



ARMSTRONG BACKUS & CO., LLP

Certified Public Accountants



Financial Statements

For the Year Ended September 30, 2017

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CITY OF COLEMAN, TEXAS

Financial Statements

For the Year Ended September 30, 2017

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ARMSTRONG, BACKUS & CO., LLP
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the Business-Type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Coleman, Texas, as of and for the year ended September 30, 2017, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the Business-Type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Coleman, Texas, as of September 30, 2017, 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 required supplementary information 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Coleman, Texas' basic financial statements. The combining and individual fund statements and schedules, as presented in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Armstrong, Backus & Co., L.L.P.

San Angelo, Texas
February 6, 2019



Management's Discussion and Analysis

CITY OF COLEMAN, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Coleman, we offer readers of the City of Coleman, Texas' financial statements this narrative overview and analysis of the financial activities of the City of Coleman, Texas for the fiscal year ended September 30, 2017.

Financial Statement Highlights

- The assets and deferred outflows of resources of the City of Coleman exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$9,729,305 (*net position*). Of this amount, \$1,040,141 (*unrestricted*) may be used to meet the government's ongoing obligations to citizens; \$7,883,032 of the City's equity is invested in capital assets, net of related debt; and \$806,132 of the City's equity is restricted.
- The City's total assets decreased by \$1,312,226 during the 2017 fiscal year.
- The net position (*equity*) of the City decreased by \$96,673 during the 2017 fiscal year prior to the application of the prior period adjustment.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

The government-wide financial statements can be found on pages 16-17 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Coleman, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Coleman can be divided into two categories: governmental funds and proprietary funds.

Governmental funds

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

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

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

The governmental fund financial statements can be found on pages 18-21 of this report.

The City of Coleman adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget on page 53.

Proprietary Funds

When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the Business-Type activities reported in the government-wide statements, but it provides more detail and additional information, such as cash flows, for the proprietary funds. The proprietary fund financial statements can be found on pages 22-24 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-51 of this report.

Other Information

Other schedules in connection with the proprietary funds and the component units are presented immediately following the required supplementary information. These schedules can be found on pages 58-66 of this report. The component units also issue separate financial statements, which can be referred to for additional information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. In the case of the City of Coleman, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$9,729,305 at the close of the most recent fiscal year.

\$7,883,032 or 80.7% of the City of Coleman's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), net of related debt. The City of Coleman uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

A summary of the City's net position as of September 30, 2017 and September 30, 2016 is presented below:

Table I – Net Position

	Governmental Activities	
	2017	2016
ASSETS:		
Current and Other Assets	\$ 1,541,980	\$ 915,654
Capital Assets, Net	1,248,849	1,099,266
Total Assets	<u>\$ 2,790,829</u>	<u>\$ 2,014,920</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Outflows Related to Pension	\$ 487,927	\$ 630,562
Total Deferred Outflows of Resources	<u>\$ 487,927</u>	<u>\$ 630,562</u>
LIABILITIES:		
Current Liabilities	\$ 759,707	\$ 214,610
Noncurrent Liabilities	1,684,446	1,730,242
Total Liabilities	<u>\$ 2,444,153</u>	<u>\$ 1,944,852</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred Inflows Related to Pension	\$ 163,307	\$ 266,032
Total Deferred Inflows of Resources	<u>\$ 163,307</u>	<u>\$ 266,032</u>
NET POSITION:		
Net Investment in Capital Assets	\$ 963,033	\$ 855,094
Restricted	323,257	8,095
Unrestricted	(614,994)	(428,591)
Total Net Position	<u>\$ 671,296</u>	<u>\$ 434,598</u>

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	Business-Type Activities	
	2017	2016
ASSETS:		
Current and Other Assets	\$ 3,559,278	\$ 4,098,940
Capital Assets, Net	11,845,633	13,394,106
Total Assets	<u>\$ 15,404,911</u>	<u>\$ 17,493,046</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Outflows Related to Pension	\$ 424,945	\$ 544,106
Total Deferred Outflows of Resources	<u>\$ 424,945</u>	<u>\$ 544,106</u>
LIABILITIES:		
Current Liabilities	\$ 1,080,733	\$ 1,454,084
Noncurrent Liabilities	5,551,064	6,185,908
Total Liabilities	<u>\$ 6,631,797</u>	<u>\$ 7,639,992</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred Inflows Related to Pension	\$ 140,050	\$ 229,557
Total Deferred Inflows of Resources	<u>\$ 140,050</u>	<u>\$ 229,557</u>
NET POSITION:		
Net Investment in Capital Assets	\$ 6,919,999	\$ 6,731,199
Restricted	482,875	478,941
Unrestricted	1,655,135	2,957,463
Total Net Position	<u>\$ 9,058,009</u>	<u>\$ 10,167,603</u>

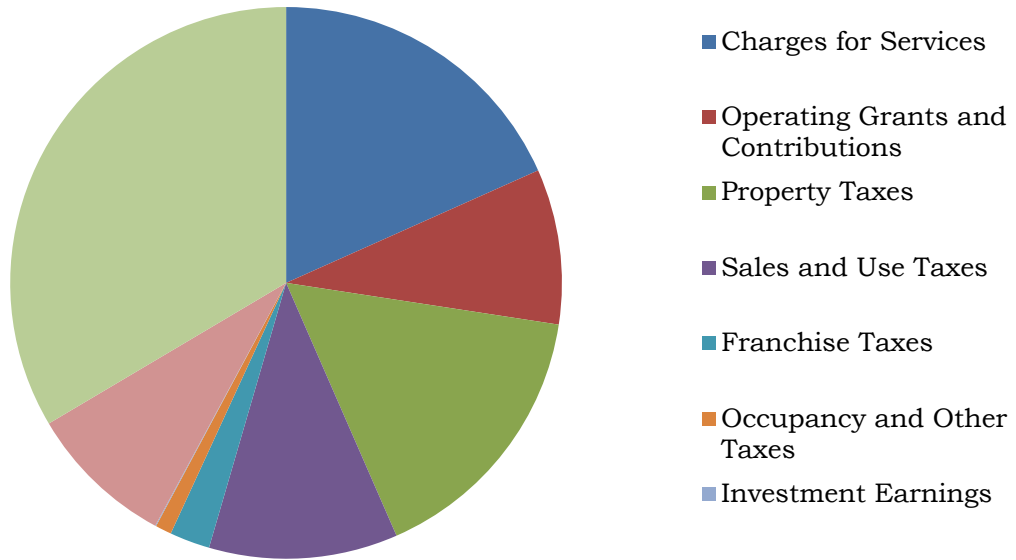
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Table II - Changes in Net Position

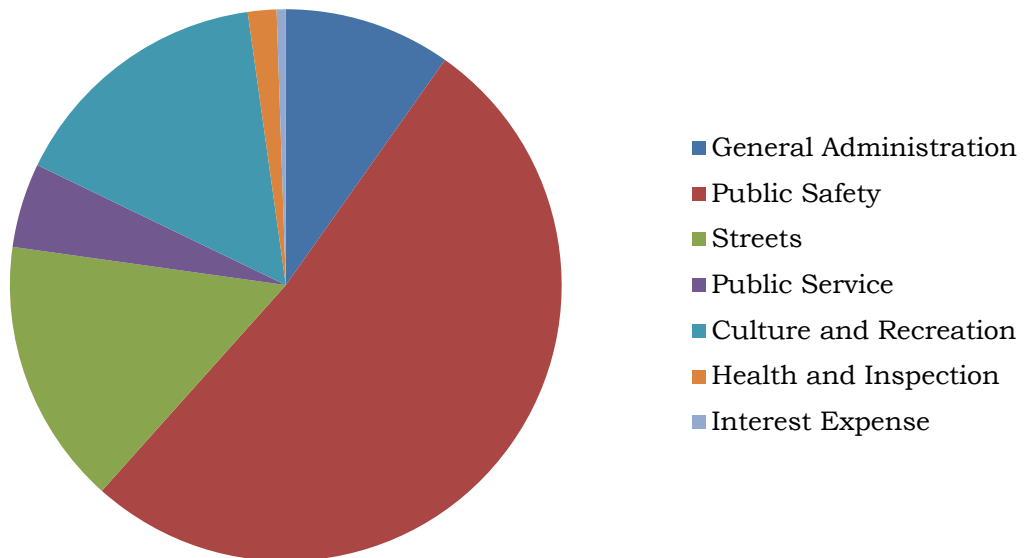
	Governmental Activities		Business-Type Activities	
	2017	2016	2017	2016
REVENUES				
Program Revenues:				
Charges for Services	\$ 690,487	\$ 277,807	\$ 9,025,883	\$ 8,870,613
Capital Grants and Contributions	-0-	-0-	249,186	34,925
Operating Grants and Contributions	347,948	27,431	-0-	-0-
General Revenues:				
Property Taxes	604,018	578,851	-0-	-0-
Sales and Use Taxes	417,016	412,667	-0-	-0-
Franchise Taxes	88,704	85,383	38,277	31,263
Occupancy Tax and Other Taxes	35,877	43,194	-0-	-0-
Investment Earnings	1,797	1,555	13,095	6,283
Miscellaneous Income	324,948	408,211	27,216	71,382
Transfers	1,263,204	1,448,717	(1,263,204)	(1,448,717)
Total Revenues	<u>\$ 3,773,999</u>	<u>\$ 3,283,816</u>	<u>\$ 8,090,453</u>	<u>\$ 7,475,749</u>
EXPENSES				
General Administration	\$ 334,625	\$ 295,859	\$ -0-	\$ -0-
Public Safety	1,742,832	1,488,155	-0-	-0-
Streets	524,926	519,371	-0-	-0-
Public Service	166,378	148,724	-0-	-0-
Culture and Recreation	525,586	356,721	-0-	-0-
Health and Inspection	56,304	9,655	-0-	-0-
Cemetery	-0-	160,015	-0-	-0-
Environmental	-0-	55,207	-0-	-0-
Utility	-0-	-0-	7,394,836	6,770,178
Municipal Airport	-0-	-0-	273,276	279,178
Sanitation	-0-	-0-	924,352	733,516
Interest	18,010	826	-0-	-0-
Other	-0-	-0-	-0-	-0-
Total Expenses	<u>\$ 3,368,661</u>	<u>\$ 2,942,654</u>	<u>\$ 8,592,464</u>	<u>\$ 7,783,340</u>
Change in Net Position	\$ 405,338	\$ 250,283	(\$ 502,011)	(\$ 307,591)
Beginning Net Position	434,598	184,315	10,167,603	10,518,749
Prior Period Adjustments	(168,640)	-0-	(607,583)	(43,555)
Ending Net Position	<u>\$ 671,296</u>	<u>\$ 434,598</u>	<u>\$ 9,058,009</u>	<u>\$ 10,167,603</u>

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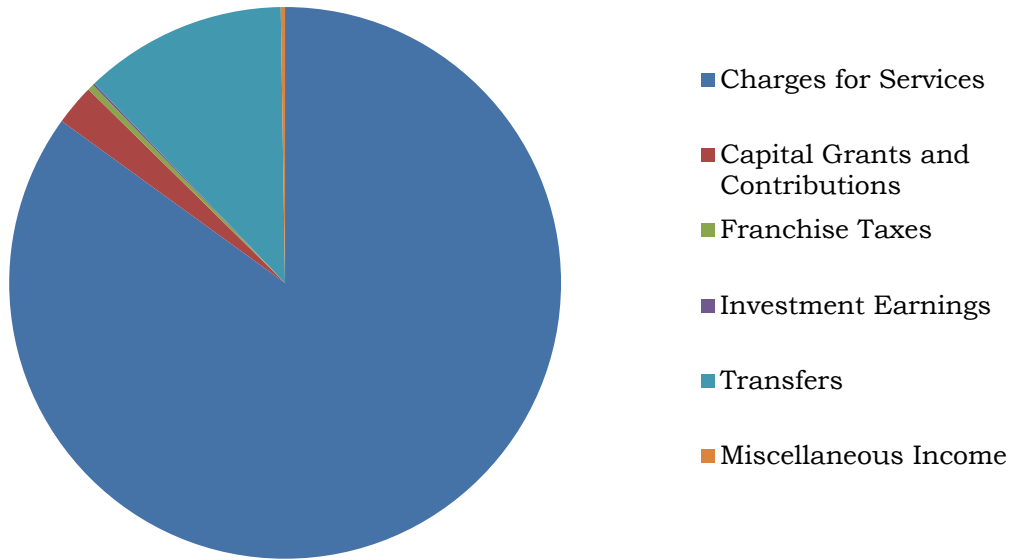
Revenues by Sources - Governmental Activities



