

**CITY OF COLEMAN,
TEXAS**

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S
REPORT

SEPTEMBER 30, 2015

Roberts & McGee, CPA
104 Pine Street, Suite 610
Abilene, Texas 79601
325-701-9502

CITY OF COLEMAN, TEXAS

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report.....	1
Management’s Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities.....	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	12
Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds.....	13
Reconciliation of Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	15
Statement of Net Position – Proprietary Funds.....	16
Statement of Revenue, Expenses, and Changes in Net Position – Proprietary Funds	17
Statement of Cash Flows – Proprietary Funds.....	18
Notes to Financial Statements.....	19
Required Supplementary Information:	
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual – General Fund.....	36
Schedule of Changes in Net Pension Liability And Related Ratios	38
Schedule of Contributions with related Notes.....	39
Other Supplementary Information:	
Schedule of Revenue, Expenses, and Changes in Net Position Budget (GAAP Basis) and Actual – Utility Fund.....	40
Combining Statement of Net Position – Component Units.....	42
Combining Statement of Activities – Component Units	43
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	44

ROBERTS & MCGEE, CPA

104 PINE STREET, SUITE 610
ABILENE, TEXAS 79601
(325) 701-9502

Becky Roberts, CPA
becky.roberts@rm-cpa.net
Cell: 325-665-5239

Stacey McGee, CPA
stacey.mcgee@rm-cpa.net
Cell: 325-201-7244

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Coleman, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Coleman, Texas, as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 10 to the basic financial statements, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, during the year ended September 30, 2015, which requires recognition of its net pension asset and a more comprehensive measure of pension expense. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information on pages 3–8 and 36-39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

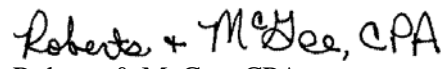
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Coleman, Texas’ basic financial statements. The other supplementary schedules on pages 40-43 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2016, 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 City of Coleman, Texas’ internal control over financial reporting and compliance.


Roberts & McGee, CPA

Abilene, Texas,
March 7, 2016

**THE CITY OF COLEMAN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015**

As management of the City of Coleman, we offer readers of the City of Coleman, Texas' financial statements this narrative overview and analysis of the financial activities of the City of Coleman, Texas for the fiscal year ended September 30, 2015.

Financial Highlights

Government-Wide Financial Statements

- The assets of the City of Coleman exceeded its liabilities at the close of the most recent fiscal year by \$10,703,064 (*net position*). Of this amount, \$2,776,791 (*unrestricted*) may be used to meet the government's ongoing obligations to citizens. \$7,769,721 of the City's equity is invested in capital assets, net of related debt; and \$156,552 of the City's equity is restricted.
- The City's total assets decreased by \$138,830 during the 2015 fiscal year.
- The net position (*equity*) of the City increased by \$54,117 during the 2015 fiscal year prior to the application of the prior period adjustments.
- Prior period adjustments, mainly due to the recognition of the City's pension liability decreased the City's net position by \$2,343,536.

Fund Financial Statements

- As of the close of the current fiscal year, the City of Coleman's General Fund reported an ending unassigned fund balance of \$400,195. This fund balance reflects a decrease of \$210,863 for the current year.
- In the Utility Fund, the net position reflects \$3,346,903 of unrestricted equity, which is a decrease of \$1,146,520 for the current year. This decrease in unrestricted equity is mainly due to the recognition of the pension liability related to the Utility Fund employees.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

The government-wide financial statements reflect functions of the City of Coleman that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental

**THE CITY OF COLEMAN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015**

activities of the City of Coleman include general administration, public safety, public service, streets, culture and recreation, health and inspection, cemetery, and environmental.

The government-wide financial statements can be found on pages 9-10 of this report.

Fund Financial Statements

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

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

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

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

The governmental fund financial statements can be found on pages 11-15 of this report.

The City of Coleman adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget on page 36.

Proprietary funds. When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but it provides more detail and additional information, such as cash flows, for the proprietary funds. The proprietary fund financial statements can be found on pages 16-18 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-35 of this report.

**THE CITY OF COLEMAN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015**

Other information. Other schedules in connection with the proprietary funds and the component units are presented immediately following the required supplementary information. These schedules can be found on pages 40-43 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Coleman, assets exceeded liabilities by \$10,703,064 at the close of the most recent fiscal year.

\$7,769,721 of the City of Coleman's net position (73 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), net of related debt. The City of Coleman uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

The City of Coleman's Net Position

	Governmental Activities	
	2015	2014
Current assets	\$ 726,075	\$ 753,391
Capital assets	984,743	986,132
Total Assets	1,710,818	1,739,523
Deferred outflows of resources - pension	229,588	
Total assets and deferred outflows of resource	1,940,406	1,739,523
Current liabilities	290,054	106,820
Long-term liabilities	1,408,851	134,834
Total Liabilities	1,698,905	241,654
Deferred inflows of resources - pension	57,186	
Total liabilities and deferred inflows of resource	1,756,091	241,654
Net investment in capital assets	938,888	913,716
Restricted	6,879	5,779
Unrestricted	(761,452)	578,374
Total Net Position	\$ 184,315	\$ 1,497,869

	Business-type Activities	
	2015	2014
Current assets	\$ 5,894,798	\$ 5,509,861
Capital assets	12,879,438	13,374,500
Total Assets	18,774,236	18,884,361
Deferred outflows of resources - pension	198,109	
Total assets and deferred outflows of resource	18,972,345	18,884,361
Current liabilities	1,776,188	1,305,584
Long-term liabilities	6,628,063	6,084,163
Total Liabilities	8,404,251	7,389,747
Deferred inflows of resources - pension	49,345	
Total liabilities and deferred inflows of resource	8,453,596	7,389,747
Net investment in capital assets	6,830,833	6,739,191
Restricted	149,673	87,203
Unrestricted	3,538,243	4,668,220
Total Net Position	\$ 10,518,749	\$ 11,494,614

**THE CITY OF COLEMAN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015**

The City of Coleman's Changes in Net Position

	Governmental Activities		Business-type Activities	
	2015	2014	2015	2014
Revenues:				
Program Revenues:				
Charges for services	\$ 318,038	\$ 236,728	\$ 9,252,242	\$ 8,733,888
Capital grants & contributions			256,668	777,652
Operating grants & contributions	21,002	88,163		
General Revenues				
Property taxes	561,480	352,559		
Sales and use taxes	431,321	471,546		
Franchise taxes	94,880	103,340	35,266	28,566
Occupancy tax	42,892	40,519		
Investment earnings	1,771	1,340	2,354	2,072
Miscellaneous income	568,338	538,975	143,162	93,340
Transfers	811,849	554,016	(811,849)	(554,016)
Total Revenues	2,851,571	2,387,186	8,877,843	9,081,502
Expenses				
General administration	301,022	198,930		
Public safety	1,432,884	1,306,588		
Streets	496,909	303,210		
Public service	159,181	149,156		
Culture and recreation	351,861	315,939		
Health and inspection	1,670	314		
Cemetery	146,030	122,343		
Environmental	50,126	49,043		
Utility			7,637,360	7,138,070
Municipal airport			305,950	259,095
Sanitation			789,333	725,569
Interest	2,971	4,043		
Other				
Total expenses	2,942,654	2,449,566	8,732,643	8,122,734
Change in net position	(91,083)	(62,380)	145,200	958,768
Beginning Net Position	1,497,869	1,521,448	11,494,614	10,407,240
Prior period adjustments	(1,222,471)	38,801	(1,121,065)	128,606
Ending Net Position	\$ 184,315	\$ 1,497,869	\$ 10,518,749	\$ 11,494,614

FINANCIAL ANALYSIS OF THE GOVERNMENTS FUNDS

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

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

As of the end of the current fiscal year, the City of Coleman's governmental General Fund reported an ending fund balance of \$404,938. Of this amount, \$400,195 is unassigned and available for spending at the City's discretion. This represents approximately 1.5 months of operating equity based on 2015 current expenditures.

**THE CITY OF COLEMAN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015**

Fund Budgetary Highlights

The original and the final amended budgets for the General Fund reflect a deficit budget of \$25,575. No amendments were made to the budget during the year. The actual expenditures were \$85,251 more than the budgeted amounts, and actual revenues were \$201,605 more than was budgeted.

