

DRINKING WATER (P/A) COLIFORM SUBMISSION FORM



Abilene-Taylor Co. Public
Health District Laboratory
TCEQ Lab ID : 48003

850 N 6th
Abilene, TX 79601
Phone (325) 692-5600
Fax (325) 734-5370

NELAC Certificate #,
T104704330-TX
Test results meet all requirements of NELAC
stated otherwise

Test Method: SM9223 Coliform-18 Presence - Absence

Public/Private Water System Identification & Sample Collection Information

Public Water System ID	0670015		
Public Water System Name	CITY OF CARBON		
County	EASTLAND		
Public Water System Address	CHARLES H WHITE 611 MESQUITE RANGER, TX 76470		
Phone	(254) 631-1748	Fax:	
Sampler Name	C. H. White		
Sampler Phone	(254) 631-1748	Owner	Operator

System Type (Circle One)

Water Source (Circle Appropriate)

Public Public (Not TCEQ Compliance)

Ground (Surface)

Sample Identification / Location		Collected				Sample Type					Free Cl Residual mg/L	Total Cl Residual mg/L	Laboratory S ID Num	
ID on Bottle	Use Specific Address/Location NOT SITE # Raw wells use Source ID for Well Sampled	Date			Time	Distribution	Construction	Raw Well	Special	Repeat				Include Lab ID of Previous Positive on All Samples Related to the Original Sample
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Drinking Water Lab Approval Form							
Laboratory or Plant Name <i>Carbon Water Dept</i>				Contact Name <i>Chad Cooper</i>			
Address <i>One Wells</i>				City/State/Zip <i>St. Louis, MO 63105</i>			
Lab ID No. <i>11-001</i>				Date form completed <i>11-2-17</i>			
City/State <i>St. Louis, MO</i>				Does this lab perform analyses for other Public Water Systems? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			
Analyte	Analytical Method ²	Instrument Name ¹	Accuracy ³	Calibration Frequency ¹	Calibration Method ⁴	NELAP Accredited ⁵	PT Study ⁶
Turbidity			± NTU				
✓ pH		<i>Ex Tech Instrument / Orion</i>	± 0.1 pH unit	<i>Monthly</i>	<i>Buffer 4.7, 10</i>		
✓ Temperature		<i>Ex Tech Instrument / Orion</i>	± 0.5 °C	<i>Annually</i>	<i>Another thermometer</i>		
✓ TDS			± mg/L				
✓ UV ₂₅₄			± cm ⁻¹				
Alkalinity			± mg/L		<i>1.4711 Standard</i>		
✓ Free Chlorine ⁷	<i>4500 CLG</i>	<i>Hach</i>	± 0.1 mg/L	<i>90 days</i>	<i>With Standards</i>		
✓ Total Chlorine ⁸	<i>4500 CLG</i>	<i>Hach</i>	± 0.1 mg/L	<i>90 days</i>	<i>With Standards</i>		
Chlorine Dioxide ⁹			± mg/L				
POE Chlorite ¹⁰			± mg/L				
Calcium ¹			± mg/L				
Phosphate ¹			± mg/L				
Conductivity			± µmho/cm				
Silica ¹			± mg/L				
Lab Analyst or Operator Validation							
I certify that I am familiar with the information contained in this report and that to the best of my knowledge, this information is true, complete and accurate.							
Lab Analyst or Operator's Name and Title <i>Chad Cooper, Lab Analyst</i>				Signature <i>[Signature]</i>			
Lab Analyst or Operator's Signature <i>[Signature]</i>				TCEQ Official Use Only			
Date Received:		Reviewed by:		Lab ID No.:			

Item 3: Calibration Standards



0670215

[illegible]

Charles Walter 0570015

DATE	TIME	LOCATION	WIND	TEMP	REL. HUM.	SEA	WAVE	WIND	TEMP	REL. HUM.	SEA	WAVE
10/11	0800	0.49	1.50	2.34	110717	66						

Carlos Watson 0670015

STATIONARY POINT NAME	STATION ELEVATION	STATION ELEVATION	STATION ELEVATION	STATION ELEVATION
11	0.80	0.11	0.43	11 08 17.06

Items 4, 5 and 6: Ammonia Test Bottle, Locked Hatch, and Ownership Signage



**MONITORING PLAN FOR
CARBON WATER DEPARTMENT
CARBON, TX
Public Water System ID # 0670015
Eastland County, Texas
Responsible official: MAYOR
Contact: Charles Chad Gosnell Water Operator**

The Carbon Water Department operates a public water system that purchases water from the City of Eastland. We have 225 connections and a population of 440.

A. Raw Water Sampling

The system has no raw water sources.

B. In-Plant Sampling

This system does not treat water, except for disinfection.

C. Entry Point Sampling

Entry point

EP001 2 miles north of 1st pump station

A diagram of our entry point is attached.

1. Disinfectant entering the Distribution System

The City of Eastland delivers water with a total chlorine residual. The Carbon Water Department operates two booster chlorination plants to chlorinate water from the City of Eastland.

A-C. Frequency, Location, and Method:

Purchased-water systems are not required to monitor disinfectant at the entry point.

D. Compliance calculations:

"The system is in compliance if the total chlorine residual entering the distribution system is over 0.5 mg/L.

Distribution System Sampling

The diagram of our distribution system is shown at the back of this monitoring plan.

1. **Coliform samples**

- A. Frequency: we collect 1 coliform sample every month.
- B. Location: The system has six coliform sites. Sampling is rotated through the sites shown in table 2

Table 2. Coliform and disinfection monitoring sites

- 1.. Plant #1 14100 Hwy 6
- 2.. Wilson 14609 Hwy 6 Payne
- 3.. Plant #2 400 Collings Blvd
- 4. Greer 201 E Cannel
- 5. Stacy 407 W Anthracite
- 6. Cozart 400 E Anthracite

Method

Coliform samples are collected by the ^{Carbon}~~Green~~ Water Operator and sent to: Abilene-Taylor County Public Health District
850 N 6th Abilene, Texas 79601 (325-692-5600)

D. Compliance calculations

Because the Carbon Water Dept collects less than 40 samples a month, the WSC is in compliance if:

- "no repeat samples are fecal or E. coli positive,
- no repeat following a fecal or E. coli positive,
 - routine sample is positive for total coliform,
 - no more than one of the routine samples are total coliform positive and none of the repeats are fecal or E. coli positive"

2. **Disinfectant residual-Free or Total Chlorine**

- a. Frequency: The disinfectant residual is measured at the same time as microbial samples. Also, because the system has less than 250 connections, the disinfectant residual is also measured weekly.

- b. Location: The disinfectant residual is measured at the same place as coliform samples. On weeks when we don't do a coliform sample, a sample is taken at alternate sample sites. Every month, sampling starts with site 1 then goes through the list of sites in rotation.

Alternate Sample sites list

1. Bennett 14609 Hwy 6
2. Carbon Trading Center 206 N Hwy 6
3. Gosnell 390 CR 414
4. Gabe Tucker 617 S Main

- c. Method: The Hach Pocket CLRMTR II is used for all chlorine samples.

- d. Compliance Calculations

- e. "The system complies with the reporting requirements for disinfectant residual by filling out Surface water/Purchase water Monthly Operating Reports every month, and providing these records to the TCEQ compliance investigator upon request and by sending in the Disinfectant Level Monthly Operating Report (DL QOR) every quarter.

And

"The system is in compliance with the minimum residual requirement if the total chlorine residual throughout the distribution system is always greater than 0.5 mg/L."

And

"The system is in compliance with the maximum residual disinfectant level (MRDL) if the running annual average of all samples taken in the distribution system is less than 4.0 mg/L."

3. Disinfection Byproducts (DNPs) – TTHM AND HAA5

A. Frequency :

"The TCEQ's sampling contractor collects these samples. Letters informing the system of changes in sampling schedule are attached to the back to this monitoring plan. TCEQ will schedule monitoring."

b. Location:

Because the system uses purchased surface water, and serves between 500 and 10,000, the system must sample four times a year for the surface water. We must have on sampling site for the surface water.

Sample site:

1. Carbon City Hall 302 S Main Carbon
2. Purvis 14725 Hwy 6

c. Method:

"Samples are taken to a certified lab by TCEQ's sampling contractor."

d. Compliance calculations:

"The system is in compliance if the running annual average of all samples is less than the maximum contaminant level. The TCEQ will notify us of any violation."

3. Lead-Copper

a. Frequency:

"The TCEQ will inform us when sampling must occur. Letters stating the system's required samplings are attached to this monitoring plan." We attached the sample cost estimate letters TCEQ sent us to the back of this monitoring Plan.

b. Location:

Our system is required to have 10 sample sites. Our approved sites are

Lead and Copper Sample Sites.

1. Paul Duncan 14518 Hwy 6 LCR006
2. Rick Purvis 14725 Hwy 6 LCR007
3. Terry Horrell 14717 Hwy 6 LCR008
4. Shane Stone 13726 Hwy 6 LCR009
5. Rick Hulette 14525 Hwy 6 LCR010
6. Joann Lindsey 17310 Hwy 6 LCR011
7. Don Plum 601 S Main LCR012
8. Glenn Copeland 600 S Main LCR013
9. Lavema Rogers 14618 HWY 6 LCR014
10. Mark Harris 14409 HWY 6 LCR015

c. Method:

"Per TCEQ instructions, samples are mailed to a certified lab" (Texas Dept. of Health).

d. Compliance calculations:

"A system is in compliance with the lead-copper requirements if TCEQ does not inform the system that is out of compliance."

5. Asbestos

The TCEQ had not informed us to monitor for asbestos, so we don't.

The Carbon Water Dept is aware of that problems may occur in the Distribution system due to the use of chlorine for the treatment of the water. We will monitor the water in accordance to the nitrification action plan. The following locations will be utilized for the above mentioned monitoring:

Nitrification action plan sights:

Intake line at master meter Rt 1 Hwy 6 (source before re-boosting)

Plant #1 14100 Hwy 6 Eastland (after storage tank and re-boosting before entering distribution system) (fresh water)

Plant #2 400 Collins Blvd (within distribution system) (average aged water)

1126 CR 361 Carbon (aged water)

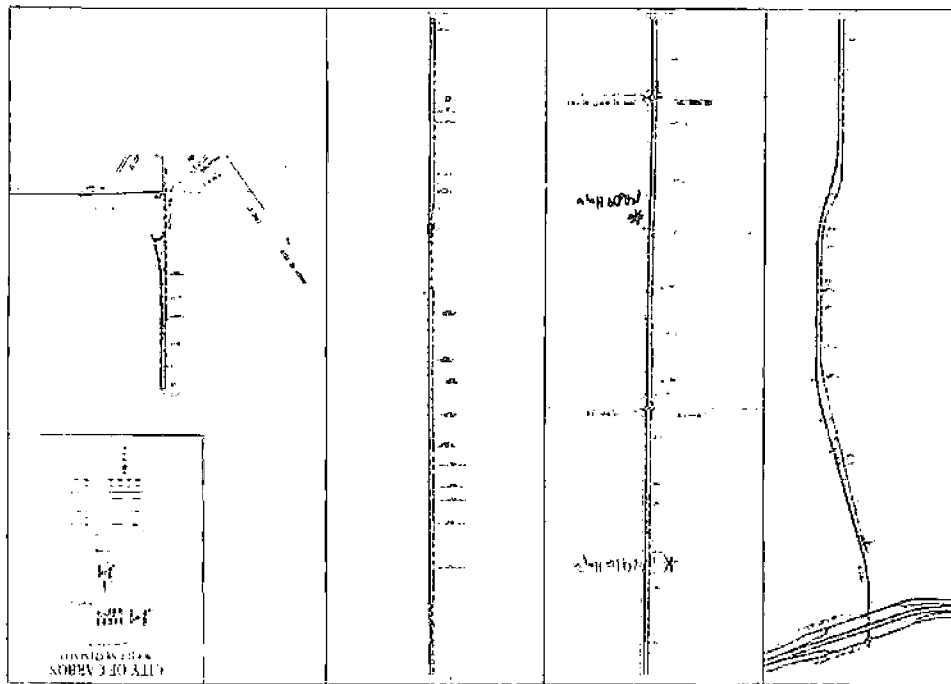


Fig. 1.8. From Section 11.2.