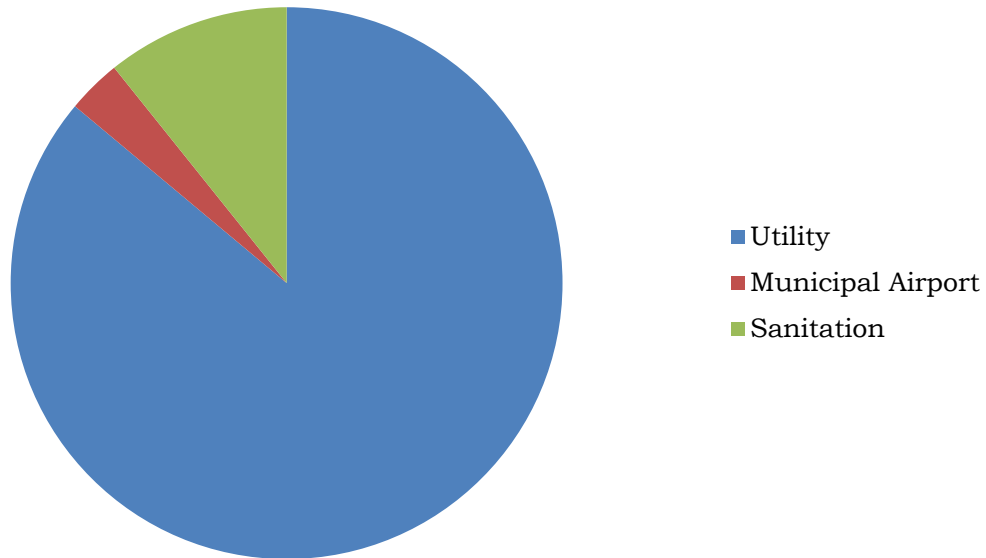
Expenses by Program - Governmental Activities



Revenues by Sources - Business-Type Activities



Expenses by Program - Business-Type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

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

Governmental funds

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

As of the end of the current fiscal year, the City of Coleman's governmental general fund, as presented in the balance sheet on page 18, reported an ending fund balance of \$754,645. Of that amount, \$437,491 is unassigned and available for general spending. This represents approximately 2.9 months of operating equity based on 2017 current expenditures. \$317,154 is restricted for debt service, public safety, asset acquisition, and tourism purposes.

The general fund is the chief operating fund of the City of Coleman. The total fund balance in the general fund increased by \$230,896 during the current fiscal year. The increase is primarily due to grants received during the fiscal year.

Proprietary Funds

The City of Coleman's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Total net position in the utility fund was \$6,651,919, a decrease of \$242,693. The decrease is primarily due to increases in operating expenses and transfers to the general fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, The City of Coleman had \$13,094,482 (net of accumulated depreciation) invested in a broad range of capital assets, including land, buildings, improvements, equipment and infrastructure.

City of Coleman's Capital Assets (Net of Depreciation)

	Governmental Activities	
	2017	2016
Land, Construction in Progress, and Water Rights	\$ 9,980	\$ 9,980
Infrastructure	2,951,870	2,951,870
Furniture and Equipment	2,998,887	2,817,604
Accumulated Depreciation	(4,711,888)	(4,695,333)
Total Governmental Activities	\$ 1,248,849	\$ 1,084,121
	Business-Type Activities	
	2017	2016
Land	\$ 317,161	\$ 317,161
Construction in Progress	1,768	46,399
Buildings	348,900	348,900
Infrastructure and Improvements	24,901,642	24,818,214
Machinery and Equipment	2,990,256	2,822,170
Accumulated Depreciation	(16,714,094)	(16,125,627)
Total Business-Type Activities	\$ 11,845,633	\$ 12,227,217

More detailed information on the City of Coleman's capital assets can be found in Note IV.D. to the basic financial statements.

Debt

The City of Coleman has long-term debt in the form of bonds and notes payable. At the year ended September 30, 2017, the City had \$5,181,147 in outstanding debt versus \$5,740,188 in the prior year.

As of September 30, 2017, the City had long-term liabilities as follows:

Governmental Activities:	
Notes Payable	\$ 285,816
Business-Type Activities:	
Notes Payable	\$ 60,331
Bonds Payable	\$ 4,835,000

Other obligations include accrued vacation leave. More detailed information on the City of Coleman's long-term debt can be found in Note IV.E. in the financial statements.

Future Economic Factors and Next Year's Budget

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

- The City of Coleman adopted a 2017 property tax rate effective for its 2017 fiscal year of .506922 per \$100 property valuation. This rate is lower than the prior year rate of .521260 per \$100 property valuation.
- The unemployment rate for the City of Coleman at the end of fiscal year 2017 was 4.40%, which is approximately the same as the state average of 4.20%.

These factors were considered in preparing the City of Coleman budget for fiscal year ended September 30, 2018.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Secretary, City of Coleman, 200 West Live Oak, Coleman, Texas 76834.

CITY OF COLEMAN, TEXAS

Statement of Net Position

As of September 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 411,798	\$ 1,130,488	\$ 1,542,286	\$ 693,184
Investments	-0-	1,774,002	1,774,002	175,932
Receivables:				
Taxes, Net	228,748	-0-	228,748	67,276
Accounts, Net	23,633	431,205	454,838	29,928
Other Receivables	-0-	45,727	45,727	18,978
Notes Receivable	-0-	-0-	-0-	144,762
Internal Balances	554,544	(554,544)	-0-	-0-
Prepaid Expenses	-0-	7,725	7,725	-0-
Restricted Assets:				
Cash and Cash Equivalents	171,609	520,493	692,102	-0-
Investments	151,648	-0-	151,648	-0-
Total Current Assets	<u>\$ 1,541,980</u>	<u>\$ 3,355,096</u>	<u>\$ 4,897,076</u>	<u>\$ 1,130,060</u>
Noncurrent Assets:				
Bond Discount	\$ -0-	\$ 204,182	\$ 204,182	\$ -0-
Capital Assets:				
Land, Construction in Progress, and Water Rights	\$ 9,980	\$ 318,929	\$ 328,909	\$ 220,931
Buildings, Improvements, Infrastructure, and Machinery and Equipment, Net	1,238,869	11,526,704	12,765,573	269,793
Net Capital Assets	<u>\$ 1,248,849</u>	<u>\$ 11,845,633</u>	<u>\$ 13,094,482</u>	<u>\$ 490,724</u>
Total Noncurrent Assets	<u>\$ 1,248,849</u>	<u>\$ 12,049,815</u>	<u>\$ 13,298,664</u>	<u>\$ 490,724</u>
Total Assets	<u><u>\$ 2,790,829</u></u>	<u><u>\$ 15,404,911</u></u>	<u><u>\$ 18,195,740</u></u>	<u><u>\$ 1,620,784</u></u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Amounts Related to Pension	\$ 487,927	\$ 424,945	\$ 912,872	\$ -0-
Total Deferred Outflows of Resources	<u>\$ 487,927</u>	<u>\$ 424,945</u>	<u>\$ 912,872</u>	<u>\$ -0-</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 663,748	\$ 39,684	\$ 703,432	\$ 54,176
Accrued Payroll and Related Taxes	49,788	41,815	91,603	7,990
Other Liabilities	-0-	35,274	35,274	-0-
Deposits	-0-	341,113	341,113	-0-
Noncurrent Liabilities Due Within One Year	46,171	622,847	669,018	-0-
Total Current Liabilities	<u>\$ 759,707</u>	<u>\$ 1,080,733</u>	<u>\$ 1,840,440</u>	<u>\$ 62,166</u>
Noncurrent Liabilities:				
Noncurrent Liabilities Due After One Year	\$ 292,582	\$ 4,344,706	\$ 4,637,288	\$ -0-
Net Pension Liability	1,391,864	1,206,358	2,598,222	-0-
Total Noncurrent Liabilities	<u>\$ 1,684,446</u>	<u>\$ 5,551,064</u>	<u>\$ 7,235,510</u>	<u>\$ -0-</u>
Total Liabilities	<u><u>\$ 2,444,153</u></u>	<u><u>\$ 6,631,797</u></u>	<u><u>\$ 9,075,950</u></u>	<u><u>\$ 62,166</u></u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Amounts Related to Pension	\$ 163,307	\$ 140,050	\$ 303,357	\$ -0-
Total Deferred Inflows of Resources	<u>\$ 163,307</u>	<u>\$ 140,050</u>	<u>\$ 303,357</u>	<u>\$ -0-</u>
NET POSITION				
Net Investment in Capital Assets	\$ 963,033	\$ 6,878,080	\$ 7,841,113	\$ 490,724
Restricted	323,257	482,875	806,132	-0-
Unrestricted	(614,994)	1,697,054	1,082,060	1,067,894
Total Net Position	<u><u>\$ 671,296</u></u>	<u><u>\$ 9,058,009</u></u>	<u><u>\$ 9,729,305</u></u>	<u><u>\$ 1,558,618</u></u>

The accompanying notes are an integral part of these statements.

CITY OF COLEMAN, TEXAS

Statement of Activities

For the Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
PRIMARY GOVERNMENT								
Government Activities:								
General Administration	\$ 334,625	\$ 505,578	\$ 5,000	\$ -0-	\$ 175,953	\$ -0-	\$ 175,953	
Public Safety	1,742,832	74,206	329,550	-0-	(1,339,076)	-0-	(1,339,076)	
Public Service	166,378	-0-	-0-	-0-	(166,378)	-0-	(166,378)	
Culture and Recreation	525,586	14,343	5,311	-0-	(505,932)	-0-	(505,932)	
Health and Inspection	56,304	-0-	-0-	-0-	(56,304)	-0-	(56,304)	
Cemetery	-0-	64,970	-0-	-0-	64,970	-0-	64,970	
Streets	524,926	31,390	8,087	-0-	(485,449)	-0-	(485,449)	
Interest and Fiscal Charges	18,010	-0-	-0-	-0-	(18,010)	-0-	(18,010)	
Total Governmental Activities	\$ 3,368,661	\$ 690,487	\$ 347,948	\$ -0-	(\$ 2,330,226)	\$ -0-	(\$ 2,330,226)	
Business-Type Activities:								
Utility	\$ 7,394,836	\$ 8,071,681	\$ -0-	\$ 223,561	\$ -0-	\$ 900,406	\$ 900,406	
Municipal Airport	273,276	83,992	-0-	25,625	-0-	(163,659)	(163,659)	
Sanitation	924,352	870,210	-0-	-0-	-0-	(54,142)	(54,142)	
Total Business-Type Activities	\$ 8,592,464	\$ 9,025,883	\$ -0-	\$ 249,186	\$ -0-	\$ 682,605	\$ 682,605	
Total Primary Government	\$ 11,961,125	\$ 9,716,370	\$ 347,948	\$ 249,186	(\$ 2,330,226)	\$ 682,605	(\$ 1,647,621)	
COMPONENT UNITS								
Coleman Economic Development Corp.	\$ 157,910	\$ 14,100	\$ -0-	\$ -0-				(\$ 143,810)
Coleman Community Coalition	206,368	-0-	-0-	-0-				(206,368)
Coleman County Senior Center	125,847	7,875	116,512	-0-				(1,460)
Total Component Units	\$ 490,125	\$ 21,975	\$ 116,512	\$ -0-				(\$ 351,638)
General Revenue								
Taxes:								
Property Taxes					\$ 604,018	\$ -0-	\$ 604,018	\$ -0-
Sales and Use Taxes					417,016	-0-	417,016	417,168
Franchise Taxes					88,704	38,277	126,981	-0-
Hotel/Motel and Other Taxes					35,877	-0-	35,877	-0-
Unrestricted Investment Earnings					1,797	13,095	14,892	1,576
Miscellaneous Income					324,948	27,216	352,164	68,681
Transfers					1,263,204	(1,263,204)	-0-	-0-
Total General Revenue and Transfers					\$ 2,735,564	(\$ 1,184,616)	\$ 1,550,948	\$ 487,425
Change in Net Position					\$ 405,338	(\$ 502,011)	(\$ 96,673)	\$ 135,787
Net Position - Beginning					434,598	10,167,603	10,602,201	1,424,257
Restatement of Beginning Net Position					(168,640)	(607,583)	(776,223)	(1,426)
Net Position - Ending					\$ 671,296	\$ 9,058,009	\$ 9,729,305	\$ 1,558,618

The accompanying notes are an integral part of these statements.

