



ARMSTRONG BACKUS & CO., LLP

Certified Public Accountants



Financial Statements

For the Year Ended September 30, 2018

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CITY OF COLEMAN, TEXAS

Financial Statements

For the Year Ended September 30, 2018

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ARMSTRONG, BACKUS & CO., LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Coleman, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Coleman, Texas, as of September 30, 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

San Angelo, Texas
July 9, 2020



Management's Discussion and Analysis

CITY OF COLEMAN, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Coleman, we offer readers of the City of Coleman, Texas' financial statements this narrative overview and analysis of the financial activities of the City of Coleman, Texas for the fiscal year ended September 30, 2018.

Financial Statement Highlights

- The assets and deferred outflows of resources of the City of Coleman exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$10,541,601 (*net position*). Of this amount, \$1,410,150 (*unrestricted*) may be used to meet the government's ongoing obligations to citizens; \$8,219,947 of the City's equity is invested in capital assets, net of related debt; and \$911,504 of the City's equity is restricted.
- The City's total assets increased by \$34,433 during the 2018 fiscal year.
- The net position (*equity*) of the City decreased by \$82,489 during the 2018 fiscal year prior to the application of the prior period adjustment.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental funds

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

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

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

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

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

Proprietary Funds

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

Notes to the Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. In the case of the City of Coleman, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$10,541,601 at the close of the most recent fiscal year.

\$8,219,947 or 78.0% of the City of Coleman's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), net of related debt. The City of Coleman uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

A summary of the City's net position as of September 30, 2018 and September 30, 2017 is presented below:

Table I – Net Position

	Governmental Activities	
	2018	2017
ASSETS:		
Current and Other Assets	\$ 1,823,090	\$ 1,541,980
Capital Assets, Net	1,041,878	1,248,849
Total Assets	<u>\$ 2,864,968</u>	<u>\$ 2,790,829</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Outflows Related to Pension	\$ 244,384	\$ 487,927
Total Deferred Outflows of Resources	<u>\$ 244,384</u>	<u>\$ 487,927</u>
LIABILITIES:		
Current Liabilities	\$ 781,498	\$ 759,707
Noncurrent Liabilities	1,287,714	1,684,446
Total Liabilities	<u>\$ 2,069,212</u>	<u>\$ 2,444,153</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred Inflows Related to Pension	\$ 216,073	\$ 163,307
Total Deferred Inflows of Resources	<u>\$ 216,073</u>	<u>\$ 163,307</u>
NET POSITION:		
Net Investment in Capital Assets	\$ 785,635	\$ 963,033
Restricted	355,318	323,257
Unrestricted	(316,886)	(614,994)
Total Net Position	<u>\$ 824,067</u>	<u>\$ 671,296</u>

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	Business-Type Activities	
	2018	2017
ASSETS:		
Current and Other Assets	\$ 3,507,862	\$ 3,559,278
Capital Assets, Net	11,788,477	11,845,633
Total Assets	<u>\$ 15,296,339</u>	<u>\$ 15,404,911</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Outflows Related to Pension	\$ 187,566	\$ 424,945
Total Deferred Outflows of Resources	<u>\$ 187,566</u>	<u>\$ 424,945</u>
LIABILITIES:		
Current Liabilities	\$ 751,037	\$ 1,080,733
Noncurrent Liabilities	4,828,676	5,551,064
Total Liabilities	<u>\$ 5,579,713</u>	<u>\$ 6,631,797</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred Inflows Related to Pension	\$ 186,658	\$ 140,050
Total Deferred Inflows of Resources	<u>\$ 186,658</u>	<u>\$ 140,050</u>
NET POSITION:		
Net Investment in Capital Assets	\$ 7,434,312	\$ 6,919,999
Restricted	556,186	482,875
Unrestricted	1,727,036	1,655,135
Total Net Position	<u>\$ 9,717,534</u>	<u>\$ 9,058,009</u>

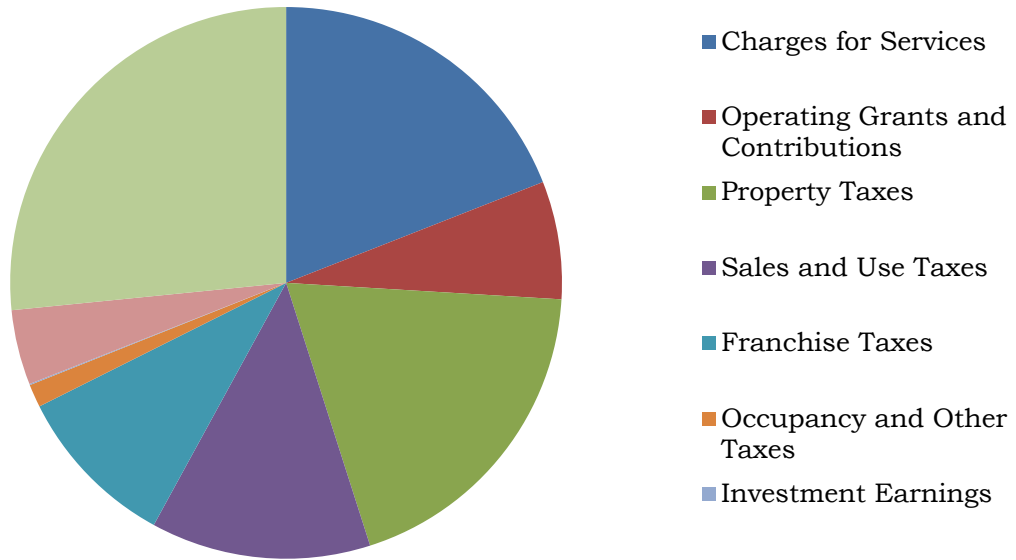
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Table II - Changes in Net Position