The original and the final amended budgets for the Utility Fund reflect a balanced budget on a modified accrual basis. On a GAAP basis, the actual operating expenses were \$286,112 more than the budgeted amounts, and actual revenues were \$116,119 more than was budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets The City of Coleman's investment in capital assets for its governmental activities amounts to \$984,743 (net of accumulated depreciation), and the investment in capital assets for its business-type activities amounts to \$12,879,438 (net of accumulated depreciation) as of September 30, 2015. This investment in capital assets includes land, buildings, improvements, infrastructure, and equipment.

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

		Governmental Activities 2015		Governmental Activities 2014
Land	\$	9,980	\$	9,980
Infrastructure		2,951,870		2,951,870
Equipment		4,832,022		4,660,236
Accumulated depreciation		(6,809,129)		(6,635,954)
Total	\$	984,743	\$	986,132

		Business-type Activities 2015		Business-type Activities 2014
Land	\$	317,161	\$	317,161
Construction in progress		298,196		17,380
Buildings and improvements		249,569		249,569
Water improvements		21,363,943		21,343,543
Airport improvements		2,755,546		2,682,551
Equipment		3,423,711		3,405,911
Accumulated depreciation		(15,528,688)		(14,641,616)
Total	\$	12,879,438	\$	13,374,499

Additional information on the City of Coleman's capital assets can be found in Note 5 on pages 26 and 27 of this report.

**THE CITY OF COLEMAN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015**

Debt Administration

The City of Coleman has long term debt in the form of bonds, notes payable and capital leases. As of September 30, 2015, the City had long term liabilities as follows:

Governmental Activities:	
Notes payable	\$ 45,855
Business-type Activities:	
Notes payable	\$ 83,605
Bonds payable	\$ 5,965,000

Additional information on the City of Coleman's long term debt can be found in Note 6 on pages 28 through 29 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- The City of Coleman adopted a 2015 property tax rate effective for its 2015 fiscal year of .5252 per \$100 property valuation. This is composed of the maintenance and operations rate of .23645 and the interest and sinking rate of .28875 per \$100 property valuation.
- These indicators were taken into account when adopting the general fund budget for fiscal year 2016. The general fund budget reflects a balanced budget at \$3,811,677, which is approximately \$343,500 more than the 2015 budget.

Requests for Information

This financial report is designed to provide a general overview of the City of Coleman's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Secretary, City of Coleman, 200 West Live Oak, Coleman, Texas 76834.

BASIC FINANCIAL STATEMENTS

CITY OF COLEMAN, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<u>ASSETS</u>				
Cash and cash equivalents	\$ 531,539	\$ 1,992,565	\$ 2,524,104	\$ 683,757
Restricted cash and cash equivalents		175,619	175,619	
Investments	151,648	1,757,665	1,909,313	174,905
Receivables:				
Taxes, net	216,939		216,939	64,088
Accounts, net	1,944	416,889	418,833	
Other receivables		118,801	118,801	21,048
Notes receivable				215,000
Internal balances	(175,995)	175,995		
Bond discount		1,257,264	1,257,264	
Non-depreciable capital assets	9,980	615,357	625,337	133,641
Depreciable capital assets, net	974,763	12,264,081	13,238,844	168,016
TOTAL ASSETS	1,710,818	18,774,236	20,485,054	1,460,455
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	229,588	198,109	427,697	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	1,940,406	18,972,345	20,912,751	1,460,455
<u>LIABILITIES</u>				
Accounts payable	185,233	843,824	1,029,057	14,170
Accrued payroll and related taxes		34,781	34,781	3,715
Other liabilities		17,056	17,056	
Due to other governmental entities	82,857		82,857	
Utility deposits		294,771	294,771	
Long term liabilities:				
Due within one year	21,964	585,756	607,720	
Due after one year:				
Compensated absences	72,518	32,721	105,239	
Loans and certificates payable	23,891	5,462,849	5,486,740	
Net pension liability	1,312,442	1,132,493	2,444,935	
TOTAL LIABILITIES	1,698,905	8,404,251	10,103,156	17,885
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	57,186	49,345	106,531	
<u>NET POSITION</u>				
Net Position:				
Net investment in capital assets	938,888	6,830,833	7,769,721	301,657
Restricted	6,879	149,673	156,552	
Unrestricted	(761,452)	3,538,243	2,776,791	1,140,913
TOTAL NET POSITION	\$ 184,315	\$ 10,518,749	\$ 10,703,064	\$ 1,442,570

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

CITY OF COLEMAN, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General administration	\$ 301,022	\$ 14,529	\$	\$
Public safety	1,432,884	89,566	2,610	
Public service	159,181	68,654	1,760	
Culture and recreation	351,861	33,228	16,632	
Health and inspection	1,670			
Cemetery	146,030	82,016		
Environment	50,126			
Streets	496,909	30,045		
Interest	2,971			
Total governmental activities	<u>2,942,654</u>	<u>318,038</u>	<u>21,002</u>	
Business-type activities:				
Utility	7,637,360	8,306,759		254,870
Municipal airport	305,950	135,330		1,798
Sanitation	789,333	810,153		
Total business-type activities	<u>8,732,643</u>	<u>9,252,242</u>		<u>256,668</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 11,675,297</u>	<u>\$ 9,570,280</u>	<u>\$ 21,002</u>	<u>\$ 256,668</u>
Component units:				
Coleman Economic Development Corp	\$ 168,711	\$ 3,400	\$	\$
Coleman Community Coalition	163,028			
Coleman County Senior Citizens	126,162	7,800	129,966	
Total component units	<u>\$ 457,901</u>	<u>\$ 11,200</u>	<u>\$ 129,966</u>	<u>\$</u>

GENERAL REVENUES:

Taxes:

Property taxes
Sales and use taxes
Franchise taxes
Hotel/motel taxes
Investment income
Miscellaneous income
Transfers

Total general revenues

Change in net position

Net position - beginning
Prior period adjustment

Net position - ending

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

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			
PRIMARY GOVERNMENT			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (286,493)	\$	\$ (286,493)	\$
(1,340,708)		(1,340,708)	
(88,767)		(88,767)	
(302,001)		(302,001)	
(1,670)		(1,670)	
(64,014)		(64,014)	
(50,126)		(50,126)	
(466,864)		(466,864)	
(2,971)		(2,971)	
<u>(2,603,614)</u>		<u>(2,603,614)</u>	
	924,269	924,269	
	(168,822)	(168,822)	
	20,820	20,820	
	<u>776,267</u>	<u>776,267</u>	
<u>(2,603,614)</u>	<u>776,267</u>	<u>(1,827,347)</u>	
			(165,311)
			(163,028)
			11,604
			<u>(316,735)</u>
561,480		561,480	
431,321		431,321	425,411
94,880	35,266	130,146	
42,892		42,892	
1,771	2,354	4,125	1,562
568,338	143,162	711,500	4,149
811,849	(811,849)		
<u>2,512,531</u>	<u>(631,067)</u>	<u>1,881,464</u>	<u>431,122</u>
(91,083)	145,200	54,117	114,387
1,497,869	11,494,614	12,992,483	1,337,537
(1,222,471)	(1,121,065)	(2,343,536)	(9,354)
<u>\$ 184,315</u>	<u>\$ 10,518,749</u>	<u>\$ 10,703,064</u>	<u>\$ 1,442,570</u>

CITY OF COLEMAN, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	General Fund	Nonmajor Governmental Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 528,005	\$ 3,534	\$ 531,539
Investments	151,648		151,648
Receivables:			
Accounts, net	1,944		1,944
Property tax, net	59,805		59,805
Sales tax	128,178		128,178
Hotel/motel tax	11,750		11,750
Franchise tax	17,206		17,206
Due from other governments			
Due from other funds	<u>67,743</u>		<u>67,743</u>
TOTAL ASSETS	<u>\$ 966,279</u>	<u>\$ 3,534</u>	<u>\$ 969,813</u>
LIABILITIES:			
Accounts payable and accrued expenses	\$ 184,983	\$ 250	\$ 185,233
Due to other governmental entities	82,857		82,857
Due to other funds	242,590	1,148	243,738
DERERRED INFLOWS OF RESOURCES:			
Deferred revenue	<u>50,911</u>		<u>50,911</u>
Total liabilities and deferred inflows of resources	<u>561,341</u>	<u>1,398</u>	<u>562,739</u>
FUND BALANCE:			
Unassigned	400,195		400,195
Restricted	<u>4,743</u>	<u>2,136</u>	<u>6,879</u>
Total Fund Balance	<u>404,938</u>	<u>2,136</u>	<u>407,074</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 966,279</u>	<u>\$ 3,534</u>	<u>\$ 969,813</u>