CITY OF COLEMAN, TEXAS

Balance Sheet - Governmental Funds

As of September 30, 2017

	General Fund	Other Governmental Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Cash Equivalents	\$ 411,798	\$ -0-	\$ 411,798
Receivables:			
Accounts, Net	23,633	-0-	23,633
Property Tax, Net	78,255	-0-	78,255
Sales Tax	133,457	-0-	133,457
Franchise Tax	17,036	-0-	17,036
Due from Other Funds	562,314	-0-	562,314
Restricted Assets			
Cash and Cash Equivalents	165,506	6,103	171,609
Investments	151,648	-0-	151,648
Total Assets	<u>\$ 1,543,647</u>	<u>\$ 6,103</u>	<u>\$ 1,549,750</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 713,536	\$ -0-	\$ 713,536
Due to Other Funds	7,770	-0-	7,770
Total Liabilities	<u>\$ 721,306</u>	<u>\$ -0-</u>	<u>\$ 721,306</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	\$ 67,696	\$ -0-	\$ 67,696
Total Deferred Inflows of Resources	<u>\$ 67,696</u>	<u>\$ -0-</u>	<u>\$ 67,696</u>
FUND BALANCE			
Restricted	\$ 317,154	\$ 6,103	\$ 323,257
Unassigned	437,491	-0-	437,491
Total Fund Balance	<u>\$ 754,645</u>	<u>\$ 6,103</u>	<u>\$ 760,748</u>

The accompanying notes are an integral part of these statements.

CITY OF COLEMAN, TEXAS

Balance Sheet - Governmental Funds

As of September 30, 2017

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION**

Total Fund Balance - Governmental Funds	\$	760,748
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in governmental funds, net of accumulated depreciation of \$4,711,888		1,248,849
Certain other deferred outflows are not available in the current period, and therefore, are deferred in the funds		67,696
Certain long-term liabilities are not due and payable from current financial resources, and therefore, are not reported in the funds:		
Notes Payable	(	285,816)
Accrued Compensated Absences	(	52,937)
Net Pension Liability (and Related Deferrals)	(	1,067,244)
Net Position of Governmental Activities	\$	<u>671,296</u>

The accompanying notes are an integral part of these statements.

CITY OF COLEMAN, TEXAS

**Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Funds**

For the Year Ended September 30, 2017

	General Fund	Other Governmental Fund	Total Governmental Funds
REVENUES			
Taxes:			
Property Tax	\$ 593,076	\$ -0-	\$ 593,076
Sales Tax	417,016	-0-	417,016
Franchise Tax	88,704	-0-	88,704
Occupancy Tax	31,710	-0-	31,710
Alcohol Beverage Tax	4,167	-0-	4,167
Licenses and Permits	11,930	-0-	11,930
Intergovernmental	346,052	1,896	347,948
Fines and Forfeitures	152,496	-0-	152,496
Investment Income	1,794	3	1,797
General Service Fees	241,147	-0-	241,147
Internal Franchise Fees	246,039	-0-	246,039
Rental Revenue	101,167	-0-	101,167
Charges for Services	203,301	-0-	203,301
Gifts and Contributions	1,297	-0-	1,297
Miscellaneous Income	58,058	-0-	58,058
Total Revenue	<u>\$ 2,497,954</u>	<u>\$ 1,899</u>	<u>\$ 2,499,853</u>
EXPENDITURES			
Current:			
General Government	\$ 316,980	\$ -0-	\$ 316,980
Public Safety	1,918,930	66	1,918,996
Public Service	171,983	-0-	171,983
Cultural and Recreation	511,983	-0-	511,983
Health and Inspection	56,814	-0-	56,814
Streets	392,769	-0-	392,769
Total Current Expenditures	<u>\$ 3,369,459</u>	<u>\$ 66</u>	<u>\$ 3,369,525</u>
Capital Outlay	101,375	-0-	101,375
Debt Service:			
Principal	46,489	-0-	46,489
Interest and Fiscal Charges	12,939	-0-	12,939
Total Expenditures	<u>\$ 3,530,262</u>	<u>\$ 66</u>	<u>\$ 3,530,328</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	<u>(\$ 1,032,308)</u>	<u>\$ 1,833</u>	<u>(\$ 1,030,475)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ 1,263,204	\$ -0-	\$ 1,263,204
Total Other Financing Sources (Uses)	<u>\$ 1,263,204</u>	<u>\$ -0-</u>	<u>\$ 1,263,204</u>
Net Change in Fund Balance	\$ 230,896	\$ 1,833	\$ 232,729
Fund Balance - Beginning	678,162	3,352	681,514
Restatement of Beginning Fund Balance	(154,413)	918	(153,495)
Fund Balance - Ending	<u>\$ 754,645</u>	<u>\$ 6,103</u>	<u>\$ 760,748</u>

The accompanying notes are an integral part of these statements.

CITY OF COLEMAN, TEXAS

**Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Funds**

For the Year Ended September 30, 2017

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Net Change in Fund Balances - Governmental Funds	\$	232,729
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital Asset Purchases		349,375
Depreciation Expenses	(	178,961)
Capital Asset Disposals	(	88,749)
Other noncurrent assets are not available to pay for current year activities and are deferred in the governmental funds but are current year income		
		10,942
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces noncurrent liabilities in the Statement of Net Position:		
Note Payable		41,418
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and these are not reported as expenditures in the governmental funds:		
Compensated Absences		9,656
Net Pension Liability and Deferrals		28,928
		<hr/>
Change in Net Position of Governmental Activities	\$	<u>405,338</u>

The accompanying notes are an integral part of these statements.

CITY OF COLEMAN, TEXAS

Statement of Net Position - Proprietary Funds

As of September 30, 2017

	Business-Type Activities - Enterprise Funds			
	Utility	Municipal	Sanitation	Total
	Fund	Airport Fund	Fund	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 1,056,564	\$ 73,924	\$ -0-	\$ 1,130,488
Investments	1,774,002	-0-	-0-	1,774,002
Receivables:				
Accounts, Net	395,373	-0-	35,832	431,205
Other Receivables	45,489	238	-0-	45,727
Due from Other Funds	7,770	-0-	26,618	34,388
Prepaid Expenses	7,725	-0-	-0-	7,725
Restricted Cash and Cash Equivalents	480,034	-0-	40,459	520,493
Total Current Assets	<u>\$ 3,766,957</u>	<u>\$ 74,162</u>	<u>\$ 102,909</u>	<u>\$ 3,944,028</u>
Noncurrent Assets:				
Bond Discount	\$ 204,182	\$ -0-	\$ -0-	\$ 204,182
Capital Assets:				
Land	317,161	-0-	-0-	317,161
Construction in Progress	1,768	-0-	-0-	1,768
Buildings	348,900	-0-	-0-	348,900
Infrastructure and Improvements	23,684,465	981,422	235,755	24,901,642
Machinery and Equipment	189,244	2,801,012	-0-	2,990,256
Less: Accumulated Depreciation	(15,156,507)	(1,365,616)	(191,971)	(16,714,094)
Net Capital Assets	<u>\$ 9,385,031</u>	<u>\$ 2,416,818</u>	<u>\$ 43,784</u>	<u>\$ 11,845,633</u>
Total Noncurrent Assets	<u>\$ 9,589,213</u>	<u>\$ 2,416,818</u>	<u>\$ 43,784</u>	<u>\$ 12,049,815</u>
Total Assets	<u>\$ 13,356,170</u>	<u>\$ 2,490,980</u>	<u>\$ 146,693</u>	<u>\$ 15,993,843</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Amounts Related to Pension	\$ 424,945	\$ -0-	\$ -0-	\$ 424,945
Total Deferred Outflows of Resources	<u>\$ 424,945</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 424,945</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ -0-	\$ 45	\$ 39,639	\$ 39,684
Due to Other Funds	470,549	2,395	115,988	588,932
Accrued Payroll and Related Taxes	40,717	-0-	1,098	41,815
Other Liabilities	35,274	-0-	-0-	35,274
Deposits	341,113	-0-	-0-	341,113
Noncurrent Liabilities Due Within One Year	614,207	-0-	4,444	618,651
Total Current Liabilities	<u>\$ 1,501,860</u>	<u>\$ 2,440</u>	<u>\$ 161,169</u>	<u>\$ 1,665,469</u>
Noncurrent Liabilities:				
Noncurrent Liabilities Due After One Year	\$ 4,280,928	\$ -0-	\$ 67,974	4,348,902
Net Pension Liability	1,206,358	-0-	-0-	1,206,358
Total Noncurrent Liabilities	<u>\$ 5,487,286</u>	<u>\$ -0-</u>	<u>\$ 67,974</u>	<u>\$ 5,555,260</u>
Total Liabilities	<u>\$ 6,989,146</u>	<u>\$ 2,440</u>	<u>\$ 229,143</u>	<u>\$ 7,220,729</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Amounts Related to Pension	\$ 140,050	\$ -0-	\$ -0-	\$ 140,050
Total Deferred Inflows of Resources	<u>\$ 140,050</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 140,050</u>
NET POSITION				
Net Investment in Capital Assets	\$ 4,489,896	\$ 2,416,818	(\$ 28,634)	\$ 6,878,080
Restricted	442,416	-0-	40,459	482,875
Unrestricted	1,719,607	71,722	(94,275)	1,697,054
Total Net Position	<u>\$ 6,651,919</u>	<u>\$ 2,488,540</u>	<u>(\$ 82,450)</u>	<u>\$ 9,058,009</u>

The accompanying notes are an integral part of these statements.

CITY OF COLEMAN, TEXAS

**Statement of Revenues, Expenses, and Changes in Fund Net Position -
Proprietary Funds**

For the Year Ended September 30, 2017

	Business-Type Activities - Enterprise Funds			
	Utility Fund	Municipal Airport Fund	Sanitation Fund	Total
OPERATING REVENUES				
Water Sales	\$ 1,491,438	\$ -0-	\$ -0-	\$ 1,491,438
Sewer Charges	645,660	-0-	-0-	645,660
Electric Sales	5,721,089	-0-	-0-	5,721,089
Sanitation Charges	-0-	-0-	834,792	834,792
Gas and Oil Sales	-0-	68,408	-0-	68,408
Utilities Transfer Fee	24,245	-0-	-0-	24,245
Franchise Fee	-0-	-0-	38,277	38,277
Penalties on Utility Service	89,645	-0-	-0-	89,645
Rental Income	-0-	15,535	-0-	15,535
Other Income	99,604	49	35,418	135,071
Total Operating Revenue	<u>\$ 8,071,681</u>	<u>\$ 83,992</u>	<u>\$ 908,487</u>	<u>\$ 9,064,160</u>
OPERATING EXPENSES				
Cost of Sales and Service	\$ 4,752,473	\$ 101,338	\$ 867,295	\$ 5,721,106
Administrative	2,095,299	23,750	49,857	2,168,906
Depreciation	516,604	148,188	7,200	671,992
Total Operating Expenses	<u>\$ 7,364,376</u>	<u>\$ 273,276</u>	<u>\$ 924,352</u>	<u>\$ 8,562,004</u>
Operating Income (Loss)	<u>\$ 707,305</u>	<u>(\$ 189,284)</u>	<u>(\$ 15,865)</u>	<u>\$ 502,156</u>
NONOPERATING REVENUES (EXPENSES)				
Interest Income	\$ 12,978	\$ 32	\$ 85	\$ 13,095
Interest Expense and Fiscal Agent Fees	(30,460)	-0-	-0-	(30,460)
Gain of Sale of Capital Assets	14,116	-0-	-0-	14,116
Insurance Proceeds	10,475	2,625	-0-	13,100
Total Nonoperating Revenues (Expenses)	<u>\$ 7,109</u>	<u>\$ 2,657</u>	<u>\$ 85</u>	<u>\$ 9,851</u>
Income (Loss) Before Contributions and Transfers	<u>\$ 714,414</u>	<u>(\$ 186,627)</u>	<u>(\$ 15,780)</u>	<u>\$ 512,007</u>
CONTRIBUTIONS AND TRANSFERS				
Transfers In	\$ 297,735	\$ 15,701	\$ -0-	\$ 313,436
Transfers Out	(1,478,403)	-0-	(98,237)	(1,576,640)
Grant Income	223,561	25,625	-0-	249,186
Total Contributions and Transfers	<u>(\$ 957,107)</u>	<u>\$ 41,326</u>	<u>(\$ 98,237)</u>	<u>(\$ 1,014,018)</u>
Change in Net Position	<u>(\$ 242,693)</u>	<u>(\$ 145,301)</u>	<u>(\$ 114,017)</u>	<u>(\$ 502,011)</u>
Net Position - Beginning	7,411,533	2,570,313	185,757	10,167,603
Restatement of Beginning Net Position	(516,921)	63,528	(154,190)	(607,583)
Net Position - Ending	<u>\$ 6,651,919</u>	<u>\$ 2,488,540</u>	<u>(\$ 82,450)</u>	<u>\$ 9,058,009</u>

The accompanying notes are an integral part of these statements.

