

CITY OF COLEMAN, TEXAS

**FINANCIAL STATEMENTS
and
INDEPENDENT AUDITORS' REPORT**

YEAR ENDED SEPTEMBER 30, 2013

CITY OF COLEMAN, TEXAS

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FINANCIAL SECTION

Merritt, McLane & Hamby

401 Cypress Street, Suite 303
Abilene, TX 79601

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Coleman, Texas, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 18 and 19 to the financial statements, in 2011, the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 41 through 54 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 schedule of funding progress, the combining and individual nonmajor fund financial statements, and the combining component unit's statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

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

The schedule of funding progress has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2014, on our consideration of the City of Coleman, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Coleman, Texas' internal control over financial reporting and compliance.


MERRITT, MCLANE & HAMBY

January 9, 2014
Abilene, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of City of Coleman's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on September 30, 2013. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City increased its net position for the entity as a whole by \$38,929, less than 1% over the previous year.
- For its governmental activities, revenues of the City were \$2,207,967, including transfers, as compared to expenditures of \$2,167,863, for a total increase in net position of \$40,104.
- For its business-type activities, revenues of the City were \$8,682,759, as compared to 8,683,934 in expenses, including transfers of \$505,187, for a total decrease in net position of \$1,175.
- Total revenues for the City were \$10,385,539, a decrease of \$2,774,127, or 21.1% from the preceding year.
- Total expenses for the City were \$10,346,610, a decrease of \$1,490,854, or 12.6% from the preceding year.
- Total fund balance of government funds was \$507,223; fund balance in the general fund was \$506,175.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference 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 as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities* which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, and public service. Business-type activities include water utilities, electricity, and solid waste management.

The City's financial reporting entity does not include the funds for which the City is not accountable (component units). These organizations, such as the Coleman Economic Development Corporation, the Coleman Community Coalition Type B Economic Development Corporation, and the Coleman County Senior Center, are reported separately from the primary government though included in the City's overall reporting entity. These entities operate more independently or provide services directly to the citizens though the City remains accountable for their activities.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

The City has three kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provides a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison schedules for general fund, major special revenue fund, and enterprise funds can be found in required supplementary information. These statements and schedules demonstrate compliance with the city's adopted and final revised budget.

Proprietary funds are required in the fund financial statements and generally report services for which the City charges customers a fee. There are two kinds of proprietary funds. These are enterprise funds and internal service funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as the electric and water utilities, sewer and solid waste management. Internal service funds provide services and charge fees to customers within the City organization such as equipment services (repair and maintenance of City vehicles) and the print shop (mail and printing services for City departments). The City has no internal service funds.

Proprietary fund statements and statements for discretely presented component units (reporting is similar to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements both with more detail for major enterprise funds and individual component units.

Fiduciary funds – the City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that – because of a trust arrangement – can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Financial Analysis of the City as a Whole

Net Position. As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the City as a whole.

The City’s net position at fiscal year-end is \$11,928,690. This is a \$38,929 increase over last year’s net position of \$11,889,761. The following Table A-1 provides a summary of the City’s net position at September 30, 2013.

**Table A-1
City of Coleman's Net Position**

	Governmental Activities		Business-type Activities		Totals		Percentage Change
	2013	2012	2013	2012	2013	2012	
Current and Other Assets	\$ 634,770	\$ 562,626	\$ 4,305,023	\$ 4,836,644	\$ 4,939,793	\$ 5,399,270	-8.5%
Capital and Non- current Assets	1,137,705	1,169,817	14,253,444	14,148,426	15,391,149	15,318,243	0.5%
Total Assets	<u>1,772,475</u>	<u>1,732,443</u>	<u>18,558,467</u>	<u>18,985,070</u>	<u>20,330,942</u>	<u>20,717,513</u>	
Current Liabilities Long Term Liabilities	128,848	99,528	1,301,533	1,207,134	1,430,381	1,306,662	9.5%
Total Liabilities	<u>122,179</u>	<u>151,571</u>	<u>6,849,692</u>	<u>7,369,519</u>	<u>6,971,871</u>	<u>7,521,090</u>	-7.3%
Net Position	<u>251,027</u>	<u>251,099</u>	<u>8,151,225</u>	<u>8,576,653</u>	<u>8,402,252</u>	<u>8,827,752</u>	
Net Investment in Capital Assets	1,024,260	1,024,544	5,686,626	6,301,468	6,710,886	7,326,012	-8.4%
Restricted			293,122	632,018	293,122	632,018	-53.6%
Unrestricted	497,188	456,800	4,427,494	3,474,931	4,924,682	3,931,731	25.3%
Total Net Position	<u>\$ 1,521,448</u>	<u>\$ 1,481,344</u>	<u>\$ 10,407,242</u>	<u>\$ 10,408,417</u>	<u>\$ 11,928,690</u>	<u>\$ 11,889,761</u>	

Net position in the City’s governmental activities increased \$40,104, 2.7% to \$1,521,448. A large part of that increase was due to a transfer from the utility fund of \$505,187. Net position decreased \$1,175, less than 1% to \$10,407,242 in business-type activities of the government.

Changes in Net Position. The City’s total revenues were \$10,385,539. Approximately 85% of the City’s revenues come from fees charged for services, and 9 cents of every dollar raised comes from some type of tax. (See Figure A-1). The total cost of all programs was \$10,346,610. The City’s expenses cover a range of services, with approximately 79% related to business-type activities. (See Figure A-2).

Figure A-1
City Sources of Revenue for Fiscal Year 2013

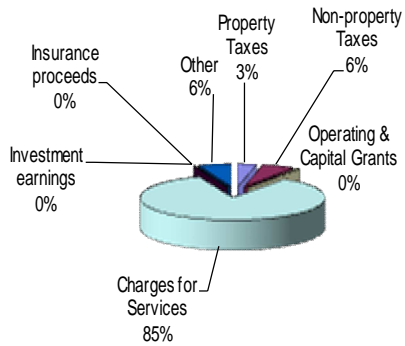
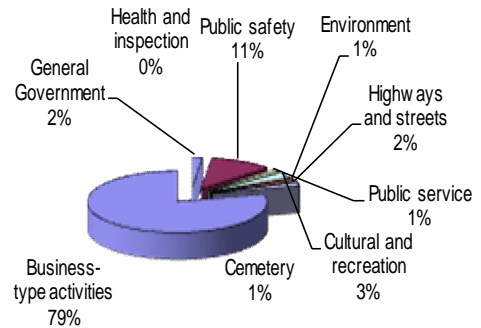


Figure A-2
City Functional Expenses for Fiscal Year 2013



Governmental Activities

Revenues for the City's governmental activities were \$2,207,967, including transfers, while total expenses were \$2,167,863.

Table A-2
Changes in City of Coleman, Texas' Net Position

	Governmental Activities		Business-type Activities		Total		Total % Change
	2013	2012	2013	2012	2013	2012	
Revenues							
<u>Program Revenues</u>							
Charges for Services	\$ 275,050	\$ 180,084	\$ 8,518,073	\$ 8,906,202	\$ 8,793,123	\$ 9,086,286	-3.23%
Operating Grants and Contributions	55,758	56,443			55,758	56,443	-1.21%
Capital Grants and Contributions		8,238	551	1,244,152	551	1,252,390	-99.96%
<u>General Revenues</u>							
Sales tax	427,622	322,824			427,622	322,824	32.46%
Property tax	341,843	319,190			341,843	319,190	7.10%
Alcohol beverage tax	3,979	2,769			3,979	2,769	43.70%
Occupancy tax	34,438	57,243			34,438	57,243	-39.84%
Franchise tax	88,794	92,146	32,128	27,425	120,922	119,571	1.13%
Investment earnings	1,019	1,037	3,029	4,284	4,048	5,321	-23.92%
Other income	474,277	744,305	128,978	1,193,324	603,255	1,937,629	-68.87%
Total Revenues	1,702,780	1,784,279	8,682,759	11,375,387	10,385,539	13,159,666	
Expenses							
General government	185,520	241,329			185,520	241,329	-23.13%
Public safety	1,163,988	1,317,198			1,163,988	1,317,198	-11.63%
Public service	137,097	124,594			137,097	124,594	10.03%
Cultural and recreation	320,632	293,750			320,632	293,750	9.15%
Health and inspection	2,293	1,248			2,293	1,248	83.73%
Cemetery	120,192	126,592			120,192	126,592	-5.06%

Environmental	44,605	44,432			44,605	44,432	0.39%
Highways and streets	193,536	375,291			193,536	375,291	-48.43%
Public works		8,408				8,408	-100.00%
Utility			7,175,587	8,271,586	7,175,587	8,271,586	-13.25%
Municipal airport			296,244	237,698	296,244	237,698	24.63%
Sanitation			706,916	795,338	706,916	795,338	-11.12%
Total Expenses	<u>2,167,863</u>	<u>2,532,842</u>	<u>8,178,747</u>	<u>9,304,622</u>	<u>10,346,610</u>	<u>11,837,464</u>	
Excess (deficiency)							
before transfers	(465,083)	(748,563)	504,012	2,070,765	38,929	1,322,202	-97.06%
Transfers	<u>505,187</u>	<u>784,250</u>	<u>(505,187)</u>	<u>(784,250)</u>			
Change in net position	<u>\$ 40,104</u>	<u>\$ 35,687</u>	<u>\$ (1,175)</u>	<u>\$ 1,286,515</u>	<u>\$ 38,929</u>	<u>\$ 1,322,202</u>	

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information which includes combining statements for component units.

Major Governmental Funds

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The fund balance of the General Fund increased \$50,877 to \$506,175. The increase would have been a decrease, but \$634,916 was transferred from the utility fund. This transfer from the utility fund to the general fund is also in addition to the general services fees of \$211,458 and internal franchise fees of \$211,458 charged by the general fund to the utility fund.

Proprietary Funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

Major Proprietary Funds

The City's major proprietary funds consist of the Utility Fund, the Municipal Airport and the Sanitation fund. Total net positions at the end of the year were \$8,069,289, \$2,091,239 and \$246,714, respectively. The Utility Fund had an increase in net position of \$86,139, while the Municipal Airport Fund had a decrease in net position of \$99,711 and the Sanitation fund had an increase in net position of \$12,397. These changes in net position included transfers between the funds totaling \$109,015.

General Fund Budgetary Highlights

The General Fund Budget for fiscal year 2013 was \$2,497,243. This was decrease over the previous year's budget. Total expenditures were \$360,689 under appropriations for the year and revenues were \$93,317 over budgeted revenues.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of September 30, 2013, was \$1,137,705 and \$12,823,237, respectively. The total change in this net investment was a decrease of 2.7% in the governmental and an increase of 1.5% for business-type activities. The overall increase was 1.1% for the City as a whole. Major capital asset additions include roofing at the library. The additions also include the infrastructure improvements allowed by the TWDB grant and loan. See Table A-3 for additional information about changes in capital assets during the fiscal year.

**Table A-3
City's Capital Assets**

	Governmental Activities		Business-type Activities		Total		Total % Change
	2013	2012	2013	2012	2013	2012	
Land	\$ 9,980	\$ 9,980	\$ 392,061	\$ 392,061	\$ 402,041	\$ 402,041	0.0%
Const in progress			5,521,333	4,638,539	5,521,333	4,638,539	19.0%
Buildings			249,569	249,569	249,569	249,569	0.0%
Mach and equip	4,637,205	4,110,029	3,345,201	3,431,924	7,982,406	7,541,953	5.8%
Infr & impr	2,951,870	2,951,870	15,660,377	15,661,564	18,612,247	18,613,434	0.0%
City lakes			1,721,965	2,003,745	1,721,965	2,003,745	-14.1%
Landfill & impr			47,684	47,684	47,684	47,684	0.0%
Total at historical cost	7,599,055	7,071,879	26,938,190	26,425,086	34,537,245	33,496,965	
Total acc dep	6,461,350	5,902,062	14,114,953	13,791,051	20,576,303	19,693,113	4.5%
Net capital assets	\$ <u>1,137,705</u>	\$ <u>1,169,817</u>	\$ <u>12,823,237</u>	\$ <u>12,634,035</u>	\$ <u>13,960,942</u>	\$ <u>13,803,852</u>	

Long-term Debt

At year-end, the City had \$31,965 in capital lease, \$148,091 in notes payable and \$7,070,000 in bonds and other long-term debt as shown in Table A-4.

**Table A-4
City's Outstanding Debt**

	Governmental Activities		Business-type Activities		Total		Total % Change
	2013	2012	2013	2012	2013	2012	
Capital lease	\$ 27,182	\$ 47,711	\$ 4,783	\$ 7,584	\$ 31,965	\$ 55,295	-42.19%
Notes payable	86,263	97,561	61,828	122,595	148,091	220,156	-32.73%
Bonds			7,070,000	7,535,000	7,070,000	7,535,000	-6.17%
	\$ <u>113,445</u>	\$ <u>145,272</u>	\$ <u>7,136,611</u>	\$ <u>7,665,179</u>	\$ <u>7,250,056</u>	\$ <u>7,810,451</u>	

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

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

- Appraised value used for the 2013-2014 budget preparation decreased by approximately \$1.7 million, or 2% from the previous year.
- Water rates are expected to increase slightly for the fiscal year 2014.

These indicators were taken into account when adopting the general fund budget for 2014.

