTS*

The City made several adjustments to the prior year fund balance and net position for the following reasons:

- The City established several new non-major governmental funds at the beginning of fiscal year 2022 to more accurately track funds that were designated for certain purposes.
- In the governmental and business-type activities, the beginning net position was adjusted to recognize the right of use assets and liabilities as the City implemented Governmental Accounting Standards Board Statement No. 87, Leases. GASB No. 87 enhances the relevance and consistency of information of the government’s leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. The new standard records a right to use asset and a right to use liability for all lease agreements that are greater than 12 months and meet the standards outlined in GASB No. 87.
- The net position in the governmental activities was adjusted to record construction in progress that was expensed and not capitalized in the prior year.
- The net position in the proprietary funds was adjusted to correct a receivable balance that was not recorded correctly in the prior year.

**CITY OF COLEMAN, TEXAS**

NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

*NOTE 14: PRIOR PERIOD ADJUSTMENTS - continued*

The following summary shows the changes in the statement of financial position accounts at October 1, 2021:

	<u>Originally Reported</u>	<u>Restated Balances</u>	<u>Net Adjustment</u>
<b>Governmental Funds:</b>			
General Fund - Fund Balance	\$ 2,024,886	1,883,956	(140,930)
Law Enforcement - Fund Balance	7,544	2,658	(4,886)
Lake Coleman LE - Fund Balance	-	4,886	4,886
Debt Service - Fund Balance	-	104,955	104,955
Police Forfeiture - Fund Balance	-	2,716	2,716
Police Seizure - Fund Balance	-	832	832
Court Technology - Fund Balance	-	2,834	2,834
Court Security - Fund Balance	-	3,758	3,758
Truancy Prevention - Fund Balance	-	965	965
Jury Fund -Fund Balance	-	19	19
Street Improvement - Fund Balance	-	11,763	11,763
Cemetery Beautification - Fund Balance	-	6,381	6,381
Fire Prevention - Fund Balance	-	2,178	2,178
Cemetery Fund - Fund Balance	-	4,529	4,529
Net Change in Governmental Funds	\$ <u>2,032,430</u>	\$ <u>2,032,430</u>	\$ <u>-</u>
<b>Governmental Activities - Net Position:</b>			
Depreciable Capital Assets	133,392	-	(133,392)
Right of Use Assets	-	241,196	241,196
Accumulated Depreciation on capital leases	(47,779)	-	47,779
Accumulated Amortization on right of use assets	-	(81,790)	(81,790)
Capital lease liability	(136,591)	-	136,591
Right of Use Liability	-	(165,523)	(165,523)
Net Change in Governmental Activities	\$ <u>(50,978)</u>	\$ <u>(6,117)</u>	\$ <u>44,861</u>
<b>Proprietary Funds/Business-Type Activities Net Position:</b>			
Accounts receivable - other	12,881	-	(12,881)
Depreciable Capital Assets	177,665	-	(177,665)
Right of Use Assets	-	175,905	175,905
Accumulated Depreciation on capital leases	(58,879)	-	58,879
Accumulated Amortization on right of use assets	-	(59,450)	(59,450)
Capital lease liability	(118,444)	-	118,444
Right of Use Liability	-	(120,909)	(120,909)
Net Change in Business-Type Activities	\$ <u>13,223</u>	\$ <u>(4,454)</u>	\$ <u>(17,677)</u>

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF COLEMAN, TEXAS**  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND**  
**YEAR ENDED SEPTEMBER 30, 2022**