CITY OF COLEMAN, TEXAS

Statement of Cash Flows - Proprietary Funds

For the Year Ended September 30, 2017

	Business-Type Activities - Enterprise Funds			
	Utility Fund	Municipal		Total
		Airport Fund	Sanitation Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 8,067,890	\$ 83,896	\$ 904,186	\$ 9,055,972
Cash Paid to Suppliers for Goods and Services	(4,741,880)	(115,318)	(825,358)	(5,682,556)
Cash Paid for Employees Salaries Benefits	(2,399,303)	(9,725)	(51,414)	(2,460,442)
Net Cash Provided (Used) by Operating Activities	<u>\$ 926,707</u>	<u>(\$ 41,147)</u>	<u>\$ 27,414</u>	<u>\$ 912,974</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers In	\$ 297,735	\$ 15,701	\$ -0-	\$ 313,436
Transfers Out	(1,478,403)	-0-	(98,237)	(1,576,640)
Short-term Interfund Loans Received	470,280	-0-	(113,364)	356,916
Short-term Interfund Loans Paid	(7,770)	5,707	92,339	90,276
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(\$ 718,158)</u>	<u>\$ 21,408</u>	<u>(\$ 119,262)</u>	<u>(\$ 816,012)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal Paid on Debt	(\$ 596,618)	\$ -0-	(\$ 4,067)	(\$ 600,685)
Interest Paid on Debt	(38,185)	-0-	-0-	(38,185)
Insurance Proceeds Received	10,475	2,625	-0-	13,100
Acquisition and Construction of Capital Assets	(245,499)	(45,466)	555	(290,410)
Proceeds from Sale of Assets	14,116	-0-	-0-	14,116
Capital Grants Received	189,566	25,625	-0-	215,191
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(\$ 666,145)</u>	<u>(\$ 17,216)</u>	<u>(\$ 3,512)</u>	<u>(\$ 686,873)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received on Investments	\$ 12,978	\$ 32	\$ 85	\$ 13,095
Purchase of Investments	(11,551)	-0-	-0-	(11,551)
Net Cash Provided (Used) by Investing Activities	<u>\$ 1,427</u>	<u>\$ 32</u>	<u>\$ 85</u>	<u>\$ 1,544</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(\$ 456,169)</u>	<u>(\$ 36,923)</u>	<u>(\$ 95,275)</u>	<u>(\$ 588,367)</u>
Cash and Cash Equivalents - Beginning	1,992,767	110,847	135,734	2,239,348
Cash and Cash Equivalents - Ending	<u>\$ 1,536,598</u>	<u>\$ 73,924</u>	<u>\$ 40,459</u>	<u>\$ 1,650,981</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 707,305	(\$ 189,284)	(\$ 15,865)	\$ 502,156
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	525,885	148,188	7,200	681,273
In-kind Grant Expense	33,997	-0-	-0-	33,997
(Increase) Decrease in Accounts Receivable	3,416	-0-	(4,301)	(885)
(Increase) Decrease in Other Receivable	96,636	(96)	-0-	96,540
Increase (Decrease) in Accounts Payable	(303,491)	45	39,639	(263,807)
Increase (Decrease) in Other Liabilities	(8,515)	-0-	741	(7,774)
Increase (Decrease) in Payroll Accruals	(270)	-0-	-0-	(270)
Increase (Decrease) in Pension Liability	(143,574)	-0-	-0-	(143,574)
Increase (Decrease) in Customer Deposits	15,318	-0-	-0-	15,318
Net Cash Provided (Used) by Operating Activities	<u>\$ 926,707</u>	<u>(\$ 41,147)</u>	<u>\$ 27,414</u>	<u>\$ 912,974</u>
Cash and Cash Equivalents on Statement of Net Position:				
Current Assets	\$ 1,056,564	\$ 73,924	\$ -0-	\$ 1,130,488
Restricted Assets	480,034	-0-	40,459	520,493
	<u>\$ 1,536,598</u>	<u>\$ 73,924</u>	<u>\$ 40,459</u>	<u>\$ 1,650,981</u>

The accompanying notes are an integral part of these statements.

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Coleman, Texas (City) is a municipal corporation governed by an elected mayor and four-member council. The City provides services as authorized in its charter: public safety (police, fire, dispatch), public service (animal control, municipal court, health, and sanitation), cultural and recreation (library, park, City pool), health and inspection, cemetery, and highways and streets, water, sewer, solid waste, electric, and general administrative services. The accompanying financial statements present the government and its component units, entities for which the government is financially accountable. The discretely presented component units are reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that they are legally separate from the government.

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

I.A. Financial Reporting Entity

The City's financial reporting entity comprises the following:

Primary Government:	City of Coleman, Texas
Discretely Presented Component Units:	Coleman Economic Development Corporation Coleman Community Coalition Type B Economic Development Corporation Coleman County Senior Center

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement 14, *The Financial Reporting Entity*, as amended by Statement No. 61 and includes all component units of which the City is fiscally accountable.

Blended Component Units

Blended component units are separate legal entities that meet the GASB Statement No. 14 (as amended by Statement No. 61) component unit criteria and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely, or almost entirely, to the City. The City has no blended component units for the year ended September 30, 2017.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the GASB Statement No. 14 (as amended by Statement No. 61) component unit criteria but do not meet the criteria for blending. The City has three component units that are discretely presented in the City's report as presented below. The component units' rows and columns in the government-wide financial statements include the financial data of the City's component units. It is reported in separate rows and columns to emphasize that they are legally separate from the City. The mayor and the City Council appoint the governing boards of directors.

The Coleman Community Coalition Type B Economic Development Corporation (the Coalition) is a non-profit corporation established and governed by the Texas Development Corporation Act of 1979, as amended, Chapter 505 of the Local Government Code. The purpose of the Coalition is to promote economic development within the City of Coleman (City), to promote and encourage employment and the public welfare of, for, and on behalf of the City, to develop projects allowed under Chapter 505 of the Act including without limitation new and existing industrial and manufacturing concerns, parks,

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2017

auditoriums, open space improvements, athletic and exhibition facilities, and other related improvements, and for maintenance and operating cost of the publicly owned and operated projects by developing, implementing, providing and financing projects under the Act. These activities are funded by sales tax collected within the City limits of the City of Coleman. During the year, the Coalition was governed by a seven-member board of directors who were appointed by the City Council.

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

The Coleman County Senior Center (Center) is a non-profit organization. The purpose of the Center is to aid and support services and activities needed for maintaining the dignity of life and the independence of its older citizens. The Center negotiates for resources available through the West Central Texas Council of Governments Aging Department to impact older citizens of Coleman County. During the year, the Center was governed by a seven-member board of directors. One of the directors is elected by the City Council of the City of Coleman, and one director is elected by the Coleman County Commissioners Court.

The City has oversight responsibility for the Coleman Economic Development Corporation, the Coleman Community Coalition Type B Economic Development Corporation, and the Coleman County Senior Center. The discretely presented component units publish separately issued financial statements.

I.B. Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (i.e. the statement of net position and statement of changes in net position) report information on all nonfiduciary activities of the primary government. Eliminations have been made to minimize the double reporting of transactions involving internal activities. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, and other non-exchange revenues, are reported separately from *Business-Type activities*, which rely mostly on fees and charges for support.

The statement of activities reports the direct expenses of a given function offset by program revenues directly related to the function program. A function is an aggregation of similar activities and may include portions of a fund or summarize more than one fund to capture expenses and program revenues associated with a distinct functional activity. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: (a) charges to customers such as fines and forfeitures, fees for licenses, permits, and other user charges; (b) operating grants and contributions that are restricted to meeting the annual operating requirements of a particular function or segment; and (c) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2017

resources, fund equity, revenues, and expenditures/expenses. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Fiduciary funds are not included in the government-wide financial statements. An emphasis of the fund financial statements is placed on major governmental and enterprise funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements with composite columns for the aggregated remaining non-major funds. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a) Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b) Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c) A fund not meeting the criteria of (a) and (b), however management has elected to report the fund as a major fund due to its significance to users of the financial statements.

All remaining governmental and enterprise funds not meeting the above criteria are aggregated and reported as nonmajor funds.

I.C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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

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

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

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2017

The City reports the following major governmental fund:

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

The City also reports the following nonmajor governmental fund type and fund:

Special revenue funds account for specific revenues that are legally restricted, or designated by management, to expenditures for particular purposes. The City's nonmajor special revenue funds include:

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

Proprietary funds include both enterprise funds and internal service funds. *Enterprise funds* account for business-like activities provided to the general public. *Internal service funds* are used to account for business-like activities provided and charged to other funds or entities within the reporting entity. The City has no internal service funds.

The City reports the following major enterprise funds:

- The *utility fund* accounts for the operation of the water distribution system, the sewer, and electric services for the City.
- The *municipal airport fund* accounts for the revenues and expenses associated with the operations of the City owned airport.
- The *sanitation fund* accounts for the revenues and expenses associated with the operations of the City's sanitation department.

Proprietary funds report *operating* revenues and expenses and *non-operating* revenues and expenses separately. Operating revenues and expenses generally result from sales and services in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are reported as non-operating. Principal operating revenues include charges to customers for sales, services, and rentals. Other operating revenues include charges for paving cuts, taps, and connections intended to recover the cost of connecting new customers to the water and sewer systems. Operating expenses for enterprise funds include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

I.D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity

Cash and Cash Equivalents

For purposes of the financial reporting, "cash and cash equivalents" include all cash on hand, demand deposits, and short-term investments with original maturity of three months or less when acquired.

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2017

Investments

Investments are reported at fair value. Year to year changes in the fair value of investments are shown as an adjustment to investment income.

Receivables and Payables

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

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

No significant receivables are scheduled for collection beyond one year.

The City's property taxes are levied by October 1st on the assessed value listed as of the prior January 1st for all 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 1st of the year following the year in which imposed. On January 1st of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Prepaid Items

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

Restricted Assets

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

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

Capital Assets

The accounting treatment of property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund type or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

In the government-wide financial statements, property, plant, and equipment are accounted for as capital assets. The City's policy is to capitalize and depreciate all capital assets with an initial, individual cost of \$5,000 or more and an estimated life in excess of two years. Normal maintenance and repair costs that do not add to the asset values or materially extend the useful lives are not capitalized. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their acquisition value at the date of donation. Infrastructure capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems, water systems, sewer systems and airport paving are capitalized and depreciated.

Depreciation of all exhaustible capital assets is recorded as an operating expense in proprietary fund financial statements and as an allocated expense in the statement of activities, with accumulated

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2017

depreciation reflected in the statement of net position. Depreciation in the government-wide statements and the proprietary funds statements is provided using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

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

When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

In the governmental fund financial statements, capital assets are accounted for as capital outlay expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred amount related to pensions, which is reported in the government-wide statement of net position and the proprietary fund statement.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has two types of items that qualify for reporting in this category. The first item arises only under a modified accrual basis of accounting. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from the source of property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item, the *deferred amount related to pensions*, is reported in the government-wide statement of net position and the proprietary fund statement.

Compensated Absences

The City's Personnel Policy permits full time, permanent employees to accumulate a limited amount of earned but unused vacation leave which will be paid to employees upon separation from the City's service. Amounts of accumulated vacation leave are recognized as a liability of governmental activities in the statement of net position. An expenditure is reported when accumulated leave is paid to the employee. Accumulated vacation leave of proprietary funds is recorded as an expense and a liability of those funds as the benefits accrue to employees.

Long-term Obligations

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

In the fund financial statements, governmental fund types recognize 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.

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2017

Pensions

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

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Equity

In the government-wide and proprietary fund financial statements, equity is classified as net position and is displayed in three components:

- Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and is reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted Net Position – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – All other net position that does not meet the definition of “Restricted” or “Net Investment in Capital Assets.”

In the government-wide financial statements and the proprietary funds financial statements, restrictions of net position are reported for amounts legally or contractually segregated for specific future uses.

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

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form, such as inventory or prepaid items or because resources are legally or contractually required to be maintained intact.

Restricted fund balances are the portion of fund balance that have externally enforceable limitation on their usage through legislation or limitations imposed by creditors (such as through a debt covenant), grantors, laws or regulations of other governments, or enabling legislation.

Committed fund balances are self-imposed limitations by the highest level of decision-making authority, namely the City Council prior to the end of the reporting period through ordinance. City Council approval is required to commit resources or rescind the commitment. There was no committed fund balance at September 30, 2017.

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2017

Assigned fund balance are limitations imposed by management based on the intended use of the funds. Assignments of fund balance may be made by City Council action or management decision when the Council has delegated this responsibility to management. Assignments for transfers and interest income for governmental funds are made through the budgetary process. The constraints can also be modified or rescinded by the same action that limited the funds. The City Council has not designated anyone with authority to assign assets.

Unassigned fund balances represent the residual net resources in excess of the other classifications. The General Fund is the only fund that can report a positive unassigned fund balance while the other governmental funds should report a negative unassigned fund balance, if necessary.

When both restricted and unrestricted resources are available for specified expenditures, restricted resources are considered spent before unrestricted resources. Within unrestricted resources, committed would be considered spent first (if available), followed by assigned (if available) and then unassigned, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

I.E. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Government-wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

- Internal balances – Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the Governmental and Business-Type Activities columns of the statement of net position, except for the net residual amounts due between Governmental and Business-Type Activities, which are reported as internal balances.