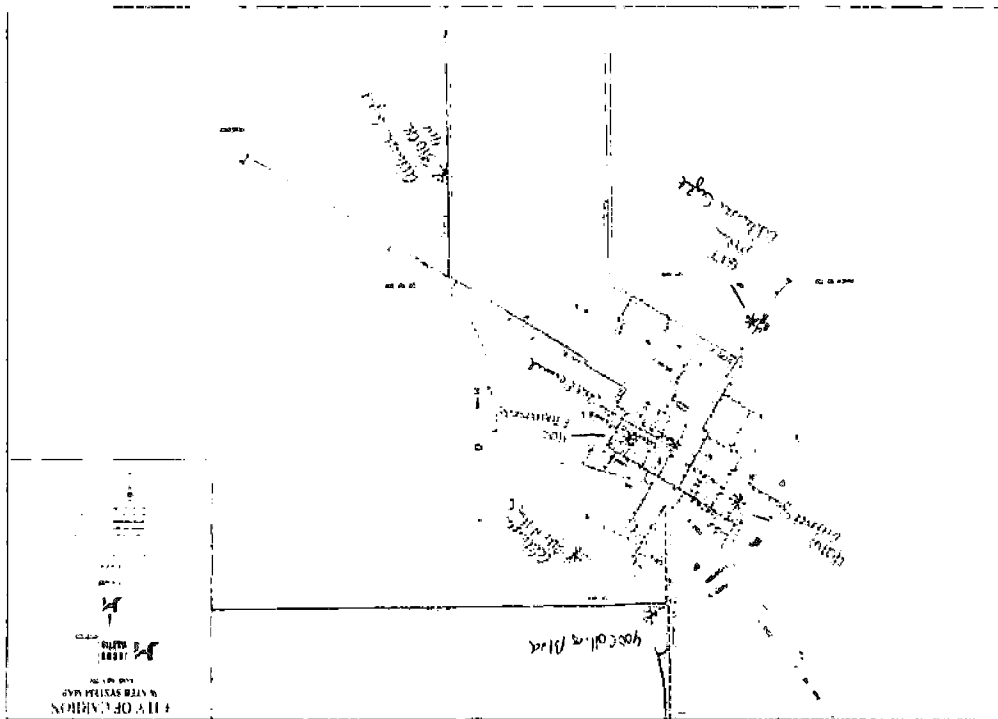
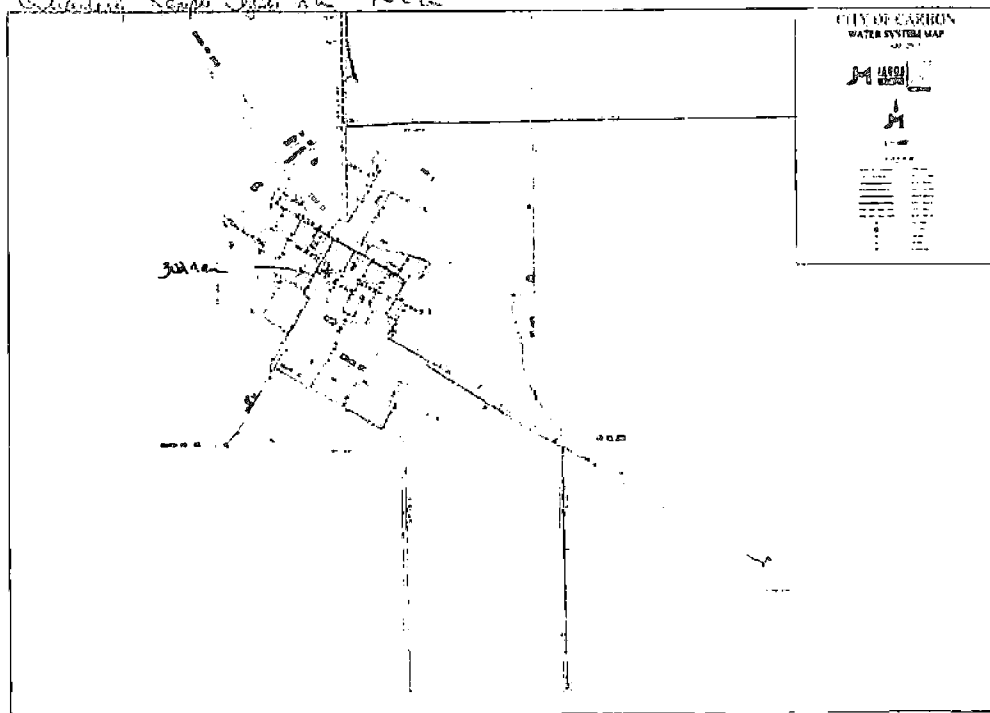
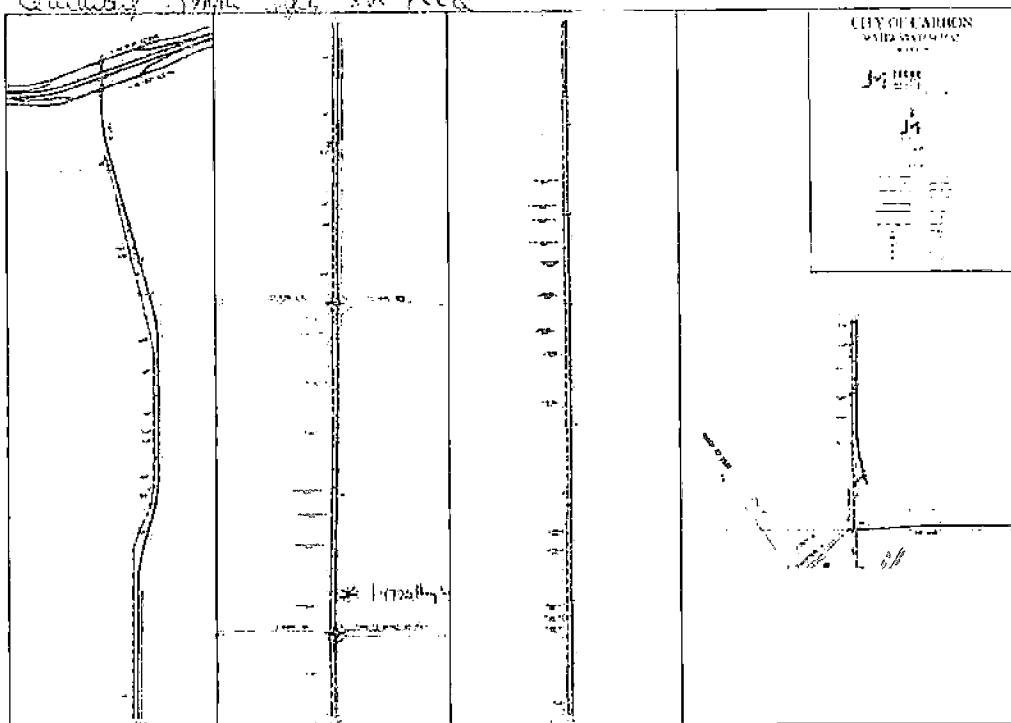


Fig. 1.9. From Section 11.2.