Expenditures for the General Fund are budgeted at \$2,741,370, which is an increase of \$586,712 from prior year expenditures. The increase is a result of increases in payroll and some capital outlay.

If these estimates are realized, the City's budgetary general fund fund balance is expected to remain the same.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

CITY OF COLEMAN, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 255,561	\$ 1,729,813	\$ 1,985,374	\$ 763,037
Investments	150,000	1,756,251	1,906,251	123,563
Receivables:				
Property tax	61,215		61,215	
Allowance for uncollectible tax	(19,871)		(19,871)	
Accounts receivables, net		389,946	389,946	8,484
Loans receivable				7,024
Sales tax	71,819		71,819	41,168
Franchise tax	12,715		12,715	
Other	13,497	43,764	57,261	3,600
Due from other funds	89,834	92,127	181,961	3,000
Restricted assets				
Cash and cash equivalents		293,122	293,122	
Total current assets	<u>634,770</u>	<u>4,305,023</u>	<u>4,939,793</u>	<u>949,876</u>
Non-current Assets				
Loan receivable				38,158
Bond discount		1,445,536	1,445,536	
Reoffering premium		(15,329)	(15,329)	
Capital assets:				
Construction in progress		5,521,333	5,521,333	
Land	9,980	392,061	402,041	26,000
Buildings, net		55,210	55,210	125,652
Machinery and equipment, net	674,332	671,708	1,346,040	
Infrastructure and improvements	453,393	6,094,505	6,547,898	
City lakes		66,856	66,856	
Landfill and improvements		21,564	21,564	
Total non-current assets	<u>1,137,705</u>	<u>14,253,444</u>	<u>15,391,149</u>	<u>189,810</u>
Total Assets	<u>1,772,475</u>	<u>18,558,467</u>	<u>20,330,942</u>	<u>1,139,686</u>

The accompanying notes are an integral part of this statement.

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES				
Current Liabilities				
Accounts payable	43,562	451,602	495,164	11,678
Accrued liabilities	23,514		23,514	2,876
Other liabilities	961	16,440	17,401	
Due to other funds	18,166	168,538	186,704	3,000
Salary accruals		25,316	25,316	
Accrued interest payable		54,629	54,629	
Capital lease - current	22,013	2,974	24,987	
Note payable - current	20,632	32,034	52,666	
Certificates of obligation -current		550,000	550,000	
Total current liabilities	<u>128,848</u>	<u>1,301,533</u>	<u>1,430,381</u>	<u>17,554</u>
Non-current Liabilities				
Utility deposits		264,558	264,558	
Compensated absences	51,379	33,531	84,910	
Capital lease - non current	5,169	1,809	6,978	
Note payable - non current	65,631	29,794	95,425	
Certificates of obligation - noncurrent		6,520,000	6,520,000	
Total non-current liabilities	<u>122,179</u>	<u>6,849,692</u>	<u>6,971,871</u>	
Total Liabilities	<u>251,027</u>	<u>8,151,225</u>	<u>8,402,252</u>	<u>17,554</u>
NET POSITION				
Invested in capital assets, net of related debt	1,024,260	5,686,626	6,710,886	151,652
Restricted		293,122	293,122	
Unrestricted	497,188	4,427,494	4,924,682	970,480
Total Net Position	<u>\$ 1,521,448</u>	<u>\$ 10,407,242</u>	<u>\$ 11,928,690</u>	<u>\$ 1,122,132</u>

CITY OF COLEMAN, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Government Activities:				
General government	\$ 185,520	\$ 44,060	\$	\$
Public safety				
Dispatch	204,756			
Police department	631,818	71,700		
Fire department	327,414		15,235	
Public service				
Animal control	50,494			
Municipal court	84,232	69,205		
Health and sanitation	2,371	994		
Cultural and recreation				
Library	125,598	4,531	34,823	
Park	166,037	4,475		
City park pool	28,997	16,348		
Health and inspection				
City inspection	2,293		5,700	
Cemetery	120,192	48,056		
Environmental	44,605			
Highways and streets				
Streets	193,536	15,681		
Total governmental activities	<u>2,167,863</u>	<u>275,050</u>	<u>55,758</u>	
Business-type Activities:				
Utility fund	7,175,587	7,597,979		
Municipal airport fund	296,244	144,772		551
Nonmajor enterprise fund	706,916	775,322		
Total business-type activities	<u>8,178,747</u>	<u>8,518,073</u>		<u>551</u>
Total Primary Government	<u>\$ 10,346,610</u>	<u>\$ 8,793,123</u>	<u>\$ 55,758</u>	<u>\$ 551</u>
Component Units:				
Coleman Economic Development Corp.	\$ 227,964	\$ 2,700	\$ 62,423	\$
Coleman Community Coalition Type B EDC	82,670			
Coleman County Senior Citizens	200,488	93,579		
	<u>\$ 511,122</u>	<u>\$ 96,279</u>	<u>\$ 62,423</u>	<u>\$</u>

General Revenues:

Taxes:
Sales tax
Property tax
Alcohol beverage tax
Occupancy tax
Franchise tax
Investment earnings
Gain (loss) on sale of assets
Insurance proceeds
Miscellaneous income
Disposal of assets
Transfers
Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning
Prior period adjustment
Net Position - Beginning, as restated

Net Position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Units</u>
\$ (141,460)	\$	\$ (141,460)	
(204,756)		(204,756)	
(560,118)		(560,118)	
(312,179)		(312,179)	
(50,494)		(50,494)	
(15,027)		(15,027)	
(1,377)		(1,377)	
(86,244)		(86,244)	
(161,562)		(161,562)	
(12,649)		(12,649)	
3,407		3,407	
(72,136)		(72,136)	
(44,605)		(44,605)	
<u>(177,855)</u>		<u>(177,855)</u>	
<u>(1,837,055)</u>		<u>(1,837,055)</u>	
	422,392	422,392	
	(150,921)	(150,921)	
	68,406	68,406	
	<u>339,877</u>	<u>339,877</u>	
<u>(1,837,055)</u>	<u>339,877</u>	<u>(1,497,178)</u>	
			\$ (162,841)
			(82,670)
			<u>(106,909)</u>
			<u>(352,420)</u>
427,622		427,622	396,972
341,843		341,843	
3,979		3,979	
34,438		34,438	
88,794	32,128	120,922	
1,019	3,029	4,048	2,060
11,600	13,556	25,156	
11,707		11,707	
450,970	101,965	552,935	24,012
	13,457	13,457	
<u>505,187</u>	<u>(505,187)</u>		
<u>1,877,159</u>	<u>(341,052)</u>	<u>1,536,107</u>	<u>423,044</u>
40,104	(1,175)	38,929	70,624
1,518,957	9,075,805	10,594,762	1,051,508
<u>(37,613)</u>	<u>1,332,612</u>	<u>1,294,999</u>	
<u>1,481,344</u>	<u>10,408,417</u>	<u>11,889,761</u>	<u>1,051,508</u>
\$ <u>1,521,448</u>	\$ <u>10,407,242</u>	\$ <u>11,928,690</u>	\$ <u>1,122,132</u>

GOVERNMENTAL FUND FINANCIAL STATEMENTS

CITY OF COLEMAN, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2013

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 253,115	\$ 2,446	\$ 255,561
Investments	150,000		150,000
Receivables:			
Property tax	61,215		61,215
Allowance for uncollectible tax	(19,871)		(19,871)
Sales tax	71,819		71,819
Franchise tax	12,715		12,715
Other	13,497		13,497
Prepaid expenses			
Due from other funds	89,834		89,834
Total Assets	<u>\$ 632,324</u>	<u>\$ 2,446</u>	<u>\$ 634,770</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 43,562	\$	\$ 43,562
Accrued liabilities	23,514		23,514
Other liabilities	961		961
Due to other funds	16,768	1,398	18,166
Total Liabilities	<u>84,805</u>	<u>1,398</u>	<u>86,203</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	41,344		41,344
Total Deferred Inflows of Resources	<u>41,344</u>		<u>41,344</u>
FUND BALANCES			
Fund Balances			
Unreserved	506,175	1,048	507,223
Total Fund Balances	<u>506,175</u>	<u>1,048</u>	<u>507,223</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 632,324</u>	<u>\$ 2,446</u>	<u>\$ 634,770</u>

The accompanying notes are an integral part of this statement.

CITY OF COLEMAN, TEXAS

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

SEPTEMBER 30, 2013

Total fund balances - governmental funds balance sheet	\$	507,223
Amounts reported for governmental activities in the statement of net position (SNP) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$7,071,879 and the accumulated depreciation was \$5,902,062.		1,169,817
Current year capital outlays are expenditures in the fund financial statements, but are shown as increases to capital assets in SNP. Dispositions resulted in a decrease to net position.		527,176
Long-term liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the funds.		(145,272)
Compensated absences are reported in the government wide statements but are not recorded in the fund financial statements.		(51,379)
Long-term debt principal payments are expenditures in the fund financial statements but they are shown as reductions in long-term debt in the government-wide financial statements. Proceeds from capital leases are other resources in the fund financial statements.		31,827
Unavailable revenue and other miscellaneous liabilities recorded in the fund financial statements but not recorded in the government-wide financial statements.		41,344
Depreciation expense decreases net position in SNP.		<u>(559,288)</u>
Net position of governmental activities - statement of net position	\$	<u><u>1,521,448</u></u>

The accompanying notes are an integral part of this statement.

CITY OF COLEMAN, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
 YEAR ENDED SEPTEMBER 30, 2012

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
REVENUES			
Taxes:			
Sales tax	\$ 427,622	\$	\$ 427,622
Property tax	209,685	129,729	339,414
Franchise tax	88,794		88,794
Alcohol beverage tax	3,979		3,979
Occupancy tax	34,438		34,438
Total taxes	<u>764,518</u>	<u>129,729</u>	<u>894,247</u>
License & permits	6,994		6,994
Grants	33,032		33,032
Fines and forfeitures	66,442		66,442
Investment income	1,016	3	1,019
General service fees	211,458		211,458
Internal franchise fees	211,458		211,458
Tower rental	34,596		34,596
Charges for services	172,718		172,718
Donations	2,840		2,840
Sale of assets	11,600		11,600
Miscellaneous income	42,240		42,240
	<u>1,558,912</u>	<u>129,732</u>	<u>1,688,644</u>
Total Revenues			
EXPENDITURES			
Current:			
General government	168,376		168,376
Public safety			
Dispatch	204,756		204,756
Police department	598,563		598,563
Fire department	355,862		355,862
Public service			
Animal control	50,494		50,494
Municipal court	84,232		84,232
Health and sanitation	2,371		2,371
Cultural and recreation			
Library	143,534		143,534
Park	150,507		150,507
City park pool	28,997		28,997
Health and inspection			
City inspection	2,293		2,293
Cemetery	109,516		109,516
Environmental	44,605		44,605
Highways and streets			
Streets	210,552		210,552
	<u>2,154,658</u>		<u>2,154,658</u>
Total Expenditures			

The accompanying notes are an integral part of this statement.

CITY OF COLEMAN, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS - continued
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	General Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
Excess (Deficiency) of Revenues Over (Under) Expenditures	(595,746)	129,732	(466,014)
OTHER FINANCING SOURCES (USES)			
Insurance proceeds	11,707		11,707
Transfers out		(129,729)	(129,729)
Transfers in	634,916		634,916
Total other financing sources (uses)	646,623	(129,729)	516,894
Net Change in Fund Balances	50,877	3	50,880
Fund Balance - Beginning	455,298	1,045	456,343
Fund Balance - Ending	\$ 506,175	\$ 1,048	\$ 507,223

The accompanying notes are an integral part of this statement.

CITY OF COLEMAN, TEXAS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Total change in fund balances - total governmental funds	\$	50,880
Amounts reported for governmental activities in the statement of activities (SOA) are different because:		
Depreciation expense decreases net position in SNP.		(559,288)
Current year capital outlays are expenditures in the fund financial statements, but are shown as increases to capital assets in SNP.		527,176
Changes in compensated absences are shown in the statement of activities but are not included in the fund financial statements		(12,921)
Long-term debt principal payments are expenditures in the fund financial statements but they should be shown as reductions in long-term debt in the government-wide financial statements. Proceeds from capital leases are other financing sources in the fund financial statements.		31,827
Various other reclassifications and eliminations including recognizing deferred revenue as revenue and adjusting current year revenue to show the revenue earned from the current year's tax levy.		<u>2,430</u>
Change in net position of governmental activities - statement of activities	\$	<u><u>40,104</u></u>

The accompanying notes are an integral part of this statement.