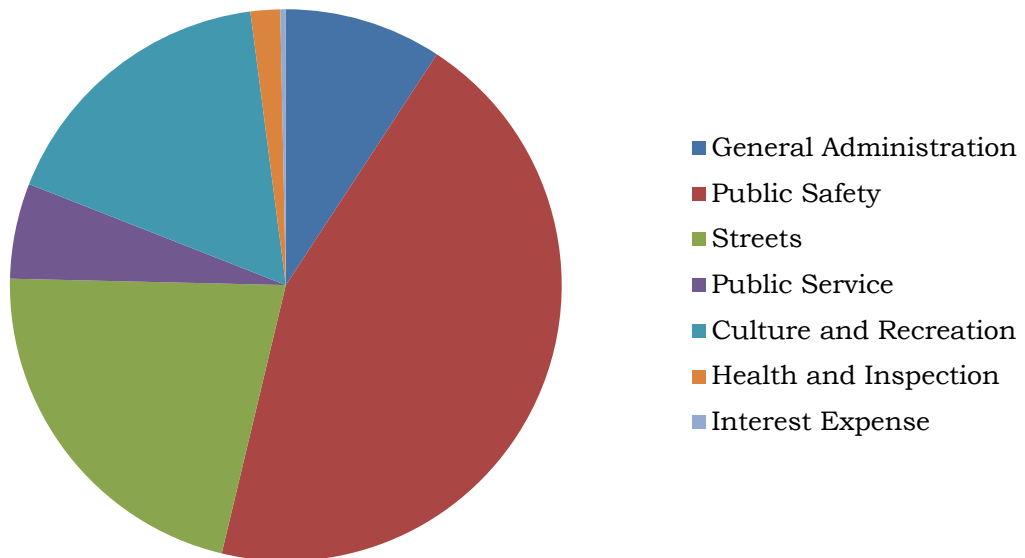
	Governmental Activities		Business-Type Activities	
	2018	2017	2018	2017
REVENUES				
Program Revenues:				
Charges for Services	\$ 639,108	\$ 690,487	\$ 9,785,606	\$ 9,025,883
Capital Grants and Contributions	-0-	-0-	51,284	249,186
Operating Grants and Contributions	231,719	347,948	-0-	-0-
General Revenues:				
Property Taxes	641,620	604,018	-0-	-0-
Sales and Use Taxes	432,020	417,016	-0-	-0-
Franchise Taxes	324,004	88,704	33,275	38,277
Occupancy Tax and Other Taxes	45,084	35,877	-0-	-0-
Investment Earnings	2,362	1,797	27,674	13,095
Miscellaneous Income	147,277	324,948	4,361	27,216
Transfers	891,888	1,263,204	(891,888)	(1,263,204)
Total Revenues	\$ 3,355,082	\$ 3,773,999	\$ 9,010,312	\$ 8,090,453
EXPENSES				
General Administration	\$ 302,769	\$ 334,625	\$ -0-	\$ -0-
Public Safety	1,460,168	1,742,832	-0-	-0-
Streets	709,791	524,926	-0-	-0-
Public Service	183,605	166,378	-0-	-0-
Culture and Recreation	557,206	525,586	-0-	-0-
Health and Inspection	56,823	56,304	-0-	-0-
Cemetery	-0-	-0-	-0-	-0-
Environmental	-0-	-0-	-0-	-0-
Utility	-0-	-0-	8,007,635	7,394,836
Municipal Airport	-0-	-0-	275,993	273,276
Sanitation	-0-	-0-	809,746	924,352
Interest	10,360	18,010	-0-	-0-
Other	-0-	-0-	-0-	-0-
Total Expenses	\$ 3,280,722	\$ 3,368,661	\$ 9,093,374	\$ 8,592,464
Change in Net Position	\$ 74,360	\$ 405,338	(\$ 83,062)	(\$ 502,011)
Beginning Net Position	671,296	434,598	9,058,009	10,167,603
Prior Period Adjustments	78,411	(168,640)	742,587	(607,583)
Ending Net Position	\$ 824,067	\$ 671,296	\$ 9,717,534	\$ 9,058,009

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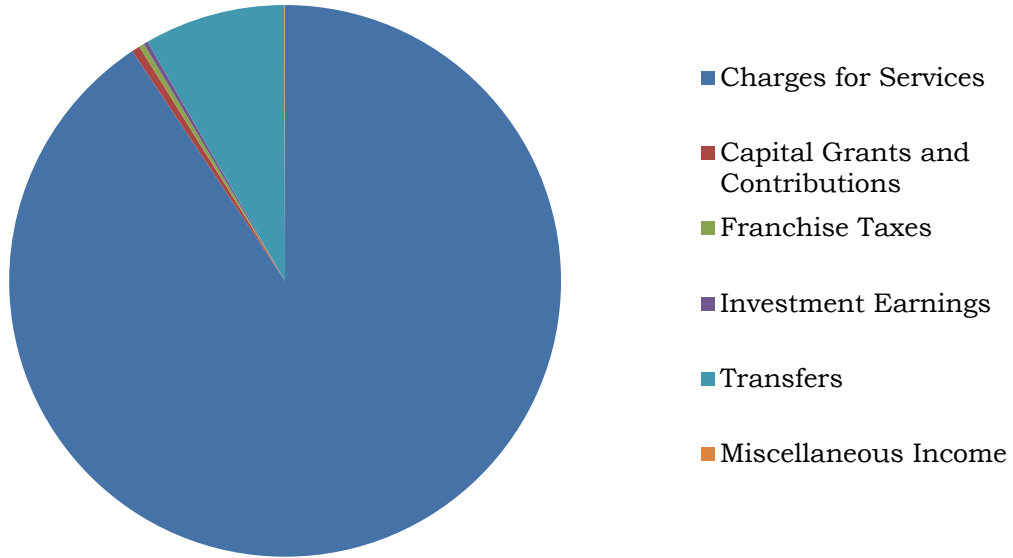
Revenues by Sources - Governmental Activities



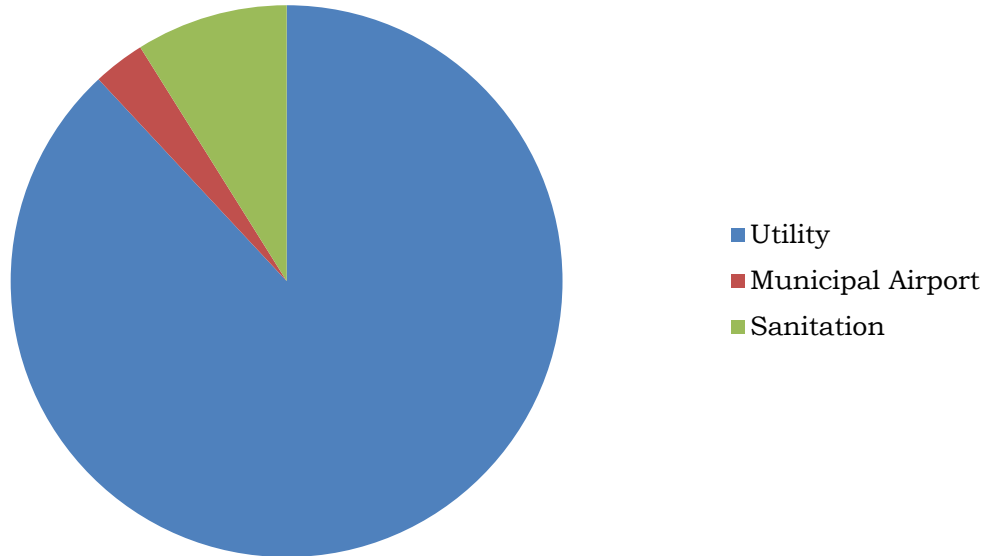
Expenses by Program - Governmental Activities



Revenues by Sources - Business-Type Activities



Expenses by Program - Business-Type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

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

Governmental funds

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

As of the end of the current fiscal year, the City of Coleman’s governmental general fund, as presented in the balance sheet on page 18, reported an ending fund balance of \$990,028. Of that amount, \$627,372 is unassigned and available for general spending. This represents approximately 2.1 months of operating equity based on 2018 current expenditures. \$349,106 is restricted for debt service, public safety, asset acquisition, and tourism purposes.