Fund Financial Statements

Interfund activity, if any, within and among the governmental, proprietary fund, and fiduciary categories is reported as follows in the fund financial statements:

- Interfund Loans – Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
- Interfund Services – Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
- Interfund Transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

I.F. Revenues, Expenditures, and Expenses

Property Tax Revenues

The City recognizes as tax revenues those taxes that are measurable and available. Measurable means the amount can be determined, and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within the current period and up to 60 days after the end of the current fiscal period.

Taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles are based upon historical experience. Uncollectible personal property taxes

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2017

are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Sales Tax

The City levies a one and a half cent sales tax on taxable sales within the City. The sales tax is collected by the Texas State Comptroller and remitted to the City in the month following receipt by the State Comptroller. The sales tax is recorded as follows:

- 1 cent recorded as revenue within the General Fund and then transferred throughout various funds to account for operations and facility improvements as recommended by the City Council.
- ¼ cent recorded as revenue within the Coleman Community Coalition Type B Economic Development Corporation (Coalition) that is transferred to various funds to account for improvements to park and building facilities, open space improvements, and other related improvements and maintenance of the publicly owned and operated projects.
- ¼ cent recorded as revenue within the Coleman Economic Development Corporation (Corporation) that is transferred to various funds to account for improvements to park and building facilities, open space improvements, and other related improvements and maintenance of the publicly owned and operated projects.

Expenditures and Expenses

In the government-wide statement of activities, expenses, including depreciation of capital assets, are reported by function or activity. In the governmental fund financial statements, expenditures are reported by class as current (further reported by function), capital outlay, and debt service. In the proprietary fund financial statements, expenses are reported by object or activity.

I.G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental funds' balance sheet includes a reconciliation between *total fund balances – governmental funds* and *net position of governmental activities* as reported in the government-wide statement of net position. The governmental funds' statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *total net change in fund balances – governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of both reconciliations explains, "various reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting." The details of these differences are sufficiently described in the reconciliations; therefore, no additional disclosure is required.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local governmental unit, the City is subject to various federal, state, and local laws and contractual regulations.

III.A. Budget

Formal budgetary accounting is employed for all required governmental fund types and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles.

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2017

The City Manager submits an annual budget to the City Council in accordance with the City Charter. The budget is presented to the City Council for review, and public hearings are held to address priorities and the allocations of resources. In August, the City Council adopts the annual fiscal year budget for the City's operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. The operating budgets of the City were amended during the fiscal year.

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

III.B. Deficit Fund Balances or Net Position

The Sanitation Fund, a Business-Type Activities account, has a deficit net position of \$80,450 as of September 30, 2017.

III.C. Deposits and Investment Requirements

Compliance with the Public Funds Investment Act

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. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable slated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. 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, and (10) common trust funds. The Act also requires the entity 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.

In compliance with the Public Funds Investment Act, the City has adopted a deposit and investment policy. That policy addresses the following risks:

Custodial Credit Risk for Deposits and Investments

In the case of deposits, this is the risk that in the event of bank failure, the City's deposits and investments in certificates of deposit may not be returned to it. The City's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires financial institutions to secure deposits and investments made by state and local governments by pledging securities in excess of the highest cash balance of the government. The City is exposed to custodial credit risk for its deposits and investments in certificates of deposit since they are not covered by depository insurance and pledged securities held by a third party in the City's name.

IV. DETAIL NOTES – TRANSACTIONS CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, deferred outflows, liabilities, deferred inflows, equity, revenues, and expenditures/expenses.

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2017

IV.A. Deposits and Investment Risks

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. During year ended September 30, 2017, the City did not have pledged securities in the name of City. The City was using a letter of credit from Federal Home Loan Bank of Dallas. The letter of credit expired May 11, 2018, at which time pledged securities were issued.

Cash Deposits

The City's cash deposits were not entirely covered by the FDIC insurance or be pledged collateral held by the City's bank in the City's name at September 30, 2017. As of September 30, 2017, the City had \$2,476,936 of deposits not covered by FDIC or pledged securities.

The Coleman Economic Development Corporation had \$48,953 not covered by FDIC or pledged securities, Coleman Community Coalition Type B Economic Development Corporation had \$203,000 not covered by FDIC or pledged securities, and the Coleman County Senior Center was fully collateralized at September 30, 2017.

Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing equity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The City's investments at September 30, 2017 are as follows:

	Reported Amount/Fair Value
Governmental Activities:	
Certificates of Deposits	\$ 151,648
Total Governmental Activities	<u>\$ 151,648</u>
Business-Type Activities:	
Certificates of Deposit	\$ 100,000
TexPool	1,674,002
Total Business-Type Activities	<u>\$ 1,774,002</u>
Total Primary Government	<u>\$ 1,925,650</u>

Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs or quoted prices in markets that are not active; and Level 3 inputs are significant unobservable inputs (the City does not value any of its investments using Level 3 inputs).

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2017

Because the investments are restricted by policy and state law to active secondary market, the market approach is being used for valuation. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities.

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At September 30, 2017, the City was not significantly exposed to credit risk.

Concentration of Credit Risk

The investment policy of the City contains a 50% limitation on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. At September 30, 2017, all of the City's investments are in certificates of deposit with its depository bank. The City is not exposed to this risk as described in the preceding paragraph.

Custodial Credit Risk

To control custody and safekeeping risk, state law and the City of Coleman's adopted Investment Policy required collateral for all time and demand deposits, as well as collateral for repurchase agreements, be transferred delivery versus payment and held by an independent party approved by the City and held in the City of Coleman's name. The collateral custodian is required to provide original safekeeping receipts and monthly reporting of positions and with position descriptions including market value for both type transactions. All repurchase agreements deposits must be collateralized to 102% and be executed under written agreements. Depository agreements are executed under the terms of U.S. Financial Institutions Resource and Recovery Enforcement Act (FIRREA). The counter-party of each type of transaction is held contractually liable for monitoring and maintaining the required collateral margins on a daily basis.

As of September 30, 2017, in the City's Operating Portfolio,

- The portfolio contained no repurchase agreements,
- All bank time and demand deposits were fully insured or collateralized to 102%, and
- All collateral was held by an independent institution outside the holding company of the pledging bank.

Interest Rate Risk

The City's investment policy limits its investment portfolio to maturities of one year or less as a means of limiting its exposure to fair value losses arising from fluctuating interest rates.

IV.B. Accounts Receivable

Governmental Activities

Receivables as of September 30, 2017 for the government's individual major governmental fund, including the applicable allowances for uncollectible accounts, are primarily related to property tax and sales tax. An allowance for uncollectible has been recorded at year end to estimate the uncollectible receivables. The sales tax receivable in the general fund totals \$133,457, and the property tax receivable in the general fund totals \$78,255 (net of allowance of \$29,701).

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2017

Business-Type Activities

Significant receivables in the proprietary funds include amounts due from customers primarily for utility and sanitation services. An allowance has been recorded to estimate the uncollectible receivables at year end. The accounts receivables in the utility fund and the sanitation fund total \$395,373 (net of an allowance of \$28,960) and \$35,832 (net of an allowance of \$960), respectively.

IV.C. Restricted Assets

The amounts reported as restricted assets of the Governmental Activities and Business-Type Activities are comprised of assets held by trustee and depository banks for the following restricted purposes:

	Cash and Cash Equivalents	Investments
<u>Primary Government</u>		
Governmental Activities:		
Deposits Held for Debt Service	\$ 60,931	\$ -0-
Deposits Held for Asset Acquisition and Perpetual Care	22,333	151,648
Deposits Held for Public Safety	58,465	-0-
Deposits Held for Tourism	29,880	-0-
Total Governmental Activities	<u>\$ 171,609</u>	<u>\$ 151,648</u>
Business-Type Activities:		
Deposits Held for Debt Service	\$ 442,389	\$ -0-
Deposits Held for Landfill Trust	40,459	-0-
Deposits Held for Capital Improvements	37,645	-0-
Total Business-Type Activities	<u>\$ 520,493</u>	<u>\$ -0-</u>

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CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2017

IV.D. Capital Assets

Capital asset activity for the year ended September 30, 2017 was as follows:

Governmental Activities

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Assets Not Being Depreciated:					
Land	\$ 9,980	\$ -0-	\$ -0-	\$ -0-	\$ 9,980
Total Capital Assets Not Being Depreciated	\$ 9,980	\$ -0-	\$ -0-	\$ -0-	\$ 9,980
Capital Assets Being Depreciated:					
Furniture and Equipment	\$ 2,817,604	\$ 460,775	(\$ 279,492)	\$ -0-	\$ 2,998,887
Infrastructure	2,951,870	-0-	-0-	-0-	2,951,870
Total Capital Assets Being Depreciated	\$ 5,769,474	\$ 460,775	(\$ 279,492)	\$ -0-	\$ 5,950,757
Total Capital Assets	\$ 5,779,454	\$ 460,775	(\$ 279,492)	\$ -0-	\$ 5,960,737
Less: Accumulated Depreciation:					
Furniture and Equipment	(\$ 2,144,445)	(\$ 166,539)	\$ 147,261	\$ -0-	(\$2,163,723)
Infrastructure	(2,535,743)	(12,422)	-0-	-0-	(2,548,165)
Total Accumulated Depreciation	(\$ 4,680,188)	(\$ 178,961)	\$ 147,261	\$ -0-	(\$4,711,888)
Governmental Activities Capital Assets, Net	\$ 1,099,266	\$ 281,814	(\$ 132,231)	\$ -0-	\$ 1,248,849

Business-Type Activities

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Assets Not Being Depreciated:					
Land	\$ 317,161	\$ -0-	\$ -0-	\$ -0-	\$ 317,161
Construction in Progress	46,399	1,768	(46,399)	-0-	1,768
Total Capital Assets Not Being Depreciated	\$ 363,560	\$ 1,768	(\$ 46,399)	\$ -0-	\$ 318,929
Capital Assets Being Depreciated:					
Buildings	\$ 348,900	\$ -0-	\$ -0-	\$ -0-	\$ 348,900
Infrastructure and Improvements	24,818,214	91,603	(8,175)	-0-	24,901,642
Machinery and Equipment	2,822,170	244,153	(76,067)	-0-	2,990,256
Total Capital Assets Being Depreciated	\$ 27,989,284	\$ 335,756	(\$ 84,242)	\$ -0-	\$ 28,240,798
Total Capital Assets	\$ 28,352,844	\$ 337,524	(\$ 130,641)	\$ -0-	\$ 28,559,727
Less: Accumulated Depreciation:					
Buildings	(\$ 205,667)	(\$ 4,236)	\$ -0-	\$ -0-	(\$ 209,903)
Infrastructure and Improvements	(13,104,426)	(539,435)	8,175	-0-	(13,635,686)
Machinery and Equipment	(2,815,534)	(128,321)	75,350	-0-	(2,868,505)
Total Accumulated Depreciation	(\$16,125,627)	(\$ 671,992)	\$ 83,525	\$ -0-	(\$16,714,094)
Business-Type Activities Capital Assets, Net	\$ 12,227,217	(\$ 334,468)	(\$ 47,116)	\$ -0-	\$ 11,845,633

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2017

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

Governmental Activities:	
General Government	\$ 18,886
Public Safety	92,203
Streets	47,651
Culture and Recreation	16,649
Cemetery	3,572
	\$ 178,961
Business-Type Activities:	
Utility Shop	\$ 10,273
Sewer	9,059
Lake Coleman	3,428
Light	347,815
Sanitation	7,200
Municipal Airport	148,188
Water	146,029
	\$ 671,992

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

Component Units - Combined

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Assets Not Being Depreciated:					
Land	\$ 220,931	\$ -0-	\$ -0-	\$ -0-	\$ 220,931
Total Capital Assets Not Being Depreciated	\$ 220,931	\$ -0-	\$ -0-	\$ -0-	\$ 220,931
Capital Assets Being Depreciated:					
Buildings and Improvements	\$ 241,771	\$ 139,513	\$ -0-	\$ -0-	\$ 381,284
Machinery and Equipment	73,191	4,511	-0-	-0-	77,702
Total Capital Assets Being Depreciated	\$ 314,962	\$ 144,024	\$ -0-	\$ -0-	\$ 458,986
Total Capital Assets	\$ 535,893	\$ 144,024	\$ -0-	\$ -0-	\$ 679,917
Less: Accumulated Depreciation:					
Buildings and Improvements	(\$ 108,907)	(\$ 19,972)	\$ -0-	\$ -0-	(\$ 128,879)
Machinery and Equipment	(56,610)	(3,704)	-0-	-0-	(60,314)
Total Accumulated Depreciation	(\$ 165,517)	(\$ 23,676)	\$ -0-	\$ -0-	(\$ 189,193)
Governmental Activities Capital Assets, Net	\$ 370,376	\$ 120,348	\$ -0-	\$ -0-	\$ 490,724

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

Economic Development Corp.	\$ 19,550
Community Coalition	4,037
Senior Citizens Center	87
Total Depreciation	\$ 23,676

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2017

IV.E Long-term Debt

The City's long-term debt is segregated by the amounts involving Governmental Activities and Business-Type Activities.