CITY OF COLEMAN, TEXAS

STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
SEPTEMBER 30, 2013

	<u>Utility Fund</u>	<u>Municipal Airport Fund</u>	<u>Sanitation Fund</u>	<u>Total Enterprise Funds</u>
ASSETS				
Current:				
Cash and cash equivalents	\$ 1,545,674	\$ 63,724	\$ 120,415	\$ 1,729,813
Investments	1,756,251			1,756,251
Receivables, net	389,946			389,946
Other receivables	18,563	1,510	23,691	43,764
Due from other funds			92,127	92,127
Restricted cash and cash equivalents	<u>254,699</u>		<u>38,423</u>	<u>293,122</u>
Total current	<u>3,965,133</u>	<u>65,234</u>	<u>274,656</u>	<u>4,305,023</u>
Non current:				
Bond discount	1,445,536			1,445,536
Reoffering premium	(15,329)			(15,329)
Capital assets:				
Land	392,061			392,061
Construction in progress	5,521,333			5,521,333
Buildings, net	55,210			55,210
Infrastructure and improvements, net	4,404,751	1,689,754		6,094,505
Machinery & equipment, net	292,753	378,955		671,708
City lakes, net	66,856			66,856
Landfill and improvements, net			<u>21,564</u>	<u>21,564</u>
Total non current	<u>12,163,171</u>	<u>2,068,709</u>	<u>21,564</u>	<u>14,253,444</u>
TOTAL ASSETS	<u>16,128,304</u>	<u>2,133,943</u>	<u>296,220</u>	<u>18,558,467</u>
LIABILITIES				
Current				
Accounts payable	401,922	1,561	48,119	451,602
Due to other funds	127,395	41,143		168,538
Salary accruals	23,929		1,387	25,316
Accrued interest payable	54,629			54,629
Other liabilities	16,440			16,440
Capital lease payable	2,974			2,974
Note payable	32,034			32,034
Certificates of obligation	<u>550,000</u>			<u>550,000</u>
Total current	<u>1,209,323</u>	<u>42,704</u>	<u>49,506</u>	<u>1,301,533</u>
Non current:				
Utility deposits	264,558			264,558
Compensated absences	33,531			33,531
Capital lease payable	1,809			1,809
Note payable	29,794			29,794
Certificates of obligation	<u>6,520,000</u>			<u>6,520,000</u>
Total non current	<u>6,849,692</u>			<u>6,849,692</u>
TOTAL LIABILITIES	<u>8,059,015</u>	<u>42,704</u>	<u>49,506</u>	<u>8,151,225</u>
NET POSITION				
Invested in capital assets, net of related debt	3,596,353	2,068,709	21,564	5,686,626
Restricted	254,699		38,423	293,122
Unrestricted	<u>4,218,237</u>	<u>22,530</u>	<u>186,727</u>	<u>4,427,494</u>
TOTAL NET POSITION	<u>\$ 8,069,289</u>	<u>\$ 2,091,239</u>	<u>\$ 246,714</u>	<u>\$ 10,407,242</u>

The accompanying notes are an integral part of this statement.

CITY OF COLEMAN, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Utility Fund	Municipal Airport Fund	Sanitation Fund	Total Enterprise Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Operating Revenues:				
Water sales	\$ 1,374,397	\$	\$	\$ 1,374,397
Sewer charges	700,826			700,826
Electric sales	5,408,895			5,408,895
Sanitation charges			775,322	775,322
Gas & oil sales		144,772		144,772
Utilities transfer fee	28,536			28,536
Franchise fees			32,128	32,128
Penalties on utility service	85,325			85,325
Rental income		9,720	178	9,898
Grant income		551		551
Other income	43,494	27,979	20,594	92,067
Total operating revenues	<u>7,641,473</u>	<u>183,022</u>	<u>828,222</u>	<u>8,652,717</u>
Operating Expenses:				
Utility department				
Sewer administration	25,558			25,558
Water production administration	108,480			108,480
Light production administration	465,674			465,674
Light production department	3,933,015			3,933,015
Light distribution department	725,141			725,141
Water production department	536,551			536,551
Water distribution department	430,371			430,371
Lake Coleman	42,148			42,148
Wastewater collection department	223,960			223,960
Wastewater treatment plant	282,778			282,778
Utility office	64,439			64,439
Utility shop	84,707			84,707
Municipal Airport		296,244		296,244
Sanitation			706,916	706,916
Total operating expenses	<u>6,922,822</u>	<u>296,244</u>	<u>706,916</u>	<u>7,925,982</u>
Net operating income (loss)	<u>718,651</u>	<u>(113,222)</u>	<u>121,306</u>	<u>726,735</u>
Nonoperating revenues (expenses):				
Interest income	2,869	30	130	3,029
Interest expense	(206,215)			(206,215)
Disposal of assets		13,481	(24)	13,457
Bond issuance costs	(46,550)			(46,550)
Amortization of reoffering costs	13,556			13,556
Total nonoperating revenues (expenses)	<u>(236,340)</u>	<u>13,511</u>	<u>106</u>	<u>(222,723)</u>
Net income before interfund transfers	<u>482,311</u>	<u>(99,711)</u>	<u>121,412</u>	<u>504,012</u>
Interfund transfers				
Transfers in	238,744			238,744
Transfers out	(634,916)		(109,015)	(743,931)
Total interfund transfers	<u>(396,172)</u>		<u>(109,015)</u>	<u>(505,187)</u>
Change in Net Position	<u>86,139</u>	<u>(99,711)</u>	<u>12,397</u>	<u>(1,175)</u>
Net Position - Beginning of Year	6,650,538	2,190,950	234,317	9,075,805
Prior period adjustment	1,332,612			1,332,612
Net Position - Beginning of Year, As Restated	<u>7,983,150</u>	<u>2,190,950</u>	<u>234,317</u>	<u>10,408,417</u>
Net Position - End of Year	\$ <u>8,069,289</u>	\$ <u>2,091,239</u>	\$ <u>246,714</u>	\$ <u>10,407,242</u>

The accompanying notes are an integral part of this statement.

CITY OF COLEMAN, TEXAS

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Utility Fund	Municipal Airport Fund	Sanitation Fund	Total Enterprise Funds
Cash flows from operating activities:				
Cash received from customers	\$ 7,766,212	\$ 143,847	\$ 822,272	\$ 8,732,331
Cash received for miscellaneous functions	43,494	37,699	20,772	101,965
Cash received for grants		551		551
Cash payment to employees for services	(1,525,772)			(1,525,772)
Cash payment to suppliers for goods and services	(4,579,920)	(183,919)	(657,818)	(5,421,657)
Net cash provided (used) by operating activities	<u>1,704,014</u>	<u>(1,822)</u>	<u>185,226</u>	<u>1,887,418</u>
Cash flows from noncapital financing activities:				
Transfers from/to other funds			(109,015)	(109,015)
Advances from/to other funds	(371,440)		(20,088)	(391,528)
Net cash provided (used) by noncapital financing activities	<u>(371,440)</u>		<u>(129,103)</u>	<u>(500,543)</u>
Cash flows from capital and related financing activities:				
Acquisition of property and equipment	(979,886)	(16,050)		(995,936)
Disposal of property and equipment		16,050	(247)	15,803
Bond issuance costs	(46,550)			(46,550)
Principal payments on debt	(525,767)			(525,767)
Principal paid on capital lease	(2,801)			(2,801)
Interest paid on debt	(206,215)			(206,215)
Net cash used by capital and related financing activities	<u>(1,761,219)</u>		<u>(247)</u>	<u>(1,761,466)</u>
Cash flows from investing activities:				
Interest income	2,869	30	130	3,029
Net cash provided by investing activities	<u>2,869</u>	<u>30</u>	<u>130</u>	<u>3,029</u>
Net Increase (Decrease) in Cash	(425,776)	(1,792)	56,006	(371,562)
Cash and Cash Equivalents at Beginning of Year	<u>2,226,149</u>	<u>65,516</u>	<u>102,832</u>	<u>2,394,497</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,800,373</u>	<u>\$ 63,724</u>	<u>\$ 158,838</u>	<u>\$ 2,022,935</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	718,651	(113,222)	121,306	726,735
Depreciation and amortization	788,772	113,086	270	902,128
Gain on sale of assets				
(Increase) decrease in operating assets:				
Receivables	167,819	(925)	14,822	181,716
Prepays				
Increase (decrease) in operating liabilities:				
Accounts payables	19,825	(761)	48,007	67,071
Utility deposits	414			414
Other liabilities	(2,619)			(2,619)
Accrued interest	(7,279)			(7,279)
Accrued expenses	18,431		821	19,252
Net cash provided (used) by operating activities	<u>\$ 1,704,014</u>	<u>\$ (1,822)</u>	<u>\$ 185,226</u>	<u>\$ 1,887,418</u>
Supplemental information				
Interest paid	<u>\$ 211,925</u>	<u>\$</u>	<u>\$</u>	<u>\$ 211,925</u>

The accompanying notes are an integral part of this statement.

CITY OF COLEMAN, TEXAS

COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS

SEPTEMBER 30, 2013

	<u>Health Ins Fund</u>	<u>Perpetual Care Nonexpendable Trust Fund</u>	<u>Total Fiduciary Funds</u>
ASSETS:			
Current:			
Cash and cash equivalents	\$ 30,981	\$	\$ 30,981
Due from other funds		<u>4,743</u>	<u>4,743</u>
Total Assets	<u>30,981</u>	<u>4,743</u>	<u>35,724</u>
NET POSITION			
Restricted	<u>30,981</u>	<u>4,743</u>	<u>35,724</u>
Total Net Position	<u>\$ 30,981</u>	<u>\$ 4,743</u>	<u>\$ 35,724</u>

CITY OF COLEMAN, TEXAS

COMBINING STATEMENT OF ACTIVITIES - FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Health Ins Fund</u>	<u>Perpetual Care Nonexpendable Trust Fund</u>	<u>Total Fiduciary Funds</u>
REVENUES			
Investment income	\$ 16	\$	\$ 16
Total Revenues	<u>16</u>		<u>16</u>
EXPENSES			
Claims paid	<u>1,905</u>		<u>1,905</u>
Total Expenses	<u>1,905</u>		<u>1,905</u>
Change in Net Position	(1,889)		(1,889)
Net Position - Beginning of Year	<u>32,870</u>	<u>4,743</u>	<u>37,613</u>
Net Position - End of Year	<u>\$ 30,981</u>	<u>\$ 4,743</u>	<u>\$ 35,724</u>

CITY OF COLEMAN, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting framework and the more significant accounting principles and practices of City of Coleman, Texas (City) are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2013.

Financial Reporting Entity – Basis of Presentation

The City of Coleman is a "Home Rule City". The City was formed to provide local residents a voice in local government and as a means to provide services to the local citizens. The City operates under a Council - Mayor form of government. Using the Council – Mayor system, the City provides the following basic services: public safety (police, fire, dispatch), public service (animal control, municipal court, health and sanitation), Cultural and recreation (library, park, city pool), health and inspection, cemetery, and highways and streets, water, sewer, solid waste, electric and general administrative services.

Component units of the City issue separately audited financial statements. Copies of component unit reports may be obtained from the City Hall, Coleman, Texas.

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 City is financially accountable for the three component units since the City Council appoints a voting majority of their boards and the City is able to impose its will on the corporations. The audited financial statements of these corporations are discretely presented component units, presented as governmental type activities using the modified accrual basis of accounting.

Government-wide and Fund Financial Statements

Government-wide financial statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to uses of the City's services; and (2) operating grants and contributions which finance annual operating activities including restricted investment income. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund financial statements

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns.

CITY OF COLEMAN, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Proprietary financial statements and financial statements of City component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes, hotel/motel taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

Fund Types and Major Funds

Governmental funds

The City reports the following major governmental funds:

General Fund – reports as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

CITY OF COLEMAN, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Proprietary funds

The City reports the following major enterprise funds:

Utility Fund – reports for revenues and expenses associated with water, sewer, and electric services for the citizens of the City.

Municipal Airport Fund – reports for revenues and expenses associated with the airport.

Fiduciary funds

The City reports resources held in a purely custodial capacity.

Assets, Liabilities, and Net Position or Equity

Cash and cash equivalents

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

Investments are reported at fair value which is determined using selected basis. Short-term investments are reported at cost, if any, which approximates fair value.

Capital assets, depreciation, and amortization

The City's property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary and component unit capital assets are also reported in their respective fund and combining component unit's financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with cost of \$5,000 or more as purchase and construction outlays occur. The city's streets are considered to be fully depreciated with a net book value of \$0, and therefore, are not included in the financial statements. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. 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.

Estimated useful lives for depreciable assets are as follows:

Infrastructure	30 years
Buildings	50 years
Building improvements	20 years
Equipment	3 - 10 years
Vehicles	5 - 15 years

Long-term debt

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as liabilities.

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

CITY OF COLEMAN, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Fund balance classification

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

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has no nonspendable funds for the year ended September 30, 2013.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the revenue note and are restricted through debt covenants. Federal or state funds are restricted for use only for a specific use. The City has \$293,122 in restricted funds at September 30, 2013.

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

Assigned – This classification includes amounts that are constrained by the City Council's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the Council delegating this responsibility to management through the budgetary process. The City has no assigned funds for the year ended September 30, 2013.

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

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

Compensated absences

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

CITY OF COLEMAN, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Budget policy and practice

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 allocation of resources. In August, the City Council adopts the annual fiscal year budgets for City operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Basis of budgeting

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: general governmental services; public safety – dispatch, police, fire; public service - court administration, animal control, health and sanitation; cultural and recreation –library, park, pool; health and inspection; cemetery; and highways and streets. Budget revisions at this level are subject to final review by the City Council.

Budgets for the operating funds and proprietary fund operations are prepared on the modified accrual basis of accounting with the exception of depreciation expense. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the expenditure is incurred. The budget and actual financial statements are reported on this basis. A schedule to reconcile GAAP basis to budget basis is provided for proprietary funds.

NOTE 3: DEPOSITS AND INVESTMENTS

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

Cash Deposits

The City's cash deposits were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name at September 30, 2013.