The general fund is the chief operating fund of the City of Coleman. The total fund balance in the general fund increased by \$156,972 during the current fiscal year. The increase is primarily due to grants received during the fiscal year.

Proprietary Funds

The City of Coleman’s proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Total net position in the utility fund was \$7,369,609, an increase of \$134,648. The increase is primarily due to increases in grant income and overall utility sales.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the City of Coleman had \$12,830,355 (net of accumulated depreciation) invested in a broad range of capital assets, including land, buildings, improvements, equipment and infrastructure.

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

	Governmental Activities	
	2018	2017
Land, Construction in Progress, and Water Rights	\$ 103,730	\$ 9,980
Construction in Progress	190,622	-0-
Infrastructure	2,499,774	2,951,870
Furniture and Equipment	3,083,891	2,998,887
Accumulated Depreciation	(4,836,139)	(4,711,888)
Total Governmental Activities	\$ 1,041,878	\$ 1,248,849
	Business-Type Activities	
	2018	2017
Land	\$ 223,411	\$ 317,161
Construction in Progress	210,901	1,768
Buildings	1,326,919	348,900
Infrastructure and Improvements	24,858,109	24,901,642
Machinery and Equipment	2,762,165	2,990,256
Accumulated Depreciation	(17,593,028)	(16,714,094)
Total Business-Type Activities	\$ 11,788,477	\$ 11,845,633

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

Debt

The City of Coleman has long-term debt in the form of bonds and notes payable. At the year ended September 30, 2018, the City had \$4,590,055 in outstanding debt versus \$5,181,147 in the prior year.

As of September 30, 2018, the City had long-term liabilities as follows:

Governmental Activities:	
Notes Payable	\$ 309,180
Business-Type Activities:	
Notes Payable	\$ 30,875
Bonds Payable	\$ 4,250,000

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

Future Economic Factors and Next Year's Budget

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

- The City of Coleman adopted a 2018 property tax rate effective for its 2018 fiscal year of .407693 per \$100 property valuation. This rate is lower than the prior year rate of .506922 per \$100 property valuation.
- The unemployment rate for the City of Coleman at the end of fiscal year 2018 was 3.90%, which is slightly higher than the state average of 3.50%.

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF COLEMAN, TEXAS

Statement of Net Position

As of September 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 492,005	\$ 1,021,264	\$ 1,513,269	\$ 662,781
Investments	1,648	1,799,887	1,801,535	176,900
Receivables:				
Taxes, Net	181,753	-0-	181,753	74,330
Accounts, Net	75,460	752,179	827,639	5,532
Other Receivables	-0-	37,447	37,447	-0-
Notes Receivable	-0-	-0-	-0-	209,686
Internal Balances	703,356	(703,356)	-0-	-0-
Due from Other Governments	-0-	-0-	-0-	12,140
Prepaid Expenses	13,550	12,874	26,424	-0-
Restricted Assets:				
Cash and Cash Equivalents	205,318	394,206	599,524	-0-
Investments	150,000	-0-	150,000	-0-
Total Current Assets	<u>\$ 1,823,090</u>	<u>\$ 3,314,501</u>	<u>\$ 5,137,591</u>	<u>\$ 1,141,369</u>
Noncurrent Assets:				
Bond Discount	\$ -0-	\$ 193,361	\$ 193,361	\$ -0-
Capital Assets:				
Land, Construction in Progress, and Water Rights	\$ 294,352	\$ 534,312	\$ 828,664	\$ 220,931
Buildings, Improvements, Infrastructure, and Machinery and Equipment, Net	747,526	11,254,165	12,001,691	299,502
Net Capital Assets	<u>\$ 1,041,878</u>	<u>\$ 11,788,477</u>	<u>\$ 12,830,355</u>	<u>\$ 520,433</u>
Total Noncurrent Assets	<u>\$ 1,041,878</u>	<u>\$ 11,981,838</u>	<u>\$ 13,023,716</u>	<u>\$ 520,433</u>
Total Assets	<u>\$ 2,864,968</u>	<u>\$ 15,296,339</u>	<u>\$ 18,161,307</u>	<u>\$ 1,661,802</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Amounts Related to Pension	\$ 244,384	\$ 187,566	\$ 431,950	\$ -0-
Total Deferred Outflows of Resources	<u>\$ 244,384</u>	<u>\$ 187,566</u>	<u>\$ 431,950</u>	<u>\$ -0-</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Expenses	\$ 739,136	\$ 24,870	\$ 764,006	\$ 19,939
Due To Other Governments	12,138	-0-	12,138	-0-
Deposits	-0-	360,351	360,351	-0-
Noncurrent Liabilities Due Within One Year	30,224	365,816	396,040	-0-
Total Current Liabilities	<u>\$ 781,498</u>	<u>\$ 751,037</u>	<u>\$ 1,532,535</u>	<u>\$ 19,939</u>
Noncurrent Liabilities:				
Noncurrent Liabilities Due After One Year	\$ 278,956	\$ 3,988,349	\$ 4,267,305	\$ -0-
Net Pension Liability	1,008,758	840,327	1,849,085	-0-
Total Noncurrent Liabilities	<u>\$ 1,287,714</u>	<u>\$ 4,828,676</u>	<u>\$ 6,116,390</u>	<u>\$ -0-</u>
Total Liabilities	<u>\$ 2,069,212</u>	<u>\$ 5,579,713</u>	<u>\$ 7,648,925</u>	<u>\$ 19,939</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Amounts Related to Pension	\$ 216,073	\$ 186,658	\$ 402,731	\$ -0-
Total Deferred Inflows of Resources	<u>\$ 216,073</u>	<u>\$ 186,658</u>	<u>\$ 402,731</u>	<u>\$ -0-</u>
NET POSITION				
Net Investment in Capital Assets	\$ 785,635	\$ 7,434,312	\$ 8,219,947	\$ 520,433
Restricted	355,318	556,186	911,504	-0-
Unrestricted	(316,886)	1,727,036	1,410,150	1,121,430
Total Net Position	<u>\$ 824,067</u>	<u>\$ 9,717,534</u>	<u>\$ 10,541,601</u>	<u>\$ 1,641,863</u>

The accompanying notes are an integral part of these statements.