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

CITY OF COLEMAN, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

Total Fund Balances - Governmental Funds	\$	407,074
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$7,622,087 and the accumulated depreciation was \$6,635,954. The net effect of the beginning balances for capital assets (net of depreciation) in the governmental activities is an increase to net position.		986,133
Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. There were current year capital asset purchases of \$171,785 in the General Fund.		171,785
Depreciation expense is not reflected in the governmental funds, but is recorded in the government-wide financial statements as an expense and an increase to accumulated depreciation. The net effect of the current year depreciation expense of \$173,175 is to decrease net position.		(173,175)
Long term debt is not due and payable in the current period and, therefore, it is not reported in governmental funds. The net effect of recognizing long term debt in the governmental activities is a decrease to net position of \$45,855.		(45,855)
Compensated absences are reported in the government wide statements but are not recorded in the fund financial statements.		(72,518)
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the governmental funds. Deferred revenue of \$50,911 is recognized in the government-wide financial statements. This results in an increase in net position.		50,911
Included on the government-wide financial statements is the recognition of the City's proportionate share of the net pension liability of \$1,312,442, a deferred outflow of resources of \$229,588, and a deferred inflow of resources of \$57,186. The net effect is to decrease net position.		<u>(1,140,040)</u>
Net Position of Governmental Activities	\$	<u><u>184,315</u></u>

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

CITY OF COLEMAN, TEXAS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2015

	General Fund	Nonmajor Governmental	Total Governmental Funds
REVENUE:			
Taxes:			
Franchise tax	\$ 94,880	\$	\$ 94,880
Property tax	545,046		545,046
Sales tax	425,411		425,411
Occupancy tax	42,892		42,892
Alcohol beverage tax	5,910		5,910
Total taxes	<u>1,114,139</u>		<u>1,114,139</u>
Licenses & permits	7,653		7,653
Grants	19,242	1,760	21,002
Fines and forfeitures	65,655		65,655
Investment income	1,769	2	1,771
General service fees	223,150		223,150
Internal franchise fees	223,150		223,150
Tower rental	12,629		12,629
Charges for services	252,383		252,383
Donations	7,040		7,040
Miscellaneous Income	94,715		94,715
Total Revenue	<u>2,021,525</u>	<u>1,762</u>	<u>2,023,287</u>
EXPENDITURES:			
Current:			
General government	285,831		285,831
Public safety			
Dispatch	246,563		246,563
Police department	709,180	662	709,842
Fire department	426,919		426,919
Public service			
Animal control	55,980		55,980
Municipal court	99,819		99,819
Health and sanitation	6,886		6,886
Cultural and recreation			
Library	137,943		137,943
Parks	172,136		172,136
City park pool	31,390		31,390
Health and inspection			
City inspection	1,670		1,670
Cemetery	144,710		144,710
Environmental	51,233		51,233
Highways and streets			
Streets	451,971		451,971
Debt service:			
Principal retired	26,561		26,561
Interest	2,971		2,971
Capital outlay	171,785		171,785
Total Expenditures	<u>3,023,548</u>	<u>662</u>	<u>3,024,210</u>

CITY OF COLEMAN, TEXAS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - continued
YEAR ENDED SEPTEMBER 30, 2015

	General Fund	Nonmajor Governmental	Total Governmental Funds
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(1,002,023)	1,100	(1,000,923)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,113,702		1,113,702
Transfers out	<u>(301,853)</u>		<u>(301,853)</u>
Total other financing sources (uses)	<u>811,849</u>		<u>811,849</u>
CHANGE IN FUND BALANCE	(190,174)	1,100	(189,074)
FUND BALANCE AT BEGINNING OF YEAR	611,059	1,036	612,095
Adjustments to beginning fund balance	<u>(15,947)</u>		<u>(15,947)</u>
FUND BALANCE AT END OF YEAR	<u>\$ 404,938</u>	<u>\$ 2,136</u>	<u>\$ 407,074</u>

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

CITY OF COLEMAN, TEXAS
RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2015

Net Change in Fund Balances - Governmental Funds \$ (189,074)

Amounts reported for governmental activities in the statement of activities are different because:

Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The current year capital asset purchases in the General Fund were \$171,785. 171,785

Depreciation expense is not reflected in the governmental funds, but is recorded in the government-wide financial statements as an expense and an increase to accumulated depreciation. The net effect of the current year depreciation expense of \$173,174 is to decrease net position. (173,174)

The current year issuance of long term debt provides current financial resources to governmental funds, while repayment of the principal of long term debt consumes the current financial resources of governmental funds. The net effect of recognizing current issuance and payments on long term debt in the government-wide financial statements is a net increase to net position of \$26,561 26,561

Changes in compensated absences are shown in the statement of activities but are not included in the fund financial statements (10,099)

Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the governmental funds. The current year adjustment to revenue recognized in the government-wide financial statements is \$16,434. This results in an increase in net position. 16,434

Certain expenditures for pension that are recorded to the fund financial statements must be recorded as deferred outflows of resources. Contributions made after the measurement date caused the change in net position to increase in the amount of \$172,922. The City's share of the unrecognized deferred inflows and outflows for TMRS as of the measurement date must be amortized and the City's proportionate share of the pension expense must be recognized. These cause the change in net position to decrease in the amount of \$106,508. The net effect is an increase in net position. 66,484

Change in Net Position of Governmental Activities \$ (91,083)

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

CITY OF COLEMAN, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015

	Utility Fund	Municipal Airport Fund	Sanitation Fund	Total Proprietary Funds
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 1,860,944	\$ 67,179	\$ 64,442	\$ 1,992,565
Restricted cash and cash equivalents	136,074		39,545	175,619
Investments	1,757,665			1,757,665
Accounts receivable, net	416,889			416,889
Other receivables	83,386	2,127	33,288	118,801
Due from other funds	331,789		127,775	459,564
Total Current Assets	4,586,747	69,306	265,050	4,921,103
Noncurrent Assets:				
Bond discount	1,257,264			1,257,264
Capital assets:				
Land	317,161			317,161
Construction in progress	298,196			298,196
Buildings, net	47,549			47,549
Infrastructure and improvements, net	9,231,385	2,382,777		11,614,162
Machinery & equipment, net	271,812	281,970		553,782
City lakes, net	27,001			27,001
Landfill and improvements, net			21,587	21,587
Total Noncurrent Assets	11,450,368	2,664,747	21,587	14,136,702
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	198,109			198,109
Total Assets and Deferred Outflows of Resources	16,235,224	2,734,053	286,637	19,255,914
LIABILITIES:				
Accounts payable	782,800	1,189	59,835	843,824
Due to other funds	242,426	41,143		283,569
Accrued payroll and related taxes	33,477		1,304	34,781
Accrued interest payable				
Other liabilities	17,056			17,056
Utility deposits	294,771			294,771
Notes payable	25,756			25,756
Certificates of obligation	560,000			560,000
Total current	1,956,286	42,332	61,139	2,059,757
Long term liabilities:				
Compensated absences	32,721			32,721
Notes payable	57,849			57,849
Certificates of obligation	5,405,000			5,405,000
Net pension liability	1,132,493			1,132,493
Total Liabilities	8,584,349	42,332	61,139	8,687,820
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	49,345			49,345
NET POSITION:				
Net investment in capital assets	4,144,499	2,664,747	21,587	6,830,833
Restricted	110,128		39,545	149,673
Unrestricted	3,346,903	26,974	164,366	3,538,243
Total Net Position	\$ 7,601,530	\$ 2,691,721	\$ 225,498	\$ 10,518,749