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUE:</b>				
Taxes:				
Property tax	\$ 599,712	\$ 392,929	\$ 410,637	\$ 17,708
Sales tax	850,000	1,234,930	1,435,923	200,993
Franchise tax	90,000	105,500	99,620	(5,880)
Alcohol beverage tax	10,500	15,000	18,308	3,308
Total taxes	<u>1,550,212</u>	<u>1,748,359</u>	<u>1,964,488</u>	<u>216,129</u>
Licenses & permits	15,000	15,000	15,579	579
Intergovernmental	519,000	416,312	368,855	(47,457)
Fines and forfeitures	71,650	84,675	69,649	(15,026)
Investment income	2,220	2,320	1,619	(701)
General service fees	256,647	256,647	261,694	5,047
Internal franchise fees	256,647	256,647	261,694	5,047
Rental revenue	25,644	25,244	25,144	(100)
Charges for services	267,454	186,407	205,069	18,662
Donations	300	4,709	12,130	7,421
Miscellaneous Income	12,650	29,394	16,020	(13,374)
Total Revenue	<u>2,977,424</u>	<u>3,025,714</u>	<u>3,201,941</u>	<u>176,227</u>
<b>EXPENDITURES:</b>				
Current:				
General government	1,105,206	930,207	995,566	(65,359)
Public safety			-	-
Other	104,950	105,950	105,197	753
Police department	991,760	1,007,734	796,074	211,660
Fire department	522,753	517,886	566,989	(49,103)
Public service			-	-
Animal control	79,967	81,348	72,609	8,739
Municipal court	101,874	97,537	83,586	13,951
Health and sanitation	12,070	10,237	8,296	1,941
Cultural and recreation			-	-
Library	161,263	170,343	184,795	(14,452)
Parks	202,225	220,740	189,815	30,925
City park pool	35,316	35,266	47,000	(11,734)
Health and inspection			-	-
City inspection	44,850	41,600	21,420	20,180
Environmental	85,880	85,430	25,308	60,122
Cemetery	167,415	167,302	154,044	13,258
Streets	301,385	299,133	265,837	33,296
EDC	98,304	98,346	99,586	(1,240)
Total Current Expenditures	<u>4,015,218</u>	<u>3,869,059</u>	<u>3,616,122</u>	<u>252,937</u>
Capital outlay	130,811	342,609	430,266	(87,657)
Debt service:			-	-
Principal retired	137,628	137,628	134,876	2,752
Interest	24,000	24,000	23,231	769
Total Expenditures	<u>4,307,657</u>	<u>4,373,296</u>	<u>4,204,495</u>	<u>168,801</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, 2022**

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	\$ (1,330,233)	\$ (1,347,582)	\$ (1,002,554)	\$ 345,028
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from long-term debt	-	-		-
Proceeds from sale of assets	15,000	15,000	22,525	7,525
Transfers in (out)	<u>1,333,730</u>	<u>1,400,500</u>	<u>1,323,242</u>	<u>(77,258)</u>
<b>Total other financing sources (uses)</b>	<u>1,348,730</u>	<u>1,415,500</u>	<u>1,345,767</u>	<u>(69,733)</u>
<b>CHANGE IN FUND BALANCE</b>	18,497	67,918	343,213	275,295
<b>FUND BALANCE AT BEGINNING OF Y.</b>	2,024,886	2,024,886	2,024,886	-
Adjustment to beginning fund balance	<u>(140,930)</u>	<u>(140,930)</u>	<u>(140,930)</u>	<u>-</u>
				-
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 1,902,453</u>	<u>\$ 1,951,874</u>	<u>\$ 2,227,169</u>	<u>\$ 275,295</u>



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

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

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<b>Total Pension Liability</b>				
Service cost	\$ 443,500	\$ 442,536	\$ 434,227	\$ 404,530
Interest (on the Total Pension Liability)	1,017,027	1,060,310	1,089,826	1,130,157
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(47,718)	(175,952)	93,976	99,199
Change of Assumptions	-	(39,664)	-	-
Benefit payments, including refunds	<u>(805,660)</u>	<u>(736,534)</u>	<u>(955,051)</u>	<u>(1,056,323)</u>
<b>Net Change in Total Pension Liability</b>	607,149	550,696	662,978	577,563
<b>Total Pension Liability - Beginning</b>	<u>15,248,141</u>	<u>15,855,290</u>	<u>16,405,986</u>	<u>17,068,964</u>
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 15,855,290</u>	<u>\$ 16,405,986</u>	<u>\$ 17,068,964</u>	<u>\$ 17,646,527</u>
 <b>Plan Fiduciary Net Position</b>				
Contributions - Employer	\$ 457,439	\$ 449,983	\$ 441,015	\$ 415,322
Contributions - Employee	194,274	190,397	182,778	171,827
Net Investment Income	(401,280)	1,982,760	1,115,788	2,017,423
Benefit payments, including refunds	(805,660)	(736,534)	(955,051)	(1,056,323)
Administrative Expense	(7,757)	(11,213)	(7,225)	(9,342)
Other	<u>(406)</u>	<u>(337)</u>	<u>(283)</u>	<u>65</u>
<b>Net Change in Plan Fiduciary Net Position</b>	(563,390)	1,875,056	777,022	1,538,972
<b>Plan Fiduciary Net Position - Beginning</b>	<u>13,399,056</u>	<u>12,835,666</u>	<u>14,710,722</u>	<u>15,487,744</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 12,835,666</u>	<u>\$ 14,710,722</u>	<u>\$ 15,487,744</u>	<u>\$ 17,026,716</u>
<b>Net Pension Liability - Ending (a)-(b)</b>	<u>\$ 3,019,624</u>	<u>\$ 1,695,264</u>	<u>\$ 1,581,220</u>	<u>\$ 619,811</u>
 Plan Fiduciary Net Position as a Percentage of				
Total Pension Liability	80.96%	89.67%	90.74%	96.49%
 Covered Employee Payroll	\$ 2,775,341	\$ 2,719,953	\$ 2,611,107	\$ 2,454,675
 Net Pension Liability as a Percentage of Covered				
Employee Payroll	108.80%	62.33%	60.56%	25.25%