The Coleman Economic Development Corporation, Coleman Community Coalition Type B Economic Development Corporation, and the Coleman County Senior Center were fully collateralized at September 30, 2013.

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 entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

CITY OF COLEMAN, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 3: DEPOSITS AND INVESTMENTS--continued

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

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas. (2) certificates of 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 City's investments at September 30, 2013 are as follows:

	Reported Amount/ Fair Value	Weighted Average Maturity	Maturity Date	Standard & Poor's Rating
Governmental Activities:				
Certificates of Deposits	\$ 150,000	51 Days	Various	
Total Governmental Activities	<u>150,000</u>			
Business-type Activities:				
Certificate of Deposit	100,000	98 Days	Various	
TexPool	<u>1,656,251</u>	81 Days		AAAm
Total Business-type Activities	<u>1,756,251</u>			
Total Government	<u>\$ 1,906,251</u>			

Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas (Pools) are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the Act), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are

CITY OF COLEMAN, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 3: DEPOSITS AND INVESTMENTS--continued

reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Analysis of Specific Deposit and Investment Risks

- Credit Risk – 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 year end, the City was not significantly exposed to credit risk. As of September 30, 2013, the City's investments in TexPool was rated AAAM by Standard & Poor's.
- Custodial Credit Risk – Deposits and investments are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. At September 30, 2013, the City's deposits and investments were entirely collateralized and therefore, not exposed to custodial credit risk.
- Concentration of Credit Risk – the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy is to diversify its investments by security type and institution. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the City's total investment portfolio will be invested in a single security type or with a single financial institution. At September 30, 2013, the City was not exposed to concentration of credit risk.
- Interest Rate Risk – the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the city manages its exposure to declines in fair values by limiting the maturity of investments to less than one year. However, the City may collateralize its repurchase agreements using longer-dated investments not to exceed two years to maturity. Reserved funds may be invested in securities exceeding two years if the maturity of such investments is made to coincide as nearly as possible with the expected use of the funds. The City monitors the interest rates to minimize the exposure to interest rate risk.
- Foreign Currency Risk – the risk that exchange rates will adversely affect the fair value of an investment. As of September 30, 2013, the City was not exposed to foreign currency risk.

NOTE 4: RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUE

Enterprise Receivables

Significant receivables include amounts due from customers primarily for utility services. These receivables are due within one year. The allowance for uncollectible accounts is deemed immaterial. Therefore, the City's receivables are reported at gross receivables. Receivables at September 30, 2013 are shown as follows:

CITY OF COLEMAN, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 4: RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUE-continued

Primary government:	
Utility fund	\$ 408,509
Municipal Airport fund	1,510
Sanitation fund	<u>23,691</u>
Total primary government	\$ <u>433,710</u>

Property Taxes Receivable, Deferred Revenue and Property Tax Calendar

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

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

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

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the City regardless of when cash is received. Over time, substantially all property taxes are collected.

NOTE 5: CAPITAL ASSETS

The following schedule provides a summary of changes in capital assets:

	Balance at 09-30-12	Additions	Deletions	Balance at 09-30-13
Primary government				
<i>Governmental Activities</i>				
Capital Assets, not depreciated				
Land	\$ 9,980	\$ -	\$ -	\$ 9,980
	<u>9,980</u>	<u>-</u>	<u>-</u>	<u>9,980</u>
Capital Assets, depreciated				
Infrastructure	2,951,870			2,951,870
General admin	397,759	63,250		461,009
Cemetery	104,113		9,000	95,113
Fire department	440,614	247,662		688,276
Library	311,423	21,002		332,425
Parks department	452,527	22,370		474,897
Police department	917,368	36,691		954,059
Street department	1,486,225	145,201		1,631,426
	<u>7,061,899</u>	<u>536,176</u>	<u>9,000</u>	<u>7,589,075</u>

CITY OF COLEMAN, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 5: CAPITAL ASSETS - continued

Less accumulated depreciation for:				
Infrastructure	2,486,055	12,422		2,498,477
General admin	363,434	67,473		430,907
Cemetery	74,701	1,676		76,377
Fire department	379,355	219,214		598,569
Library	288,437	5,138		293,575
Parks department	396,266	37,900		434,166
Police department	590,630	88,403		679,033
Street department	1,323,184	127,062		1,450,246
	<u>5,902,062</u>	<u>559,288</u>	<u>-</u>	<u>6,461,350</u>
Total governmental activities	\$ <u>1,169,817</u>	\$ <u>(23,112)</u>	\$ <u>9,000</u>	\$ <u>1,137,705</u>
<i>Business-type Activities</i>				
Capital Assets, not depreciated				
Construction in progress	\$ 4,638,539	\$ 882,794	\$ -	\$ 5,521,333
Land	392,061			392,061
	<u>5,030,600</u>	<u>882,794</u>	<u>-</u>	<u>5,913,394</u>
Capital Assets, depreciated				
Buildings & improvements	249,569			249,569
Utility system improvements	13,816,860	1,365	2,552	13,815,673
Airport improvements	1,844,704			1,844,704
Utility system machine & equip	1,719,917	153,160	149,588	1,723,489
Utility system vehicles	495,759	53,036	92,584	456,211
Sanitation collection equipment	238,906		64,227	174,679
Airport equipment	977,342	16,050	2,570	990,822
Lake & improvements	2,003,745	25,375	307,155	1,721,965
Landfill & improvements	47,684			47,684
	<u>21,394,486</u>	<u>248,986</u>	<u>618,676</u>	<u>21,024,796</u>
Less accumulated depreciation for:				
Buildings & improvements	190,711	3,648		194,359
Utility system improvements	8,909,372	426,650		9,336,022
Airport improvements	181,162	48,688		229,850
Utility system machine & equip	1,307,962	265,418	111,249	1,462,131
Utility system vehicles	476,677	52,516	104,377	424,816
Sanitation collection equipment	238,906		64,227	174,679
Airport equipment	547,469	64,398		611,867
Lake & improvements	1,912,717	49,547	307,155	1,655,109
Landfill & improvements	26,075	45		26,120
	<u>13,791,051</u>	<u>910,910</u>	<u>587,008</u>	<u>14,114,953</u>
Total business-type activities	\$ <u>12,634,035</u>	\$ <u>220,870</u>	\$ <u>31,668</u>	\$ <u>12,823,237</u>

The following schedule provides a summary of changes in fixed assets for the Coleman County Senior Center and the Coleman Economic Development Corporation:

CITY OF COLEMAN, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 5: CAPITAL ASSETS - continued

	<u>Balance</u> <u>At 09-30-12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>At 09-30-13</u>
Component Units				
<i>Coleman County Senior Center</i>				
Capital Assets, depreciated				
Buildings	\$ 45,315		\$	\$ 45,315
Furniture & equipment	3,178			3,178
Improvements	104,960			104,960
Machinery & equipment	10,821			10,821
	<u>164,274</u>			<u>164,274</u>
Less accumulated depreciation	(136,451)	(10,533)		(146,984)
	<u>27,823</u>	<u>(10,533)</u>		<u>17,290</u>
<i>Coleman County Economic Development Corp.</i>				
Capital Assets, not depreciated				
Land	25,000	1,000		26,000
	<u>25,000</u>	<u>1,000</u>		<u>26,000</u>
Capital assets, depreciated				
Buildings & improvements	191,499	216		191,715
Less accumulated depreciation	(75,704)	(13,455)		(89,159)
	<u>115,795</u>	<u>(13,239)</u>		<u>102,556</u>
<i>Coleman Community Coalition Type B</i>				
Signs & equipment		7,050		7,050
Less accumulated depreciation		(1,244)		(1,244)
		<u>5,806</u>		<u>5,806</u>
Total governmental activities	\$ <u>168,618</u>	\$ <u>(16,966)</u>		\$ <u>151,652</u>

NOTE 6: LONG-TERM DEBT

In February 2008, the City was approved for Tax and Utility System Surplus Revenue Certificates of Obligation, Series 2008, in the amount of \$5,024,000 from the Drinking Water State Revolving Fund administered by the Texas Water Development board. The release of funds is required to occur through multiple installments. The funds will include an additional \$885,000 in Loan Forgiveness through the DWSRF Disadvantaged Program. The bonds are 0% interest. Interest was imputed on these bonds. A bond discount of \$1,445,536 resulted in the imputed interest.

\$ 4,345,000

In January 2010, the City issued \$1,735,000 of General Obligation Re-funding Bonds. Interest rates range 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.

1,135,000

In January 2013, the City issued \$1,765,000 of General Obligation Re-funding Bonds, which refunded the Tax and Utility System Surplus Revenue Certificates of Obligation. Interest rates are at 1.83%. The refunding issued 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 through 2022. Total debt service savings through the life of the refunding issue is \$214,725.

1,590,000

CITY OF COLEMAN, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 6: LONG-TERM DEBT - continued

In February 2010, the City entered into a note agreement with Caterpillar Financial for a Caterpillar skid loader in the amount of \$24,000. The interest rate is 4.5%. Payments of \$750, which includes interest, are due for 36 months. 5,526

In May 2011, the City entered into a note agreement with Caterpillar Financial for a Caterpillar backhoe in the amount of \$77,000. The interest rate is 4.5%. Payments of \$1,375, which includes interest, are due for 60 months. 43,788

In June 2011, the City entered into a note agreement with Caterpillar Financial for a Caterpillar mini excavator in the amount of \$37,802. The interest rate is 4.5%. Payments of \$1,000, which includes interest, are due for 36 months. 12,514

In October 2008, the City entered into a note agreement with Caterpillar Financial for a Caterpillar motor grader in the amount of \$128,170. Payments of \$14,951, with an interest rate of 4.0%, are due annually until 2013 then the payments are \$23,393 with an interest rate of 3.2%. The note will mature on October 21, 2016. 86,263

\$ 7,218,091

The City has three capital leases for equipment used in governmental activities.

In 2009, the City entered into a lease with Canon Financial Services for a Digital copier. The effective interest rate is 6.0%. Payments of \$200 are due monthly. The final payment of \$200 is due December 2013. \$ 807

In 2010, the City entered into a lease with Canon Financial Services for a digital copier. The effective interest rate is 6.0%. Payments of \$170 are due monthly. The final payment of \$170 is due May 2015. 3,622

In 2011, the City entered into a lease with Government Capital Corporation for a phone system and furniture for the police department. The effective interest rate is 5.8%. Payments of \$4,750 are due quarterly. The final payment of \$4,750 is due October 2014. 22,753

The City has one capital lease for equipment that is used in business-type activities:

In April 2010, the City entered into a lease agreement with Canon Financial Services, Inc for a digital copier. The effective interest rate is 6.0%. Payments of \$265 are due monthly. The final payment of \$265 is due April 2015. 4,783

\$ 31,965

CITY OF COLEMAN, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 6: LONG-TERM DEBT - continued

Debt service walkforward is as follows:

	Balance at 09-30-12	Additions	Retired	Balance at 09-30-13	Due in One Year
Primary Government:					
<i>Governmental Activities:</i>					
Capital Lease	\$ 47,711	\$	20,529	\$ 27,182	\$ 22,013
Notes Payable	97,561		11,298	86,263	20,632
<i>Business-type Activities:</i>					
Capital Lease	7,584		2,801	4,783	2,974
Notes Payable	122,595		60,767	61,828	32,034
Bonds Payable	7,535,000	1,765,000	2,230,000	7,070,000	550,000
Total Primary Government	\$ 7,810,451	\$ 1,765,000	\$ 2,325,395	\$ 7,250,056	\$ 627,653

Maturity Schedule for Debt

The following is a summary of the maturity schedule for debt as of September 30, 2013.

Long term bonds	Principal	Interest	Total
<i>Business-type Activities:</i>			
2014	\$ 550,000	\$ 62,197	\$ 612,197
2015	555,000	54,878	609,878
2016	560,000	45,258	605,258
2017	570,000	35,489	605,489
2018	585,000	25,419	610,419
2019-2023	1,605,000	34,861	1,639,861
2024-2028	850,000		850,000
2029-2033	825,000		825,000
2034-2038	825,000		825,000
2039	145,000		145,000
	<u>7,070,000</u>	<u>258,102</u>	<u>7,328,102</u>
Notes			
<i>Governmental Activities:</i>			
2014	\$ 20,623	\$ 2,769	\$ 23,392
2015	21,283	2,109	23,392
2016	21,964	1,428	23,392
2017	22,393	725	23,118
	<u>86,263</u>	<u>7,031</u>	<u>93,294</u>
<i>Business-Type Activities</i>			
2014	32,034	2,213	34,247
2015	16,476	989	17,465
2016	13,318	278	13,596
	<u>61,828</u>	<u>3,480</u>	<u>65,308</u>

CITY OF COLEMAN, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 6: LONG-TERM DEBT - continued

<i>Leases</i>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<i>Governmental Activities</i>			
2014	\$ 22,013	\$ 1,077	\$ 23,090
2015	5,169	98	5,267
	<u>27,182</u>	<u>1,175</u>	<u>28,357</u>
<i>Business-Type Activities</i>			
2014	2,974	206	3,180
2015	1,809	36	1,845
	<u>4,783</u>	<u>242</u>	<u>5,025</u>
Total Primary Government	\$ <u>7,250,056</u>	\$ <u>270,030</u>	\$ <u>7,520,086</u>

NOTE 7: RISK MANAGEMENT – CLAIMS AND JUDGEMENTS

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and through the Texas Municipal League (TML) Intergovernmental Risk Pool. TML Intergovernmental Risk Pool (Pool) is considered a self-sustaining risk pool that provides coverage for its members. The City’s contributions to the Pool are limited to the amount of premiums as calculated at the beginning of each fund year. The Pool’s liability is limited to the coverage that the City elects as stated in the Pool’s Declaration of Coverage for that fund year. Settled claims have not exceeded insurance coverage limits for the past three years.