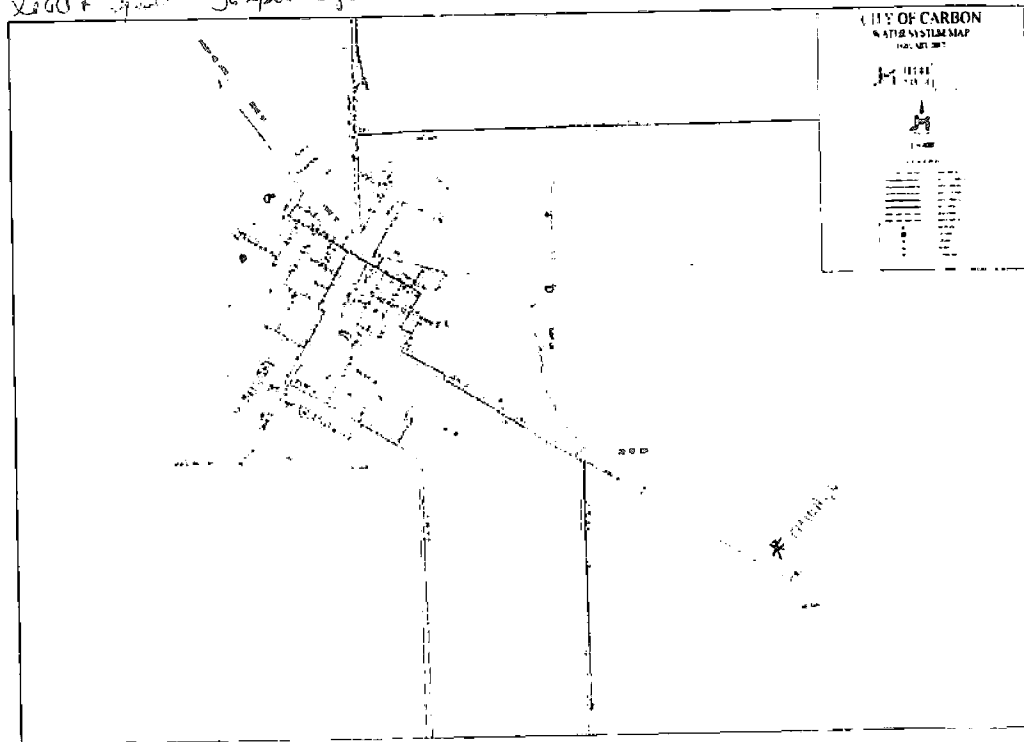
Quadrant Sample 101 to X2 TCEC



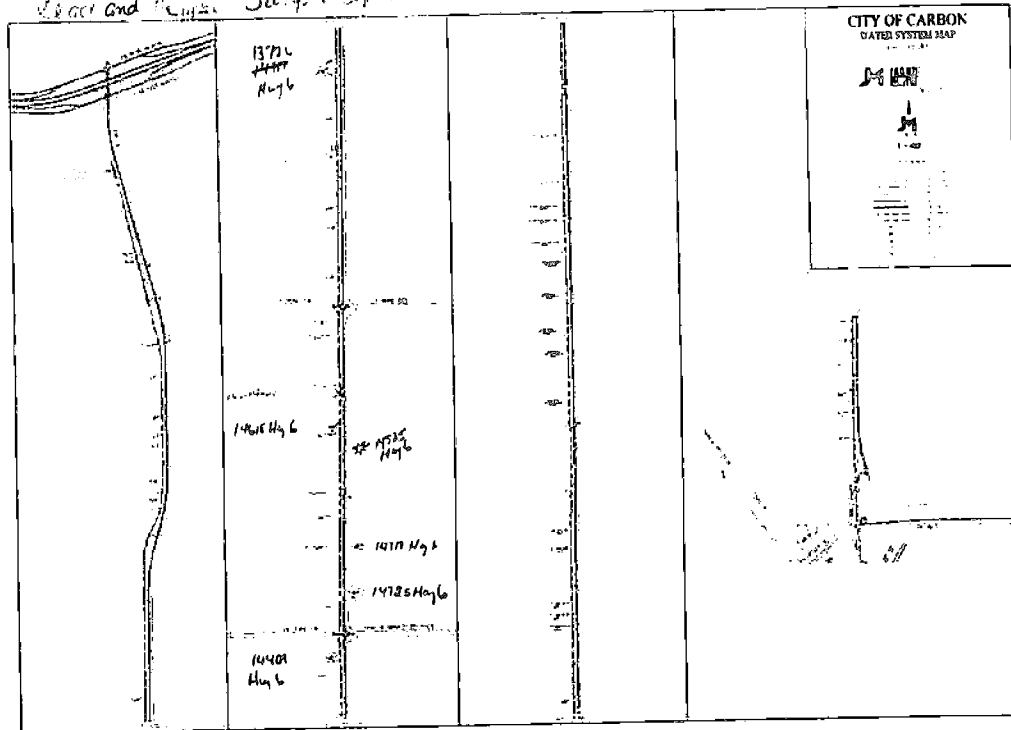
Quadrant Sample 101 to X2 TCEC



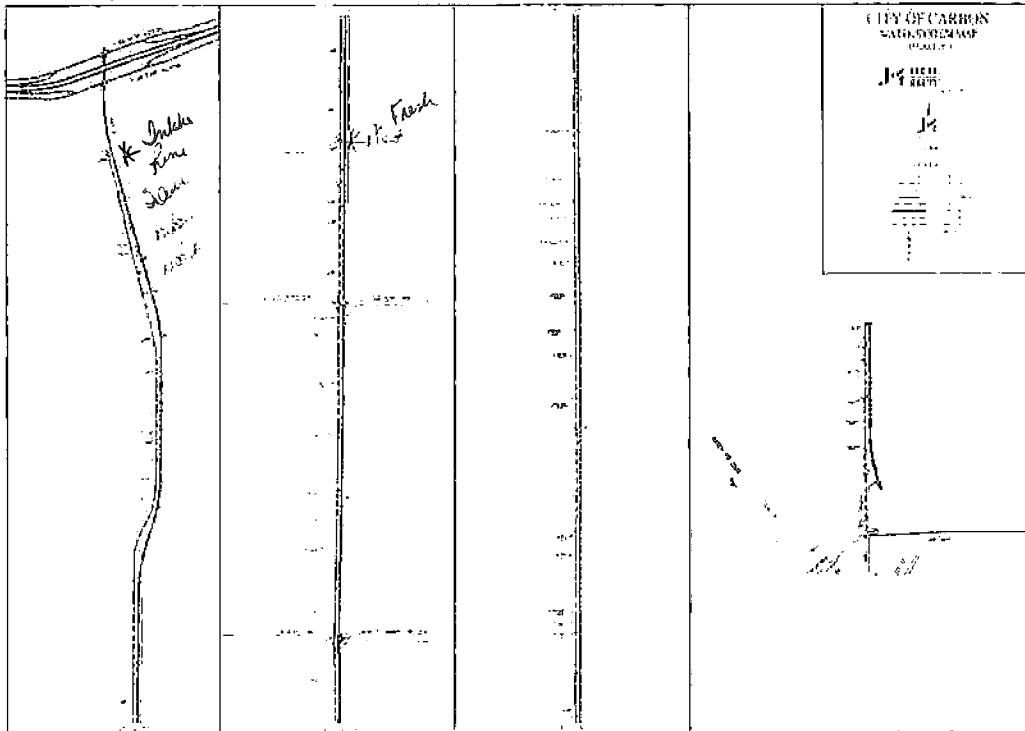
Lead & Copper Sample Sight



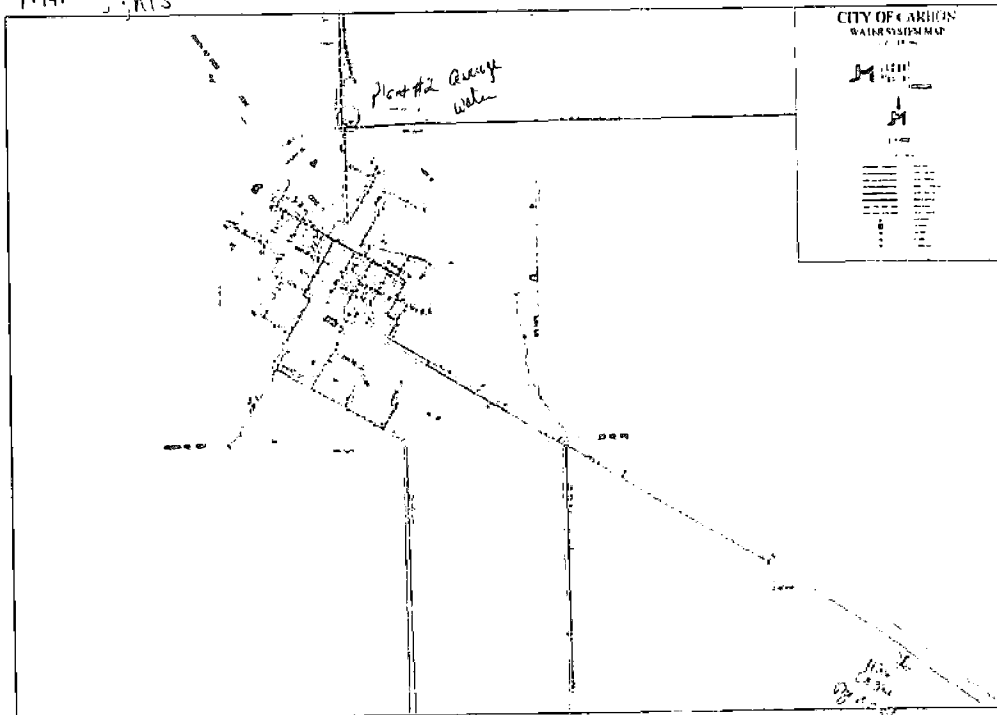
Lead and Copper Sample Sight



Map Sheet



MAP Sheets



**Texas Commission on Environmental Quality
Customer Service Inspection Certificate**

Name of PWS:	Carbon Hill
PWS ID #:	
Location of Service:	Carbon Hill Outdoor Dec. Processing 218 FM 2526 Carbon

Reason for inspection:	
New construction	<input type="checkbox"/>
Existing service where contaminant hazards are suspected	<input checked="" type="checkbox"/>
Material improvement, correction or expansion of distribution facilities	<input type="checkbox"/>

I, Sgt. Mitchell, upon inspection of the private water distribution facilities connected to the aforementioned public water supply do hereby certify that, to the best of my knowledge

Compliance	Non-Compliance	
<input type="checkbox"/>	<input checked="" type="checkbox"/> <i>see notes</i>	(1) No direct or indirect connection between the public drinking water supply and a potential source of contamination exists. Potential sources of contamination are isolated from the public water system by an air gap or an appropriate backflow prevention assembly in accordance with Commission regulations.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	(2) No cross-connection between the public drinking water supply and a private water system exists. Where an actual air gap is not maintained between the public water supply and a private water supply, an approved reduced pressure principle backflow prevention assembly is properly installed.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	(3) No connection exists which would allow the return of water used for condensing, cooling or industrial processes back to the public water supply.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	(4) No pipe or pipe fitting which contains more than 8.0% lead exists in private water distribution facilities installed on or after July 1, 1988 and prior to January 4, 2014.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	(5) Plumbing installed on or after January 4, 2014 bears the expected labeling indicating $\leq 0.25\%$ lead content. If not properly labeled, please provide written comment.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	(6) No solder or flux which contains more than 0.2% lead exists in private water distribution facilities installed on or after July 1, 1988.

I further certify that the following materials were used in the installation of the private water distribution facilities:

Service lines:	Lead <input type="checkbox"/>	Copper <input type="checkbox"/>	PVC <input checked="" type="checkbox"/>	Other <input type="checkbox"/>
Solder:	Lead <input type="checkbox"/>	Lead Free <input type="checkbox"/>	Solvent Weld <input type="checkbox"/>	Other <input type="checkbox"/> <i>n/a</i>

Remarks:	<i>Suggested backflow preventers on hose bibs. Follow up by operator</i>
----------	--

I recognize that this document shall be retained by the aforementioned Public Water System for a minimum of ten years and that I am legally responsible for the validity of the information I have provided.

Signature of Inspector:	<i>Sgt. Mitchell</i>	License Type:	CSE
Inspector Name(Print/Type):	Sgt. Mitchell	License Number:	CI 0009079 Exp. 5/31/2019
Title of Inspector:	CSE Inspector	Date / Time of Insp.:	11-20-17 11:30 AM

A Customer Service Inspection Certificate should be on file for each connection in a public water system to document compliance with 30 TAC § 290.44(h)/290.46(j).

Hose bib vacuum breaker at Carbon Ag & Outdoors Deer Processing Facility:



Purchase Water Supply Contract

WATER PURCHASE AGREEMENT

This Water Purchase Agreement (hereinafter called the "Agreement") is made and entered into on the date shown below, by and between the **CITY OF CARBON, TEXAS**, a municipal corporation in Eastland County, Texas, (hereinafter called "CARBON") acting under the laws of the State of Texas, and the **STAFF WATER SUPPLY CORPORATION**, Eastland County, Texas (hereinafter called "STAFF").

WITNESSETH:

WHEREAS, STAFF has constructed and maintains its own water distribution system and water supply facilities; and

WHEREAS, STAFF desires to continue to have access to an adequate and dependable water supply for use and sale within the STAFF service area; and

WHEREAS, CARBON has and will continue to have adequate water available for sale to STAFF under the terms of this Agreement.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, CARBON agrees to sell and STAFF agrees to purchase water under the terms and conditions and for the consideration set forth herein:

1. **TERM OF AGREEMENT.** The term of this Agreement shall be from October 1, 2012 to December 14, 2022.

2. **QUANTITY.** Subject to the provisions of this of this Agreement, CARBON agrees, during the period of the Agreement, to tender and make available to STAFF, at a delivery point as specified in Section 4, treated water in the volume required by STAFF for its own use and that of its customers, provided that the maximum rate of delivery of such water shall not exceed the following:

Maximum Authorized Monthly Purchase	837,000 Gallons
-------------------------------------	-----------------

STAFF agrees to pay CARBON for such services in accordance with the provisions of Section 7 of this Agreement.

Should STAFF desire to increase the maximum rate of delivery as agreed to herein, a written request stating the desired rate of increased delivery shall be addressed to CARBON and shall then become a matter of negotiation between STAFF and CARBON.

CARBON will use its best efforts to remain in a position to furnish water as agreed herein to be sold to STAFF, but its obligations shall be limited in accordance with other conditions as follows:

- i. The ability of the City of Eastland to provide sufficient quantities of water to the City of Carbon; and
- ii. The ability of existing water lines and related facilities of the City of Carbon, the City of Eastland, and the Eastland County Water Supply District to provide the quantities of water described above.

Temporary or partial failures to deliver water shall be remedied with all possible dispatch. STAFF agrees to participate with CARBON and the other entities purchasing water from CARBON in coordinated drought contingency planning during the term of this Agreement. STAFF agrees to seriously consider enacting and enforcing a mandatory water conservation program that is consistent with the CARBON drought contingency plan and the measures contained therein. In the event of an extended shortage of water, or if the supply of water available to CARBON is otherwise diminished over an extended period of time, STAFF shall reduce or diminish the supply of water to STAFF's water customers in the same ratio or proportion as CARBON reduces or diminishes the supply of water to its water customers.

3. **QUALITY.** CARBON is obligated to furnish to STAFF treated water which will be of the same quality as furnished by CARBON to its customers residing within the City Limits of CARBON.

4. **POINT OF DELIVERY.** The point for delivery of water to STAFF from CARBON's system shall be the point of delivery at which CARBON is delivering water to STAFF on the effective date of this Agreement. CARBON agrees to deliver at the point of delivery the quantities of water agreed to herein at the pressure which is maintained at said point in the water supply system of CARBON, it being hereby specifically agreed that STAFF may utilize whatever pressure is maintained in the CARBON system at that point to move water purchased under this Agreement through the supply line to STAFF'S first reservoir or storage facility.

CARBON shall be responsible for the inspection of that part of the STAFF water system, if any, located between the end of CARBON's system and the delivery point specified in this

Agreement. Maintenance and inspection of the remainder of STAFF's system shall be the sole responsibility of STAFF. Anything contained herein to the contrary notwithstanding, CARBON will have the authority to inspect that portion of the system receiving water under pressure from the CARBON system to ensure that no cross connections or conditions of backflow or back siphonage are allowed or will occur on that part of the system.

Emergency failures of pressure or supply because of unforeseen circumstances or other catastrophes shall excuse CARBON for a reasonable period of time as may be necessary to restore services.

5. MEASURING EQUIPMENT. STAFF shall furnish and install at its expense metering equipment sufficient for the purposes anticipated under this Agreement and acceptable to CARBON. CARBON shall operate and maintain the equipment and will provide the labor to operate and maintain the equipment, at its expense. STAFF will pay for all repair parts and for replacement metering equipment, if such is required during the term of this Agreement, either by paying the vendor directly or reimbursing CARBON for any such expenditure immediately upon presentment of an invoice for the expenditure.

CARBON shall read the meter monthly and shall test and calibrate the meter at intervals of not more than twelve months. CARBON shall also conduct special meter tests at any time upon the request of STAFF. The cost of all tests shall be borne by CARBON, provided, however, if any special test made at the request of STAFF shall disclose that the meter is recording accurately, STAFF shall reimburse CARBON for the cost of such test. Meters registering not more than two per cent (2%) above/below normal shall be deemed to be accurate. The reading of any meters which have been disclosed by test to be inaccurate shall be corrected for the ninety (90) days previous to such tests in accordance with the percentage of inaccuracy found by such test. If any meter shall fail to register for any period, the amount payable shall be based upon the water delivered in the corresponding period of the year immediately prior to the failure, unless CARBON and STAFF shall agree to an amount of water furnished during such period.