CITY OF COLEMAN, TEXAS

Statement of Activities

For the Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
PRIMARY GOVERNMENT								
Government Activities:								
General Administration	\$ 302,769	\$ 466,549	\$ 2,317	\$ -0-	\$ 166,097	\$ -0-	\$ 166,097	
Public Safety	1,460,168	63,911	217,816	-0-	(1,178,441)	-0-	(1,178,441)	
Public Service	183,605	-0-	-0-	-0-	(183,605)	-0-	(183,605)	
Culture and Recreation	557,206	12,782	2,317	-0-	(542,107)	-0-	(542,107)	
Health and Inspection	56,823	-0-	-0-	-0-	(56,823)	-0-	(56,823)	
Cemetery	-0-	57,520	-0-	-0-	57,520	-0-	57,520	
Streets	709,791	38,346	9,269	-0-	(662,176)	-0-	(662,176)	
Interest and Fiscal Charges	10,360	-0-	-0-	-0-	(10,360)	-0-	(10,360)	
Total Governmental Activities	\$ 3,280,722	\$ 639,108	\$ 231,719	\$ -0-	(\$ 2,409,895)	\$ -0-	(\$ 2,409,895)	
Business-Type Activities:								
Utility	\$ 8,007,635	\$ 8,876,857	\$ -0-	\$ 29,892	\$ -0-	\$ 899,114	\$ 899,114	
Municipal Airport	275,993	72,453	-0-	14,378	-0-	(189,162)	(189,162)	
Sanitation	809,746	836,296	-0-	7,014	-0-	33,564	33,564	
Total Business-Type Activities	\$ 9,093,374	\$ 9,785,606	\$ -0-	\$ 51,284	\$ -0-	\$ 743,516	\$ 743,516	
Total Primary Government	\$ 12,374,096	\$ 10,424,714	\$ 231,719	\$ 51,284	(\$ 2,409,895)	\$ 743,516	(\$ 1,666,379)	
COMPONENT UNITS								
Coleman Economic Development Corp.	\$ 182,897	\$ 25,210	\$ -0-	\$ -0-				(\$ 157,687)
Coleman Community Coalition	207,088	-0-	-0-	-0-				(207,088)
Total Component Units	\$ 389,985	\$ 25,210	\$ -0-	\$ -0-				(\$ 364,775)
General Revenue								
Taxes:								
Property Taxes					\$ 641,620	\$ -0-	\$ 641,620	\$ -0-
Sales and Use Taxes					432,020	-0-	432,020	434,019
Franchise Taxes					324,004	33,275	357,279	-0-
Hotel/Motel and Other Taxes					45,084	-0-	45,084	-0-
Unrestricted Investment Earnings					2,362	27,674	30,036	2,339
Miscellaneous Income					147,277	4,361	151,638	25,016
Transfers					891,888	(891,888)	-0-	-0-
Total General Revenue and Transfers					\$ 2,484,255	(\$ 826,578)	\$ 1,657,677	\$ 461,374
Change in Net Position					\$ 74,360	(\$ 83,062)	(\$ 8,702)	\$ 96,599
Net Position - Beginning					671,296	9,058,009	9,729,305	1,536,588
Restatement of Beginning Net Position					78,411	742,587	820,998	8,676
Net Position - Ending					\$ 824,067	\$ 9,717,534	\$ 10,541,601	\$ 1,641,863

The accompanying notes are an integral part of these statements.

CITY OF COLEMAN, TEXAS

Balance Sheet - Governmental Funds

As of September 30, 2018

	General Fund	Other Governmental Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Cash Equivalents	\$ 492,005	\$ -0-	\$ 492,005
Investments	1,648	-0-	1,648
Receivables:			
Accounts, Net	75,460	-0-	75,460
Property Tax, Net	93,915	-0-	93,915
Sales Tax	72,736	-0-	72,736
Franchise Tax	15,102	-0-	15,102
Due from Other Funds	703,356	-0-	703,356
Prepaid Expense	13,550	-0-	13,550
Restricted Assets			
Cash and Cash Equivalents	199,106	6,212	205,318
Investments	150,000	-0-	150,000
Total Assets	<u>\$ 1,816,878</u>	<u>\$ 6,212</u>	<u>\$ 1,823,090</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 739,136	\$ -0-	\$ 739,136
Due to Other Governments	12,138	-0-	12,138
Total Liabilities	<u>\$ 751,274</u>	<u>\$ -0-</u>	<u>\$ 751,274</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	\$ 75,576	\$ -0-	\$ 75,576
Total Deferred Inflows of Resources	<u>\$ 75,576</u>	<u>\$ -0-</u>	<u>\$ 75,576</u>
FUND BALANCE			
Nonspendable	\$ 13,550	\$ -0-	\$ 13,550
Restricted	349,106	6,212	355,318
Unassigned	627,372	-0-	627,372
Total Fund Balance	<u>\$ 990,028</u>	<u>\$ 6,212</u>	<u>\$ 996,240</u>

The accompanying notes are an integral part of these statements.

CITY OF COLEMAN, TEXAS

Balance Sheet - Governmental Funds

As of September 30, 2018

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

Total Fund Balance - Governmental Funds	\$	996,240
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in governmental funds, net of accumulated depreciation of \$4,836,139		1,041,878
Certain other deferred outflows are not available in the current period, and therefore, are deferred in the funds		75,576
Certain long-term liabilities are not due and payable from current financial resources, and therefore, are not reported in the funds:		
Notes Payable	(256,243)
Accrued Compensated Absences	(52,937)
Net Pension Liability	(1,008,758)
Pension Related Deferred Outflows		244,384
Pension Related Deferred Inflows	(216,073)
Net Position of Governmental Activities	\$	<u>824,067</u>

The accompanying notes are an integral part of these statements.