NOTE 8: BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY

Receivables and Payables

Generally, outstanding balances between funds reported as “due to/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/from other funds” (i.e., the current portion of interfund loans). The following schedule reports receivables and payables at fiscal yearend:

<u>Fund with Due From</u>	<u>Fund with Due To</u>	<u>Amount</u>
General Fund	Law Enforcement Fund	\$ 1,398
General Fund	Airport Fund	41,143
General Fund	Utility Fund	47,293
Sanitation Fund	Utility Fund	80,102
Perpetual Care Fund	General Fund	4,743
Sanitation Fund	General Fund	12,025
		<u>\$ 186,704</u>

CITY OF COLEMAN, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 8: BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY - continued

Transfers and Payments

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions. The following schedule reports transfers and payments within the reporting entity:

Transfers In	Transfers Out	Amount
Utility Fund	Debt Service Fund	\$ 129,729
Utility Fund	Sanitation Fund	109,015
General Fund	Utility Fund	634,916
		\$ 873,660

NOTE 9: DEFINED BENEFIT PLAN

Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available in the governing statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations for the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

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 are as follows:

	Plan Year 2011	Plan Year 2012
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25	60/5, 0/25
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	50% of CPI Repeating	50% of CPI Repeating

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for the City. Both the normal cost and the prior service contribution rates

CITY OF COLEMAN, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 9: DEFINED BENEFIT PLAN--continued

include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

The annual pension cost and net pension obligation/(asset) are as follows.

1 Annual Required Contribution (ARC)	\$	411,803
2 Interest on Net Pension Obligation		
3 Adjustment to the ARC		<u> </u>
4 Annual Pension Cost(APC)		411,803
5 Contributions Made		<u>411,803</u>
6 Increase (decrease) in net pension		
7 Net Pension Obligation/(Asset), Beginning of Year		<u> </u>
8 Net Pension Obligation/(Asset), End of Year	\$	<u><u> </u></u>

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due.

<u>Fiscal Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution Made</u>	<u>Percent of APC Contributed</u>	<u>Net Pension Obligation/ (Asset)</u>
2009	411,791	411,791	100%	-
2010	439,817	439,817	100%	-
2011	464,619	464,619	100%	-

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

CITY OF COLEMAN, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 9: DEFINED BENEFIT PLAN--continued

Valuation Date	12/31/2009	12/31/2010	12/31/2011
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	28.1 years; closed period	27.2 years; closed period	26.3 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.5%	7.0%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
*Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	1.5%	1.5%	1.5%

Funding Status and Funding Progress

The funding status as of December 31, 2011, the most recent actuarial valuation date, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
(1)	(2)	(3)	(4)	(5)	(6)	(7)
12/31/2011	\$ 8,258,016	\$ 10,678,050	77.3%	\$ 2,420,034	\$ 2,414,224	100.2%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

CITY OF COLEMAN, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 10: HEALTH CARE COVERAGE

During the year ended September 30, 2013, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$326 per month per employee to the Plan for the months of October through May and \$523 per month per employee thereafter. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

NOTE 11: COMMITMENTS AND CONTINGENCIES

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there were no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions has been recorded in the accompanying basic financial statement for such contingencies.

NOTE 12: CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations require the City to place a cover on its City of Coleman Landfill site. The original landfill was a Type I landfill and the City made the decision in 1997 to close the landfill. By closing the landfill in 1997 the City avoided the new requirements for installing monitoring wells and other expensive closing requirements. The City had to monitor the landfill for five years. As of January 2003, the City had completely closed the Type I portion of the landfill and no additional cost is expected. The remaining portion of the landfill site was converted to a Type IV (debris only) landfill. The City was instructed to open a landfill trust to cover any future cost of closing the Type IV portion of the landfill. The trust is to cover 30 years. The trust was started in 1998 with contributions of \$5,636. The City made additional contributions until the trust reached a balance of \$37,746 that is the estimated amount needed to cover the Type IV portion of the landfill. Each year as the landfill is used; the City covers the filled portion of the landfill using landfill maintenance expense funds. The City remains in compliance with all closure requirements and there are no unfunded closure needs as of September 30, 2013. The trust remains intact and is to be used only in the event the city defaults and is unable to provide the proper funds for closure anytime in the 30 years following the final closure.

NOTE 13: OPERATING SEGMENTS

The City's enterprise funds have seven operating segments that are required to be disclosed in accordance with accounting principles generally accepted in the United States of America. Operating segments are components of an entity that engage in business activities from which revenues may be earned and in which expenses may be incurred. The operating results are regularly reviewed by the city's chief operating decision maker for the purpose of making decisions about resource allocation and performance evaluation. Discrete financial information about each operating segment is available.

CITY OF COLEMAN, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 13: OPERATING SEGMENTS - continued

The City's operating segments are the light department, water department, sewer department, utility office, and municipal airport, sanitation operations, and grant operations. Operations of the municipal airport, sanitation, and grant operations are accounted for in separate funds. The remaining segments are reported in the utility fund. Combining statements of Net Position, statements of revenues, expenses, and changes in fund net position, and statements of cash flow are presented for the purpose of additional analysis.

The primary services provided by the utility fund operating segments are light distribution, production, treatment and distribution of water, and the collection and treatment of sewer. The primary customers of the utility are the citizens of Coleman, Coleman County Special Utility City, and the City of Lawn.

NOTE 15: LONG TERM CONTRACT

The City entered into a long term lease with LoadCraft Industries to provide a jet hangar at the Coleman Municipal Airport. The City will provide the land, while the Lessee builds the hangar. The hangar will belong to the City when the Lessee leaves.

NOTE 16: UNFAVORABLE BUDGET VARIANCES

During the year ended September 30, 2013, the City had the following budget variances by department:

The following governmental departments were over budget by the following amount:

<u>Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
City Secretary - Treasurer	2,860	3,838	(978)
Fire Department	344,145	355,862	(11,717)
Animal Control	46,925	50,494	(3,569)
Health & Sanitation	2,220	2,371	(151)
Municipal Court	82,295	84,232	(1,937)
Library	102,086	143,534	(41,448)
Park	144,708	150,507	(5,799)
Environmental	42,978	44,605	(1,627)
Streets	202,797	210,552	(7,755)

The following proprietary departments were over budget by the following amounts:

<u>Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Sewer Administration	\$ 25,260	\$ 25,558	(298)
Water Production Administration	107,368	108,480	(1,112)
Light Production Administration	460,766	465,674	(4,908)
Light Distribution Department	645,992	725,141	(79,149)
Water Distribution Department	423,672	430,371	(6,699)
Wastewater Collection Department	201,677	223,960	(22,283)
Utility Shop	75,077	84,246	(9,169)
Municipal Airport	267,763	296,244	(28,481)

Budget amounts were set at the beginning of the year based on prior year's actual amounts. Negative variances were a result of higher than expected expenditures.

CITY OF COLEMAN, TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 17: DEFERRED INFLOWS OF RESOURCES

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

Net tax revenue	\$	41,344
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NOTE 18: GASB NO. 63

In June 2011, the Governmental Accounting Standards Board (GASB) issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which changes how governments organize their statements of financial position (such as the current government-wide statements of net position and the governmental funds balance sheet). Under these standards, financial statements include deferred outflows of resources and deferred inflows of resources (“deferrals”), in addition to assets and liabilities, and report *net position* instead of net assets. GASB Statement No. 63 was effective for financial statements for periods beginning after December 15, 2011.

NOTE 19: PRIOR PERIOD ADJUSTMENT

The City implemented GASB No. 65, *Items Previously Recorded as Assets and Liabilities*, which requires the City to record as expenditures/expenses, bond issuance costs. The City decreased beginning net position by \$210,664 for prior unamortized bond issuance costs.

The City received zero percent bonds during the year ended September 30, 2008. The imputed interest required to be recorded was \$1,850,011. The imputed interest is amortized over the life of the bond. Unamortized imputed interest at September 30, 2012 increased net position by \$1,543,276.

During the year it was noted that two funds were reported in the Statement of Net Position incorrectly. The net effect of removing those funds was a decrease in net position of \$37,613.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COLEMAN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Sales tax	\$ 345,000	\$ 362,926	\$ 427,622	\$ 64,696
Property tax	187,606	203,475	209,685	6,210
Franchise tax	117,000	100,000	88,794	(11,206)
Alcohol beverage tax	4,000	2,769	3,979	1,210
Occupancy tax	38,000	48,725	34,438	(14,287)
Total taxes	<u>691,606</u>	<u>717,895</u>	<u>764,518</u>	<u>46,623</u>
License & permits	5,800	9,351	6,994	(2,357)
State grants	20,000	20,000		(20,000)
Grants	25,415	12,500	33,032	20,532
Fines and forfeitures	95,000	80,000	66,442	(13,558)
Investment income	1,375	1,015	1,016	1
General service fees	299,450	204,192	211,458	7,266
Internal franchise fees	359,337	204,192	211,458	7,266
Tower rental	33,000	33,000	34,596	1,596
Charges for services	151,501	157,570	172,718	15,148
Donations	2,600	3,680	2,840	(840)
Sale of assets	8,000	8,000	11,600	3,600
Miscellaneous income	170,928	14,200	42,240	28,040
Total Revenues	<u>1,864,012</u>	<u>1,465,595</u>	<u>1,558,912</u>	<u>93,317</u>
EXPENDITURES				
General government				
General operations				
City attorney expense	34,000	17,000	33,228	(16,228)
Payroll tax	806			
Professional services	10,000		2,850	(2,850)
Election	12,000	8,000	4,304	3,696
County tax appraisal	15,000	14,101	16,827	(2,726)
Supplies & maintenance	10,000	5,000	4,704	296
Building maintenance	10,000	5,732	4,420	1,312
Equipment & building maintenance	700	700	250	450
Association dues	4,000	2,000	2,976	(976)
Chamber dues	8,400		4,200	(4,200)
City to hospital for ambulance	42,000	37,800	37,800	
City to ARK	2,000	2,000	2,000	
Chaps-Museum	2,000	2,000	2,000	
Insurance & bonds	1,538	2,361	2,913	(552)
Workshops	5,000	2,000	3,400	(1,400)
Administrative expenses	3,000	2,500	2,160	340
Service pins and meals	5,000		1,054	(1,054)
Occupancy tax to Chamber	38,000	48,725	27,017	21,708
EDC expenses	152,000	181,400		181,400
4B expenses	150,000	180,000		180,000
Sr. Citizens expense	9,970	9,496	10,316	(820)
Miscellaneous expenses	4,191	6,816	147	6,669
Total general operations	<u>519,605</u>	<u>527,631</u>	<u>162,566</u>	<u>365,065</u>

CITY OF COLEMAN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Mayor - City Council				
Council meeting expense	3,850			
Insurance	327	329	329	
Office supplies	400	700	281	419
Total Mayor - City Council	<u>4,577</u>	<u>1,029</u>	<u>610</u>	<u>419</u>
City Secretary - Treasurer				
Office supplies	200	200	160	40
Equipment maintenance	300	200	18	182
Certification/Association expenses	2,500	1,500	1,097	403
Codification of Ordinances	1,300	600	2,215	(1,615)
Small equipment purchases	500	360	348	12
Total city Secretary - Treasurer	<u>4,800</u>	<u>2,860</u>	<u>3,838</u>	<u>(978)</u>
City Manager's Office				
Office supplies	500	500	984	(484)
Equipment maintenance	300	50		50
Capital outlay	1,500			
City manager	7,000	2,000	378	1,622
Total City Manager's Office	<u>9,300</u>	<u>2,550</u>	<u>1,362</u>	<u>1,188</u>
Public Safety				
Dispatch				
Telecommunications salaries	161,763	148,426	145,284	3,142
Workers comp	174	382	958	(576)
Employee health	21,120	20,011	20,934	(923)
Unemployment insurance	900	900	104	796
Payroll taxes	12,224	11,355	9,884	1,471
Repair and maintenance		1,021	1,569	(548)
Retirement	26,399	24,624	23,909	715
Training materials & schools		643	130	513
Utilities		2,478	1,984	494
Total Dispatch	<u>222,580</u>	<u>209,840</u>	<u>204,756</u>	<u>5,084</u>
Police Department				
Police officer salaries	438,171	385,811	356,804	29,007
Workers comp	24,688	8,986	10,414	(1,428)
Employee health	43,296	35,906	33,771	2,135
Unemployment insurance	1,485	1,632	72	1,560
Payroll taxes	33,259	29,514	25,300	4,214
Retirement	71,823	63,906	58,919	4,987
Regular maintenance	25,000	25,000	24,604	396
Equipment maintenance	11,000	10,000	16,759	(6,759)
Insurance	6,988	10,316	10,338	(22)
Uniform allowance	12,000	8,000	2,764	5,236
Utilities	12,000	12,000	13,641	(1,641)
Internet expense	300	1,039	1,213	(174)
Debt service	29,625	10,706	10,436	270
Miscellaneous	600	2,856	4,863	(2,007)
Copier lease	3,180	1,021	1,634	(613)
Fuel expense	28,000	26,000	23,182	2,818
Telephone expense	6,000	3,916	3,849	67
Capital outlay	186,533			
Total Police Department	<u>933,948</u>	<u>636,609</u>	<u>598,563</u>	<u>38,046</u>