The meter used under this agreement shall be read on or about the 15th of each calendar month by CARBON's operator and shall be available for checking by a representative of STAFF during usual business hours on or about the 20th day of each calendar month. In the event

CARBON determines it is necessary to relocate the measuring equipment, such relocation shall be at the expense of CARBON. In the event STAFF determines it is necessary to relocate the measuring equipment, relocation shall be at the expense of STAFF.

Any amounts to be paid or reimbursed to either party under this Section 5 shall be paid in full within 30 days of notice to the obligated party of amount due.

6. **UNIT OF MEASUREMENT.** The unit of measurement for water delivered hereunder shall be 1,000 gallons of water, U.S. Standard Liquid Measure.

7. **PRICE AND TERMS.** The service to be performed under this Agreement by CARBON consists of the readiness of CARBON to deliver to STAFF upon its demand, water in accordance with the provisions of Section 2 of this Agreement. In return for such service, STAFF agrees to pay CARBON for the volume of water delivered to STAFF at the rate of \$7.62 per 1,000 gallons of water beginning on the effective date of this Agreement and continuing until such time during the term of this Agreement that CARBON increases water rates for water service customers in the City of Carbon. At any time CARBON adjusts water rates for customers in the City of Carbon during the term of this Agreement, the STAFF rate shall be increased or decreased in the same percentage (figured to two decimal points with the second decimal digit being increased to the next higher digit in any case where the third digit would be the number five or greater) that the lowest residential rate (as the term as herein after defined) charged by the City of Carbon to its residents. The term "Lowest Residential Rate," as used herein, is defined as the lowest rate applied by CARBON in determining the charges to a residential water user within the CARBON City Limits excluding, however, any special reduced summer rates to such residential users. All rates set under this Agreement shall be determined in a nondiscriminatory manner and shall be subject to the rate review powers of any state agency delegated such power. CARBON will give CARBON a minimum forty-five (45) days notice of any rate increase.

Payment of the monthly charges for services described above shall be made each month by STAFF to CARBON and shall be due and payable on or before the 15th day of the month following the service. In the event that STAFF should fail to make such payment within the time herein specified, interest on such amount shall accrue at the rate of five per cent (5%) per annum from the date such payment became due until paid in full, with interest from the date such

payment becomes due. If STAFF fails to make timely payment under this Agreement, CARBON may, at its option, discontinue service to STAFF thirty (30) days after mailing written notice to STAFF of the intention to discontinue service to STAFF until such payment is received; such notice shall be sent by certified mail, return receipt requested and addressed to STAFF at the address designated herein. If CARBON discontinues service for nonpayment according to the terms of this Section 7 and services are not provided for a period of more than ninety (90) days without the payment required above, CARBON, at its option, may terminate this Agreement.

8. **SERVICE AREA AND LIMITATIONS ON USE.** All water provided to STAFF by CARBON under this Agreement is only for the use of STAFF and STAFF's water customers within its water service area (the STAFF Service Area); the STAFF Service Area as it exists on the effective date of this Agreement is defined on the map attached hereto as **Exhibit "A."** STAFF shall not expand its Service Area or resell any water purchased under this Agreement on to any other water service provider during the term of this Agreement without the express written consent of CARBON.

9. **FORCE MAJEURE.** If, in the event of Force Majeure, either party hereto shall be rendered unable wholly or in part to carry out its obligations under this agreement, such party shall give notice and full particulars of such Force Majeure in writing to the other party within a reasonable time after occurrence of the event or cause relied on. The obligation of the party giving such notice, so far as it is affected by such Force Majeure, shall be suspended during the continuance of the inability then claimed but for no longer period, and any such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term Force Majeure as employed herein, is defined as acts of God, strikes, lockouts, or other industrial disturbance, acts of public enemy, orders of any kind of the Government of the United State, of the State of Texas, or any civil or military authority, earthquake, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraining of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipe lines or canals, partial or entire failure of water supply and inability on the part of CARBON to deliver water hereunder or on the part of STAFF to receive water hereunder on account of any other causes not reasonably within the control of the party claiming such inability. It is understood and agreed that the settlement of strikes and

lockouts shall be entirely within the discretion of the party having the difficulty, and that the above requirements that Force Majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes and lockouts according to the demands of the opposing party or parties when such settlement is unfavorable to it in the judgment of the party having the difficulty.

10. **ASSIGNMENT**. This Agreement, or any right, benefit or obligation pursuant to it, may not be assigned in part or as a whole by CARBON or STAFF without the written consent of both parties.

11. **MODIFICATION**. This Agreement may be changed or modified only with the consent of the governing bodies of both CARBON and STAFF. Such modification may be requested by either party. The governing body of the party to which the request has been made shall meet to consider such request and respond to the party making the request as soon as possible, but in no case more than ninety (90) days after the receipt of such notice unless an extension of time for response is agreed to by both parties. No change or modification may be made which will affect adversely the prompt payment when due of all amounts required to be paid by STAFF under the terms of this Agreement.

12. **INDEMNIFICATION**. STAFF will indemnify and hold CARBON harmless from any and all claims or demands whatsoever to which CARBON may be subjected by reason of any injury to any person or damage to any property resulting from or in any way connected with any and all actions and activities or failure to act of STAFF under this Agreement or in connection with STAFF's operation of STAFF's water system and provision of services to its water customers.

13. **REGULATORY BODIES**. This Agreement shall be subject to all valid rules, regulations and laws applicable hereto, passed or promulgated by the United State of America, the State of Texas, or any governmental body or agency of any of them.

14. **NOTICES**. All notices or communications provided for herein shall be in writing and shall be delivered to STAFF or CARBON, or if mailed shall be sent by certified mail, return receipt requested, postage prepaid, addressed to the respective Party as follows:

President of the Board
Staff Water Supply Corporation
P.O. Box 421
Ranger, Texas 76470

Mayor
City of Carbon
302 S. Main Street
Carbon, Texas 76435

15. **PERFORMANCE OF AGREEMENT.** In the event of any occurrence rendering STAFF incapable of performing under this Agreement, any successor of STAFF, whether the result of legal process, an assignment approved under the terms of this Agreement, or otherwise, shall succeed to the rights and obligations of the STAFF hereunder.

IN WITNESS WHEREOF, the parties hereto acting under authority in their respective governing bodies, have caused this Agreement to be duly executed in several counterparts, each of which shall constitute an original all as of the _____ day of _____, 2012.

CITY OF CARBON, TEXAS

ATTEST:

By: _____
Lee Hadaway, Mayor Pro Tem

By: _____
Sylvia Gosnell, City Secretary

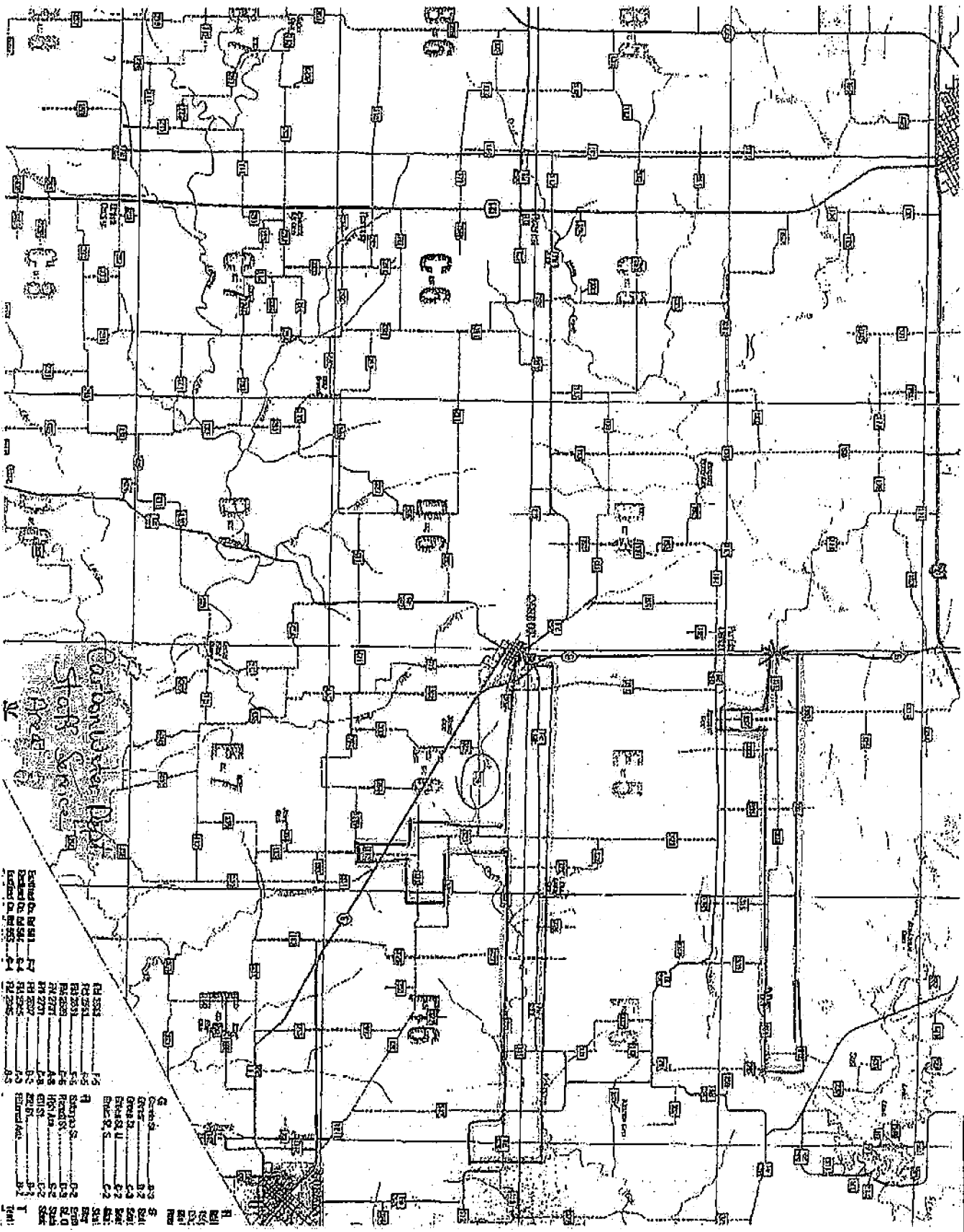
STAFF WATER SUPPLY CORPORATION

ATTEST:

By: _____
Larry Herrington, President

By: _____
Royce Cozart, Secretary

EXHIBIT "A"



Legend	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
Legend	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100

Financial Audits in Lieu of Appendix A

CITY OF CARBON, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2021

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CITY OF CARBON, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

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Independent Auditor's Report

**UNMODIFIED OPINION ON BASIC FINANCIAL STATEMENTS ACCOMPANIED
BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER INFORMATION**

City Commission
City of Carbon, Texas
P. O. Box 414
Carbon, Texas 76435

Report on the Financial Statements

I 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 for City of Carbon, Texas (the "City") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 City of Carbon, Texas as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with account principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule for the general fund as listed in the table of contents 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. I have applied certain limited procedure 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated September 3, 2021, on my consideration of the City's internal control over financial reporting and on my 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 my 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 the City's internal control over financial reporting and compliance.

Cameron L. Gulley
Certified Public Accountant

September 3, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of City of Carbon, Texas, discuss and analyze the City's financial performance for the fiscal year ended June 30, 2021. Please read it in conjunction with the independent auditor's report on page 1 and the City's Basic Financial Statements which begin on page 10.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 10 - 11). These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 12) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the City were sold to external customers and how the sales revenues covered the expenses of the goods or services.

The notes to the financial statements (starting on page 19) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the City's overall financial condition and operations begins on page 4. Its primary purpose is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The City's revenues are divided into those provided by outside parties who share the costs of some programs, such as revenue sharing programs from other governments received and fees charged for utility services (program revenues), and revenues provided by the taxpayers or by the State of Texas (general revenues). All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider nonfinancial factors as well, such as changes in the City's property tax base and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, we divide the City into two activities:

Governmental activities - Most of the City's basic services are reported here, including public safety, maintenance of City roads, community services, and general administration. Property taxes, fines and other fees, and state and federal grants finance most of these services.

Business-type activities - The City charges a fee to "customers" to help it cover all or most of the cost of services it provides in the utility waterworks, sewer, and solid waste funds.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 12 and provide detailed information about the most significant funds - not the City as a whole. Laws and contracts require the City to establish some funds, such as a debt service fund used to provide sources of revenues to service the City's general obligation bonds. The City's administration establishes many other funds to help it control and manage money for particular purposes. The City's two kinds of funds - governmental and proprietary - use different accounting approaches.