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Actuarially Determined Contribution	\$ 393,556	\$ 446,857	\$ 453,772	\$ 455,732	\$ 469,702	\$ 454,415	\$ 436,329	\$ 428,521	\$ 441,932
Contributions in relation to the actuarially determined contribution	<u>393,556</u>	<u>446,857</u>	<u>453,772</u>	<u>455,732</u>	<u>469,702</u>	<u>454,415</u>	<u>436,329</u>	<u>428,521</u>	<u>441,932</u>
Contributions deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered employee payroll	\$ <u>2,192,839</u>	\$ <u>2,409,604</u>	\$ <u>2,525,286</u>	\$ <u>2,673,271</u>	\$ <u>2,866,320</u>	\$ <u>2,760,552</u>	\$ <u>2,598,601</u>	\$ <u>2,533,958</u>	\$ <u>2,533,958</u>
Contributions as a percentage of covered payroll	17.95%	18.54%	17.97%	17.05%	16.39%	16.46%	16.79%	16.91%	17.44%

**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	24 Years (longest amortization ladder)
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 2019 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**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2022**

	Law Enforcement	Lake Coleman LE	Debt Service	Occupancy Tax	Police Forfeiture
<b>ASSETS</b>					
Cash and cash equivalents	\$	\$	\$	\$	\$
Receivables:					
Accounts receivable, net					
Occupancy tax				13,263	
Restricted Assets:					
Cash and cash equivalents	2,711	4,886	118,835	42,512	2,716
Investments					
Total Assets	<u>\$ 2,711</u>	<u>\$ 4,886</u>	<u>\$ 118,835</u>	<u>\$ 55,775</u>	<u>\$ 2,716</u>
<b>LIABILITIES:</b>					
Accounts payable	\$	\$	\$	\$ 4,678	\$
Due to other governmental entities	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,678</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - Property Taxes					
Total Liabilities and Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,678</u>	<u>-</u>
<b>FUND BALANCE:</b>					
Nonspendable					
Unassigned					-
Restricted	2,711	4,886	118,835	51,097	2,716
Total Fund Balance	<u>2,711</u>	<u>4,886</u>	<u>118,835</u>	<u>51,097</u>	<u>2,716</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 2,711</u>	<u>\$ 4,886</u>	<u>\$ 118,835</u>	<u>\$ 55,775</u>	<u>\$ 2,716</u>

**CITY OF COLEMAN, TEXAS**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2022**

	Police Seizure	Court Technology	Court Security	Truancy Prevention	Jury Fund
<b>ASSETS</b>					
Cash and cash equivalents	\$	\$	\$	\$	\$
Receivables:					
Accounts receivable, net					
Occupancy tax					
Restricted Assets:					
Cash and cash equivalents	832	2,852	3,771	965	19
Investments					
Total Assets	<u>\$ 832</u>	<u>\$ 2,852</u>	<u>\$ 3,771</u>	<u>\$ 965</u>	<u>\$ 19</u>
<b>LIABILITIES:</b>					
Accounts payable	\$	\$	\$	\$	\$
Due to other governmental entities					
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - Property Taxes					
Total Liabilities and Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE:</b>					
Nonspendable					
Unassigned		-	-	-	-
Restricted	832	2,852	3,771	965	19
Total Fund Balance	<u>832</u>	<u>2,852</u>	<u>3,771</u>	<u>965</u>	<u>19</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>832</u>	<u>\$ 2,852</u>	<u>\$ 3,771</u>	<u>\$ 965</u>	<u>\$ 19</u>