CITY OF COLEMAN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fire Department				
Salaries	195,710	216,165	216,754	(589)
Workers comp	1,213	4,061	5,189	(1,128)
Employee health	16,896	16,178	16,127	51
Unemployment insurance	900	1,215	355	860
Payroll taxes	14,770	13,881	15,305	(1,424)
Retirement	31,895	26,001	33,556	(7,555)
Uniform allowance	2,200	1,000	581	419
Regular maintenance	9,000	3,000	5,208	(2,208)
Equipment maintenance	6,700	7,000	6,562	438
Fuel expense	4,200	3,600	4,576	(976)
Training materials and schools	3,500	5,000	4,853	147
Fire prevention expense	500	500	438	62
Volunteer expense	22,275	22,275	13,700	8,575
Volunteer maintenance	1,129	1,000		1,000
Volunteer workers comp	80	689	675	14
Insurance building	2,013	2,091	2,037	54
Insurance vehicles	4,074	6,855	6,855	
Protective safety gear	1,000	1,000	306	694
Telephone	1,400	1,600	2,449	(849)
Internet	575	729	170	559
Utilities	7,500	6,500	6,477	23
Gas for building	850	950	1,042	(92)
Volunteer fire department			8,566	(8,566)
Debt service	2,855	2,855	2,855	
Grant expense			1,226	(1,226)
Capital outlay	7,851			
Total Fire Department	<u>339,086</u>	<u>344,145</u>	<u>355,862</u>	<u>(11,717)</u>
Public Service:				
Animal Control				
Animal control salaries	35,003	30,377	29,575	802
Workers comp	310	788	799	(11)
Employee health	4,224	4,013	5,001	(988)
Unemployment insurance	189	180	9	171
Payroll taxes	2,636	2,324	2,071	253
Retirement	5,693	5,039	4,879	160
Uniform expense	840	300	245	55
Regular maintenance	1,500	1,200	1,030	170
Equipment maintenance	500	400	234	166
Fuel expense	1,600	1,304	1,673	(369)
Telephone expense			796	(796)
Atmos gas expense	1,700		2,142	(2,142)
Animal control vet disposal expense	1,500	1,000	2,040	(1,040)
Total Animal Control	<u>55,695</u>	<u>46,925</u>	<u>50,494</u>	<u>(3,569)</u>

CITY OF COLEMAN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Health and Sanitation:				
Equipment maintenance	250	950	236	714
Regular maintenance	2,000	500	1,147	(647)
Insurance	145	170	161	9
Fuel expense		100	687	(587)
Payroll	1,832			
Training material & schools		500	140	360
Total Health and Sanitation	<u>4,227</u>	<u>2,220</u>	<u>2,371</u>	<u>(151)</u>
Municipal Court				
Salaries	32,449	32,664	32,787	(123)
Workers comp	337	99	251	(152)
Employee health	4,224	4,021	5,009	(988)
Unemployment insurance	180	180	9	171
Payroll taxes	2,446	2,499	2,301	198
Retirement	5,281	5,419	5,412	7
Regular maintenance & supplies	600	600	439	161
Building fund	3,700			
Professional legal services	5,000	3,000	1,573	1,427
Incode software license	2,914	3,059	3,574	(515)
Credit card charges	500	550	457	93
Collection agency expense			2,385	(2,385)
Court technology			1,502	(1,502)
Training workshops	1,600	1,500	1,538	(38)
Court costs (State)	34,000	28,000	25,944	2,056
Telephone	617	600	933	(333)
Internet costs	140	104	118	(14)
Total Municipal Court	<u>93,988</u>	<u>82,295</u>	<u>84,232</u>	<u>(1,937)</u>
Cultural and recreation				
Library				
Salaries	45,345	40,241	42,037	(1,796)
Workers comp	46	116	172	(56)
Employee health	5,280	3,990	4,979	(989)
Unemployment insurance	225	583	267	316
Payroll taxes	3,353	3,078	2,523	555
Retirement	3,370	3,645	5,090	(1,445)
Association dues	650	200	175	25
Regular maintenance	7,500	7,500	5,910	1,590
Building maintenance			2,252	(2,252)
Equipment maintenance	2,571	2,000	1,683	317
Insurance	1,602	2,329	2,267	62
Utilities	13,100	10,000	10,246	(246)
Internet	600	600	611	(11)
Telephone	1,560	1,200	1,757	(557)
Books - periodicals	8,500	7,000	6,824	176
Library expansion		1,000	758	242
Summer reading program	1,500	500	500	

CITY OF COLEMAN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Library - continued				
Workshop training	1,500	1,250	2,391	(1,141)
Copies rental	2,400	2,395	2,195	200
Grant expenses	12,915	8,959	29,895	(20,936)
Capital outlay	8,000	5,500	21,002	(15,502)
Total Library	<u>120,017</u>	<u>102,086</u>	<u>143,534</u>	<u>(41,448)</u>
Park				
Salaries	92,607	89,985	90,246	(261)
Workers comp	1,277	2,576	2,342	234
Employee health	12,672	12,043	14,984	(2,941)
Unemployment insurance	540	540	27	513
Payroll taxes	6,922	6,884	6,348	536
Retirement	14,948	14,928	14,952	(24)
Uniform expense	650	375	245	130
Regular maintenance	11,000	6,000	5,280	720
Equipment maintenance	3,000	1,000	4,455	(3,455)
Fuel expense	7,350	5,000	6,189	(1,189)
Telephone	650	348	388	(40)
Internet	140	72	85	(13)
Insurance	1,281	1,957	1,920	37
Youth-summer program	1,000			
Museum utilities	3,000	3,000	3,046	(46)
Memory lake expense	500			
Debt service	4,577			
Capital outlay	12,470			
Total Park	<u>174,584</u>	<u>144,708</u>	<u>150,507</u>	<u>(5,799)</u>
City Park Pool				
Salaries	15,408	14,408	13,236	1,172
Workers comp	180	423	(317)	740
Unemployment	285	288	230	58
Payroll taxes	1,178	1,102	1,013	89
Chamber dues		4,200		4,200
Regular maintenance chemicals	9,000	6,000	5,363	637
Equipment maintenance	500	500	1,333	(833)
Utilities	3,500	3,000	4,909	(1,909)
Concessions	1,500	2,000	2,818	(818)
Telephone	150	200	412	(212)
Capital outlay		23,000		23,000
Total City Park Pool	<u>31,701</u>	<u>55,121</u>	<u>28,997</u>	<u>26,124</u>
Health and Inspection				
City Inspection				
Regular maintenance	400	500	556	(56)
Insurance	346	299	291	8
Telephone		348	386	(38)
Internet		72	85	(13)
Schools/workshops	980	400	975	(575)
Total City Inspection	<u>1,726</u>	<u>1,619</u>	<u>2,293</u>	<u>(674)</u>

CITY OF COLEMAN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Cemetery				
Salaries	69,292	68,217	66,894	1,323
Workers comp	1,733	2,859	2,555	304
Employee health	8,448	8,031	9,984	(1,953)
Unemployment insurance	360	360	104	256
Payroll taxes	5,175	5,219	4,743	476
Retirement	11,176	11,318	11,022	296
CISD contract work	10,000			
Uniform expense	400	250	185	65
Regular maintenance	8,000	3,500	4,986	(1,486)
Equipment maintenance	2,100	3,000	1,704	1,296
Fuel expense	4,000	2,800	3,872	(1,072)
Association dues	480			
Telephone expense	900	1,200	900	300
Atmos gas	300	400	596	(196)
Insurance	651	1,480	1,458	22
Water used	275	300	513	(213)
Internet	500			
Capital outlay	6,800	1,000		1,000
Total Cemetery	<u>130,590</u>	<u>109,934</u>	<u>109,516</u>	<u>418</u>
Environmental				
Salary	27,228	27,812	27,373	439
Workers comp	78	83	235	(152)
Employee health	4,224	4,007	4,996	(989)
Unemployment insurance	180	180	9	171
Payroll taxes	2,051	2,128	1,888	240
Retirement	4,429	4,614	4,522	92
Regular maintenance	1,500	800	1,550	(750)
Equipment maintenance	500	250	333	(83)
Training materials & schools		250	249	1
Uniform rental	840	300	242	58
Internet	150	104	118	(14)
Fuel	1,800	1,800	2,088	(288)
Atmos gas			150	(150)
Telephone	680	650	852	(202)
Total Environmental	<u>43,660</u>	<u>42,978</u>	<u>44,605</u>	<u>(1,627)</u>
Public Works				
Regular maintenance	2,500			
Equipment maintenance	469			
Vehicle maintenance	300			
Fuel expense	2,000			
Base material	15,000			
Telephone	400			
Internet	300			
Capital Outlay	12,000			
Total Public Works	<u>32,969</u>			

CITY OF COLEMAN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Highways and Streets				
Streets				
Salaries	192,490	92,660	93,208	(548)
Workers comp	8,273	6,755	3,039	3,716
Employee health	29,568	12,051	12,051	
Unemployment insurance	1,260	540	27	513
Payroll taxes	14,572	7,088	6,558	530
Retirement	31,469	10,661	15,387	(4,726)
Uniform rental	1,100	375	245	130
Regular maintenance	17,600	8,000	9,274	(1,274)
Equipment maintenance	18,000	13,000	16,917	(3,917)
Ditch maintenance	4,000			
Fuel expense	30,000	10,000	17,646	(7,646)
Insurance	3,768	7,332	7,293	39
Paving materials	100,000	12,025	11,585	440
Atmos	750	500	473	27
Telephone	1,725	1,729	1,477	252
Internet	300	130	146	(16)
Debt service	4,577			
House demolition	15,000	5,000		5,000
Caterpillar lease	15,000	14,951	15,226	(275)
Engineering	6,000			
Capital outlay	12,000			
Total Streets	<u>507,452</u>	<u>202,797</u>	<u>210,552</u>	<u>(7,755)</u>
Total Expenditures	<u>3,230,505</u>	<u>2,515,347</u>	<u>2,154,658</u>	<u>360,689</u>
Other financing sources (uses):				
Insurance proceeds			11,707	11,707
Transfers in	<u>1,038,473</u>	<u>634,916</u>	<u>634,916</u>	
	<u>1,038,473</u>	<u>634,916</u>	<u>646,623</u>	<u>11,707</u>
Net change in fund balance	(328,020)	(414,836)	50,877	465,713
Fund Balance - Beginning	<u>455,298</u>	<u>455,298</u>	<u>455,298</u>	
Fund Balance - Ending	<u>\$ 127,278</u>	<u>\$ 40,462</u>	<u>\$ 506,175</u>	<u>\$ 465,713</u>

CITY OF COLEMAN, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL - UTILITY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Budgeted Amounts</u>	
	<u>Original</u>	<u>Final</u>
OPERATING REVENUES:		
Water sales	\$ 1,579,234	\$ 1,567,024
Sewer charges	574,362	780,938
Electric sales	6,270,000	5,495,000
Utilities transfer fee	29,000	27,000
Penalties on utility service	105,000	85,500
Grant income		1,173,679
Other income	<u>642,311</u>	<u>13,460</u>
Total Operating Revenues	<u>9,199,907</u>	<u>9,142,601</u>
OPERATING EXPENSES:		
Sewer admin		
Salaries & wages	21,066	18,427
Workers comp	258	178
Employee insurance	2,450	2,094
Unemployment insurance	128	94
Payroll taxes	1,589	1,410
Retirement	<u>3,431</u>	<u>3,057</u>
Total sewer admin	<u>28,922</u>	<u>25,260</u>
Water production admin		
Salaries & wages	90,004	78,316
Workers comp	1,100	766
Employee insurance	10,459	8,899
Unemployment insurance	445	398
Payroll taxes	6,788	5,991
Retirement	<u>14,659</u>	<u>12,998</u>
Total water production admin	<u>123,455</u>	<u>107,368</u>
Light production admin		
Salaries & wages	384,468	336,301
Workers comp	4,724	3,289
Employee insurance	44,711	38,218
Unemployment insurance	1,906	1,708
Payroll taxes	28,994	25,654
Retirement	<u>62,613</u>	<u>55,596</u>
Total light production admin	<u>527,416</u>	<u>460,766</u>
Light production department		
Legal	10,000	17,000
Engineering	10,000	
Regular maintenance	18,000	25,000
Advertising		100
Hazardous waste		50
Insurance	13,455	
Purchase power	1,787,719	1,843,159
Fuel	1,787,719	1,843,159
Water	100	
Internal franchise fees	186,795	112,000
General service fees	155,664	112,000
Wire charge/distribution	<u>68,508</u>	<u>68,508</u>
Total light production department	<u>4,037,960</u>	<u>4,020,976</u>