CITY OF COLEMAN, TEXAS

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

For the Year Ended September 30, 2018

	General Fund	Other Governmental Fund	Total Governmental Funds
REVENUES			
Taxes:			
Property Tax	\$ 633,740	\$ -0-	\$ 633,740
Sales Tax	432,020	-0-	432,020
Franchise Tax	90,298	-0-	90,298
Occupancy Tax	38,758	-0-	38,758
Alcohol Beverage Tax	6,326	-0-	6,326
Licenses and Permits	16,937	-0-	16,937
Intergovernmental	229,413	1,822	231,235
Fines and Forfeitures	99,080	-0-	99,080
Investment Income	2,359	3	2,362
General Service Fees	233,706	-0-	233,706
Internal Franchise Fees	233,706	-0-	233,706
Rental Revenue	25,108	-0-	25,108
Charges for Services	405,402	-0-	405,402
Gifts and Contributions	484	-0-	484
Miscellaneous Income	6,152	-0-	6,152
Total Revenue	<u>\$ 2,453,489</u>	<u>\$ 1,825</u>	<u>\$ 2,455,314</u>
EXPENDITURES			
Current:			
General Government	\$ 301,601	\$ -0-	\$ 301,601
Public Safety	1,626,580	1,716	1,628,296
Public Service	178,569	-0-	178,569
Cultural and Recreation	561,095	-0-	561,095
Health and Inspection	58,636	-0-	58,636
Streets	672,086	-0-	672,086
Total Current Expenditures	<u>\$ 3,398,567</u>	<u>\$ 1,716</u>	<u>\$ 3,400,283</u>
Capital Outlay	68,192	-0-	68,192
Debt Service:			
Principal	29,573	-0-	29,573
Interest and Fiscal Charges	10,360	-0-	10,360
Total Expenditures	<u>\$ 3,506,692</u>	<u>\$ 1,716</u>	<u>\$ 3,508,408</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(\$ 1,053,203)</u>	<u>\$ 109</u>	<u>(\$ 1,053,094)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ 1,210,175	\$ -0-	\$ 1,210,175
Total Other Financing Sources (Uses)	<u>\$ 1,210,175</u>	<u>\$ -0-</u>	<u>\$ 1,210,175</u>
Net Change in Fund Balance	\$ 156,972	\$ 109	\$ 157,081
Fund Balance - Beginning	754,645	6,103	760,748
Restatement of Beginning Fund Balance	78,411	-0-	78,411
Fund Balance - Ending	<u>\$ 990,028</u>	<u>\$ 6,212</u>	<u>\$ 996,240</u>

The accompanying notes are an integral part of these statements.

CITY OF COLEMAN, TEXAS

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

For the Year Ended September 30, 2018

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

Net Change in Fund Balances - Governmental Funds	\$	157,081
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital Asset Purchases		288,893
Depreciation Expenses	(177,577)
Transfers of Assets to Other Funds	(318,287)
Other noncurrent assets are not available to pay for current year activities and are deferred in the governmental funds but are current year income		
		7,880
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces noncurrent liabilities in the Statement of Net Position:		
Note Payable		29,573
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and these are not reported as expenditures in the governmental funds:		
Net Pension Liability and Deferrals		86,797
Change in Net Position of Governmental Activities	\$	<u>74,360</u>

The accompanying notes are an integral part of these statements.

CITY OF COLEMAN, TEXAS

Statement of Net Position - Proprietary Funds

As of September 30, 2018

	Business-Type Activities - Enterprise Funds			
	Utility Fund	Municipal Airport Fund	Sanitation Fund	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 961,011	\$ 43,203	17,050	\$ 1,021,264
Investments	1,799,887	-0-	-0-	1,799,887
Receivables:				
Accounts, Net	736,690	-0-	15,489	752,179
Other Receivables	23,024	14,423	-0-	37,447
Due from Other Funds	4,832	-0-	139,405	144,237
Prepaid Expenses	6,908	5,966	-0-	12,874
Restricted Cash and Cash Equivalents	353,016	-0-	41,190	394,206
Total Current Assets	<u>\$ 3,885,368</u>	<u>\$ 63,592</u>	<u>\$ 213,134</u>	<u>\$ 4,162,094</u>
Noncurrent Assets:				
Bond Discount	\$ 193,361	\$ -0-	\$ -0-	\$ 193,361
Capital Assets:				
Land	223,411	100,000	-0-	323,411
Construction in Progress	210,901	-0-	-0-	210,901
Buildings	132,952	1,184,677	-0-	1,317,629
Infrastructure and Improvements	24,698,709	-0-	236,250	24,934,959
Machinery and Equipment	91,226	2,503,378	-0-	2,594,604
Less: Accumulated Depreciation	(15,876,481)	(1,517,414)	(199,132)	(17,593,027)
Net Capital Assets	<u>\$ 9,480,718</u>	<u>\$ 2,270,641</u>	<u>\$ 37,118</u>	<u>\$ 11,788,477</u>
Total Noncurrent Assets	<u>\$ 9,674,079</u>	<u>\$ 2,270,641</u>	<u>\$ 37,118</u>	<u>\$ 11,981,838</u>
Total Assets	<u>\$ 13,559,447</u>	<u>\$ 2,334,233</u>	<u>\$ 250,252</u>	<u>\$ 16,143,932</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Amounts Related to Pension	\$ 187,566	\$ -0-	\$ -0-	\$ 187,566
Total Deferred Outflows of Resources	<u>\$ 187,566</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 187,566</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ -0-	\$ -0-	\$ 35	\$ 35
Due to Other Funds	680,006	6,683	160,904	847,593
Accrued Payroll and Related Taxes	9,316	-0-	-0-	9,316
Other Liabilities	15,519	-0-	-0-	15,519
Deposits	360,351	-0-	-0-	360,351
Noncurrent Liabilities Due Within One Year	361,210	-0-	4,606	365,816
Total Current Liabilities	<u>\$ 1,426,402</u>	<u>\$ 6,683</u>	<u>\$ 165,545</u>	<u>\$ 1,598,630</u>
Noncurrent Liabilities:				
Noncurrent Liabilities Due After One Year	\$ 3,924,017	\$ -0-	\$ 64,332	3,988,349
Net Pension Liability	840,327	-0-	-0-	840,327
Total Noncurrent Liabilities	<u>\$ 4,764,344</u>	<u>\$ -0-</u>	<u>\$ 64,332</u>	<u>\$ 4,828,676</u>
Total Liabilities	<u>\$ 6,190,746</u>	<u>\$ 6,683</u>	<u>\$ 229,877</u>	<u>\$ 6,427,306</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Amounts Related to Pension	\$ 186,658	\$ -0-	\$ -0-	\$ 186,658
Total Deferred Inflows of Resources	<u>\$ 186,658</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 186,658</u>
NET POSITION				
Net Investment in Capital Assets	\$ 5,195,491	\$ 2,270,641	(\$ 31,820)	\$ 7,434,312
Restricted	353,016	-0-	40,459	393,475
Unrestricted	1,821,102	56,909	11,736	1,889,747
Total Net Position	<u>\$ 7,369,609</u>	<u>\$ 2,327,550</u>	<u>\$ 20,375</u>	<u>\$ 9,717,534</u>

The accompanying notes are an integral part of these statements.