Governmental funds - Most of the City's basic services are reported in governmental funds. These use the modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

Proprietary funds - the City reports the activities for which it charges users (whether outside customers or other units of the City) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Total net position of the City's governmental activities decreased from \$218,983 to \$214,992. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased from \$68,862 to \$82,261. The change in net position is primarily due to current year depreciation expense. Current and other assets increased by \$13,266 due mainly to increases in cash. Capital assets decreased by \$17,390 due to depreciation expense. Other liabilities decreased by \$133 due to changes in ending accounts payable.

Net position of the business-type activities decreased by \$12,608. Current and other assets decreased by \$32,614 due to restricted cash received for water system improvements. Capital asset decreased by \$3,265 due to current year depreciation expense in excess of asset additions. Long-term liabilities decreased by \$25,764 due to liquidation of long-term debt and unearned grant revenues received for water system improvements. Other liabilities increased by \$2,493 due to changes in accounts payable.

Table I
City of Carbon, Texas
Net Position

	Governmental Activities 2021	Governmental Activities 2019	Variance, Increase/ (Decrease)
Current and other assets	\$ 82,494	\$ 69,228	\$ 13,266
Capital assets	132,731	150,121	(17,390)
Total assets	215,225	219,349	(4,124)
Long-term liabilities	0	0	0
Other liabilities	233	366	(133)
Total liabilities	233	366	(133)
Net position:			
Net investment in capital assets	132,731	150,121	(17,390)
Unrestricted	82,261	68,862	13,399
Total net position	\$ 214,992	\$ 218,983	\$ (3,991)
	Business-type Activities 2021	Business-type Activities 2019	Variance Increase/ (Decrease)
Current and other assets	\$ 838,553	\$ 871,167	\$ (32,614)
Capital assets	919,167	922,432	(3,265)
Total assets	1,757,720	1,793,599	(35,879)
Long-term liabilities	786,601	812,365	(25,764)
Other liabilities	24,212	21,719	2,493
Total liabilities	810,813	834,084	(23,271)
Net position:			
Net investment in capital assets	844,167	843,432	735
Unrestricted	102,740	116,083	(13,343)
Total net position	\$ 946,907	\$ 959,515	\$ (12,608)

Table II
City of Carbon, Texas
Changes in Net Position

	Governmental Activities 2021	Governmental Activities 2019	Variance Favorable/ (Unfavorable)
Revenues:			
Program Revenues:			
Operating grants and contributions	\$ 0	\$ 0	\$ 0
General Revenues:			
Property taxes	14,267	13,767	500
Sales taxes	16,543	14,080	2,463
Franchise fees	11,123	10,870	253
Investment earnings	19	35	(16)
Total Revenues	41,952	38,752	3,200
Expenses:			
General government	27,143	30,063	2,920
Streets	18,800	20,063	1,263
Total Expenses	45,943	50,126	4,183
Increase in Net Position	(3,991)	(11,374)	7,383
Net Position - beginning of year	218,983	230,357	(11,374)
Net Position - end of year	\$ 214,992	\$ 218,983	\$ (3,991)

Table II - Continued City of Carbon, Texas Changes in Net Position			
	Business-type Activities 2021	Business-type Activities 2019	Variance Favorable/ (Unfavorable)
Revenues:			
Program Revenues:			
Charges for services	\$ 302,355	\$ 296,173	\$ 6,182
Operating grants and contributions	22,173	35,500	(13,327)
Investment income	55	60	(5)
Total Revenues	324,583	331,733	(7,150)
Expenses:			
Water and garbage	332,958	312,882	(20,076)
Interest expense	4,233	19,871	15,638
Total Expenses	337,191	332,753	(4,438)
Increase in Net Position	(12,633)	(1,020)	(11,583)
Net Position - beginning of year	959,515	960,535	(1,020)
Net Position - end of year	\$ 946,907	\$ 959,515	\$ (12,608)

The City's revenues from its governmental activities increased modestly by \$3,200 from the previous year. Increases were in property and sales taxes. Total expenses decreased slightly by \$4,183.

The City's total revenues of its business-type activities decreased by \$7,145 due primarily to grant proceeds received for water system improvements. Total expenses for the business-type activities increased by \$4,438. Wholesale water costs increased by approximately \$21,000 due to water loss from a significant freeze event which occurred in February, 2021. Interest expense and fees decreased \$16,000 due to prior year financing costs associated with a water system improvement grant.

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$80,112, an increase of \$14,146 in the City's governmental funds from last year's fund balance of \$65,966.

The City Council set its originally adopted and final amended budget at \$25,670 for general fund expenditures.

The City's General Fund balance of \$80,112 reported on pages 14 and 30 differs from the projected budgetary fund balance of \$70,696 due to general government revenues being approximately \$8,000 more than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2021, the City had \$1,709,335 invested in a broad range of capital assets including infrastructure, City government facilities and maintenance equipment. Additions totaling \$22,337 were for preliminary costs associated with the water improvement project and net trade-in value of a new Polaris.

Debt

The City issued certificates of obligation totaling \$95,000 in order to finance the construction of new waterlines from the City of Eastland. The certificates titled "City of Carbon, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Taxable Series 2014" were issued at variable interest rates ranging from 0.96% to 5.44% with a net effective interest rate over the life of the bonds of 4.977%. The bonds are to be repaid semi-annually beginning August 15, 2014 with final maturity on February 15, 2035. Total annual payments will approximate \$7,700 until fully retired.

The following table summarizes the outstanding debt of the City:

Debt outstanding by type	2021	2020
Certificates of obligation	\$ 75,000	\$ 79,000

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City should maintain its financial health during the 2021-22 fiscal year. Projected revenues and expenditures of the City should remain consistent with what they were for the 2020-21 fiscal year. The projected fund balances and net position of the general fund and water fund during the next fiscal year should remain relatively consistent with where they ended at June 30, 2021.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City office at: City of Carbon, Texas, P. O. Box 414, Carbon, Texas 76435.

BASIC FINANCIAL STATEMENTS

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CITY OF CARBON, TEXAS
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 74,667	\$ 108,884	\$ 183,551
Property taxes receivable (net of uncollectibles)	2,149	-	2,149
Accounts receivable (net of uncollectibles)	-	32,742	32,742
Due from other governments	1,777	-	1,777
Internal balances	3,901	-	3,901
Total current assets	<u>82,494</u>	<u>141,626</u>	<u>224,120</u>
Noncurrent assets:			
Capital assets			
Land	2,675	600	3,275
Infrastructure	339,741	1,301,190	1,640,931
Buildings and improvements	16,018	-	16,018
Furniture and equipment	25,205	23,906	49,111
Less: accumulated depreciation	(250,908)	(406,529)	(657,437)
Total capital assets	<u>132,731</u>	<u>919,167</u>	<u>1,051,898</u>
Restricted cash	-	696,927	696,927
Total noncurrent assets	<u>132,731</u>	<u>1,616,094</u>	<u>1,748,825</u>
TOTAL ASSETS	<u>215,225</u>	<u>1,757,720</u>	<u>1,972,945</u>
LIABILITIES			
Current liabilities:			
Accounts payable	233	18,871	19,104
Accrued interest payable	-	1,440	1,440
Internal balances	-	3,901	3,901
Current portion of long-term debt	-	4,000	4,000
Total current liabilities	<u>233</u>	<u>28,212</u>	<u>28,445</u>
Noncurrent liabilities:			
Long-term notes payable	-	75,000	75,000
Less: current portion	-	(4,000)	(4,000)
Customer deposits	-	14,674	14,674
Unearned revenue	-	696,927	696,927
Total noncurrent liabilities	<u>-</u>	<u>782,601</u>	<u>782,601</u>
TOTAL LIABILITIES	<u>233</u>	<u>810,813</u>	<u>811,046</u>
NET POSITION			
Net investment in capital assets	132,731	844,167	976,898
Unrestricted	82,261	102,740	185,001
TOTAL NET POSITION	<u>\$ 214,992</u>	<u>\$ 946,907</u>	<u>\$ 1,161,899</u>

The accompanying notes are an integral part of this statement.

CITY OF CARBON, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Totals
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
General government	\$ 27,143	\$ -	\$ -	\$ (27,143)	\$ -	\$ (27,143)
Streets	18,800	-	-	(18,800)	-	(18,800)
Total governmental activities	45,943	-	-	(45,943)	-	(45,943)
Business-type activities:						
Water and garbage	332,958	302,355	22,173	-	(8,430)	(8,430)
Interest expense	4,233	-	-	-	(4,233)	(4,233)
Total business-type activities	337,191	302,355	22,173	-	(12,663)	(12,663)
Total	\$ 383,134	\$ 302,355	\$ 22,173	(45,943)	(12,663)	(58,606)
General revenues:						
Property taxes				14,267	-	14,267
Sales tax				16,543	-	16,543
Franchise fees				11,123	-	11,123
Investment income				19	55	74
Total general revenues				41,952	55	42,007
Changes in net position				(3,991)	(12,608)	(16,599)
Beginning net position				218,983	959,515	1,178,498
Ending net position				\$ 214,992	\$ 946,907	\$ 1,161,899

The accompanying notes are an integral part of this statement.

CITY OF CARBON, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 74,667
Delinquent taxes receivable (net of estimated uncollectible accounts)	2,149
Due from other governments	1,777
Due from other funds	3,901
TOTAL ASSETS	<u><u>\$ 82,494</u></u>
 LIABILITIES, DEFERRED RESOURCE INFLOWS & FUND EQUITIES	
LIABILITIES	
Accounts payable	\$ 233
TOTAL LIABILITIES	<u>233</u>
 DEFERRED INFLOW OF RESOURCES	
Unavailable revenue - property taxes	2,149
TOTAL DEFERRED INFLOW OF RESOURCES	<u>2,149</u>
 FUND EQUITIES	
Fund balances:	
Unassigned	80,112
TOTAL FUND EQUITIES	<u>80,112</u>
TOTAL LIABILITIES, DEFERRED RESOURCE INFLOWS & FUND EQUITIES	<u><u>\$ 82,494</u></u>

The accompanying notes are an integral part of this statement.

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

	Primary Government
Total Fund Balances - Governmental Funds	\$ 80,112
1 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 \$383,639 and the accumulated depreciation was \$233,518. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.	150,121
2 Prior year property tax levies which are considered collectible are recognized as revenue in the accounting period in which levied. However, they are reported as deferred revenue in the fund level financial statements until received. The net effect of including the beginning balances for deferred revenues related to delinquent taxes receivable is to increase net position.	2,896
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the capital outlays and debt principal payments is to increase (decrease) net position.	-
4 The depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(17,390)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.	(747)
Net Position of Governmental Activities	\$ 214,992

The accompanying notes are an integral part of this statement.

CITY OF CARBON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>
REVENUES	
Property taxes	\$ 15,014
Sales tax	16,543
Franchise taxes	11,123
Interest	19
TOTAL REVENUES	<u>42,699</u>
EXPENDITURES	
General government	24,748
Street department	3,805
TOTAL EXPENDITURES	<u>28,553</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	14,146
FUND BALANCE - BEGINNING	65,966
FUND BALANCE - ENDING	<u>\$ 80,112</u>

The accompanying notes are an integral part of this statement.

CITY OF CARBON, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Primary Government
Total Net Change in Fund Balances - Governmental Funds	\$ 14,146
1 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the capital outlays and debt principal payments is to increase (decrease) net position.	-
2 Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(17,390)
3 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.	(747)
Change in Net Position of Governmental Activities	<u>\$ (3,991)</u>

The accompanying notes are an integral part of this statement.

CITY OF CARBON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	<u>Water Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 108,884
Accounts receivable (net of allowance for uncoll)	<u>32,742</u>
Total current assets	<u>141,626</u>
Noncurrent assets:	
Capital assets:	
Land	600
Infrastructure	1,301,190
Furniture and equipment	23,906
Less: accumulated depreciation	<u>(406,529)</u>
Total capital assets	919,167
Restricted cash	<u>696,927</u>
Total noncurrent assets	<u>1,616,094</u>
TOTAL ASSETS	<u><u>1,757,720</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	18,871
Accrued interest payable	1,440
Due to other funds	3,901
Current portion of long-term debt	<u>4,000</u>
Total current liabilities	<u>28,212</u>
Noncurrent liabilities:	
Long-term notes payable	75,000
Less: current portion of long-term debt	(4,000)
Customer deposits	14,674
Unearned revenue	<u>696,927</u>
Total noncurrent liabilities	<u>782,601</u>
TOTAL LIABILITIES	<u><u>810,813</u></u>
NET POSITION	
Net investment in capital assets	844,167
Unrestricted	<u>102,740</u>
TOTAL NET POSITION	<u><u>\$ 946,907</u></u>

The accompanying notes are an integral part of this statement.