Governmental Activities Long-Term Debt

As of September 30, 2017, the Governmental Activities long-term debt consisted of the following:

Accrued Compensated Absences:

Current Portion	\$	16,598
Noncurrent Portion		36,339
Total Accrued Compensated Absences	\$	<u>52,937</u>

Letter of Credit:

The City of Coleman had a letter of credit of \$3,500,000 with Federal Home Loan Bank of Dallas used to cover excess cash balances. The letter of credit expires May 11, 2018. No draws were made on the letter of credit as of September 30, 2017.

Notes Payable:

Note agreement with Government Capital Financing to purchase a brush chipper for the sanitation fund and two police cars for the general fund in the amount of \$121,613. The interest rate is 3.61% and two payments per year of \$9,974, including interest.

	\$	77,537
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Note from Government Capital Financing for a Pelican Street Sweeper in the amount of \$208,279, interest at 3.996%. Payments of \$12,722 including interest due semi-annually through July 31, 2027.

		208,279
Total Notes Payable	\$	<u>285,816</u>

Current Portion	\$	29,573
Noncurrent Portion		256,243
Total Notes Payable	\$	<u>285,816</u>

Business-Type Activities Long-term Debt

As of September 30, 2017, the Business-Type Activities long-term debt consisted of the following:

Accrued Compensated Absences:

Current Portion	\$	4,196
Noncurrent Portion		26,107
Total Accrued Compensated Absences	\$	<u>30,303</u>

The City's outstanding certificates of obligation issues are as follows:

2008 Series, Tax and Utility System Surplus Revenue Certificates of Obligation, Series 2008, dated January 2008, in the amount of \$5,024,000 from the Drinking Water State Revolving Fund administered by the Texas Water Development Board. The release of funds is required to occur through multiple installments. The funds will include an additional \$885,000 in Loan Forgiveness through the DWSRT Disadvantaged Program. The bonds are 0% interest. A bond discount of \$269,148 resulted in the imputed interest at 5.25%.

	\$	3,665,000
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CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2017

2010 Series General Obligation Refunding Bonds, dated January 2010, issued by the City of Coleman, original issue amount \$1,735,000, interest rates ranging from 2.0% to 3.5%. The refunding issued achieved total present value savings equal to 4.672% of the \$1,845,000 refunded amount. Average annual savings will be \$11,953 from 2011 through 2018. Total debt service savings through the life of the refunding issue is \$95,620. 240,000

2013 Series Certificate of Obligation, dated January 2013, issued by the City of Coleman, original issue amount of \$1,765,000, which refunded the Tax and Utility System Surplus Revenue Certificates of Obligation. Interest rates are at 1.83%. The refunding issue achieved total present value savings equal to 11.582% of the \$1,680,000 refunded amount. Average annual savings will be \$23,402 from 2014 to 2022. Total debt service savings through the life of the refunding issue is \$214,725.

Total General Obligation Bonds and Certificates of Obligation	930,000
	<u>\$ 4,835,000</u>
Current Portion	\$ 585,000
Noncurrent Portion	4,250,000
Total General Obligation Bonds and Certificates of Obligation	<u>\$ 4,835,000</u>

Notes Payable:

Note agreement with Government Capital Financing to purchase a low boy trailer and recloser for \$80,870. The note was for a term of 5 years with quarterly payments, including interest, of \$4,373 through September 2018. \$ 14,634

Note agreement with Caterpillar Financial Services Corporation for a Caterpillar backhoe and excavator in the amount of \$49,643. The interest rate is 3.2% and monthly payments of \$896, including interest, are due from the City for 60 months. 16,484

Note agreement with Government Capital Financing to purchase a brush chipper for the sanitation fund and two police cars for the general fund in the amount of \$121,613. The interest rate is 3.61% and two payments per year of \$9,974, including interest. 29,213

Total Notes Payable	<u>\$ 60,331</u>
Current Portion	\$ 29,455
Noncurrent Portion	30,876
Total Notes Payable	<u>\$ 60,331</u>

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CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2017

The following is a summary of changes in long-term debt for the year ended September 30, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Notes Payable	\$ 244,172	\$ 208,279	\$ 166,635	\$ 285,816	\$ 29,573
Compensated Absences	62,594	-0-	9,657	52,937	16,598
Business-Type Activities:					
2008 Series CO	3,835,000	-0-	170,000	3,665,000	170,000
2010 Series GO	475,000	-0-	235,000	240,000	240,000
2013 Series CO	1,095,000	-0-	165,000	930,000	175,000
Notes Payable	91,016	-0-	30,685	60,331	29,455
Landfill Closure and Post Closure	41,178	741	-0-	41,919	-0-
Compensated Absences	28,454	3,673	1,824	30,303	4,196
Total	\$ 5,872,414	\$ 212,693	\$ 778,801	\$ 5,306,306	\$ 664,822

The annual aggregate maturities for the Governmental and Business-Type Activities at September 30, 2017:

	Principal	Interest	Total
Long-term Bonds:			
Business-Type Activities:			
2018	\$ 585,000	\$ 25,419	\$ 610,419
2019	355,000	13,816	368,816
2020	355,000	10,431	365,431
2021	360,000	7,046	367,046
2022	365,000	3,568	368,568
2023-2027	835,000	-0-	835,000
2028-2032	825,000	-0-	825,000
2033-2037	825,000	-0-	825,000
2038-2039	330,000	-0-	330,000
	<u>\$ 4,835,000</u>	<u>\$ 60,281</u>	<u>\$ 4,895,281</u>
Notes Payable:			
Governmental Activities:			
2018	\$ 29,573	\$ 10,360	\$ 39,933
2019	30,224	9,709	39,933
2020	31,396	8,537	39,933
2021	32,613	7,320	39,933
2022	33,878	6,055	39,933
2023-2027	128,132	13,315	141,447
	<u>\$ 285,816</u>	<u>\$ 55,296</u>	<u>\$ 341,112</u>
Business-Type Activities:			
2018	\$ 29,456	\$ 1,756	\$ 31,212
2019	10,712	919	11,631
2020	4,774	685	5,459
2021	4,947	512	5,459
2022	5,128	331	5,459
2023	5,314	145	5,459
	<u>\$ 60,331</u>	<u>\$ 4,348</u>	<u>\$ 64,679</u>
Total Primary Government	\$ 5,181,147	\$ 119,925	\$ 5,301,072

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2017

IV.F. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables

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

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

Payable Fund	Receivable Fund	Amount
General Fund	Utility Fund	\$ 443,735
Sanitation Fund	General Fund	115,988
Utility Fund	Sanitation Fund	26,814
General Fund	Airport Fund	2,395
Utility Fund	General Fund	7,770
		<u>\$ 596,702</u>

Reconciliation to Fund Financial Statements:

	Due From Other Funds	Due To Other Funds
Governmental Funds	\$ 562,314	\$ 7,770
Enterprise Funds	34,388	588,932
Total	<u>\$ 596,702</u>	<u>\$ 596,702</u>

Interfund Transfers

Interfund transfers for the year ended September 30, 2017 were as follows:

Transfer From	Transfer To	Amount	Nature of Interfund Transfer
Utility Fund	General Fund	\$ 1,462,702	Annual subsidy
Sanitation Fund	General Fund	98,237	Annual subsidy
Senior Center	General Fund	4,511	Capital assets
Airport Fund	Utility Fund	15,701	Annual subsidy
		<u>\$ 1,581,151</u>	

IV.G. FUND BALANCE/NET POSITION

Fund Balances

The following table shows the fund balance classifications as shown on the Governmental Funds Balance Sheet in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*:

	General Fund	Other Governmental Funds
Restricted for:		
Debt Service	\$ 60,931	
Asset Acquisition and Perpetual Care	173,981	
Public Safety	52,362	\$ 6,103
Tourism	29,880	
Total Restricted	<u>\$ 317,154</u>	<u>\$ 6,103</u>

See Note VI.E. for restatements of beginning net position and fund balances.

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2017

V. RETIREMENT PLAN

Plan Description

The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

Benefits Provided

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

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City for the plan years 2015 and 2016 were as follows:

Employee deposit rate:	7.00%
Employer deposit rate (2016)	17.73%
Matching ratio (City to employee):	2 to 1
Years required for vesting: (expressed as age/years of service)	5 years Service retirement eligibility 60/5, 0/25
Updated service credit	100.00% Repeating, Transfers
Annuity increase (to retirees)	50.00% of CPI Repeating

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Active Employees	68
Deferred Vested Former Employees	36
Retirees or Retiree Beneficiaries	<u>46</u>
Total	<u>150</u>

Contributions

The contribution rates for employees in the TMRS are either 5.00%, 6.00%, or 7.00% of employee gross earnings, and the City matching percentages are either 100.00%, 150.00%, or 200.00%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2017

Employees for the City were required to contribute 7.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 17.73% and 16.78% in calendar years 2016 and 2017 respectively. The City's contributions to TMRS for the year ended September 30, 2017 were \$455,732 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.50 to 10.50% per year, including inflation
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation.

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Health Mortality Table, with male rates multiplied by 109% and female rates multiplied 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2016 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 30, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2016 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

This return was determined using a building-block method in which best estimate ranges of expected real rates of return (expected returns net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rates of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2017

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	4.15%
Real Return	10.00%	4.15%
Real Estate	10.00%	4.75%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	7.75%
Total	100.00%	

Discount Rate

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

	SCHEDULE OF CHANGES IN NET PENSION LIABILITY		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a)-(b)
Balance, Beginning of Year	\$ 13,659,355	\$ 10,938,228	\$ 2,721,127
Changes for the Year:			
Service cost	\$ 417,201	\$ -0-	\$ 417,201
Interest	917,852	-0-	917,852
Change of benefit terms	-0-	-0-	-0-
Difference between expected and actual experience	(74,352)	-0-	(74,352)
Changes of assumptions	-0-	-0-	-0-
Contributions – Employer	-0-	469,352	(469,352)
Contributions – Employee	-0-	184,134	(184,134)
Net Investment Income	-0-	738,919	(738,919)
Benefit Payments, including refunds of employee contributions	(540,307)	(540,307)	-0-
Administrative expense	-0-	(8,349)	8,349
Other changes	-0-	(450)	450
Net Changes	\$ 720,394	\$ 843,299	(\$ 122,905)
Balance, End of Year	\$ 14,379,749	\$ 11,781,527	\$ 2,598,222

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Net Pension Liability	\$ 4,479,029	\$ 2,598,222	\$ 1,041,170

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2017

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2017, the City recognized pension expense of \$402,394.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -0-	\$ 293,791
Changes in Assumptions	92,529	-0-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	498,193	-0-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	-0-	9,566
Contributions Subsequent to the Measurement Date	322,150	-0-
Total	<u>\$ 912,872</u>	<u>\$ 303,357</u>

\$322,150 is reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	
2018	\$ 6,886
2019	139,342
2020	141,254
2021	(117)
Total	<u>\$ 287,365</u>

VI. OTHER INFORMATION

VI.A. Risk Management

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

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2017

VI.B. Commitments and Contingencies

Construction Commitments

At year-end, the City had the following major projects in progress:

Project Descriptions	Funding Source	Budget	Spent to Date	Balance
Water Line Project (Gray Street)	Texas Community Development Block Grant	\$ 275,000	\$ 188,071	\$ 86,929
Downtown Revitalization (Sidewalk Grant)	Texas Community Development Block Grant	\$ 316,250	\$ -0-	\$ 316,250
Planning Grant	Texas Community Development Block Grant	\$ 54,285	\$ 65	\$ 54,220

VI.C. Federal Assistance Programs

Amounts received or receivable from grantor agencies are subject to adjustments by the grantor agencies, principally the federal government. These programs are subject to program compliance audits by the grantors or their representatives. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantors cannot be determined at this time.

VI.D. Landfill Closure and Post-Closure Care Costs

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these landfill closure and post-closure costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$41,919 reported as landfill closure and post-closure liability at September 30, 2017, represents the cumulative amount accrued to date. This amount is based on estimates of what it would cost to perform all closure and post-closure care in 2017. The total estimated closure and post-closure costs were determined by the City's engineering consultants and are adjusted annually by an inflation factor. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The City has applied for an amended permit to a Type IV landfill for the original landfill site. A second landfill site currently in use has the capacity for an estimated seventy-five years' volume.

The City is required by state and federal laws and regulations to provide annually assurance that financial resources will be available to provide for closure, post-closure care, and remediation or containment of environmental hazards. The City has complied with this requirement by obtaining a letter of credit from a bank.