CITY OF COLEMAN, TEXAS

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

For the Year Ended September 30, 2018

	Business-Type Activities - Enterprise Funds			
	Utility Fund	Municipal Airport Fund	Sanitation Fund	Total
OPERATING REVENUES				
Water Sales	\$ 1,663,451	\$ -0-	\$ -0-	\$ 1,663,451
Sewer Charges	698,760	-0-	-0-	698,760
Electric Sales	6,336,594	-0-	-0-	6,336,594
Sanitation Charges	-0-	-0-	820,403	820,403
Gas and Oil Sales	-0-	57,570	-0-	57,570
Utilities Transfer Fee	27,367	-0-	-0-	27,367
Franchise Fee	-0-	-0-	33,275	33,275
Penalties on Utility Service	81,366	-0-	-0-	81,366
Rental Income	-0-	14,744	-0-	14,744
Other Income	69,319	139	15,893	85,351
Total Operating Revenue	<u>\$ 8,876,857</u>	<u>\$ 72,453</u>	<u>\$ 869,571</u>	<u>\$ 9,818,881</u>
OPERATING EXPENSES				
Cost of Sales and Service	\$ 5,413,603	\$ 111,728	\$ 733,824	\$ 6,259,155
Administrative	1,950,209	12,467	69,256	2,031,932
Depreciation	621,832	151,798	6,666	780,296
Total Operating Expenses	<u>\$ 7,985,644</u>	<u>\$ 275,993</u>	<u>\$ 809,746</u>	<u>\$ 9,071,383</u>
Operating Income (Loss)	<u>\$ 891,213</u>	<u>(\$ 203,540)</u>	<u>\$ 59,825</u>	<u>\$ 747,498</u>
NONOPERATING REVENUES (EXPENSES)				
Interest Income	\$ 27,539	\$ 29	\$ 106	\$ 27,674
Interest Expense and Fiscal Agent Fees	(21,991)	-0-	-0-	(21,991)
Insurance Proceeds	4,361	-0-	-0-	4,361
Total Nonoperating Revenues (Expenses)	<u>\$ 9,909</u>	<u>\$ 29</u>	<u>\$ 106</u>	<u>\$ 10,044</u>
Income (Loss) Before Contributions and Transfers	<u>\$ 901,122</u>	<u>(\$ 203,511)</u>	<u>\$ 59,931</u>	<u>\$ 757,542</u>
CONTRIBUTIONS AND TRANSFERS				
Transfers In	\$ 295,385	\$ 36,072	\$ -0-	\$ 331,457
Transfers Out	(1,091,751)	-0-	(131,594)	(1,223,345)
Grant Income	29,892	14,378	7,014	51,284
Total Contributions and Transfers	<u>(\$ 766,474)</u>	<u>\$ 50,450</u>	<u>(\$ 124,580)</u>	<u>(\$ 840,604)</u>
Change in Net Position	<u>\$ 134,648</u>	<u>(\$ 153,061)</u>	<u>(\$ 64,649)</u>	<u>(\$ 83,062)</u>
Net Position - Beginning	6,651,919	2,488,540	(82,450)	9,058,009
Restatement of Beginning Net Position	583,042	(7,929)	167,474	742,587
Net Position - Ending	<u>\$ 7,369,609</u>	<u>\$ 2,327,550</u>	<u>\$ 20,375</u>	<u>\$ 9,717,534</u>

The accompanying notes are an integral part of these statements.

CITY OF COLEMAN, TEXAS

Statement of Cash Flows - Proprietary Funds

For the Year Ended September 30, 2018

	Business-Type Activities - Enterprise Funds			
	Utility Fund	Municipal		Total
		Airport Fund	Sanitation Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 9,160,260	\$ 58,268	\$ 889,914	\$ 10,108,442
Cash Paid to Suppliers for Goods and Services	(4,969,694)	(128,410)	(630,416)	(5,728,520)
Cash Paid for Employees Salaries Benefits	(2,455,024)	(3,759)	188	(2,458,595)
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,735,542</u>	<u>(\$ 73,901)</u>	<u>\$ 259,686</u>	<u>\$ 1,921,327</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers In	(\$ 32,183)	\$ 36,072	\$ -0-	\$ 3,889
Transfers Out	(1,091,751)	-0-	(124,580)	(1,216,331)
Short-term Interfund Loans Received	209,457	-0-	44,916	254,373
Short-term Interfund Loans Paid	2,938	4,288	(112,787)	(105,561)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(\$ 911,539)</u>	<u>\$ 40,360</u>	<u>(\$ 192,451)</u>	<u>(\$ 1,063,630)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal Paid on Debt	(\$ 638,925)	\$ -0-	(\$ 5,507)	(\$ 644,432)
Interest Paid on Debt	(10,353)	-0-	-0-	(10,353)
Insurance Proceeds Received	4,361	-0-	-0-	4,361
Acquisition and Construction of Capital Assets	(399,232)	(5,621)	-0-	(404,853)
Capital Grants Received	1,770	8,412	-0-	10,182
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(\$ 1,042,379)</u>	<u>\$ 2,791</u>	<u>(\$ 5,507)</u>	<u>(\$ 1,045,095)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received on Investments	\$ 27,539	\$ 29	\$ 106	\$ 27,674
Purchase of Investments	(31,734)	-0-	-0-	(31,734)
Net Cash Provided (Used) by Investing Activities	<u>(\$ 4,195)</u>	<u>\$ 29</u>	<u>\$ 106</u>	<u>(\$ 4,060)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(\$ 222,571)</u>	<u>(\$ 30,721)</u>	<u>\$ 61,834</u>	<u>(\$ 191,458)</u>
Cash and Cash Equivalents - Beginning	1,536,598	73,924	40,459	1,650,981
Cash and Cash Equivalents - Ending	<u>\$ 1,314,027</u>	<u>\$ 43,203</u>	<u>\$ 102,293</u>	<u>\$ 1,459,523</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 891,213	(\$ 203,540)	\$ 59,825	\$ 747,498
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	631,113	151,798	6,666	789,577
In-kind Grant Expense	33,997	-0-	-0-	33,997
(Increase) Decrease in Accounts Receivable	241,700	-0-	20,343	262,043
(Increase) Decrease in Other Receivable	259,844	(14,185)	-0-	245,659
Increase (Decrease) in Accounts Payable	(1)	(7,974)	171,923	163,948
Increase (Decrease) in Other Liabilities	9,262	-0-	741	10,003
Increase (Decrease) in Payroll Accruals	(31,401)	-0-	188	(31,213)
Increase (Decrease) in Pension Liability	(319,423)	-0-	-0-	(319,423)
Increase (Decrease) in Customer Deposits	19,238	-0-	-0-	19,238
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,735,542</u>	<u>(\$ 73,901)</u>	<u>\$ 259,686</u>	<u>\$ 1,921,327</u>
Cash and Cash Equivalents on Statement of Net Position:				
Current Assets	\$ 961,011	\$ 43,203	\$ 17,050	\$ 1,021,264
Restricted Assets	353,016	-0-	41,190	394,206
	<u>\$ 1,314,027</u>	<u>\$ 43,203</u>	<u>\$ 58,240</u>	<u>\$ 1,415,470</u>