CITY OF CARBON, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Water Fund</u>
OPERATING REVENUES	
Water revenue	\$ 242,118
Trash revenue	52,909
Other operating revenues	<u>7,328</u>
TOTAL OPERATING REVENUES	<u>302,355</u>
OPERATING EXPENSES	
Salaries and contract labor	50,506
Payroll taxes	515
Water purchases	181,340
Trash removal	44,281
Utilities and telephone	9,617
Repairs	11,019
Depreciation expense	29,020
Water tests and fees	1,967
Chemicals	355
Bad debt expense	237
Office supplies	2,663
Miscellaneous expense	<u>1,438</u>
TOTAL OPERATING EXPENSES	<u>332,958</u>
OPERATING INCOME (LOSS)	<u>(30,603)</u>
NONOPERATING REVENUES (EXPENSES)	
Grants and contributions	22,173
Interest expense	(4,233)
Interest income	<u>55</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>17,995</u>
CHANGE IN NET POSITION	(12,608)
NET POSITION - BEGINNING	<u>959,515</u>
NET POSITION - ENDING	<u><u>\$ 946,907</u></u>

The accompanying notes are an integral part of this statement.

CITY OF CARBON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Water Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 307,126
Cash payments to suppliers for goods and services	(254,303)
Cash payments to employees for services (and related benefit payments)	(51,103)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,720</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Cash used for acquisition of capital assets	(25,755)
Cash used for payment of long-term debt principal	(4,000)
Cash used for payment of interest expense	(4,289)
Cash received from federal grants	22,173
Net cash received from interfund borrowing	3,549
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(8,322)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	55
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>55</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(6,547)
Cash and cash equivalents - beginning of year	115,431
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 108,884</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (30,603)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	29,020
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	3,894
Increase (decrease) in accounts payable	(918)
Increase (decrease) in accrued liabilities	(82)
Increase (decrease) in meter deposits	409
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 1,720</u></u>

The accompanying notes are an integral part of this statement.

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CITY OF CARBON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED JUNE 30, 2021

I. Summary of significant accounting policies

City of Carbon, Texas (the "City") is a charter city in which citizens elect the mayor at large and five council members. The financial statements of the City are prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). The City's reporting entity applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements. Proprietary funds apply only those Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The City applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

A. Reporting entity

For financial reporting purposes, the City includes all funds and account groups for which the City is considered to be financially accountable. The criteria used by the City for including activities in preparing its financial statements are in conformity with GASB Statement 14, "The Financial Reporting Entity."

In applying the criteria of GASB #14, the City has no component units.

B. Government-wide and fund financial statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the City nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, franchise fees, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. Examples include fees charged for fines, city clerk fees, etc. The "grants and contributions" column includes amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. Examples include grants under the U.S. Department of Agriculture Rural Development Program. If a revenue is not a program revenue, it is a general revenue used to support all of the City's functions. Taxes are always general revenues.

Interfund activities between governmental funds [and between governmental funds and proprietary funds] appear as due to/due from on the Governmental Fund Balance Sheet [and Proprietary Fund Statement of Net Position] and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance [and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position]. All interfund transactions between governmental funds are eliminated on the government-wide statements. [Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers.] Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for City operations, they are not included in the government-wide statements. The City considers some governmental and enterprise funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, [as do the proprietary fund and fiduciary fund financial statements]. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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 imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the City to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

D. Fund accounting

The City reports the following major governmental funds:

1. **The General Fund** – The general fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

2. **Water Enterprise Funds** - The City's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund.

E. Other accounting policies

1. For purposes of the statement of cash flows for proprietary and similar fund-types, the City considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. The City reports inventories of supplies at weighted average cost including consumable maintenance, instructional, office, athletic, and transportation items. Supplies are recorded as expenditures when they are consumed.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expended in the period incurred.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

4. The City's policy does permits employees to accumulate unused vacation pay benefits. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements.
5. Capital assets, which include land, buildings, furniture and equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Asset:</u>	<u>Years</u>
Buildings	20-40
Building Improvements	20-40
Streets	20
Vehicles	5
Equipment	10
Technology Equipment	5

6. Governmental fund balances are classified into the following categories:

Non-spendable fund balances include amounts that are not in spendable form (i.e. inventory or prepaid items) or amounts that are required to be maintained intact legally or contractually (i.e. principal in an endowment fund)

Restricted fund balances include amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balances include amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Assigned fund balances are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

City policies concerning fund balances are as follows:

The City's Unassigned General Fund Balance will be maintained to provide the City with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The Unassigned General Fund Balance may only be appropriated by resolution of the City Council.

Fund Balance of the City may be committed for a specific source by formal action of the City Council. Amendments or modifications of the committed fund balance must also be approved by formal action of the City Council.

When it is appropriate for fund balance to be assigned, the City delegates authority to the mayor or mayor pro-tem.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

At June 30, 2021, none of the City's fund balances were committed or assigned.

7. When the City incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first unless unrestricted assets will have to be returned because they were not used.

II. Stewardship, compliance, and accountability

A. Budgetary data

The City Secretary submits an annual budget to the City Council in accordance with the City Charter. In June, the City Council adopts annual fiscal year budgets for specified City funds. Budgets for the general fund are adopted on a basis consistent with U.S. generally accepted accounting principles. The budget is properly amended throughout the year.

B. Excess of expenditures over appropriations by more than \$2,500

Category	Over Budget	Explanation
None.		

C. Deficit fund equity

None.

III. Detailed notes on all funds

A. Deposits and investments

City Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits - State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the City complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk - The City limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not investing in any foreign currency.

City Policies and Legal and Contractual Provisions Governing Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (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, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

As of June 30, 2021, the City had the following cash and cash equivalents.

Cash and Cash Equivalents	Fair Value	Investment Maturities			Rating
		Less than 1 Year	1-3 Years	3-10 Years	
FDIC insured deposits	\$ 182,239	\$ 182,239			N/A
Certificates of deposit	1,287	1,287			N/A
Petty cash	25	25			N/A
Total Cash and Cash Equivalents	\$ 183,551	\$ 183,551			

Additional policies and contractual provisions governing deposits and investments for the City are specified below:

Credit Risk - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the City limits investments in certificates of deposit or publicly funded investment pools to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2021, the City's investments in certificates of deposit and investment pools were rated A1 by Standard and Poor's.

Custodial Credit Risk for Investments - To limit the risk that, in the even of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the City requires counterparties to register the securities in the name of the City and hand them over to the City or its designated agent. This included securities in securities lending transactions. All of the securities are in the City's name and held by the City or its agent.

Concentration of Credit Risk - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the City limits investments to less than 5% of its total investments. The City further limits investments in a single issuer when they would cause investment risk to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%.

Interest Rate Risk - To limit the risk that changes in interest rates will adversely affect the fair value of investments, the City requires at least half of the investment portfolio to have maturities of less than one year on a weighted average maturity basis.

Foreign Currency Risk for Investments - The City limits the risk that changes in exchange rates will adversely affect the fair value of an investment by limiting all investments denominated in a foreign currency to zero.

At June 30, 2021, the City had no investments.

B. Property taxes

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 located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 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 (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. Delinquent taxes receivable

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. The City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Delinquent taxes receivable balance at year-end was as follows:

Delinquent taxes receivable	\$	3,185
Less: allowance for uncollectible accounts		1,036
Estimated Collectible Balance	\$	<u>2,149</u>

D. Interfund balances and transfers

Interfund balances consisted of the following amounts:

Fund	Due From	Due To	Current?
General Fund	\$ 3,901		Yes
Water Fund		3,901	Yes
Total	\$ 3,901	\$ 3,901	

E. Disaggregation of receivables and payables

Receivables at June 30, 2021 were as follows:

	Accounts	Other Government	Taxes	Total Receivables
Governmental Activities:				
General Fund		\$ 1,777	\$ 2,149	\$ 3,926
Total Governmental Activities		\$ 1,777	\$ 2,149	\$ 3,926
Proprietary Activities:				
Water Fund	\$ 32,742			\$ 32,742
Total Proprietary Activities	\$ 32,742			\$ 32,742

Payables at June 30, 2021 were as follows:

	Accounts	Accrued Payroll	Accrued Interest	Total Payables
Governmental Activities:				
General Fund	\$ 233			\$ 233
Total Governmental Activities	\$ 233			\$ 233
Proprietary Activities:				
Water Fund	\$ 18,871		\$ 1,440	\$ 20,311
Total Proprietary Activities	\$ 18,871		\$ 1,440	\$ 20,311

F. Capital asset activity

Capital asset activity for the City for the year ended June 30, 2021, was as follows:

	Balance 06/30/20	Additions	Deletions	Balance 06/30/21
Governmental activities:				
Land	\$ 2,675			\$ 2,675
Infrastructure - roads	339,741			339,741
Buildings	16,018			16,018
Furniture and equipment	25,205			25,205
Totals	383,639			383,639
Less accum depreciation for:				
Infrastructure - roads	199,903	14,995		214,898
Buildings and improvements	10,405	400		10,805
Furniture and equipment	23,210	1,995		25,205
Total accum depreciation	233,518	17,390		250,908
Governmental activities capital assets, net	\$ 150,121	\$ (17,390)		\$ 132,731
Proprietary activities:				
Land	\$ 600			\$ 600
Infrastructure	1,258,853			1,258,853
Construction in progress	20,000	22,173		42,173
Furniture and equipment	23,907	9,929	9,765	24,071
Totals	1,303,360	32,102	9,765	1,325,697
Less accum depreciation for:				
Infrastructure	363,368	28,524		391,892
Furniture and equipment	17,560	496	3,419	14,637
Total accum depreciation	380,928	29,020	3,419	406,529
Proprietary activities capital assets, net	\$ 922,432	\$ 3,082	\$ 6,346	\$ 919,168

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

Governmental activities:

General government	\$ 2,395
Streets	14,995
Total depreciation expense - governmental activities	\$ 17,390

Proprietary activities:

Water and garbage	\$ 29,020
Total depreciation expense - proprietary activities	<u>\$ 29,020</u>

G. Accumulated unpaid vacation and sick leave benefits

City employees are entitled to certain compensated absences based on their length of employment. There were no accrued compensated absences payable at year-end.

H. Bonds and notes payable

On March 27, 2014 the City issued certificates of obligation totaling \$95,000 in order to finance the construction of new waterlines from the City of Eastland. The certificates titled "City of Carbon, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Taxable Series 2014" were issued at variable interest rates ranging from 0.96% to 5.44% with a net effective interest rate over the life of the bonds of 4.977%. The bonds are to be repaid semi-annually beginning August 15, 2014 with final maturity on February 15, 2035. Total annual payments will approximate \$7,700 until fully retired.

I. Debt service requirements - notes payable

The annual debt service requirements to maturity for long-term notes payable as of June 30, 2021 are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 4,000	\$ 3,839	\$ 7,839
2023	4,000	3,676	7,676
2024	4,000	3,503	7,503
2025	4,000	3,321	7,321
2026	5,000	3,131	8,131
2027-31	27,000	11,803	35,803
2032-35	27,000	3,747	30,747
Total	<u>\$ 75,000</u>	<u>\$ 33,020</u>	<u>\$ 108,020</u>

J. Changes in long-term liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	\$ 79,000		\$ 4,000	\$ 75,000	\$ 4,000
Meter Deposits	14,265	1,000	591	14,674	0
Total	<u>\$ 93,265</u>	<u>\$ 1,000</u>	<u>\$ 4,591</u>	<u>\$ 89,674</u>	<u>\$ 4,000</u>

K. Deferred inflow of resources

	Property Taxes
General Fund	<u>\$ 2,149</u>

L. Economic dependency

The City's sole source of providing water to its citizens through the water fund is from the City of Eastland, Texas. Total cost of water purchases totaled \$181,340 (or approximately 54% of total operating expenses). The City has a renewable contract with the City of Eastland, Texas to provide water at a wholesale rate which is negotiated annually.