	Actual Amounts		Variance with
GAAP	Adjustments	Actual on	Final Budget
Actual	to Budgetary	Budgetary	Positive
	Basis	Basis	(Negative)
\$ 1,374,397	\$	\$ 1,374,397	\$ (192,627)
700,826		700,826	(80,112)
5,408,895		5,408,895	(86,105)
28,536		28,536	1,536
85,325		85,325	(175)
			(1,173,679)
43,494		43,494	30,034
<u>7,641,473</u>		<u>7,641,473</u>	<u>(1,501,128)</u>
18,437		18,437	(10)
223		223	(45)
2,628		2,628	(534)
5		5	89
1,229		1,229	181
3,036		3,036	21
<u>25,558</u>		<u>25,558</u>	<u>(298)</u>
78,349		78,349	(33)
814		814	(48)
11,169		11,169	(2,270)
20		20	378
5,223		5,223	768
12,905		12,905	93
<u>108,480</u>		<u>108,480</u>	<u>(1,112)</u>
336,440		336,440	(139)
3,345		3,345	(56)
47,958		47,958	(9,740)
85		85	1,623
22,429		22,429	3,225
55,417		55,417	179
<u>465,674</u>		<u>465,674</u>	<u>(4,908)</u>
25,561		25,561	(8,561)
5,168		5,168	(5,168)
27,115		27,115	(2,115)
			100
50		50	
1,792,070		1,792,070	51,089
1,792,070		1,792,070	51,089
960		960	(960)
111,813		111,813	187
111,813		111,813	187
66,395		66,395	2,113
<u>3,933,015</u>		<u>3,933,015</u>	<u>87,961</u>

CITY OF COLEMAN, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL - UTILITY FUND - continued
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts	
	Original	Final
Light distribution department		
Salaries & wages	242,083	184,071
Workers comp	2,035	2,044
Employee insurance	21,120	20,041
Unemployment insurance	29,568	900
Payroll taxes	18,300	14,081
Retirement	39,519	23,398
Uniform expense	3,000	3,700
Regular maintenance	50,000	40,000
Equipment maintenance	5,000	5,000
Fuel expense	12,000	15,000
Insurance	4,687	6,474
Audit	20,000	23,000
Bad debt	5,000	5,000
Telephone	1,500	2,000
Debt service	45,489	1,903
Capital improvements	195,000	
Depreciation	319,502	298,846
Internet	800	534
Capital outlay	5,234	
Total light distribution department	1,019,837	645,992
Water production department		
Salaries & wages	183,889	184,315
Workers comp	1,529	5,992
Employee insurance	21,120	20,141
Unemployment insurance	900	900
Payroll taxes	13,742	14,100
Retirement	29,675	30,578
Association dues	480	
Schools & workshops	600	1,000
Uniform expense	1,000	625
Telephone	700	700
Internet	150	104
Regular maintenance	95,000	95,000
Equipment maintenance	3,000	2,000
Fuel expense	750	1,500
Insurance	10,747	12,572
Power for pumping	63,000	55,000
Atmos gas	850	725
Permits	6,840	7,000
Engineering	7,500	2,000
Franchise fees	91,610	61,129
General service fee	76,341	61,129
Total water production department	609,423	556,510

Actual	Actual Amounts		Variance with Final Budget Positive (Negative)
	Adjustments to Budgetary Basis	Actual on Budgetary Basis	
194,386		194,386	(10,315)
2,640		2,640	(596)
25,009		25,009	(4,968)
45		45	855
12,542		12,542	1,539
29,766		29,766	(6,368)
2,118		2,118	1,582
18,772		18,772	21,228
17,306		17,306	(12,306)
8,777		8,777	6,223
5,513		5,513	961
23,000		23,000	
12,231		12,231	(7,231)
1,371		1,371	629
1,903		1,903	
369,406		369,406	(70,560)
356		356	178
<u>725,141</u>		<u>725,141</u>	<u>(79,149)</u>
183,577		183,577	738
5,735		5,735	257
25,011		25,011	(4,870)
45		45	855
12,999		12,999	1,101
30,308		30,308	270
			1,000
374		374	251
724		724	(24)
118		118	(14)
106,118		106,118	(11,118)
800		800	1,200
1,595		1,595	(95)
12,345		12,345	227
46,958		46,958	8,042
954		954	(229)
3,624		3,624	3,376
			2,000
52,633		52,633	8,496
52,633		52,633	8,496
<u>536,551</u>		<u>536,551</u>	<u>19,959</u>

CITY OF COLEMAN, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL - UTILITY FUND - continued
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts	
	Original	Final
Water distribution department		
Salaries & wages	181,470	121,842
Workers comp	3,245	3,063
Employee insurance	21,120	15,951
Unemployment insurance	900	720
Payroll taxes	13,709	9,321
Retirement	29,605	20,214
Uniform expense	1,300	500
Regular maintenance	63,000	50,000
Equipment maintenance	7,000	4,000
Lake line repair	6,000	10,000
Fuel expense	30,000	12,500
Insurance	2,806	4,205
Telephone	1,750	1,750
Internet	140	72
Debt service	1,903	1,903
Workshop & training	1,000	500
Materials		2,000
Bad debt	500	2,000
Depreciation	145,507	163,131
Capital outlay	5,234	
Total water distribution department	516,189	423,672
Lake Coleman		
Salaries & wages	25,903	32,610
Workers comp	623	885
Unemployment insurance	180	352
Payroll taxes	1,957	2,495
Retirement	4,227	3,925
Regular maintenance	3,500	2,000
Equipment maintenance	2,250	2,000
Uniform expense	500	125
Fuel expense	750	750
Water used	1,100	1,100
Telephone	325	325
Insurance	962	2,288
Internet		359
Debt service	4,577	
Capital outlay	27,470	
Total Lake Coleman	74,324	49,214
Wastewater collection department		
Salaries & wages	140,753	110,059
Workers comp	1,140	3,057
Employee insurance	16,896	12,076
Unemployment insurance	720	540
Payroll taxes	10,570	8,774
Retirement	22,826	19,028

Actual	Actual Amounts		Variance with Final Budget Positive (Negative)
	Adjustments to Budgetary Basis	Actual on Budgetary Basis	
105,430		105,430	16,412
2,973		2,973	90
14,271		14,271	1,680
70		70	650
7,257		7,257	2,064
16,495		16,495	3,719
376		376	124
43,586		43,586	6,414
5,158		5,158	(1,158)
197		197	9,803
24,363		24,363	(11,863)
4,165		4,165	40
1,107		1,107	643
85		85	(13)
1,903		1,903	
346		346	154
6,893		6,893	(4,893)
929		929	1,071
194,767		194,767	(31,636)
<u>430,371</u>		<u>430,371</u>	<u>(6,699)</u>
27,105		27,105	5,505
1,085		1,085	(200)
47		47	305
1,929		1,929	566
3,981		3,981	(56)
808		808	1,192
2,412		2,412	(412)
			125
814		814	(64)
981		981	119
310		310	15
2,305		2,305	(17)
371		371	(12)
<u>42,148</u>		<u>42,148</u>	<u>7,066</u>
124,599		124,599	(14,540)
2,967		2,967	90
14,987		14,987	(2,911)
36		36	504
8,586		8,586	188
21,037		21,037	(2,009)

CITY OF COLEMAN, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL - UTILITY FUND - continued
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts	
	Original	Final
Wastewater collection department-continued		
Uniform expense	600	375
Regular maintenance	25,000	12,500
Equipment maintenance	6,000	4,000
Lift station maintenance	10,000	10,000
Fuel expense	14,000	12,000
Insurance	1,125	2,659
Telephone & internet	700	530
Schools & workshops	1,800	850
Materials		2,000
Bad debt	500	400
Debt service	16,968	2,829
Capital outlay	5,000	
Total waste water collection department	274,598	201,677
Wastewater treatment plant		
Salaries & wages	35,308	36,167
Workers comp	742	1,127
Employee insurance	4,224	4,023
Unemployment insurance	180	180
Payroll taxes	2,661	2,759
Retirement	5,747	5,984
Uniform expense	200	125
Regular maintenance	35,000	20,000
Equipment maintenance	2,500	3,500
Rotor maintenance	8,000	8,000
Pump maintenance	25,000	25,000
Fuel expense	3,000	2,000
Schools & workshops	300	
Telephone	800	836
Insurance	1,364	1,994
Power for pumping	35,000	30,000
Sludge disposal	14,000	14,000
Permit fees	3,500	3,485
Debt service	1,903	5,611
Internal franchise fees	34,385	31,063
General service fees	28,655	31,063
Depreciation	83,149	49,839
Internet	200	104
Capital outlay	25,001	20,755
Total wastewater treatment plant	350,819	297,615
Utility office		
Regular maintenance	6,000	5,500
Equipment maintenance	1,000	700
Office equipment maintenance	22,000	25,000

Actual	Actual Amounts		Variance with Final Budget Positive (Negative)
	Adjustments to Budgetary Basis	Actual on Budgetary Basis	
325		325	50
14,681		14,681	(2,181)
10,591		10,591	(6,591)
5,133		5,133	4,867
12,221		12,221	(221)
2,619		2,619	40
1,189		1,189	(659)
111		111	739
3,478		3,478	(1,478)
1,395		1,395	(995)
5		5	2,824
<u>223,960</u>		<u>223,960</u>	<u>(22,283)</u>
35,821		35,821	346
1,235		1,235	(108)
5,029		5,029	(1,006)
9		9	171
2,686		2,686	73
6,362		6,362	(378)
100		100	25
18,549		18,549	1,451
2,377		2,377	1,123
165		165	7,835
19,173		19,173	5,827
2,310		2,310	(310)
859		859	(23)
2,039		2,039	(45)
25,394		25,394	4,606
16,375		16,375	(2,375)
1,500		1,500	1,985
2,235		2,235	3,376
27,977		27,977	3,086
27,977		27,977	3,086
84,488		84,488	(34,649)
118		118	(14)
<u>282,778</u>		<u>282,778</u>	<u>20,755</u>
<u>282,778</u>		<u>282,778</u>	<u>14,837</u>
4,957		4,957	543
709		709	(9)
24,640		24,640	360

CITY OF COLEMAN, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL - UTILITY FUND - continued
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts	
	Original	Final
Utility office--continued		
Building maintenance	15,000	2,000
Credit card charges	4,500	4,500
Insurance	1,474	1,309
Uniform expense	925	600
Vehicle fuel	4,500	5,000
Telephone	4,500	4,500
Utilities	8,500	9,000
Internet	420	312
Service pins & medals	5,000	
Utility collection fees		4,800
Depreciation	10,655	6,955
Copier lease	2,042	3,180
Capital outlay	1,500	1,420
Total utility office	88,016	74,776
Utility shop		
Regular maintenance	3,700	1,500
Equipment maintenance	80,000	50,000
Building maintenance	4,400	2,000
Fuel expense	4,000	2,000
Electricity	3,500	3,500
Natural gas	1,200	1,200
Uniform expense	800	250
Rag service	730	800
Telephone	750	1,110
Internet	150	104
Insurance	942	1,389
Depreciation	7,420	3,224
Parts	9,000	8,000
Capital outlay	2,000	
Total utility shop	118,592	75,077
Total Operating Expenses	7,769,551	6,938,903
Net Operating Income	1,430,356	2,203,698
Non-operating revenues (expenses)		
Interest income	5,300	4,175
Payments on notes	(108,000)	(112,000)
Principal payments on bonds	(328,960)	(329,760)
Interest expense	(71,486)	(66,302)
Bond issuance costs		
Amortization of reoffering costs		
Total Non-operating Revenues (Expenses)	(503,146)	(503,887)
Income Before Interfund Transfers	927,210	1,699,811

Actual	Actual Amounts		Variance with Final Budget Positive (Negative)
	Adjustments to Budgetary Basis	Actual on Budgetary Basis	
			2,000
4,698		4,698	(198)
1,288		1,288	21
613		613	(13)
4,662		4,662	338
4,851		4,851	(351)
6,759		6,759	2,241
341		341	(29)
233		233	(233)
1,409		1,409	3,391
8,900		8,900	(1,945)
379		379	2,801
			1,420
<u>64,439</u>		<u>64,439</u>	<u>10,337</u>
1,561		1,561	(61)
36,052		36,052	13,948
461		461	1,539
1,927		1,927	73
3,871		3,871	(371)
1,369		1,369	(169)
180		180	70
845		845	(45)
1,160		1,160	(50)
118		118	(14)
1,360		1,360	29
33,471		33,471	(30,247)
2,332		2,332	5,668
<u>84,707</u>		<u>84,707</u>	<u>(9,630)</u>
<u>6,922,822</u>		<u>6,922,822</u>	<u>16,081</u>
<u>718,651</u>		<u>718,651</u>	<u>(1,485,047)</u>
2,869		2,869	(1,306)
	(112,000)	(112,000)	
	(329,760)	(329,760)	
(206,215)		(206,215)	(139,913)
(46,550)			
13,556		13,556	13,556
<u>(236,340)</u>	<u>(441,760)</u>	<u>(631,550)</u>	<u>(127,663)</u>
<u>482,311</u>	<u>(441,760)</u>	<u>87,101</u>	<u>(1,612,710)</u>