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

CITY OF COLEMAN, TEXAS
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Utility Fund	Municipal Airport Fund	Sanitation Fund	Total Proprietary Funds
OPERATING REVENUE:				
Water Sales	\$ 1,373,859	\$	\$	\$ 1,373,859
Sewer charges	652,560			652,560
Electric sales	6,176,129			6,176,129
Sanitation charges			810,153	810,153
Gas & oil sales		135,330		135,330
Utilities transfer fee	24,415			24,415
Franchise fee			35,266	35,266
Penalties on utility service	79,796			79,796
Rental income		12,419		12,419
Other income	35,167	2,746	14,853	52,766
Total Operating Revenue	<u>8,341,926</u>	<u>150,495</u>	<u>860,272</u>	<u>9,352,693</u>
OPERATING EXPENSES:				
Utility department				
Sewer administration	26,434			26,434
Water production administration	110,599			110,599
Light production administration	475,987			475,987
Light production department	4,316,263			4,316,263
Light distribution department	739,258			739,258
Water production department	582,555			582,555
Water distribution department	569,679			569,679
Lake Coleman	48,999			48,999
Wastewater collection department	221,514			221,514
Wastewater treatment plant	251,238			251,238
Utility office	94,644			94,644
Utility shop	28,370			28,370
Municipal airport		305,950		305,950
Sanitation			789,333	789,333
Total Operating Expenses	<u>7,465,540</u>	<u>305,950</u>	<u>789,333</u>	<u>8,560,823</u>
Operating Income	<u>876,386</u>	<u>(155,455)</u>	<u>70,939</u>	<u>791,870</u>
NON-OPERATING REVENUE (EXPENSES)				
Interest income	2,223	54	77	2,354
Interest expense	(171,820)			(171,820)
Grant income	254,870	1,798		256,668
Disposal of assets	12,624			12,624
Insurance proceeds	1,707	63,646		65,353
Total Non-operating	<u>99,604</u>	<u>65,498</u>	<u>77</u>	<u>165,179</u>
NET INCOME BEFORE OPERATING TRANSFERS	<u>975,990</u>	<u>(89,957)</u>	<u>71,016</u>	<u>957,049</u>
OPERATING TRANSFERS				
Transfers in	408,755	25,000		433,755
Transfers out	<u>(1,186,901)</u>		<u>(58,703)</u>	<u>(1,245,604)</u>
CHANGE IN NET POSITION	197,844	(64,957)	12,313	145,200
NET POSITION - BEGINNING OF YEAR	8,524,751	2,756,678	213,185	11,494,614
Prior period adjustment	<u>(1,121,065)</u>			<u>(1,121,065)</u>
NET POSITION - END OF YEAR	<u>\$ 7,601,530</u>	<u>\$ 2,691,721</u>	<u>\$ 225,498</u>	<u>\$ 10,518,749</u>

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

CITY OF COLEMAN, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Utility Fund	Municipal Airport Fund	Sanitation Fund	Total Proprietary Funds
Cash flows from operating activities:				
Receipts from customers	\$ 8,235,264	\$ 151,142	\$ 809,251	\$ 9,195,657
Receipts from other operation functions	139,378	2,746	50,119	192,243
Payments to suppliers	(4,811,405)		(725,322)	(5,536,727)
Payments to employees and related taxes and benefits	(1,586,320)	(9,600)	(49,244)	(1,645,164)
Payments to others		(166,132)		(166,132)
Net cash provided (used) by operating activities	<u>1,976,917</u>	<u>(21,844)</u>	<u>84,804</u>	<u>2,039,877</u>
Cash flows from noncapital financing activities:				
Operating transfers in/out	(778,146)	25,000	(78,505)	(831,651)
Due from other governments	(62,892)			(62,892)
Miscellaneous income				
Net cash provided (used) by noncapital financing activities	<u>(841,038)</u>	<u>25,000</u>	<u>(78,505)</u>	<u>(894,543)</u>
Cash flows from capital and related financing activities:				
Principal payments on long-term debt	(586,704)			(586,704)
Interest payments on long-term debt	(319,382)			(319,382)
Proceeds from insurance proceeds	1,707	63,646		65,353
Acquisition and construction of capital assets	(319,016)	(72,995)		(392,011)
Disposal of assets	12,624			12,624
Capital grant proceeds	254,013	1,798		255,811
Net cash provided (used) by capital and related financing activities	<u>(956,758)</u>	<u>(7,551)</u>		<u>(964,309)</u>
Cash flows from investing activities:				
Interest income	2,223	54	77	2,354
Purchase of investments	(856)			(856)
Net cash provided (used) by investing activities	<u>1,367</u>	<u>54</u>	<u>77</u>	<u>1,498</u>
Net increase (decrease) in cash and cash equivalents	180,488	(4,341)	6,376	182,523
Cash and cash equivalents at beginning of year	<u>1,816,530</u>	<u>71,520</u>	<u>97,611</u>	<u>1,985,661</u>
Cash and cash equivalents at end of year	<u>\$ 1,997,018</u>	<u>\$ 67,179</u>	<u>\$ 103,987</u>	<u>\$ 2,168,184</u>
Reconciliation of operating income to net cash				
Provided (used) by operating activities:				
Operating income	\$ 876,386	\$ (155,455)	\$ 70,939	\$ 791,870
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	664,383	142,723		807,106
(Increase) Decrease in accounts receivable	13,871	3,393	(902)	16,362
(Increase) Decrease in prepaid expenses	11,984		352	12,336
Increase (Decrease) in accounts payable	441,747	(12,505)	14,307	443,549
Increase (Decrease) in payroll accruals	7,070		108	7,178
Increase (Decrease) in pension liability	(57,369)			(57,369)
Increase (Decrease) in customer deposits	18,845			18,845
Net cash provided (used) by operating activities	<u>1,976,917</u>	<u>(21,844)</u>	<u>84,804</u>	<u>\$ 2,039,877</u>

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

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting framework and the more significant accounting principles and practices of the 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, 2015.

The financial statements of the City of Coleman, Texas have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to city units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

REPORTING ENTITY

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 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.

In conformity with U.S. general accepted accounting principles, the City has considered all potential component units. The basic criterion is the governing body's ability to exercise oversight responsibility which includes financial interdependency, selection of governing authority, the designation of management, and accountability for fiscal matters.

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 majority of their boards and the City is able to impose its will on the entities. The audited financial statements of these entities 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 (i.e. the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Fund financial statements

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenue. Likewise, general revenues include all taxes.

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Budgetary Control

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

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

Budgets for the operating funds and proprietary fund operations are prepared on the modified accrual basis of accounting. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the expenditure is incurred. The budget presented for the proprietary funds in the financial statement has been converted to GAAP basis for an accurate comparison to the actual revenues and expenses.

Excess of Expenditures over Appropriations

During fiscal year 2015, the general fund, expenditures exceeded the budget in total by \$286,112. Most departments within the general fund show expenditures greater than budget for the year. However, funds were available to cover all unbudgeted expenditures since the overall revenues were over their projected budget by \$116,119 and the city had available fund balance to cover the expense overages. The city's overall revenues over expenditures compared to budget was a negative \$169,993.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reported period. Actual results could differ from those estimates.

Fund Types and Major Funds

Governmental Funds

The City reports the following major governmental fund:

General Fund - The General Fund is the government's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The City reports the Law Enforcement fund as a non-major governmental fund.

Proprietary Funds

The City reports the following major enterprise funds:

Utility Fund - The Utility Fund reports revenues and expenses associated with water, sewer, and electric services for citizens of the City. The Utility Fund is financed and operated in a manner similar to private business enterprises - where the intent of the government body is that the costs (expenses including depreciation) of providing services to the general public on a continuing basis will be financed or recovered primarily through user charges.

CITY OF COLEMAN, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Municipal Airport Fund – The Municipal Airport Fund reports revenues and expenses associated with the operations of the City owned airport.

Sanitation Fund – The Sanitation Fund reports revenues and expenses associated with the operations of the City’s sanitation department.