M. Construction and other significant commitments and contingencies

On April 22, 2020, the City received funding totaling \$754,600 in the form of a loan forgiveness grant to be used for water system improvements. Most of the grant and construction activity will not begin until after June 30, 2021 of which the entire project will be paid with the granted funds. As of June 30, 2021 the City had expended \$57,673 in funds primarily for preliminary planning for the project and financing fees.

N. Restricted cash

As stated above, the City was awarded \$754,600 in the form of a loan forgiveness grant that was funded on April 22, 2020. Funds received were placed in a restricted cash account with disbursement only with the express approval and authorization of the Texas Water Development Board ("TWDB"). As of June 30, 2021, remaining balances in the account totaled \$696,927.

O. Unearned revenue

Unexpended grant awards from TWDB related to the above-referenced construction and restricted cash are classified as unearned and reported on the Statement of Net Position of the City's water fund. As funds are approved for disbursement, the unearned balances will be converted to earned grant revenues. At June 30, 2021, amounts received but unearned totaled \$696,927.

P. Subsequent events

Management has evaluated subsequent events through September 3, 2021; the date which the financial statements were available for distribution. There were none noted.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF CARBON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final	(GAAP Basis)	Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 12,000	\$ 12,000	\$ 15,014	\$ 3,014
Sales tax	11,000	11,000	16,543	5,543
Franchise taxes	10,850	10,850	11,123	273
Interest	250	250	19	(231)
Miscellaneous	500	500	-	(500)
TOTAL REVENUES	34,600	34,600	42,699	8,099
EXPENDITURES				
GENERAL GOVERNMENT:				
Collection fees	90	90	-	90
ECAD fees	500	500	581	(81)
Utilities	2,750	2,750	2,744	6
Salary	12,535	12,535	13,051	(516)
Insurance	1,589	1,589	1,243	346
Other	1,590	1,590	418	1,172
Payroll taxes	666	666	591	75
Dues/audit/legal	4,000	4,000	5,116	(1,116)
Election	200	200	-	200
Office & postage	1,750	1,750	1,004	746
TOTAL GENERAL GOVERNMENT	25,670	25,670	24,748	922
STREETS:				
Road repair	2,900	2,900	3,005	(105)
Mowing	1,300	1,300	800	500
TOTAL STREETS	4,200	4,200	3,805	395
TOTAL EXPENDITURES	29,870	29,870	28,553	1,317
EXCESS REVENUE OVER (UNDER) EXPENDITURES	4,730	4,730	14,146	9,416
FUND BALANCE - BEGINNING	65,966	65,966	65,966	-
FUND BALANCE - ENDING	\$ 70,696	\$ 70,696	\$ 80,112	\$ 9,416

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OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION

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Independent Auditor's Report

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENTAL AUDITING STANDARDS**

City Commission
City of Carbon, Texas
P. O. Box 414
Carbon, Texas 76435

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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 Carbon, Texas (the "City") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated September 3, 2021.

Internal Control Over Financial Reporting

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

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Carbon, Texas' financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cameron L. Gulley
Certified Public Accountant

September 3, 2021

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CITY OF CARBON, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021

A. Summary of Auditor's Results

Type of auditor's report issued:	Unmodified.
Internal control over financial reporting:	
Material weakness(es) identified?	None.
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported.
Noncompliance material to financial statements noted?	No.

An unmodified opinion was issued on the general purpose financial statements.

The audit disclosed no noncompliance which is material to the general purpose financial statements.

B. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

None.

C. Findings and Questioned Costs for Federal Awards

N/A.

CITY OF CARBON, TEXAS
SUMMARY OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

<u>Program</u>	<u>Findings</u>	<u>Questioned Costs</u>
None reported.		

CITY OF CARBON, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2020

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CITY OF CARBON, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

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Independent Auditor's Report

**UNMODIFIED OPINION ON BASIC FINANCIAL STATEMENTS ACCOMPANIED
BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER INFORMATION**

City Commission
City of Carbon, Texas
P. O. Box 414
Carbon, Texas 76435

Report on the Financial Statements

I 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 for City of Carbon, Texas (the "City") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 City of Carbon, Texas as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule for the general fund as listed in the table of contents 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. I have applied certain limited procedure 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated August 31, 2020, on my consideration of the City's internal control over financial reporting and on my 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 my 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 the City's internal control over financial reporting and compliance.

Cameron L. Gulley
Certified Public Accountant

August 31, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of City of Carbon, Texas, discuss and analyze the City's financial performance for the fiscal year ended June 30, 2020. Please read it in conjunction with the independent auditor's report on page 1 and the City's Basic Financial Statements which begin on page 10.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 10 - 11). These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 12) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the City were sold to external customers and how the sales revenues covered the expenses of the goods or services.

The notes to the financial statements (starting on page 19) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the City's overall financial condition and operations begins on page 4. Its primary purpose is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The City's revenues are divided into those provided by outside parties who share the costs of some programs, such as revenue sharing programs from other governments received and fees charged for utility services (program revenues), and revenues provided by the taxpayers or by the State of Texas (general revenues). All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider nonfinancial factors as well, such as changes in the City's property tax base and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, we divide the City into two activities:

Governmental activities - Most of the City's basic services are reported here, including public safety, maintenance of City roads, community services, and general administration. Property taxes, fines and other fees, and state and federal grants finance most of these services.

Business-type activities - The City charges a fee to "customers" to help it cover all or most of the cost of services it provides in the utility waterworks, sewer, and solid waste funds.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 12 and provide detailed information about the most significant funds - not the City as a whole. Laws and contracts require the City to establish some funds, such as a debt service fund used to provide sources of revenues to service the City's general obligation bonds. The City's administration establishes many other funds to help it control and manage money for particular purposes. The City's two kinds of funds - governmental and proprietary - use different accounting approaches.

Governmental funds - Most of the City's basic services are reported in governmental funds. These use the modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

Proprietary funds - the City reports the activities for which it charges users (whether outside customers or other units of the City) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Total net position of the City's governmental activities decreased from \$230,357 to \$218,983. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased from \$62,846 to \$68,862. The change in net position is primarily due to current year depreciation expense. Current and other assets increased by \$6,143 due mainly to increases in cash. Capital assets decreased by \$17,390 due to depreciation expense. Other liabilities increased by \$127 due to changes in ending accounts payable.

Net position of the business-type activities decreased by \$1,020. Current and other assets increased by \$729,526 due to restricted cash received for water system improvements. Capital asset decreased by \$10,416 due to current year depreciation expense in excess of asset additions. Long-term liabilities increased by \$715,650 due to unearned grant revenues received for water system improvements. Other liabilities increased by \$4,480 due to changes in accounts payable.

Table I
City of Carbon, Texas
Net Position

	Governmental Activities 2020	Governmental Activities 2019	Variance, Increase/ (Decrease)
Current and other assets	\$ 69,228	\$ 63,085	\$ 6,143
Capital assets	150,121	167,511	(17,390)
Total assets	219,349	230,596	(11,247)
Long-term liabilities	0	0	0
Other liabilities	366	239	127
Total liabilities	366	239	127
Net position:			
Net investment in capital assets	150,121	167,511	(17,390)
Unrestricted	68,862	62,846	6,016
Total net position	\$ 218,983	\$ 230,357	\$ (11,374)
	Business-type Activities 2020	Business-type Activities 2019	Variance Increase/ (Decrease)
Current and other assets	\$ 871,167	\$ 141,641	\$ 729,526
Capital assets	922,432	932,848	(10,416)
Total assets	1,793,599	1,074,489	719,110
Long-term liabilities	812,365	96,715	715,650
Other liabilities	21,719	17,239	4,480
Total liabilities	834,084	113,954	720,130
Net position:			
Net investment in capital assets	843,432	849,848	(6,416)
Unrestricted	116,083	110,687	5,396
Total net position	\$ 959,515	\$ 960,535	\$ (1,020)

Table II
City of Carbon, Texas
Changes in Net Position

	Governmental Activities 2020	Governmental Activities 2019	Variance Favorable/ (Unfavorable)
Revenues:			
Program Revenues:			
Operating grants and contributions	\$ 0	\$ 0	\$ 0
General Revenues:			
Property taxes	13,767	12,600	1,167
Sales taxes	14,080	9,243	4,837
Franchise fees	10,870	11,036	(166)
Investment earnings	35	24	11
Total Revenues	38,752	32,903	5,849
Expenses:			
General government	30,063	32,946	2,883
Streets	20,063	20,560	497
Total Expenses	50,126	53,506	3,380
Increase in Net Position	(11,374)	(20,603)	9,229
Net Position - beginning of year	230,357	250,960	(20,603)
Net Position - end of year	\$ 218,983	\$ 230,357	\$ (11,374)

Table II - Continued City of Carbon, Texas Changes in Net Position			
	Business-type Activities 2020	Business-type Activities 2019	Variance Favorable/ (Unfavorable)
Revenues:			
Program Revenues:			
Charges for services	\$ 296,173	\$ 262,875	\$ 33,298
Operating grants and contributions	35,500	0	35,500
Investment income	60	35	25
Total Revenues	331,733	262,875	68,823
Expenses:			
Water and garbage	312,882	286,927	(25,955)
Interest expense	19,871	4,473	(15,398)
Total Expenses	332,753	291,400	(41,353)
Increase in Net Position	(1,020)	(28,490)	27,470
Net Position - beginning of year	960,535	989,025	(28,490)
Net Position - end of year	\$ 959,515	\$ 960,535	\$ (1,020)

The City's revenues from its governmental activities increased modestly by \$5,849 from the previous year. Increases were in property and sales taxes. Total expenses decreased slightly by \$3,380. Decreases in general government expenses were due to prior year noncapitalized small equipment expenses.

The City's total revenues of its business-type activities decreased by \$68,823 due primarily to charges for services related to higher water sales and grant proceeds received for water system improvements. Total expenses for the business-type activities increased by \$41,353. Wholesale water costs increased by over \$8,000 and contracted sanitation collection fees increase by over \$15,000. Interest expense and fees increased \$15,000 due to financing costs associated with the water system improvement grant received during the year.

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$65,966, an increase of \$5,916 in the City's governmental funds from last year's fund balance of \$60,050.

The City Council set its originally adopted budget at \$31,642 for general fund expenditures with an amended budget of \$36,264. Most of the amendments related to city-wide cleanup and street mowing.

The City's General Fund balance of \$65,966 reported on pages 14 and 30 differs from the projected budgetary fund balance of \$58,386 due to general government revenues being approximately \$4,000 more than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2020, the City had \$1,686,998 invested in a broad range of capital assets including infrastructure, City government facilities and maintenance equipment. Additions totaling \$20,000 were for preliminary costs associated with the water improvement project begun during the year.

Debt

The City issued certificates of obligation totaling \$95,000 in order to finance the construction of new waterlines from the City of Eastland. The certificates titled "City of Carbon, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Taxable Series 2014" were issued at variable interest rates ranging from 0.96% to 5.44% with a net effective interest rate over the life of the bonds of 4.977%. The bonds are to be repaid semi-annually beginning August 15, 2014 with final maturity on February 15, 2035. Total annual payments will approximate \$7,700 until fully retired.

The following table summarizes the outstanding debt of the City:

Debt outstanding by type	2020	2019
Certificates of obligation	\$ 79,000	\$ 83,000

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City should maintain its financial health during the 2020-21 fiscal year. Projected revenues and expenditures of the City should remain consistent with what they were for the 2019-20 fiscal year. The projected fund balances and net position of the general fund and water fund during the next fiscal year should remain relatively consistent with where they ended at June 30, 2020.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City office at: City of Carbon, Texas, P. O. Box 414, Carbon, Texas 76435.