The accompanying notes are an integral part of these statements.

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

I.A. Financial Reporting Entity

The City's financial reporting entity comprises the following:

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

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

Blended Component Units

Blended component units are separate legal entities that meet the GASB Statement No. 14 (as amended by Statement No. 61) component unit criteria and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely, or almost entirely, to the City. The City has no blended component units for the year ended September 30, 2018.

Discretely Presented Component Units

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

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

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2018

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

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

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

I.B. Basis of Presentation

Government-wide Financial Statements

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

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

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Fiduciary funds are not included in the government-wide financial statements. An emphasis of the fund financial statements is placed on major governmental and enterprise funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements with composite columns for the aggregated remaining non-major funds. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2018

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

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

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

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

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

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

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

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

The City reports the following major governmental fund:

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

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

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2018

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

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

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

The City reports the following major enterprise funds:

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

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

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

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

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

Cash and Cash Equivalents

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

Investments

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

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (the current portion of interfund loans) or "advances to/from other funds" (the non-current portion of interfund loans). Any residual

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2018

balances outstanding between the governmental activities and Business-Type activities are reported in the government-wide financial statements as “internal balances.”

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

No significant receivables are scheduled for collection beyond one year.

The City’s property taxes are levied by October 1st on the assessed value listed as of the prior January 1st for all property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1st of the year following the year in which imposed. On January 1st of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Prepaid Items

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

Restricted Assets

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

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

Capital Assets

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

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

Depreciation of all exhaustible capital assets is recorded as an operating expense in proprietary fund financial statements and as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation in the government-wide statements and the proprietary funds statements is provided using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

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

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

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2018

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

Deferred Outflows/Inflows of Resources

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

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

Compensated Absences

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

Long-term Obligations

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

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

Pensions

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

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2018

Net Position Flow Assumption

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

Fund Equity

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

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

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

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

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

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

Committed fund balances are self-imposed limitations by the highest level of decision-making authority, namely the City Council prior to the end of the reporting period through ordinance. City Council approval is required to commit resources or rescind the commitment. There was no committed fund balance at September 30, 2018.

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

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

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2018

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

I.E. Internal and Interfund Balances and Activities

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

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

I.F. Revenues, Expenditures, and Expenses

Property Tax Revenues

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

Taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles are based upon historical experience. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Sales Tax

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

- 1 cent recorded as revenue within the General Fund and then transferred throughout various funds to account for operations and facility improvements as recommended by the City Council.

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2018

- ¼ cent recorded as revenue within the Coleman Community Coalition Type B Economic Development Corporation (Coalition) that is transferred to various funds to account for improvements to park and building facilities, open space improvements, and other related improvements and maintenance of the publicly owned and operated projects.
- ¼ cent recorded as revenue within the Coleman Economic Development Corporation (Corporation) that is transferred to various funds to account for improvements to park and building facilities, open space improvements, and other related improvements and maintenance of the publicly owned and operated projects.

Expenditures and Expenses

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

I.G. Use of Estimates

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

III.A. Budget

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

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

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

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2018

III.B. Deposits and Investment Requirements

Compliance with the Public Funds Investment Act

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in: (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

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

Custodial Credit Risk for Deposits and Investments

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

IV. DETAIL NOTES – TRANSACTIONS CLASSES/ACCOUNTS

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

IV.A. Deposits and Investment Risks

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

Cash Deposits

The City's cash deposits were not entirely covered by the FDIC insurance or be pledged collateral held by the City's bank in the City's name at September 30, 2018. As of September 30, 2018, the City had \$470,150 of deposits not covered by FDIC or pledged securities.

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2018

The Coleman Economic Development Corporation had \$248,504 not covered by FDIC or pledged securities, and Coleman Community Coalition Type B Economic Development Corporation was fully collateralized at September 30, 2018.

Investments

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

The City's investments at September 30, 2018 are as follows:

	Reported Amount/Fair Value
Governmental Activities:	
Certificates of Deposits	\$ 151,648
Total Governmental Activities	<u>\$ 151,648</u>
Business-Type Activities:	
Certificates of Deposit	\$ 100,000
TexPool	1,699,887
Total Business-Type Activities	<u>\$ 1,799,887</u>
Total Primary Government	<u>\$ 1,951,535</u>

Fair Value Hierarchy

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

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

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At September 30, 2018, the City was not significantly exposed to credit risk.

Concentration of Credit Risk

The investment policy of the City contains a 50% limitation on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2018

external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. At September 30, 2018, all of the City's investments are in certificates of deposit with its depository bank. The City is not exposed to this risk as described in the preceding paragraph.

Custodial Credit Risk

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

As of September 30, 2018, in the City's Operating Portfolio,

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

Interest Rate Risk

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

IV.B. Accounts Receivable

Governmental Activities

Receivables as of September 30, 2018 for the government's individual major governmental fund, including the applicable allowances for uncollectible accounts, are primarily related to property tax and sales tax. An allowance for uncollectible has been recorded at year end to estimate the uncollectible receivables. The sales tax receivable in the general fund totals \$61,073, and the property tax receivable in the general fund totals \$93,915 (net of allowance of \$29,701).

Business-Type Activities

Significant receivables in the proprietary funds include amounts due from customers primarily for utility and sanitation services. An allowance has been recorded to estimate the uncollectible receivables at year end. The accounts receivables in the utility fund and the sanitation fund total \$736,690 (net of an allowance of \$28,960) and \$15,489 (net of an allowance of \$960), respectively.