Assets, Liabilities, and Net Position or Equity

Cash and cash equivalents

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

Receivables and payables

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

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

Capital assets, depreciation, and amortization

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for the proprietary fund. In the governmental fund financial statements, capital assets are recorded as expenditures. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets are stated at historical cost or estimated cost if actual historical cost is not available. The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the lives is not capitalized.

Capital assets in the proprietary fund are capitalized and are depreciated on the straight-line method over the estimated useful lives of the respective assets. Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against operations. Accumulated depreciation is reported on the proprietary fund balance sheet. The estimated useful lives of fixed assets are as follows:

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

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 THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 financial sources of the current period. Issuance costs are reported as expenditures.

Pensions

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

Fund balance classifications

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

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The city has no nonspendable funds for the year ended September 30, 2015.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the revenue note and restricted through debt covenants. Federal or state funds are restricted for use only for a specific use. The City has \$6,879 restricted funds at September 30, 2015.

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, 2015.

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.

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 2: DEPOSITS AND INVESTMENTS

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

Cash Deposits

The City’s cash deposits were entirely covered by FDIC insurance or be pledged collateral held by the City’s bank in the City’s name at September 30, 2015.

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, 2015.

Investments

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

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

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposits, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The City’s investments at September 30, 2015 are as follows:

	Reported Amount/Fair Value
Governmental Activities:	
Certificates of Deposits	\$ 151,648
Total Governmental Activities	151,648
Business-type Activities:	
Certificates of Deposit	100,000
TexPool	1,657,665
	1,757,665
Total Government	\$ 1,909,313

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 2: DEPOSITS AND INVESTMENTS - continued

Custodial credit risk – deposits. Deposits in financial institutions are carried at cost which approximates fair value. At September 30, 2015, the City had cash and cash investments, which represents cash on hand, demand deposits and savings accounts at federally insured local banks. At September 30, 2015, the City's deposits were fully secured by federal depository insurance and pledged securities held by the City's agent in the City's name.

Statutes authorize the City to invest in obligations of the U.S. Treasury or the State of Texas, certain repurchase agreements, common trust funds, certificates of deposit that are guaranteed or insured by the Federal Deposit Insurance Corporation, and other investments specifically authorized by Chapter 2256 Public Funds Investment Act (PFIA) and Chapter 2257 Collateral for Public Funds of the Texas Government Code. The City is in compliance with the requirements of the PFIA.

NOTE 3: ACCOUNTS RECEIVABLE

Enterprise Receivables

Significant receivables in the Enterprise funds include amounts due from customers primarily for utility services and airport services. An allowance has been recorded to estimate the receivables collectible at year end. The receivables in the Utility Fund, Airport Fund, and Sanitation Fund total \$416,889 (net of an allowance of \$25,500), \$2,127, and \$33,288 respectively.

NOTE 4: TAXES RECEIVABLE

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of tax bill and are delinquent if not paid before February 1 of the year following the year in which tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period. The tax rate to finance general governmental services and service the debt for the year ended September 30, 2015 was \$.57040 per \$100 valuation (.24466 for maintenance and operations and .32574 for debt service).

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

In the governmental fund financial statements, property 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.

Property taxes receivable (net) is computed as follows:

	General Fund
Property taxes receivable	\$ 81,542
Less: Allowance for uncollectible taxes	<u>(21,737)</u>
Property taxes receivable (net)	<u>\$ 59,805</u>

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 5: CAPITAL ASSETS

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

<u>Government Activities:</u>	Balance September 30, 2014	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2015
Capital assets, not being depreciated:				
Land	\$ 9,980	\$	\$	\$ 9,980
Total capital assets, not being depreciated	<u>9,980</u>			<u>9,980</u>
Capital assets being depreciated:				
Infrastructure	2,951,870			2,951,870
Equipment	4,660,236	171,785		4,832,021
Total assets being depreciated	<u>7,612,106</u>	<u>171,785</u>		<u>7,783,891</u>
Less accumulated depreciation for:				
Infrastructure	(2,510,899)	(12,422)		(2,523,321)
Equipment	(4,125,055)	(160,752)		(4,285,807)
Total accumulated depreciation	<u>(6,635,954)</u>	<u>(173,174)</u>		<u>(6,809,128)</u>
Total capital assets being depreciated, net	<u>976,152</u>	<u>(1,389)</u>		<u>974,763</u>
Governmental activities capital assets, net	<u>\$ 986,132</u>	<u>\$ (1,389)</u>	<u>\$</u>	<u>\$ 984,743</u>

A summary of changes in business-type capital assets is as follows:

<u>Business-type activities:</u>	Balance September 30, 2014	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2015
Capital assets, not being depreciated:				
Land	\$ 317,161	\$	\$	\$ 317,161
Construction in progress	17,380	280,816		298,196
Total capital assets, not being depreciated	<u>334,541</u>	<u>280,816</u>	<u>-</u>	<u>615,357</u>
Capital assets being depreciated:				
Buildings and improvements	249,569			249,569
Water improvements	21,343,543	20,400		21,363,943
Airport Improvements	2,682,551	72,995		2,755,546
Equipment	3,405,911	17,800		3,423,711
Total assets being depreciated	<u>27,681,574</u>	<u>111,195</u>	<u>-</u>	<u>27,792,769</u>
Less accumulated depreciation for:				
Buildings and improvements	(198,363)	(3,656)		(202,019)
Water improvements	(11,541,317)	(564,241)		(12,105,558)
Airport Improvements	(278,538)	(94,231)		(372,769)
Equipment	(2,703,364)	(144,978)		(2,848,342)
Total accumulated depreciation	<u>(14,721,582)</u>	<u>(807,106)</u>	<u>-</u>	<u>(15,528,688)</u>
Total capital assets being depreciated, net	<u>12,959,992</u>	<u>(695,911)</u>	<u>-</u>	<u>12,264,081</u>
Business-type activities capital assets, net	<u>\$ 13,294,533</u>	<u>\$ (415,095)</u>	<u>\$ -</u>	<u>\$ 12,879,438</u>

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 5: CAPITAL ASSETS - continued

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

Governmental activities:

General Government	\$ 9,684
Public safety	88,720
Streets	52,956
Culture and recreation	16,349
Cemetery	<u>5,465</u>
	<u>\$ 173,174</u>

Business-type activities:

Utility Shop	\$ 1,106
Sewer	26,914
Light	320,390
Utility	2,940
Municipal Airport	142,723
Water	<u>313,033</u>
	<u>\$ 807,106</u>

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

<u>Component Units Combined</u>	Balance September 30, 2014	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2015
Capital assets, not being depreciated:				
Land	\$ 26,000	\$ 107,641	\$ -	\$ 133,641
Total capital assets, not being depreciated	<u>26,000</u>	<u>107,641</u>	<u>-</u>	<u>133,641</u>
Capital assets being depreciated:				
Buildings and improvements	392,046		(150,275)	241,771
Furniture and Equipment	<u>65,272</u>	<u>5,266</u>	<u>(1,591)</u>	<u>68,947</u>
Total assets being depreciated	<u>457,318</u>	<u>5,266</u>	<u>(151,866)</u>	<u>310,718</u>
Less accumulated depreciation for:				
Buildings and improvements	(225,286)	(11,109)	143,517	(92,878)
Furniture and Equipment	<u>(42,340)</u>	<u>(9,075)</u>	<u>1,591</u>	<u>(49,824)</u>
Total accumulated depreciation	<u>(267,626)</u>	<u>(20,184)</u>	<u>145,108</u>	<u>(142,702)</u>
Total capital assets being depreciated, net	<u>189,692</u>	<u>(14,918)</u>	<u>(6,758)</u>	<u>168,016</u>
Business-type activities capital assets, net	\$ <u>215,692</u>	\$ <u>92,723</u>	\$ <u>(6,758)</u>	\$ <u>301,657</u>

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

Economic Development Corp	\$ 16,949
Community Coalition	3,235
Senior Citizens Center	<u>-0-</u>
Total Depreciation	<u>\$ 20,184</u>

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2015

NOTE 6: LONG TERM DEBT

In January 2008, the City was approved for Tax and Utility System Surplus Revenue Certificates of Obligation, Series 2008, in the amount of \$5,024,000 from the Drinking Water State Revolving Fund administered by the Texas Water Development Board. The release of funds is required to occur through multiple installments. The funds will include an additional \$885,000 in Loan Forgiveness through the DWSRT Disadvantaged Program. The bonds are 0% interest. Interest was imputed on these bonds. A bond discount of \$1,445,436 resulted in the imputed interest. The balance at 9/30/2015 is \$4,005,000.