**CITY OF COLEMAN, TEXAS**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2022**

	Street Improvement	Cemetery Beautification	Fire Prevention	Cemetery Funds	Total Non-Major Governmental
<b>ASSETS</b>					
Cash and cash equivalents	\$	\$	\$	\$	\$ -
Receivables:					-
Accounts receivable, net	14,351				14,351
Occupancy tax					13,263
Restricted Assets:					
Cash and cash equivalents	21,998	6,382	3,807	4,529	216,815
Investments					-
Total Assets	<u>\$ 36,349</u>	<u>\$ 6,382</u>	<u>\$ 3,807</u>	<u>\$ 4,529</u>	<u>\$ 244,429</u>
<b>LIABILITIES:</b>					
Accounts payable	\$	\$	\$	\$	\$ 4,678
Due to other governmental entities					-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,678</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - Property Taxes					-
Total Liabilities and Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,678</u>
<b>FUND BALANCE:</b>					
Nonspendable					-
Unassigned	-	-	-	-	-
Restricted	<u>36,349</u>	<u>6,382</u>	<u>3,807</u>	<u>4,529</u>	<u>239,751</u>
Total Fund Balance	<u>36,349</u>	<u>6,382</u>	<u>3,807</u>	<u>4,529</u>	<u>239,751</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 36,349</u>	<u>\$ 6,382</u>	<u>\$ 3,807</u>	<u>\$ 4,529</u>	<u>\$ 244,429</u>

**CITY OF COLEMAN, TEXAS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2022**

	Law Enforcement	Lake Coleman LE	Debt Service	Occupancy Tax	Police Forfeiture
<b>REVENUES</b>					
Taxes:					
Property tax	\$	\$	\$ 209,151	\$	\$
Occupancy tax				47,301	
Grants	1,495				
Fines and forfeitures					
Investment income		1	36	16	
Street repair fee					
Donations					
Miscellaneous revenue		-			
Total Revenues	<u>1,495</u>	<u>1</u>	<u>209,187</u>	<u>47,317</u>	<u>-</u>
<b>EXPENDITURES</b>					
Current:					
General government		-	-	47,747	
Public safety					
Police department	1,442				
Fire department					
Cemetery					
Streets					
Total Current Expenditures	<u>1,442</u>	<u>-</u>	<u>-</u>	<u>47,747</u>	<u>-</u>
Capital Outlay					
Debt Service:					
Principal					
Interest					
Total Expenditures	<u>1,442</u>	<u>-</u>	<u>-</u>	<u>47,747</u>	<u>-</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	53	1	209,187	(430)	-
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (Out)		-	(195,307)		
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(195,307)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	53	1	13,880	(430)	-
Fund Balance at beginning of year	2,658	4,885	-	51,527	-
Adjustment to beginning fund balance			104,955		2,716
Fund Balance at end of year	<u>\$ 2,711</u>	<u>\$ 4,886</u>	<u>\$ 118,835</u>	<u>\$ 51,097</u>	<u>\$ 2,716</u>



**CITY OF COLEMAN, TEXAS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2022**

	Police Seizure	Court Technology	Court Security	Truancy Prevention	Jury Fund
<b>REVENUES</b>					
Taxes:					
Property tax	\$	\$	\$	\$	\$
Occupancy tax					
Grants					
Fines and forfeitures			13		
Investment income					
Street repair fee					
Donations					
Miscellaneous revenue		18			
Total Revenues	<u>-</u>	<u>18</u>	<u>13</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>					
Current:					
General government					
Public safety					
Police department					
Fire department					
Cemetery					
Streets					
Total Current Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Outlay					
Debt Service:					
Principal					
Interest					
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	-	18	13	-	-
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (Out)					
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance		18	13	-	-
Fund Balance at beginning of year	-	-	-	-	-
Adjustment to beginning fund balance	832	2,834	3,758	965	19
Fund Balance at end of year	<u>832</u>	<u>2,852</u>	<u>3,771</u>	<u>965</u>	<u>19</u>