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CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2017

VI.E. Prior Period Adjustment

The City restated beginning fund balances and net position as shown below:

Fund Financial Statements:

	General	Law Enforcement	Utility	Airport	Sanitation
Beginning Balance as Previously Reported:	\$ 678,162	\$ 3,352	\$7,411,533	\$2,570,313	\$ 185,757
Add: Sales Tax Accrual	(82,121)	-0-	-0-	-0-	-0-
Write Off Stale/Old Balances	(72,319)	918	436,534	63,528	(113,012)
Reclassification of Community Development Fund	27	-0-	(27)	-0-	-0-
Record Landfill Closure	-0-	-0-	-0-	-0-	(41,178)
Adjust Bond Discount	-0-	-0-	(953,428)	-0-	-0-
Total Changes to Beginning Balance	(\$ 154,413)	\$ 918	(\$ 516,921)	\$ 63,528	(\$ 154,190)
Beginning Balance as Restated	\$ 523,749	\$ 4,270	\$6,894,612	\$2,633,841	\$ 31,567

Government-wide Financial Statements:

	Governmental Activities
Beginning Balance as Previously Reported:	\$ 434,598
Add: Sales Tax Accrual	(82,121)
Write Off Stale/Old Balances	(71,401)
Reclassification of Community Development Fund	27
Adjust Accumulated Depreciation	(15,145)
Total Changes in Beginning Balance	(\$ 168,640)
Beginning Balance as Restated	\$ 265,958

The beginning cash and cash equivalents balance on the statement of cash flows – proprietary funds reflects a prior period adjustment in relation to the write off of stale or old balances included above. Accordingly, beginning cash and cash equivalents does not agree to the prior year financial statements. Additionally, the beginning balances on the capital assets footnote were restated to properly reflect balances as of that date.

VI.F. New Pronouncements

The GASB has issued several new accounting pronouncements, which will be effective in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the City’s consideration of the impact of these pronouncements are described below:

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – GASB No., 75 was issued in June 2015, and addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For a defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement is effective for fiscal years beginning after June 15, 2017. The City has not yet determined the impact that implementation of GASB 75 will have on its net position, although it may be material.

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2017

GASB Statement No. 77, Tax Abatement Disclosures – GASB 77 was issued in August 2015 and establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. At this time, the impact to the City is unknown.

GASB Statement No. 81, Irrevocable Split-Interest Agreements – GASB 81 was issued in March 2016 and addresses the accounting and financial reporting for irrevocable split-interest agreements by provided recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interest in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interest. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016 and should be applied retroactively. At this time, the impact to the City is unknown.

GASB Statement No. 83, Certain Asset Retirement Obligations – GASB 83 was issued in November 2016 and establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. This Statement also requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. Additionally, this Statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. It also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. At this time, the impact to the City is unknown.

GASB Statement No. 84, Fiduciary Activities – GASB 84 was issued in January 2017 and provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criterial generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify the fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. At this time, the impact to the City is unknown.

GASB Statement No. 85, Omnibus 2017 – GASB 85 was issued in March 2017 and addresses issues that have identified during implementation of certain GASB Statements. The requirements of this Statement will enhance consistency in the application of accounting and financial reporting requirements. This Statement addresses various miscellaneous accounting issues related to blending component units, goodwill, fair value measurement, and postemployment benefits. At this time, the impact to the City is unknown.

GASB Statement No. 86, Certain Debt Extinguishment Issues – GASB 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2017

other than the proceeds of refunding debt- are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. At this time, the impact to the City is unknown.

GASB Statement No. 87, Leases – GASB 87 addresses accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provision of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. At this time, the impact to the City is unknown.

VI.G. Subsequent Events

The City’s management has evaluated subsequent events through February 6, 2019, the date which the financial statements were available for issue. The Coleman County Senior Center, a discretely presented component unit as of September 30, 2017, no longer qualifies as a component unit subsequent to year end as they no longer receive significant funding from the City, therefore eliminating the financial accountability criteria that created the discretely presented component unit presentation requirement in prior years, including the year covered by this report.

CITY OF COLEMAN, TEXAS

Budgetary Comparison Schedule - General Fund

For the Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Taxes:				
Property Tax	\$ 579,295	\$ 601,683	\$ 593,076	(\$ 8,607)
Sales Tax	800,000	782,861	417,016	(365,845)
Franchise Tax	95,500	95,822	88,704	(7,118)
Occupancy Tax	40,000	33,500	31,710	(1,790)
Alcohol Beverage Tax	20,000	6,784	4,167	(2,617)
Licenses and Permits	11,630	11,500	11,930	430
Intergovernmental	108,452	346,528	346,052	(476)
Fines and Forfeitures	127,362	102,579	152,496	49,917
Investment Income	1,530	1,670	1,794	124
General Service Fees	230,389	226,203	241,147	14,944
Internal Franchise Fees	230,389	226,203	246,039	19,836
Tower Rental	7,200	13,108	101,167	88,059
Charges for Services	279,729	169,928	203,301	33,373
Gifts and Contributions	2,000	1,122	1,297	175
Miscellaneous Income	10,300	28,279	58,058	29,779
Total Revenues	\$ 2,543,776	\$ 2,647,770	\$ 2,497,954	(\$ 149,816)
EXPENDITURES				
Current:				
General Government	\$ 1,085,972	\$ 936,528	\$ 316,980	\$ 619,548
Public Safety:				
Dispatch	280,665	267,233	283,993	(16,760)
Police Department	865,523	842,622	819,776	22,846
Fire Department	453,700	717,006	815,161	(98,155)
Public Service:				
Animal Control	61,086	60,173	65,582	(5,409)
Municipal Court	94,175	118,825	103,104	15,721
Health and Sanitation	32,030	3,602	3,297	305
Cultural and Recreation:				
Library	112,871	113,166	120,153	(6,987)
Parks	185,843	193,658	198,463	(4,805)
Cemetery	147,834	151,575	150,254	1,321
City Park Pool	36,631	34,805	43,113	(8,308)
Health and Inspection:				
City Inspection	6,910	5,553	5,079	474
Environmental	58,378	53,351	51,735	1,616
Highways and Streets:				
Streets	472,185	384,645	392,769	(8,124)
Total Current Expenditures	\$ 3,893,803	\$ 3,882,742	\$ 3,369,459	\$ 513,283
Debt Service:				
Principal Retired	\$ 59,356	\$ 59,428	\$ 46,489	\$ 12,939
Interest	-0-	-0-	12,939	(12,939)
Capital Outlay	44,006	53,942	101,375	(47,433)
Total Expenditures	\$ 3,997,165	\$ 3,996,112	\$ 3,530,262	\$ 465,850
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(\$ 1,453,389)	(\$ 1,348,342)	(\$ 1,032,308)	\$ 316,034
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 1,453,389	\$ 1,453,625	\$ 1,263,204	(\$ 190,421)
Total Other Financing Sources (Uses)	\$ 1,453,389	\$ 1,453,625	\$ 1,263,204	(\$ 190,421)
Net Change in Fund Balance	\$ -0-	\$ 105,283	\$ 230,896	\$ 125,613
Fund Balances - Beginning	678,162	678,162	678,162	-0-
Restatement of Beginning Fund Balance	(154,440)	(154,440)	(154,413)	27
Fund Balances - Ending	\$ 523,722	\$ 629,005	\$ 754,645	\$ 125,613

CITY OF COLEMAN, TEXAS

Required Supplementary Information

For the Year Ended September 30, 2017

Required Supplementary Information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes budgetary comparison schedules for the General Fund.

Budgetary Accounting and Control

The City Manager submits an annual budget to the City Council in accordance with the City Charter. The budget is presented to the City Council for review, and public hearings are held to address priorities and the allocations of resources. In August, the City Council adopts the annual fiscal year budget for the City's operating funds. The budget is legally enacted prior to October 1 of each year by adoption of City ordinance. Changes to the total budget for a fund can only be made by amendments approved by the City Council. Budget amounts shown in the budgetary comparison schedule represent the budget as amended.

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

The City utilizes encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure funds are recorded in order to reserve a portion of the applicable appropriation. Encumbered appropriations at year-end are lapsed, and encumbrances to be honored are reappropriated in the following budget year.

Budgetary basis for some funds differs from GAAP in several ways. Governmental funds' budgets do not include certain revenue and expenditure accruals and deferrals. Budgets for the proprietary funds are substantially on a governmental funds modified accrual basis, which differs from the accrual basis required by GAAP.

CITY OF COLEMAN, TEXAS

Required Supplementary Information

For the Year Ended September 30, 2017

Texas Municipal Retirement Fund -

Schedule of Changes in Net Pension Liability and Related Ratios

Last Fiscal Year

	2015	2016	*2017
Total pension liability			
Service cost	\$ 323,904	\$ 377,525	\$ 417,201
Interest	888,783	924,126	917,852
Difference between expected and actual experience	(150,669)	(642,470)	(74,352)
Changes of assumptions	-0-	265,483	-0-
Benefit payments, including refunds of member contributions	(611,161)	(556,701)	(540,307)
Net change in total pension liability	<u>\$ 450,857</u>	<u>\$ 367,963</u>	<u>\$ 720,394</u>
Total pension liability - beginning	12,840,535	13,291,392	13,659,355
Total pension liability - ending (a)	<u><u>\$ 13,291,392</u></u>	<u><u>\$ 13,659,355</u></u>	<u><u>\$ 14,379,749</u></u>
Plan fiduciary net position			
Contributions - employer	\$ 415,577	\$ 466,754	\$ 469,352
Contributions - member	157,466	175,944	184,134
Net investment income	589,342	16,004	738,919
Benefit payments, including refunds of member contributions	(611,161)	(556,701)	(540,307)
Administrative expense	(6,153)	(9,748)	(8,349)
Other	(506)	(482)	(450)
Net change in plan fiduciary net position	<u>\$ 544,565</u>	<u>\$ 91,771</u>	<u>\$ 843,299</u>
Plan fiduciary net position - beginning	10,301,892	10,846,457	10,938,228
Plan fiduciary net position - ending (b)	<u><u>\$ 10,846,457</u></u>	<u><u>\$ 10,938,228</u></u>	<u><u>\$ 11,781,527</u></u>
Net pension liability - ending (a) - (b)	<u><u>\$ 2,444,935</u></u>	<u><u>\$ 2,721,127</u></u>	<u><u>\$ 2,598,222</u></u>
Plan fiduciary net position as a percentage of the total pension liability	81.61%	80.08%	81.93%
Covered employee payroll	\$ 2,249,513	\$ 2,409,604	\$ 2,625,558
Net pension liability as a percentage of covered-employee payroll	108.69%	112.93%	98.96%

Notes to Schedule:

Only the current and prior fiscal years are presented because 10-year data is not yet available.

*The information presented for fiscal year 2017 are based on a measurement date of 12/31/2016.

CITY OF COLEMAN, TEXAS

Required Supplementary Information

For the Year Ended September 30, 2017

**Texas Municipal Retirement Fund -
Schedule of Employer Contributions**

Last Fiscal Year

	2014	2015	2016	2017
Actuarially determined contribution	\$ 393,556	\$ 446,857	\$ 453,772	\$ 455,732
Contributions in relation to the actuarially determined contribution	393,556	446,857	453,772	455,732
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Covered employee payroll	\$ 2,192,839	\$ 2,409,604	\$ 2,525,286	\$ 2,673,271
Contributions as a percentage of covered-employee payroll	17.95%	18.54%	17.97%	17.05%

Notes to Schedule:

Contributions schedule is presented on the employer year end of September 30.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 years
Contributions	16.78% for Calendar Year 2017 17.73% for Calendar Year 2016
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Only the current and prior fiscal years are presented because 10-year data is not yet available.

Other Supplementary Information

CITY OF COLEMAN, TEXAS

General Fund Descriptions

For the Year Ended September 30, 2017

GENERAL FUND

To account for all financial resources not legally or administratively required to be reported in another fund. It is always a major governmental fund.

Under GASB Statement 54, certain funds no longer meet the definition to be presented as special revenue funds. Those funds became accounts of the general fund for reporting purposes.

The general fund contains the following sub-fund accounts:

Cemetery Endowment – To account for the perpetual care of the City Cemetery.

Employee Health Benefits – To account for health claims paid by the City of Coleman.

Payroll – To disburse payroll payments.

Disbursement – To disburse funds for City expenditures.