In January 2010, the City issued \$1,735,000 of General Obligation Refunding Bonds with interest rates ranging from 2.0% to 3.5%. The refunding issued achieved total present value savings equal to 4.672% of the \$1,845,000 refunded amount. Average annual savings will be \$11,953 from 2011 through 2018. Total debt service savings through the life of the refunding issue is \$95,620. The balance at 09/30/2015 is \$700,000.

In January 2013, the City issued \$1,765,000 of General Obligation Refunding Bonds, which refunded the Tax and Utility System Surplus Revenue Certificates of Obligation. Interest rates are at 1.83%. The refunding issue achieved total present value savings equal to 11.582% of the \$1,680,000 refunded amount. Average annual savings will be \$23,402 from 2014 to 2022. Total debt service savings through the life of the refunding issue is \$214,725. The balance at 09/30/2015 is \$1,260,000.

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%, and monthly payments of \$750, including interest, are due from the City for 36 months. This note was paid off during the year ended September 30, 2015.

In November 2012, the City entered into a note agreement with Caterpillar Financial for a Caterpillar motor grader in the amount of \$86,538. Payments of \$23,392 with an interest rate of 3.2% are due annually until October 2016. The balance at 09/30/2015 is \$45,855.

In November 2013, the City entered into an \$80,870 note agreement with Government Capital Financing to purchase a low boy trailer and recloser. The note was for a term of 5 years with quarterly payments, including interest, of \$4,373 through September 2018. The balance of this loan at 09/30/2015 is \$47,372.

In April 2014, the City entered into a note agreement with Caterpillar Financial Services Corporation for a Caterpillar backhoe and excavator in the amount of \$49,643. The interest rate is 3.2% and monthly payments of \$896, including interest, are due from the City for 60 months. The balance at 09/30/2015 is \$36,234.

In 2011, the City entered into a lease agreement 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 with the final payment due in October 2014. This lease agreement was completed in fiscal year 2015.

In 2010, the City entered into a lease with Cannon Financial Services for a digital copier. The effective interest rate is 6.0%. Payments of \$170 are due monthly with the final payment due May 2015. This lease agreement was completed in fiscal year 2015.

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 6: LONG TERM DEBT - continued

A schedule of the City's transaction in the long term debt for the year ended September 30, 2015 is as follows:

	<u>Balance at 09/30/2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at 09/30/2015</u>
Primary Government:				
<i>Governmental Activities:</i>				
Capital Lease	\$ 6,501	\$ -	\$ 6,501	\$ -
Notes Payable	65,915		20,060	45,855
	<u>72,416</u>	<u>-</u>	<u>26,561</u>	<u>45,855</u>
<i>Business-Type Activities:</i>				
Capital Lease	2,064		2,064	-
Notes Payable	113,245		29,640	83,605
Bonds Payable	6,520,000		555,000	5,965,000
	<u>6,635,309</u>	<u>-</u>	<u>586,704</u>	<u>6,048,605</u>
Total Primary Government	\$ <u>6,707,725</u>	\$ <u>-</u>	\$ <u>613,265</u>	\$ <u>6,094,460</u>

The annual aggregate maturities for the governmental and business-type activities at September 30, 2015:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Long term bonds			
<i>Business-type activities:</i>			
2016	\$ 560,000	\$ 40,373	\$ 600,373
2017	570,000	30,454	600,454
2018	585,000	19,618	604,618
2019	355,000	12,124	367,124
2020	355,000	8,738	363,738
2021-2025	1,230,000	7,091	1,237,091
2023-2030	825,000		825,000
2031-2035	825,000		825,000
2036-2040	660,000		660,000
	<u>5,965,000</u>	<u>118,398</u>	<u>6,083,398</u>
Notes Payable:			
<i>Governmental Activities:</i>			
2016	21,964	1,428	23,392
2017	23,891	748	24,639
	<u>45,855</u>	<u>2,176</u>	<u>48,031</u>
<i>Business-type activities:</i>			
2016	24,527	3,722	28,249
2017	25,821	2,429	28,250
2018	27,187	1,063	28,250
2019	6,070	139	6,209
	<u>83,605</u>	<u>7,353</u>	<u>90,958</u>
Total Primary Government	\$ <u>6,094,460</u>	\$ <u>127,927</u>	\$ <u>6,222,387</u>

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 7: BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY

Receivables and Payables

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

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

Fund with Due From	Fund with Due to	Amount
General	Municipal Airport	41,143.00
Garbage	Utility	115,917.00
Garbage	General	11,858.00
Utility	General	205,280.00
General	Law Enforcement	1,148.00

NOTE 8: RISK FINANCING

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

NOTE 9: COMMITMENTS AND CONTINGENCIES

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Such audits could result in requests for reimbursement by the grantor agencies for expenses disallowed under terms and conditions specified in the grant agreement.

Note 10: PENSION PLAN

A. Plan Description

The City of Coleman participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Note 10: PENSION PLAN - continued

B. Benefits Provided

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

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City for the plan years 2013 and 2014 were as follows:

Employee deposit rate:	7.0%
Employer deposit rate (2014)	18.48%
Matching ratio (City to employee):	2 to 1
Years required for vesting:	5 years
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25
Updated service credit	100% Repeating, Transfers
Annuity increase (to retirees)	50% of CPI Repeating

Employees covered by benefit terms

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	43
Inactive employees entitled to but not yet receiving benefits	32
Active employees	<u>64</u>
Total	139

C. Contributions

The contribution rates for employees in the TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability

Employees for the City of Coleman were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Coleman were 18.48% and 18.57% in calendar years 2014 and 2015 respectively. The City’s contributions to TMRS for the year ended September 30, 2015 were \$446,857, and were equal to the required contributions.

D. Net Pension Liability

The city’s Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Note 10: PENSION PLAN - continued

Actuarial assumptions:

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation.

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

Actuarial assumptions used in the December 31, 2014 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Note 10: PENSION PLAN - continued

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance as 12/31/2013	\$ 12,840,535	\$10,301,892	\$2,538,643
Changes for the year:			
Service cost	323,904		323,904
Interest	888,783		888,783
Change of benefit terms			
Difference between expected and actual experience	(150,669)		(150,669)
Changes of assumptions			
Contributions – employer		415,577	(415,577)
Contributions – employee		157,466	(157,466)
Net Investment Income		589,342	(589,342)
Benefit Payments, including refunds of employee contributions	(611,161)	(611,161)	
Administrative expense		(6,153)	6,153
Other changes		(506)	506
Net Changes	450,857	544,565	(93,708)
Balance 12/31/2014	\$ 13,291,392	\$ 10,846,457	\$ 2,444,935

Sensitivity of the Net Pension Liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's Net Pension Liability	\$ 4,192,911	\$ 2,444,935	\$996,414

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2015, the City recognized pension expense of \$322,968.

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Note 10: PENSION PLAN - continued

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience		\$ (106,531)
Changes in actuarial assumptions		
Difference between projected and actual investment earnings	105,432	
Contributions subsequent to the measurement date	322,265	
Total	\$ 427,697	\$ (106,531)

\$322,265 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	
2016	\$ (17,780)
2017	(17,780)
2018	8,103
2019	26,358
2020	
Thereafter	
Total	\$ (1,099)

Note 11: HEALTH CARE COVERAGE

During the year ended September 30, 2015, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$534 per month per employee per month for October through September 2014. 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 a contractual agreement.

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 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 has instructed to open a landfill trust to cover any future costs of closing the Type IV proportion 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, the estimated amount needed to cover the Type IV proportion of the landfill. Each year as the landfill is used; the city covered 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, 2015. The trust remains intact and will only be used in the event the City is unable to provide the proper funds for closure anytime in the 30 years following the final closure.