**CITY OF COLEMAN, TEXAS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2022**

	Street Improvement	Cemetery Beautification	Fire Prevention	Cemetery Fund	Total Non-Major Governmental
<b>REVENUES</b>					
Taxes:					
Property tax	\$	\$	\$	\$	\$ 209,151
Occupancy tax					47,301
Grants					1,495
Fines and forfeitures					13
Investment income	3	1			57
Street repair fee	153,605				153,605
Donations			3,130		3,130
Miscellaneous revenue					18
Total Revenues	<u>153,608</u>	<u>1</u>	<u>3,130</u>	<u>-</u>	<u>414,770</u>
<b>EXPENDITURES</b>					
Current:					
General government					47,747
Public safety					
Police department					1,442
Fire department			1,501		1,501
Cemetery					-
Streets	163,022				163,022
Total Current Expenditures	<u>163,022</u>	<u>-</u>	<u>1,501</u>	<u>-</u>	<u>213,712</u>
Capital Outlay					-
Debt Service:					
Principal					-
Interest					-
Total Expenditures	<u>163,022</u>	<u>-</u>	<u>1,501</u>	<u>-</u>	<u>213,712</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	(9,414)	1	1,629	-	201,058
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (Out)	34,000				(161,307)
Total Other Financing Sources (Uses)	<u>34,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(161,307)</u>
Net Change in Fund Balance	24,586	1	1,629	-	39,751
Fund Balance at beginning of year	-	-	-	-	59,070
Adjustment to beginning fund balance	11,763	6,381	2,178	4,529	140,930
Fund Balance at end of year	<u>\$ 36,349</u>	<u>\$ 6,382</u>	<u>\$ 3,807</u>	<u>\$ 4,529</u>	<u>\$ 239,751</u>

**CITY OF COLEMAN, TEXAS**  
**COMBINING STATEMENT OF NET POSITION**  
**COMPONENT UNITS**  
**SEPTEMBER 30, 2022**

	Coleman Economic Development Corp	Coleman Community Coalition	Total Component Units
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 428,919	\$ 562,351	\$ 991,270
Investments	129,163	52,042	181,205
Sales tax receivable	69,045	69,045	138,090
Accounts receivable		2,175	2,175
Note receivable	313,257	316,828	630,085
Non-depreciable capital assets	220,931		220,931
Depreciable capital assets, net	<u>190,140</u>	<u>11,370</u>	<u>201,510</u>
<b>TOTAL ASSETS</b>	<u>1,351,455</u>	<u>1,013,811</u>	<u>2,365,266</u>
<b>LIABILITIES:</b>			
Accounts payable	40,674	5,015	45,689
Long term liabilities:			
Due within one year	26,481		26,481
Due after one year:			
Notes payable	<u>398,579</u>		<u>398,579</u>
<b>TOTAL LIABILITIES</b>	<u>465,734</u>	<u>5,015</u>	<u>470,749</u>
<b>NET POSITION:</b>			
Net investment in capital assets	411,071	11,370	422,441
Unrestricted	<u>474,650</u>	<u>997,426</u>	<u>1,472,076</u>
<b>TOTAL NET POSITION</b>	<u>\$ 885,721</u>	<u>\$ 1,008,796</u>	<u>\$ 1,894,517</u>

**CITY OF COLEMAN, TEXAS**  
**COMBINING STATEMENT OF ACTIVITIES**  
**COMPONENT UNITS**  
**YEAR ENDED SEPTEMBER 30, 2022**