BASIC FINANCIAL STATEMENTS

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CITY OF CARBON, TEXAS
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 64,486	\$ 115,431	\$ 179,917
Property taxes receivable (net of uncollectibles)	2,896	-	2,896
Accounts receivable (net of uncollectibles)	-	36,636	36,636
Due from other governments	1,494	-	1,494
Internal balances	352	-	352
Total current assets	69,228	152,067	221,295
Noncurrent assets:			
Capital assets			
Land	2,675	600	3,275
Infrastructure	339,741	1,278,854	1,618,595
Buildings and improvements	16,018	-	16,018
Furniture and equipment	25,205	23,906	49,111
Less: accumulated depreciation	(233,518)	(380,928)	(614,446)
Total capital assets	150,121	922,432	1,072,553
Restricted cash	-	719,100	719,100
Total noncurrent assets	150,121	1,641,532	1,791,653
TOTAL ASSETS	219,349	1,793,599	2,012,948
LIABILITIES			
Current liabilities:			
Accounts payable	271	19,789	20,060
Accrued payroll liabilities	95	82	177
Accrued interest payable	-	1,496	1,496
Internal balances	-	352	352
Current portion of long-term debt	-	4,000	4,000
Total current liabilities	366	25,719	26,085
Noncurrent liabilities:			
Long-term notes payable	-	79,000	79,000
Less: current portion	-	(4,000)	(4,000)
Customer deposits	-	14,265	14,265
Unearned revenue	-	719,100	719,100
Total noncurrent liabilities	-	808,365	808,365
TOTAL LIABILITIES	366	834,084	834,450
NET POSITION			
Net investment in capital assets	150,121	843,432	993,553
Unrestricted	68,862	116,083	184,945
TOTAL NET POSITION	\$ 218,983	\$ 959,515	\$ 1,178,498

The accompanying notes are an integral part of this statement.

CITY OF CARBON, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Totals
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
General government	\$ 30,063	\$ -	\$ -	\$ (30,063)	\$ -	\$ (30,063)
Streets	20,063	-	-	(20,063)	-	(20,063)
Total governmental activities	50,126	-	-	(50,126)	-	(50,126)
Business-type activities:						
Water and garbage	312,882	296,173	35,500	-	18,791	18,791
Interest expense	19,871	-	-	-	(19,871)	(19,871)
Total business-type activities	332,753	296,173	35,500	-	(1,080)	(1,080)
Total	\$ 382,879	\$ 296,173	\$ 35,500	(50,126)	(1,080)	(51,206)
General revenues:						
Property taxes				13,767	-	13,767
Sales tax				14,080	-	14,080
Franchise fees				10,870	-	10,870
Investment income				35	60	95
Total general revenues				38,752	60	38,812
Changes in net position				(11,374)	(1,020)	(12,394)
Beginning net position				230,357	960,535	1,190,892
Ending net position				\$ 218,983	\$ 959,515	\$ 1,178,498

The accompanying notes are an integral part of this statement.

CITY OF CARBON, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 64,486
Delinquent taxes receivable (net of estimated uncollectible accounts)	2,896
Due from other governments	1,494
Due from other funds	352
TOTAL ASSETS	<u><u>\$ 69,228</u></u>
 LIABILITIES, DEFERRED RESOURCE INFLOWS & FUND EQUITIES	
LIABILITIES	
Accounts payable	\$ 271
Accrued payroll liabilities	95
TOTAL LIABILITIES	<u>366</u>
 DEFERRED INFLOW OF RESOURCES	
Unavailable revenue - property taxes	2,896
TOTAL DEFERRED INFLOW OF RESOURCES	<u>2,896</u>
 FUND EQUITIES	
Fund balances:	
Unassigned	65,966
TOTAL FUND EQUITIES	<u>65,966</u>
TOTAL LIABILITIES, DEFERRED RESOURCE INFLOWS & FUND EQUITIES	<u><u>\$ 69,228</u></u>

The accompanying notes are an integral part of this statement.

CITY OF CARBON, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government
Total Fund Balances - Governmental Funds	\$ 65,966
1 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 \$383,639 and the accumulated depreciation was \$216,128. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.	167,511
2 Prior year property tax levies which are considered collectible are recognized as revenue in the accounting period in which levied. However, they are reported as deferred revenue in the fund level financial statements until received. The net effect of including the beginning balances for deferred revenues related to delinquent taxes receivable is to increase net position.	2,796
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the capital outlays and debt principal payments is to increase (decrease) net position.	-
4 The depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(17,390)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.	100
Net Position of Governmental Activities	<u>\$ 218,983</u>

The accompanying notes are an integral part of this statement.

CITY OF CARBON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>General Fund</u>
REVENUES	
Property taxes	\$ 13,667
Sales tax	14,080
Franchise taxes	10,870
Interest	35
TOTAL REVENUES	<u>38,652</u>
EXPENDITURES	
General government	27,668
Street department	5,068
TOTAL EXPENDITURES	<u>32,736</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	5,916
FUND BALANCE - BEGINNING	60,050
FUND BALANCE - ENDING	<u><u>\$ 65,966</u></u>

The accompanying notes are an integral part of this statement.

CITY OF CARBON, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Primary Government
Total Net Change in Fund Balances - Governmental Funds	\$ 5,916
1 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the capital outlays and debt principal payments is to increase (decrease) net position.	-
2 Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(17,390)
3 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.	100
Change in Net Position of Governmental Activities	<u>\$ (11,374)</u>

The accompanying notes are an integral part of this statement.

CITY OF CARBON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

	<u>Water Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 115,431
Accounts receivable (net of allowance for uncoll)	<u>36,636</u>
Total current assets	<u>152,067</u>
Noncurrent assets:	
Capital assets:	
Land	600
Infrastructure	1,278,854
Furniture and equipment	23,906
Less: accumulated depreciation	<u>(380,928)</u>
Total capital assets	922,432
Restricted cash	<u>719,100</u>
Total noncurrent assets	<u>1,641,532</u>
TOTAL ASSETS	<u><u>1,793,599</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	19,789
Accrued payroll liabilities	82
Accrued interest payable	1,496
Due to other funds	352
Current portion of long-term debt	<u>4,000</u>
Total current liabilities	<u>25,719</u>
Noncurrent liabilities:	
Long-term notes payable	79,000
Less: current portion of long-term debt	(4,000)
Customer deposits	14,265
Unearned revenue	<u>719,100</u>
Total noncurrent liabilities	<u>808,365</u>
TOTAL LIABILITIES	<u><u>834,084</u></u>
NET POSITION	
Net investment in capital assets	843,432
Unrestricted	<u>116,083</u>
TOTAL NET POSITION	<u><u>\$ 959,515</u></u>

The accompanying notes are an integral part of this statement.

CITY OF CARBON, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Water Fund</u>
OPERATING REVENUES	
Water revenue	\$ 245,825
Trash revenue	44,583
Other operating revenues	<u>5,765</u>
TOTAL OPERATING REVENUES	<u>296,173</u>
OPERATING EXPENSES	
Salaries and contract labor	49,535
Payroll taxes	833
Water purchases	160,680
Trash removal	44,190
Utilities and telephone	9,600
Repairs	7,275
Depreciation expense	30,417
Water tests and fees	1,913
Chemicals	794
Bad debt expense	1,830
Office supplies	5,174
Miscellaneous expense	<u>641</u>
TOTAL OPERATING EXPENSES	<u>312,882</u>
OPERATING INCOME (LOSS)	<u>(16,709)</u>
NONOPERATING REVENUES (EXPENSES)	
Grants and contributions	35,500
Interest expense	(19,871)
Interest income	<u>60</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>15,689</u>
CHANGE IN NET POSITION	(1,020)
NET POSITION - BEGINNING	<u>960,535</u>
NET POSITION - ENDING	<u><u>\$ 959,515</u></u>

The accompanying notes are an integral part of this statement.

CITY OF CARBON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Water Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 290,649
Cash payments to suppliers for goods and services	(226,321)
Cash payments to employees for services (and related benefit payments)	(50,286)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>14,042</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Cash used for acquisition of capital assets	(20,000)
Cash used for payment of long-term debt principal	(4,000)
Cash used for payment of interest expense	(19,920)
Cash received from federal grants	35,500
Net cash received from interfund borrowing	352
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(8,068)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	60
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>60</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,034
Cash and cash equivalents - beginning of year	109,397
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 115,431</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (16,709)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	30,417
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(4,392)
Increase (decrease) in accounts payable	4,094
Increase (decrease) in accrued liabilities	82
Increase (decrease) in meter deposits	550
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 14,042</u>

The accompanying notes are an integral part of this statement.

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CITY OF CARBON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED JUNE 30, 2020

I. Summary of significant accounting policies

City of Carbon, Texas (the "City") is a charter city in which citizens elect the mayor at large and five council members. The financial statements of the City are prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). The City's reporting entity applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements. Proprietary funds apply only those Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The City applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

A. Reporting entity

For financial reporting purposes, the City includes all funds and account groups for which the City is considered to be financially accountable. The criteria used by the City for including activities in preparing its financial statements are in conformity with GASB Statement 14, "The Financial Reporting Entity."

In applying the criteria of GASB #14, the City has no component units.

B. Government-wide and fund financial statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the City nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, franchise fees, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. Examples include fees charged for fines, city clerk fees, etc. The "grants and contributions" column includes amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. Examples include grants under the U.S. Department of Agriculture Rural Development Program. If a revenue is not a program revenue, it is a general revenue used to support all of the City's functions. Taxes are always general revenues.

Interfund activities between governmental funds [and between governmental funds and proprietary funds] appear as due to/due from on the Governmental Fund Balance Sheet [and Proprietary Fund Statement of Net Position] and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance [and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position]. All interfund transactions between governmental funds are eliminated on the government-wide statements. [Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers.] Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for City operations, they are not included in the government-wide statements. The City considers some governmental and enterprise funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, [as do the proprietary fund and fiduciary fund financial statements]. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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 imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the City to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

D. Fund accounting

The City reports the following major governmental funds:

1. **The General Fund** – The general fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

2. **Water Enterprise Funds** - The City's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund.

E. Other accounting policies

1. For purposes of the statement of cash flows for proprietary and similar fund-types, the City considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. The City reports inventories of supplies at weighted average cost including consumable maintenance, instructional, office, athletic, and transportation items. Supplies are recorded as expenditures when they are consumed.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expended in the period incurred.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

4. The City's policy does permits employees to accumulate unused vacation pay benefits. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements.
5. Capital assets, which include land, buildings, furniture and equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Asset:</u>	<u>Years</u>
Buildings	20-40
Building Improvements	20-40
Streets	20
Vehicles	5
Equipment	10
Technology Equipment	5

6. Governmental fund balances are classified into the following categories:

Non-spendable fund balances include amounts that are not in spendable form (i.e. inventory or prepaid items) or amounts that are required to be maintained intact legally or contractually (i.e. principal in an endowment fund)

Restricted fund balances include amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balances include amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Assigned fund balances are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

City policies concerning fund balances are as follows:

The City's Unassigned General Fund Balance will be maintained to provide the City with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The Unassigned General Fund Balance may only be appropriated by resolution of the City Council.

Fund Balance of the City may be committed for a specific source by formal action of the City Council. Amendments or modifications of the committed fund balance must also be approved by formal action of the City Council.

When it is appropriate for fund balance to be assigned, the City delegates authority to the mayor or mayor pro-tem.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

At June 30, 2020, none of the City's fund balances were committed or assigned.

7. When the City incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first unless unrestricted assets will have to be returned because they were not used.

II. Stewardship, compliance, and accountability

A. Budgetary data

The City Secretary submits an annual budget to the City Council in accordance with the City Charter. In June, the City Council adopts annual fiscal year budgets for specified City funds. Budgets for the general fund are adopted on a basis consistent with U.S. generally accepted accounting principles. The budget is properly amended throughout the year.

B. Excess of expenditures over appropriations by more than \$2,500

Category	Over Budget	Explanation
None.		

C. Deficit fund equity

None.

III. Detailed notes on all funds

A. Deposits and investments

City Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits - State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the City complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk - The City limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not investing in any foreign currency.

City Policies and Legal and Contractual Provisions Governing Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (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, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

As of June 30, 2020, the City had the following cash and cash equivalents.

Cash and Cash Equivalents	Fair Value	Investment Maturities			Rating
		Less than 1 Year	1-3 Years	3-10 Years	
FDIC insured deposits	\$ 178,616	\$ 178,616			N/A
Certificates of deposit	1,276	1,276			N/A
Petty cash	25	25			N/A
Total Cash and Cash Equivalents	<u>\$ 179,917</u>	<u>\$ 179,917</u>			

Additional policies and contractual provisions governing deposits and investments for the City are specified below:

Credit Risk - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the City limits investments in certificates of deposit or publicly funded investment pools to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2020, the City's investments in certificates of deposit and investment pools were rated A1 by Standard and Poor's.

Custodial Credit Risk for Investments - To limit the risk that, in the even of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the City requires counterparties to register the securities in the name of the City and hand them over to the City or its designated agent. This included securities in securities lending transactions. All of the securities are in the City's name and held by the City or its agent.

Concentration of Credit Risk - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the City limits investments to less than 5% of its total investments. The City further limits investments in a single issuer when they would cause investment risk to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%.