CITY OF COLEMAN, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

Note 13: DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has deferred outflows of resources for the difference between projected and actual earnings for its pension plan and contributions to the pension plan after the measurement date, but before the end of the fiscal year.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has deferred inflows of resources for the differences between expected and actual experience related to the pension plan. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

On the governmental fund financial statements, in addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources reported in the governmental funds of unavailable revenues are reported for property tax revenues in the amount of \$50,911.

Note 14: PRIOR PERIOD ADJUSTMENTS

During fiscal year 2015, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Upon adoption of GASB No. 68, the City must assume its proportionate share of the net pension liability of the Texas Municipal Retirement System. Adoption of GASB No. 68 required a prior period adjustment to report the effect of GASB No. 68 retroactively. This prior period adjustment decreased total net position in the amount of \$2,247,622. This prior period pension liability adjustment is recognized in the governmental activities with a negative adjustment of \$1,206,524 and the business-type activities with a negative adjustment of \$1,041,098.

During the audit procedures it was noted that prior year balances were reported incorrectly or were misclassified on the financial statements. For the governmental funds the beginning fund balances were decreased by \$15,947. This decrease was due to the correction of a payable to the Coleman Chamber of Commerce related to collected occupancy tax in the amount of \$9,958 and the write-off of an old accounts receivable in the amount of \$5,989 which is no longer collectible.

In the Enterprise funds, the beginning net position was adjusted by a total of \$1,121,065. Of this amount, \$1,041,098 was related to the pension liability mentioned above. The remaining negative adjustment of \$79,967 was an adjustment to accumulated depreciation on old assets which should have been fully depreciated.

The Coleman County Senior Center, which is a component unit of the City of Coleman, recorded a prior period adjustment of \$9,354 which reduced net position. This adjustment was made to remove the net book value of the building and improvements used by the Center and a related cash account that is owned by the City of Coleman.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COLEMAN, TEXAS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2015

	General Fund			
	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUE:				
Taxes:				
Franchise tax	\$ 90,000	\$ 90,000	\$ 94,880	\$ 4,880
Property tax	554,028	554,028	545,046	(8,982)
Sales tax	434,732	434,732	425,411	(9,321)
Occupancy tax	37,000	37,000	42,892	5,892
Alcohol beverage tax	5,269	5,269	5,910	641
Total taxes	<u>1,121,029</u>	<u>1,121,029</u>	<u>1,114,139</u>	<u>(6,890)</u>
Licenses & permits	5,500	5,500	7,653	2,153
Intergovernmental	4,000	4,000	19,242	15,242
Fines and forfeitures	64,800	64,800	65,655	855
Investment income	1,209	1,209	1,769	560
General service fees	227,781	227,781	223,150	(4,631)
Internal franchise fees	227,781	227,781	223,150	(4,631)
Tower rental	33,876	33,876	12,629	(21,247)
Charges for services	214,930	214,930	252,383	37,453
Donations	500	500	7,040	6,540
Sale of Assets				
Miscellaneous Income	4,000	4,000	94,715	90,715
Total Revenue	<u>1,905,406</u>	<u>1,905,406</u>	<u>2,021,525</u>	<u>116,119</u>
EXPENDITURES:				
Current:				
General government	184,779	184,779	285,831	(101,052)
Public safety				
Dispatch	231,310	231,310	246,563	(15,253)
Police department	720,996	720,996	709,180	11,816
Fire department	388,330	388,330	426,919	(38,589)
Public service				
Animal control	56,846	56,846	55,980	866
Municipal court	102,481	102,481	99,819	2,662
Health and sanitation	5,274	5,274	6,886	(1,612)
Cultural and recreation				
Library	117,678	117,678	137,943	(20,265)
Parks	165,924	165,924	172,136	(6,212)
City park pool	30,880	30,880	31,390	(510)
Health and inspection				
City inspection	3,422	3,422	1,670	1,752
Cemetery	141,688	141,688	144,710	(3,022)
Environmental	50,575	50,575	51,233	(658)
Highways and streets				
Streets	446,209	446,209	451,971	(5,762)
Debt service:				
Principal retired	22,689	22,689	26,561	(3,872)
Interest	3,332	3,332	2,971	361
Capital outlay	65,023	65,023	171,785	(106,762)
Total Expenditures	<u>2,737,436</u>	<u>2,737,436</u>	<u>3,023,548</u>	<u>(286,112)</u>

CITY OF COLEMAN, TEXAS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND - continued
YEAR ENDED SEPTEMBER 30, 2015

	General Fund			
	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	\$ (832,030)	\$ (832,030)	\$ (1,002,023)	\$ (169,993)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,111,094	1,111,094	1,113,702	2,608
Transfers out	<u>(304,939)</u>	<u>(304,939)</u>	<u>(301,853)</u>	<u>3,086</u>
Total other financing sources (uses)	<u>806,155</u>	<u>806,155</u>	<u>811,849</u>	<u>5,694</u>
CHANGE IN FUND BALANCE	(25,875)	(25,875)	(190,174)	(164,299)
FUND BALANCE AT BEGINNING OF YE	611,059	611,059	611,059	
Adjustments to beginning fund balance	<u>(15,947)</u>	<u>(15,947)</u>	<u>(15,947)</u>	
FUND BALANCE AT END OF YEAR	<u>\$ 569,237</u>	<u>\$ 569,237</u>	<u>\$ 404,938</u>	<u>\$ (164,299)</u>

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

	2014
Total Pension Liability	
Service cost	\$ 323,904
Interest (on the Total Pension Liability)	888,783
Changes of benefit terms	-
Difference between expected and actual experience	(150,669)
Change of Assumptions	-
Benefit payments, including refunds of employee contributions	(611,161)
Net Change in Total Pension Liability	450,857
Total Pension Liability - Beginning	12,840,535
Total Pension Liability - Ending (a)	\$ 13,291,392
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 415,577
Contributions - Employee	157,466
Net Investment Income	589,342
Benefit payments, including refunds of employee contributions	(611,161)
Administrative Expense	(6,153)
Other	(506)
Net Change in Plan Fiduciary Net Position	544,565
Plan Fiduciary Net Position - Beginning	10,301,892
Plan Fiduciary Net Position - Ending (b)	\$ 10,846,457
Net Pension Liability - Ending (a)-(b)	\$ 2,444,935
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	81.61%
 Covered Employee Payroll	\$ 2,249,513
 Net Pension Liability as a Percentage of Covered Employee Payroll	108.69%

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

	2014	2015
Actuarially Determined Contribution	\$ 393,556	\$ 446,857
Contributions in relation to the actuarially determined contribution	393,556	446,857
Contributions deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 2,192,839	\$ 2,409,604
Contributions as a percentage of covered payroll	17.95%	18.54%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31st and become effective in January, 13 months later

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	18 Years
Asset Valuation Method	10 Year smoothed market: 15% soft corridor
Inflation	3.00%
Salary Increases	3.50% to 12.0% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year.