CITY OF COLEMAN, TEXAS

Combining Balance Sheet - General Fund Accounts

As of September 30, 2017

	General	Cemetary Endowment	Community Development	Employee Health Benefits	Payroll	Disbursement	Total General Fund
ASSETS							
Current Assets:							
Cash and Cash Equivalents	\$ 339,578	\$ -0-	\$ 27	\$ 25,037	\$ 47,156	\$ -0-	\$ 411,798
Receivables:							
Accounts, Net	9,607	-0-	-0-	-0-	14,026	-0-	23,633
Property Tax, Net	78,255	-0-	-0-	-0-	-0-	-0-	78,255
Sales Tax	133,457	-0-	-0-	-0-	-0-	-0-	133,457
Franchise Tax	17,036	-0-	-0-	-0-	-0-	-0-	17,036
Due from Other Funds (Interfund)	-0-	-0-	-0-	-0-	8,787	134,952	143,739
Due from Other Funds	-0-	-0-	-0-	-0-	6,975	555,339	562,314
Restricted Assets:							
Cash and Cash Equivalents	165,506	-0-	-0-	-0-	-0-	-0-	165,506
Investments	151,648	-0-	-0-	-0-	-0-	-0-	151,648
Total Current Assets	<u>\$ 895,087</u>	<u>\$ -0-</u>	<u>\$ 27</u>	<u>\$ 25,037</u>	<u>\$ 76,944</u>	<u>\$ 690,291</u>	<u>\$ 1,687,386</u>
Total Assets	<u>\$ 895,087</u>	<u>\$ -0-</u>	<u>\$ 27</u>	<u>\$ 25,037</u>	<u>\$ 76,944</u>	<u>\$ 690,291</u>	<u>\$ 1,687,386</u>
LIABILITIES							
Accounts Payable and Accrued Expenses	\$ 105,512	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 608,024	\$ 713,536
Due to Other Funds (Interfund)	143,239	-0-	-0-	500	-0-	-0-	143,739
Due to Other Funds	7,770	-0-	-0-	-0-	-0-	-0-	7,770
Total Liabilities	<u>\$ 256,521</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 500</u>	<u>\$ -0-</u>	<u>\$ 608,024</u>	<u>\$ 865,045</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue - Property Taxes	\$ 67,696	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 67,696
Total Deferred Inflows of Resources	<u>\$ 67,696</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 67,696</u>
FUND BALANCE							
Unassigned	\$ 253,716	\$ -0-	\$ 27	\$ 24,537	\$ 76,944	\$ 82,267	\$ 437,491
Restricted	317,154	-0-	-0-	-0-	-0-	-0-	317,154
Total Fund Balance	<u>\$ 570,870</u>	<u>\$ -0-</u>	<u>\$ 27</u>	<u>\$ 24,537</u>	<u>\$ 76,944</u>	<u>\$ 82,267</u>	<u>\$ 754,645</u>

CITY OF COLEMAN, TEXAS

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - General Fund Accounts

As of September 30, 2017

	General	Cemetery Endowment	Community Development	Employee Health Benefits	Payroll	Disbursement	Total General Fund
REVENUES							
Taxes:							
Property Tax	\$ 593,076	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 593,076
Sales Tax	417,016	-0-	-0-	-0-	-0-	-0-	417,016
Franchise Tax	88,704	-0-	-0-	-0-	-0-	-0-	88,704
Occupancy Tax	31,710	-0-	-0-	-0-	-0-	-0-	31,710
Alcohol Beverage Tax	4,167	-0-	-0-	-0-	-0-	-0-	4,167
License and Permits	11,930	-0-	-0-	-0-	-0-	-0-	11,930
Grants	341,052	-0-	5,000	-0-	-0-	-0-	346,052
Fines and Forfeitures	152,496	-0-	-0-	-0-	-0-	-0-	152,496
Investment Income	1,672	-0-	-0-	13	24	85	1,794
General Service Fees	241,147	-0-	-0-	-0-	-0-	-0-	241,147
Internal Franchise Fees	246,039	-0-	-0-	-0-	-0-	-0-	246,039
Rental Revenue	101,167	-0-	-0-	-0-	-0-	-0-	101,167
Charges for Services	203,095	-0-	-0-	-0-	206	-0-	203,301
Donations	1,297	-0-	-0-	-0-	-0-	-0-	1,297
Miscellaneous Income	58,058	-0-	-0-	-0-	-0-	-0-	58,058
Total Revenues	\$ 2,492,626	\$ -0-	\$ 5,000	\$ 13	\$ 230	\$ 85	\$ 2,497,954
EXPENDITURES							
Current:							
General Government	\$ 292,892	\$ -0-	\$ 5,000	\$ 2,000	\$ 17,088	\$ -0-	\$ 316,980
Public Safety	1,918,930	-0-	-0-	-0-	-0-	-0-	1,918,930
Public Service	171,983	-0-	-0-	-0-	-0-	-0-	171,983
Cultural and Recreation	511,983	-0-	-0-	-0-	-0-	-0-	511,983
Health and Inspection	56,814	-0-	-0-	-0-	-0-	-0-	56,814
Streets	392,769	-0-	-0-	-0-	-0-	-0-	392,769
Total Current Expenditures	\$ 3,345,371	\$ -0-	\$ 5,000	\$ 2,000	\$ 17,088	\$ -0-	\$ 3,369,459
Capital Outlay	101,375	-0-	-0-	-0-	-0-	-0-	101,375
Debt Service:							
Principal	46,489	-0-	-0-	-0-	-0-	-0-	46,489
Interest	12,939	-0-	-0-	-0-	-0-	-0-	12,939
Total Expenditures	\$ 3,506,174	\$ -0-	\$ 5,000	\$ 2,000	\$ 17,088	\$ -0-	\$ 3,530,262
Excess (Deficiency) of Revenues Over (Under) Expenditures	(\$ 1,013,548)	\$ -0-	\$ -0-	(\$ 1,987)	(\$ 16,858)	\$ 85	(\$ 1,032,308)
OTHER FINANCING SOURCES (USES)							
Transfers In	\$ 1,263,204	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 1,263,204
Total Other Financing Sources (Uses)	\$ 1,263,204	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 1,263,204
Net Change in Fund Balance	\$ 249,656	\$ -0-	\$ -0-	(\$ 1,987)	(\$ 16,858)	\$ 85	\$ 230,896
Fund Balance - Beginning	653,792	4,743	0	26,524	(6,614)	(283)	678,162
Restatement of Beginning Fund Balance (	332,578)	4,743)	27	-0-	100,416	82,465	(154,413)
Fund Balance - Ending	\$ 570,870	\$ -0-	\$ 27	\$ 24,537	\$ 76,944	\$ 82,267	\$ 754,645

CITY OF COLEMAN, TEXAS

Nonmajor Governmental Fund Descriptions

For the Year Ended September 30, 2017

SPECIAL REVENUE FUNDS

To account for the proceeds of specific revenue sources that are normally restricted or committed to expenditures for specified purposes.

Law Enforcement Fund – To account for funds received for public safety use.

CITY OF COLEMAN, TEXAS

Balance Sheet - Nonmajor Governmental Law Enforcement Fund

As of September 30, 2017

	<u>Law Enforcement Fund</u>	
ASSETS		
Restricted Cash and Cash Equivalents	\$	6,103
Total Assets	\$	<u>6,103</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$	-0-
Total Liabilities	\$	<u>-0-</u>
FUND BALANCE		
Restricted	\$	6,103
Unassigned		-0-
Total Fund Balance	\$	<u>6,103</u>

CITY OF COLEMAN, TEXAS

Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Law Enforcement Fund

For the Year Ended September 30, 2017

	<u>Law Enforcement Fund</u>	
REVENUES		
Intergovernmental	\$	1,896
Investment Income		3
Total Revenue	\$	<u>1,899</u>
EXPENDITURES		
Current:		
Public Safety	\$	66
Total Current Expenditures	\$	<u>66</u>
Total Expenditures	\$	<u>66</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$	<u>1,833</u>
Net Change in Fund Balance	\$	1,833
Fund Balance - Beginning		3,352
Restatement of Beginning Fund Balance		918
Fund Balance - Ending	\$	<u><u>6,103</u></u>

CITY OF COLEMAN, TEXAS

Discretely Presented Component Units Descriptions

For the Year Ended September 30, 2017

DISCRETELY PRESENTED COMPONENT UNITS

Additional information for the discretely presented component unit referred to in the notes to the financial statements is provided:

Coleman Economic Development Corporation – To administer funds under the type A sales tax for economic development.

Coleman Community Coalition – To administer funds under the type B City sales tax for economic development.

Coleman County Senior Center – To administer grants and donations provided for the aid and support of older citizens.

CITY OF COLEMAN, TEXAS

Combining Statement of Net Position - Discretely Presented Component Units

As of September 30, 2017

	Coleman Economic Development Corp.	Coleman Community Coalition	Coleman County Senior Center	Total Component Units
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 248,977	\$ 443,560	\$ 647	\$ 693,184
Certificates of Deposit	-0-	50,781	-0-	50,781
Investments	125,151	-0-	-0-	125,151
Sales Tax Receivable	33,638	33,638	-0-	67,276
Accounts Receivable	22,640	7,288	-0-	29,928
Due from Other Governments	-0-	-0-	18,978	18,978
Notes Receivable	-0-	144,762	-0-	144,762
Total Current Assets	\$ 430,406	\$ 680,029	\$ 19,625	\$ 1,130,060
Noncurrent Assets:				
Net Capital Assets	\$ 468,466	\$ 17,834	\$ 4,424	\$ 490,724
Total Noncurrent Assets	\$ 468,466	\$ 17,834	\$ 4,424	\$ 490,724
Total Assets	\$ 898,872	\$ 697,863	\$ 24,049	\$ 1,620,784
LIABILITIES				
Accounts Payable	\$ 39,196	\$ 11,161	\$ 3,819	\$ 54,176
Accrued Liabilities	7,509	-0-	481	7,990
Total Liabilities	\$ 46,705	\$ 11,161	\$ 4,300	\$ 62,166
NET POSITION				
Net Investment in Capital Assets	\$ 468,466	\$ 17,834	\$ 4,424	\$ 490,724
Unrestricted	383,701	668,868	15,325	1,067,894
Total Net Position	\$ 852,167	\$ 686,702	\$ 19,749	\$ 1,558,618

CITY OF COLEMAN, TEXAS

Combining Statement of Activities - Discretely Presented Component Units

For the Year Ended September 30, 2017

	Coleman Economic Development Corp.	Coleman Community Coalition	Coleman County Senior Center	Total Component Units
REVENUES:				
Sales Tax Revenue	\$ 208,509	\$ 208,659	\$ -0-	\$ 417,168
Refunds and Reimbursements	-0-	23,517	-0-	23,517
Contributions	-0-	-0-	72,899	72,899
Senior Nutrition Program Funding	-0-	-0-	41,463	41,463
Interest Income	515	1,060	1	1,576
Rental Income	14,100	-0-	7,875	21,975
Other Income	10,400	30,829	-0-	41,229
Fundraising	-0-	-0-	2,150	2,150
Miscellaneous Income	-0-	-0-	3,935	3,935
Total Revenues	<u>\$ 233,524</u>	<u>\$ 264,065</u>	<u>\$ 128,323</u>	<u>\$ 625,912</u>
EXPENDITURES:				
Salaries, taxes and benefits	\$ 48,348	\$ 47,214	\$ 61,692	\$ 157,254
Accounting fees	9,765	9,423	-0-	19,188
Advertising, marketing and promotion	1,605	23,545	-0-	25,150
Beautification	-0-	57,604	-0-	57,604
Consumables	-0-	-0-	3,491	3,491
Depreciation expense	19,551	4,038	87	23,676
Dues and subscriptions	322	870	-0-	1,192
Food	-0-	-0-	38,641	38,641
Grants, projects and incentives	15,000	-0-	-0-	15,000
Insurance	7,844	297	-0-	8,141
Legal fees	28,463	3,213	-0-	31,676
Meals	80	2,923	-0-	3,003
Miscellaneous expenses	2,555	17,688	6,565	26,808
Office expenses	12,000	27,450	-0-	39,450
Professional services	-0-	2,750	-0-	2,750
Property taxes	2,335	-0-	-0-	2,335
Supplies	461	1,348	-0-	1,809
Telephone and internet	1,975	461	1,410	3,846
Travel and seminars	6,951	2,389	1,143	10,483
Utilities	655	5,155	12,818	18,628
Total Expenditures	<u>\$ 157,910</u>	<u>\$ 206,368</u>	<u>\$ 125,847</u>	<u>\$ 490,125</u>
CONTRIBUTIONS AND TRANSFERS:				
Transfers In	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Total Contributions and Transfers	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Change in Net Position	\$ 75,614	\$ 57,697	\$ 2,476	\$ 135,787
Net Position, Beginning of Year	776,553	629,005	18,699	1,424,257
Prior Period Adjustment	-0-	-0-	(1,426)	(1,426)
Net Position, as Restated	<u>\$ 776,553</u>	<u>\$ 629,005</u>	<u>\$ 17,273</u>	<u>\$ 1,422,831</u>
Net Position, End of Year	<u>\$ 852,167</u>	<u>\$ 686,702</u>	<u>\$ 19,749</u>	<u>\$ 1,558,618</u>