	Coleman Economic Development Corp	Coleman Community Coalition	Total Component Units
<b>REVENUE:</b>			
Sales tax revenue	\$ 369,446	\$ 369,446	\$ 738,892
Rental income	48,063		48,063
Miscellaneous income	270	498	768
Investment income	458	1,010	1,468
Total Revenue	<u>418,237</u>	<u>370,954</u>	<u>789,191</u>
<b>OPERATING EXPENSES:</b>			
Accounting fees	16,758	17,092	33,850
Advertising, marketing and promotion	14,249	19,243	33,492
Depreciation expense	18,563	4,813	23,376
Dues and subscriptions	1,946	2,042	3,988
Grants, projects and incentives	160,574	118,337	278,911
Insurance	50	50	100
Interest expense	15,498		15,498
Legal fees	6,457	5,841	12,298
Meals	971	1,037	2,008
Miscellaneous expense	1,077		1,077
Office expenses	737	166	903
Property taxes	2,250		2,250
Rent, parking, and utilities	5,890	4,170	10,060
Repairs and maintenance	10,417		10,417
Salaries, taxes and benefits	48,273	48,273	96,546
Supplies		362	362
Telephone and internet		591	591
Travel and seminars	691	509	1,200
Total Operating Expenses	<u>304,401</u>	<u>222,526</u>	<u>526,927</u>
CHANGE IN NET POSITION	113,836	148,428	262,264
Transfers between entities	20,549	(20,549)	
NET POSITION AT BEGINNING OF YEAR	<u>751,336</u>	<u>880,917</u>	<u>1,632,253</u>
NET POSITION AT END OF YEAR	<u>\$ 885,721</u>	<u>\$ 1,008,796</u>	<u>\$ 1,894,517</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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 16, 2023.

## **Report on Internal Control Over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

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

## **Purpose of This Report**

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

*Roberts + McGee, CPA*

Roberts & McGee, CPA

Abilene, Texas  
October 16, 2023

# ROBERTS & MCGEE, CPA

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

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

### **Report on Compliance for Each Major Federal Program**

We have audited the City of Coleman, Texas' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Coleman, Texas' major federal programs for the year ended September 30, 2022. The City of Coleman, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Coleman, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

### **Basis for Opinion on Each Major Federal Program**

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

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

### **Responsibilities of Management for Compliance**

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

### **Auditor's Responsibilities for the Audit of Compliance**

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



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

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

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


### **Report on Internal Control Over Compliance**

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

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

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

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

  
Roberts & McGee, CPA

Abilene, Texas  
October 16, 2023

**CITY OF COLEMAN, TEXAS**

Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2022

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	Pass- through Grantor's Number	Expenditures Passed Through to Subrecipients	Federal Expenditures
<b><u>FEDERAL AWARDS</u></b>				
<b><u>U.S. Department of Agriculture - Rural Utilities Service</u></b>				
Direct Program:				
Water and Waste Disposal Systems for Rural Communities	10.760	Loan 1	\$ <u>        -</u>	\$ <u>  891,313</u>
<b>Total U.S. Department of Agriculture</b>			<u>        -</u>	<u>  891,313</u>
<b><u>U.S. Department of Transportation</u></b>				
Passed through the Texas Department of Transportation CARES Act Airport Improvement Program	20.106	22CVCOLEM	<u>        -</u>	<u>      32,000</u>
<b>Total U.S. Department of Transportation</b>			<u>        -</u>	<u>      32,000</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>				
Passed through the Texas Department of Housing and Community Affairs				
CARES Act - Texas Emergency Mortgage Assistance Program (TEMAP)	14.228	20-DW-48- 0001	<u>      24,135</u>	<u>      24,134</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>      24,135</u>	<u>      24,134</u>
<b><u>U.S. Department of Homeland Security</u></b>				
Passed through Texas Division of Emergency Management				
Assistance to Firefighters Grants	97.044	EMW-2020- FG-17556	<u>                  </u>	<u>      14,567</u>
<b>Total U.S. Department of Homeland Security</b>			<u>                  </u>	<u>      14,567</u>
<b>Total Federal Awards</b>			\$ <u>      24,135</u>	\$ <u>  962,014</u>

**CITY OF COLMAN, TEXAS**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2022**

**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, 2022. 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.

**REVENUE RECONCILIATION**

Reconciliation of intergovernmental revenue and total federal awards:

Total intergovernmental revenue	\$	435,879
Grants from the State		(194,658)
Grants from local sources		(170,520)
USDA Loan expenses		891,313
Total Federal Awards	\$	<u>962,014</u>

**CITY OF COLEMAN, TEXAS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2022**

**A. Summary of Auditor's Results**

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

**B. Findings Related to the Financial Statements**

None

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

None

**CITY OF COLEMAN, TEXAS**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2022**

No Findings or Questioned Costs in Prior Year