OTHER SUPPLEMENTARY INFORMATION

CITY OF COLEMAN, TEXAS
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
BUDGET (GAAP BASIS) AND ACTUAL - UTILITY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Utility Fund			
	Original Budget	Final Amended Budget	Adjustments to GAAP Basis	GAAP Basis Budget
OPERATING REVENUE:				
Water Sales	\$ 1,436,500	\$ 1,436,500	\$	\$ 1,436,500
Sewer charges	685,094	685,094		685,094
Electric sales	6,367,773	6,367,773		6,367,773
Utilities transfer fee	27,000	27,000		27,000
Penalties on utility service	85,000	85,000		85,000
Other income	13,200	13,200		13,200
Total Operating Revenue	<u>8,614,567</u>	<u>8,614,567</u>	<u>-</u>	<u>8,614,567</u>
OPERATING EXPENSES:				
Utility department				
Sewer administration	29,808	29,808		29,808
Water production administration	126,686	126,686		126,686
Light production administration	543,997	543,997		543,997
Light production department	4,348,296	4,348,296		4,348,296
Light distribution department	507,099	507,099	(15,000)	492,099
Water production department	737,144	737,144	(150,000)	587,144
Water distribution department	327,326	327,326		327,326
Lake Coleman	53,254	53,254		53,254
Wastewater collection department	297,461	297,461	(15,000)	282,461
Wastewater treatment plant	215,801	215,801	(3,708)	212,093
Utility office	104,933	104,933		104,933
Utility shop	24,516	24,516		24,516
Total Operating Expenses	<u>7,316,321</u>	<u>7,316,321</u>	<u>(183,708)</u>	<u>7,132,613</u>
Operating Income	<u>1,298,246</u>	<u>1,298,246</u>	<u>183,708</u>	<u>1,481,954</u>
NON-OPERATING REVENUE (EXPENSES)				
Interest income	1,900	1,900		1,900
Principal payments on debt	(277,500)	(277,500)	277,500	-
Interest expense	(27,439)	(27,439)		(27,439)
Proceeds from debt		-		-
Grant income		-		-
Disposal of assets		-		-
Insurance proceeds		-		-
Total Non-operating	<u>(303,039)</u>	<u>(303,039)</u>	<u>277,500</u>	<u>(25,539)</u>
NET INCOME BEFORE OPERATING TRANSFERS	<u>995,207</u>	<u>995,207</u>	<u>461,208</u>	<u>1,456,415</u>
OPERATING TRANSFERS				
Transfers in	140,887	140,887		140,887
Transfers out	(1,136,094)	(1,136,094)		(1,136,094)
				-
CHANGE IN NET POSITION	-	-	461,208	461,208
				-
NET POSITION - BEGINNING OF YEAR	8,524,751	8,524,751		8,524,751
Prior period adjustment	(1,121,065)	(1,121,065)		(1,121,065)
				-
NET POSITION - END OF YEAR	<u>\$ 7,403,686</u>	<u>\$ 7,403,686</u>	<u>\$ 461,208</u>	<u>7,864,894</u>

Actual	Variance Favorable (Unfavorable)
\$ 1,373,859	\$ (62,641)
652,560	(32,534)
6,176,129	(191,644)
24,415	(2,585)
79,796	(5,204)
35,167	21,967
8,341,926	(272,641)
26,434	3,374
110,599	16,087
475,987	68,010
4,316,263	32,033
739,258	(247,159)
582,555	4,589
569,679	(242,353)
48,999	4,255
221,514	60,947
251,238	(39,145)
94,644	10,289
28,370	(3,854)
7,465,540	(332,927)
876,386	(605,568)
2,223	323
(171,820)	(144,381)
254,870	254,870
12,624	12,624
1,707	1,707
99,604	125,143
975,990	(480,425)
408,755	267,868
(1,186,901)	(50,807)
197,844	(263,364)
8,524,751	-
(1,121,065)	-
7,601,530	\$ (263,364)

CITY OF COLEMAN, TEXAS
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
SEPTEMBER 30, 2015

	Coleman Economic Development Corp	Coleman Community Coalition	Coleman County Senior Center	Total Component Units
ASSETS:				
Cash and cash equivalents	\$ 360,733	\$ 304,300	\$ 18,724	\$ 683,757
Investments	124,431	50,474		174,905
Sales tax receivable	32,044	32,044		64,088
Due from other governments	8,807		12,241	21,048
Note receivable		215,000		215,000
Non-depreciable capital assets	133,641			133,641
Depreciable capital assets, net	<u>159,106</u>	<u>8,910</u>		<u>168,016</u>
TOTAL ASSETS	<u>818,762</u>	<u>610,728</u>	<u>30,965</u>	<u>1,460,455</u>
LIABILITIES:				
Accounts payable	5,001	7,948	1,221	14,170
Accrued payroll	2,692			2,692
Accrued payroll taxes			1,023	1,023
TOTAL LIABILITIES	<u>7,693</u>	<u>7,948</u>	<u>2,244</u>	<u>17,885</u>
NET POSITION:				
Net investment in capital assets	292,747	8,910		301,657
Unassigned	<u>518,322</u>	<u>593,870</u>	<u>28,721</u>	<u>1,140,913</u>
TOTAL NET POSITION	<u>\$ 811,069</u>	<u>\$ 602,780</u>	<u>\$ 28,721</u>	<u>\$ 1,442,570</u>

CITY OF COLEMAN, TEXAS
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
YEAR ENDED SEPTEMBER 30, 2015

	Coleman Economic Development Corp	Coleman Community Coalition	Coleman County Senior Center	Total Component Units
REVENUE:				
Sales tax revenue	\$ 212,705	\$ 212,706	\$	\$ 425,411
Rental income	3,400		7,800	11,200
Intergovernmental revenue			43,037	43,037
Contributions			83,580	83,580
Fundraising			3,349	3,349
Miscellaneous income			4,149	4,149
Investment income	724	836	2	1,562
Total Revenue	<u>216,829</u>	<u>213,542</u>	<u>141,917</u>	<u>572,288</u>
OPERATING EXPENSES:				
Salaries, taxes and benefits	31,934	27,527	58,458	117,919
Accounting fees	7,617	6,146		13,763
Advertising, marketing and promotion	23,302	14,377		37,679
Consumables			4,273	4,273
Contract services		2,375		2,375
Depreciation expense	16,949	3,235		20,184
Dues and subscriptions	1,197	1,314	145	2,656
Entertainment and meals	201			201
Food			40,479	40,479
Grants, projects and incentives	50,865	87,691		138,556
Insurance	4,485	297	232	5,014
Janitorial			721	721
Legal fees	3,141	6,065		9,206
Match - AOA			2,510	2,510
Meals		618		618
Miscellaneous expenses	812	296	1,437	2,545
Office expenses	10,290	9,255	657	20,202
Professional services		202		202
Property taxes	2,441			2,441
Repairs and maintenance	11,096	277	1,173	12,546
Supplies		336	1,216	1,552
Telephone and internet	1,587		1,861	3,448
Travel and seminars	940	3,017	1,936	5,893
Utilities	1,854		11,064	12,918
Total Operating Expenses	<u>168,711</u>	<u>163,028</u>	<u>126,162</u>	<u>457,901</u>
CHANGE IN NET POSITION	48,118	50,514	15,755	114,387
NET POSITION AT BEGINNING OF YEAR	762,951	552,266	22,320	1,337,537
Prior period adjustments			(9,354)	(9,354)
NET POSITION AT END OF YEAR	<u>\$ 811,069</u>	<u>\$ 602,780</u>	<u>\$ 28,721</u>	<u>\$ 1,442,570</u>

ROBERTS & MCGEE, CPA

104 PINE STREET, SUITE 610
ABILENE, TEXAS 79601
(325) 701-9502

Becky Roberts, CPA
becky.roberts@rm-cpa.net
Cell: 325-665-5239

Stacey McGee, CPA
stacey.mcgee@rm-cpa.net
Cell: 325-201-7244

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Coleman, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise City of Coleman, Texas' basic financial statements, and have issued our report thereon dated March 7, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Coleman, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Coleman, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of 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 control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as described in the following paragraphs, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

Finding 2015-1

While reviewing the bank reconciliations provided by the City for each cash account, we noted several outstanding items on six different bank account reconciliations which were not valid reconciling items. These outstanding items were listed as either checks or deposits; however, they were not actual outstanding items but were cash misstatements which had not been reconciled to the bank activity. These misstatements were carried forward from month to month and were changed each month to "balance" the cash with the bank balances, resulting in a force adjustment to the cash balances. The net result of these miscellaneous adjustments at September 30, 2015 was an understatement of total cash balances of \$8,350, which is not material to the overall financial statements. However, the proper reconciliation of cash is a foundational internal control. Due to lack of proper reconciliation procedures the City will not detect misstatements in a timely manner. For proper internal control over cash, all bank accounts must be reconciled accurately on a monthly basis; and appropriate oversight should be provided to ensure all reconciling items are accounted for appropriately.

Managements Response to Finding 2015-1

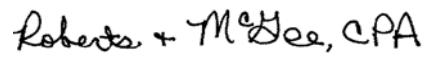
In response to the issue of reconciliation of the City's monthly bank statements, please be advised that the City of Coleman will endeavor to identify the understatement of funds of \$8,350. The current financial officer has been requested to determine the reason for the misstatement of cash and to respond regarding the results of that examination. The City of Coleman will also ensure that all cash accounts are properly reconciled on a monthly basis in the future.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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


Roberts & McGee, CPA

Abilene, Texas
March 7, 2016