CITY OF COLEMAN, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL - UTILITY FUND - continued
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts	
	Original	Final
Interfund Transfers		
Transfers in		557,463
Transfers out	(1,350,889)	(659,916)
Total Interfund Transfers	(1,350,889)	(102,453)
Change in Net Position	(423,679)	1,597,358
Net Position - Beginning	6,650,538	6,650,538
Prior period adjustment		
Net Position - Beginning, As Restated	6,650,538	6,650,538
Net Position - Ending	\$ 6,226,859	\$ 8,247,896

Actual	Actual Amounts		Variance with Final Budget Positive (Negative)
	Adjustments to Budgetary Basis	Actual on Budgetary Basis	
238,744		238,744	(318,719)
(634,916)		(634,916)	25,000
(396,172)		(396,172)	(293,719)
86,139	(441,760)	(309,071)	(1,906,429)
6,650,538		6,650,538	
1,332,612		1,332,612	1,332,612
7,983,150		7,983,150	1,332,612
\$ 8,069,289	\$ (441,760)	\$ 7,674,079	\$ (573,817)

CITY OF COLEMAN, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL - MUNICIPAL AIRPORT FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>		Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	GAAP Actual		
OPERATING REVENUES:					
Gasoline & oil sales	\$ 142,348	\$ 150,000	\$ 144,772	\$	(5,228)
Rental income	11,340	12,000	9,720		(2,280)
State grant	6,500	10,000	551		(9,449)
Other income	3,850	28,134	27,979		(155)
Reserve injection	70,716	67,601			(67,601)
Capital improvements	25,000				
Total Operating Revenues	<u>259,754</u>	<u>267,735</u>	<u>183,022</u>		<u>(84,713)</u>
OPERATING EXPENSES:					
Manager expenses	9,600	9,600	8,800		800
Regular maintenance	6,000	6,000	3,346		2,654
Equipment maintenance	1,500	2,250	1,448		802
Insurance	8,000	3,460	6,909		(3,449)
Utilities	16,500	14,000	13,494		506
Gasoline	115,000	128,000	138,158		(10,158)
Telephone	2,100	2,210	2,404		(194)
Natural gas	200	250	496		(246)
TXDOT program expenses	13,000	20,000	4,247		15,753
Training materials and school		800	960		(160)
Legal and professional fees		6,000	1,500		4,500
Depreciation	70,716	70,043	113,086		(43,043)
Miscellaneous		500	246		254
Credit card expense	1,150	1,150	1,150		
Capital outlay	25,000	3,500			3,500
Total Operating Expenses	<u>268,766</u>	<u>267,763</u>	<u>296,244</u>		<u>(28,481)</u>
Net operating loss	<u>(9,012)</u>	<u>(28)</u>	<u>(113,222)</u>		<u>(113,194)</u>
Nonoperating revenues (expenses)					
Interest income	12	28	30		2
Gain on disposal of assets			13,481		13,481
Total nonoperating revenues	<u>12</u>	<u>28</u>	<u>13,511</u>		<u>13,483</u>
Change in net position	(9,000)		(99,711)		(99,711)
Net Position - Beginning of Year	<u>2,190,950</u>	<u>2,190,950</u>	<u>2,190,950</u>		
Net Position - End of Year	<u>\$ 2,181,950</u>	<u>\$ 2,190,950</u>	<u>\$ 2,091,239</u>	\$	<u>(99,711)</u>

CITY OF COLEMAN, TEXAS
Texas Municipal Retirement System
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1)/(2)	(2)-(1)		(4)/(5)
12/31/2009	\$ 4,255,443	\$ 7,123,618	59.7%	\$ 2,868,175	\$ 2,197,782	130.5%
12/31/2010	\$ 7,632,644	\$ 9,964,587	76.6%	\$ 2,331,943	\$ 2,271,583	102.7%
12/31/2011	\$ 8,258,016	\$ 10,678,050	77.3%	\$ 2,420,034	\$ 2,414,224	100.2%

OTHER SUPPLEMENTARY INFORMATION

CITY OF COLEMAN, TEXAS

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2013

	<u>Law Enforcement Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS:			
Current:			
Cash and cash equivalents	\$ 2,446	\$	\$ 2,446
Total Assets	\$ <u>2,446</u>	\$ <u> </u>	\$ <u>2,446</u>
 Current Liabilities			
Due to other funds	\$ 1,398	\$	\$ 1,398
Total Liabilities	<u>1,398</u>	<u> </u>	<u>1,398</u>
 Fund Balances			
Unassigned	<u>1,048</u>	<u> </u>	<u>1,048</u>
Total Fund Balances	<u>1,048</u>	<u> </u>	<u>1,048</u>
 Total Liabilities and Fund Balances	\$ <u>2,446</u>	\$ <u> </u>	\$ <u>2,446</u>

CITY OF COLEMAN, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Law Enforcement Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES			
Property tax	\$ 3	\$ 129,729	\$ 129,729
Investment income	<u>3</u>		<u>3</u>
Total Revenues	<u>3</u>	<u>129,729</u>	<u>129,732</u>
EXPENDITURES			
Current:			
Law enforcement standard expense			
Total Expenditures			
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3</u>	<u>129,729</u>	<u>129,732</u>
OTHER FINANCING SOURCES AND (USES)			
Transfer out		<u>(129,729)</u>	<u>(129,729)</u>
Total Other Financing Sources and (Uses)		<u>(129,729)</u>	<u>(129,729)</u>
Net Change in Fund Balances	3		3
Fund Balance - Beginning	<u>1,045</u>		<u>1,045</u>
Fund Balance - Ending	<u>\$ 1,048</u>	<u>\$</u>	<u>\$ 1,048</u>

COMPONENT UNITS FINANCIAL STATEMENTS

CITY OF COLEMAN, TEXAS

COMBINING STATEMENT OF NET POSITION - COMPONENT UNITS

SEPTEMBER 30, 2013

	<u>Coleman Economic Development Corp.</u>	<u>Coleman Community Coalition Type B Econ Dev Corp.</u>	<u>Coleman County Senior Citizens</u>	<u>Total Component Units</u>
Assets				
Current assets:				
Cash	\$ 401,444	\$ 355,068	\$ 6,525	\$ 763,037
Investments	123,563			123,563
Accounts receivable	1,195		7,289	8,484
Loans receivable - current		7,024		7,024
Prepaid expenses	1,800	1,800		3,600
Sales tax receivable	20,584	20,584		41,168
Due from Coleman Community Coalition 4b	3,000			3,000
Total current assets	<u>551,586</u>	<u>384,476</u>	<u>13,814</u>	<u>949,876</u>
Noncurrent assets:				
Loans receivable	6,682	31,476		38,158
Land	26,000			26,000
Buildings and improvements, net	102,556	5,806	17,290	125,652
Total noncurrent assets	<u>135,238</u>	<u>37,282</u>	<u>17,290</u>	<u>189,810</u>
Total Assets	<u>686,824</u>	<u>421,758</u>	<u>31,104</u>	<u>1,139,686</u>
Liabilities				
Current liabilities:				
Accounts payable	6,532	2,990	2,156	11,678
Payroll taxes payable	2,834	42		2,876
Due to Coleman Economic Development Corp		3,000		3,000
Total Current Liabilities	<u>9,366</u>	<u>6,032</u>	<u>2,156</u>	<u>17,554</u>
Net Position				
Investment in capital assets, net of related debt	128,556	5,806	17,290	151,652
Unrestricted	548,902	409,920	11,658	970,480
Total Net Position	<u>\$ 677,458</u>	<u>\$ 415,726</u>	<u>\$ 28,948</u>	<u>\$ 1,122,132</u>

CITY OF COLEMAN, TEXAS

COMBINING STATEMENT OF ACTIVITIES - COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Coleman Economic Development Corp</u>	<u>Coleman Community Coalition Type B Econ Dev Corp.</u>	<u>Coleman County Senior Citizens</u>	<u>Total Component Units</u>
Operating revenues:				
Sales tax revenue	\$ 198,486	\$ 198,486	\$	\$ 396,972
Rental income			8,580	8,580
Charges for services	2,700		84,999	87,699
Donations			62,423	62,423
Fundraisers			6,379	6,379
Other income		6,277	11,356	17,633
Total operating revenues	201,186	204,763	173,737	579,686
Operating expenses:				
Salary			55,500	55,500
Payroll taxes		24,003	4,949	28,952
Legal fees	10,474	5,010		15,484
Advertising and promotion	10,200	16,970		27,170
Grants and promotion	120,000			120,000
Accounting and bookkeeping	6,200	5,447		11,647
Consulting fees	24,000	3,649		27,649
Depreciation	13,455	1,244	10,533	25,232
Food			106,437	106,437
Office and supplies	9,381	754	819	10,954
Dues and subscriptions	935	1,952		2,887
Travel & workshops	172	19,403	3,285	22,860
Insurance	1,571		211	1,782
Utilities	2,039	3,841	11,401	17,281
Repairs	10,776		36	10,812
Telephone and internet	2,441		1,084	3,525
Hydrology study	14,000			14,000
Miscellaneous	44	397	6,233	6,674
Property tax	2,276			2,276
Total operating expenses	227,964	82,670	200,488	511,122
Operating income (loss)	(26,778)	122,093	(26,751)	68,564
Nonoperating revenues (expenses)				
Interest income	1,242	818		2,060
Total nonoperating revenues (expenses)	1,242	818		2,060
Increase (decrease) in net position	(25,536)	122,911	(26,751)	70,624
Net position:				
Beginning of year	702,994	292,815	55,699	1,051,508
End of year	\$ 677,458	\$ 415,726	\$ 28,948	\$ 1,122,132

FEDERAL AWARD SECTION

Merritt, McLane & Hamby

401 Cypress Street, Suite 303
Abilene, TX 79601

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Coleman, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Coleman, Texas' basic financial statements and have issued our report thereon dated January 9, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Coleman, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an

opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2013-01.

City of Coleman, Texas' Response to Findings

The City of Coleman, Texas' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Coleman, Texas' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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


MERRITT, MCLANE & HAMBY

January 9, 2014
Abilene, Texas

Merritt, McLane & Hamby

401 Cypress Street, Suite 303
Abilene, TX 79601

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Honorable Mayor and
Members of the City Council
City of Coleman, TX

Report on Compliance for Each Major Federal Program

We have audited the City of Coleman, Texas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Coleman, Texas' major federal programs for the year ended September 30, 2013. The City of Coleman, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Coleman, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Coleman, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Coleman, Texas, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Report on Internal Control over Compliance

Management of the City of Coleman, Texas, is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the City of Coleman, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on

internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Coleman, Texas' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


MERRITT, MCLANE & HAMBY

January 9, 2014
Abilene, Texas

CITY OF COLEMAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2013

I. Summary of Auditors' Report

Type of report on financial statements	Unqualified Opinion
Significant Deficiencies	None
Material weaknesses involving control deficiencies	None
Noncompliance not material to the financial statements	2013-01
Type of report on compliance with major programs	Unqualified Opinion
Findings and questioned costs for federal awards as Defined in Section .510(a), OMB Circular A-133	None
Dollar threshold considered between Type A and Type B federal programs	\$300,000
Low risk auditee statements	The City was classified as a high Risk auditee in the context of OMB Circular A-133.
Major Federal Programs include: 66.468	State Revolving Loan Program – Drinking Water State Revolving Fund Loan Project No. 61406 Loan: L080030 Grant: G080002

II. Findings Required to be Reported in Accordance with *Government Auditing Standards*

2013-01 Excess expenditures over appropriations.

III. Findings and Questioned Costs – Major Federal Awards Program Audit

None

CITY OF COLEMAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2013

Findings/Noncompliance

2013-01 Excess expenditure over appropriation

Criteria: State law requires that local government adopts a budget prior to the expenditure of funds and that budget amendments be made prior to the expenditure of funds where the originally adopted budget is projected to be insufficient to cover expenditure needs.

Condition: During the year under audit many functional categories exceeded the City's final amended budget in both the General Fund and Utility Fund.

Questioned Costs: None. All expenditures were approved by the City Council. However budget amendments were not made prior to the approval of the expenditure of funds.

Cause and Effect: The cause of the largest budget overages were underestimation of the cost of electricity.

Recommendations: We recommend the City carefully analyze each budgetary functional category on a regular basis to ensure that the expenditure of funds does not exceed the approved budget. The City should make budget amendments before encumbering funds at all times during the year.

Corrective Action: Actual expenditures are monitored to ensure the budget is not exceeded.

CITY OF COLEMAN

SCHEDULE OF PRIOR AUDIT FINDINGS AND RESPONSES

Findings/Noncompliance

2012-01 Excess expenditure over appropriation

Corrective Action Taken

2012-01 Client monitored expenditures with budget. There were still excess expenditures over appropriations for the year ended September 30, 2013.

CITY OF COLEMAN, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2013

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	Federal CFDA Number	Project Number	Federal Expenditures
	<u> </u>	<u> </u>	<u> </u>
U. S. Environmental Protection Agency			
Pass-through program from:			
Texas Water Development Board			
Capitalization Grants for Drinking Water			
State Revolving Funds	66.468	L080030	\$ <u>941,012</u>
 Total pass-through programs			 <u>941,012</u>
 Total U.S. Environmental Protection Agency			 <u>941,012</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 \$ <u><u>941,012</u></u>

CITY OF COLEMAN, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of City of Coleman, Texas under programs of the federal government for the year ended September 30, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City of Coleman, Texas, it is not intended to and does not present the financial position, changes in Net Position, or cash flows of the City of Coleman, Texas.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis on accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.