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CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2018

IV.C. Restricted Assets

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

	Cash and Cash	
	Equivalents	Investments
<u>Primary Government</u>		
Governmental Activities:		
Deposits Held for Debt Service	\$ 85,034	\$ -0-
Deposits Held for Asset Acquisition and Perpetual Care	31,117	150,000
Deposits Held for Public Safety	58,804	-0-
Deposits Held for Tourism	30,363	-0-
Total Governmental Activities	<u>\$ 205,318</u>	<u>\$ 150,000</u>
Business-Type Activities:		
Deposits Held for Debt Service	\$ 353,016	\$ -0-
Deposits Held for Landfill Trust	41,190	-0-
Total Business-Type Activities	<u>\$ 394,206</u>	<u>\$ -0-</u>

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CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2018

IV.D. Capital Assets

Capital asset activity for the year ended September 30, 2018 was as follows:

Governmental Activities

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Assets Not Being Depreciated:					
Land	\$ 9,980	\$ -0-	\$ -0-	\$ 93,750	\$ 103,730
Construction in Progress	-0-	190,622	-0-	-0-	190,622
Total Capital Assets Not Being Depreciated	\$ 9,980	\$ 190,622	\$ -0-	\$ 93,750	\$ 294,352
Capital Assets Being Depreciated:					
Furniture and Equipment	\$ 2,998,887	\$ 143,583	\$ -0-	(\$ 58,582)	\$ 3,083,888
Infrastructure	2,951,870	-0-	-0-	(452,093)	2,499,777
Total Capital Assets Being Depreciated	\$ 5,950,757	\$ 143,583	\$ -0-	(\$ 510,675)	\$ 5,583,665
Total Capital Assets	\$ 5,960,737	\$ 334,205	\$ -0-	(\$ 416,925)	\$ 5,878,017
Less: Accumulated Depreciation:					
Furniture and Equipment	(\$ 2,209,035)	(\$ 175,785)	\$ -0-	\$ 28,758	(\$2,356,062)
Infrastructure	(2,548,165)	(1,792)	-0-	69,880	(2,480,077)
Total Accumulated Depreciation	(\$ 4,757,200)	(\$ 177,577)	\$ -0-	\$ 98,638	(\$4,836,139)
Governmental Activities Capital Assets, Net	\$ 1,203,537	\$ 156,628	\$ -0-	(\$ 318,287)	\$ 1,041,878

Business-Type Activities

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Assets Not Being Depreciated:					
Land	\$ 317,161	\$ 100,000	\$ -0-	(\$ 93,750)	\$ 323,411
Construction in Progress	1,768	209,133	-0-	-0-	210,901
Total Capital Assets Not Being Depreciated	\$ 318,929	\$ 309,133	\$ -0-	(\$ 93,750)	\$ 534,312
Capital Assets Being Depreciated:					
Buildings	\$ 348,900	\$ 5,621	\$ -0-	\$ 972,398	\$ 1,326,919
Infrastructure and Improvements	24,901,642	64,866	-0-	(208,399)	24,758,109
Machinery and Equipment	2,990,256	25,233	-0-	(253,324)	2,762,165
Total Capital Assets Being Depreciated	\$ 28,240,798	\$ 95,720	\$ -0-	\$ 510,675	\$ 28,847,193
Total Capital Assets	\$ 28,559,727	\$ 404,853	\$ -0-	\$ 416,925	\$ 29,381,505
Less: Accumulated Depreciation:					
Buildings	(\$ 209,903)	(\$ 31,068)	\$ -0-	(\$ 115,777)	(\$ 356,748)
Infrastructure and Improvements	(13,635,686)	(633,051)	-0-	(51,869)	(14,320,606)
Machinery and Equipment	(2,868,505)	(116,177)	-0-	69,008	(2,915,674)
Total Accumulated Depreciation	(\$16,714,094)	(\$ 780,296)	\$ -0-	(\$ 98,638)	(\$17,593,028)
Business-Type Activities Capital Assets, Net	\$ 11,845,633	(\$ 375,383)	\$ -0-	\$ 318,287	\$ 11,788,477

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2018

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

Governmental Activities:	
General Government	\$ 1,168
Public Safety	108,901
Public Service	5,780
Streets	46,584
Culture and Recreation	11,025
Cemetery	4,119
	<u>\$ 177,577</u>
Business-Type Activities:	
Utility Shop	\$ 3,119
Sewer	33,099
Lake Coleman	3,428
Light	319,835
Sanitation	6,666
Municipal Airport	151,798
Water	262,351
	<u>\$ 780,296</u>

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

Component Units - Combined

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Assets Not Being Depreciated:					
Land	\$ 220,931	\$ -0-	\$ -0-	\$ -0-	\$ 220,931
Total Capital Assets Not Being Depreciated	<u>\$ 220,931</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 220,931</u>
Capital Assets Being Depreciated:					
Buildings and Improvements	\$ 387,726	\$ 62,946	\$ -0-	\$ -0-	\$ 450,672
Machinery and Equipment	54,340	-0-	-0-	-0-	54,340
Total Capital Assets Being Depreciated	<u>\$ 442,066</u>	<u>\$ 62,946</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 505,012</u>
Total Capital Assets	<u>\$ 662,997</u>	<u>\$ 62,946</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 725,943</u>
Less: Accumulated Depreciation:					
Buildings and Improvements	(\$ 127,097)	(\$ 26,482)	\$ -0-	\$ -0-	(\$ 153,579)
Machinery and Equipment	(49,601)	(2,330)	-0-	-0-	(51,931)
Total Accumulated Depreciation	<u>(\$ 176,698)</u>	<u>(\$ 28,812)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>(\$ 205,510)</u>
Governmental Activities Capital Assets, Net	<u>\$ 486,299</u>	<u>\$ 34,134</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 520,433</u>

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

Economic Development Corp.	\$ 21,972
Community Coalition	6,840
Total Depreciation	<u>\$ 28,812</u>

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2018

IV.E Long-term Debt

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

Governmental Activities Long-Term Debt

As of September 30, 2018, the Governmental Activities long-term debt consisted of the following:

Accrued Compensated Absences:

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

Letter of Credit:

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

Notes Payable:

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

	\$	65,742
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Note from Government Capital Financing for a Pelican Street Sweeper in the amount of \$208,279, interest at 3.996%. Payments of \$12,722 including interest due semi-annually through July 31, 2027.

Total Notes Payable		190,501
	\$	<u>256,243</u>

Current Portion	\$	30,224
Noncurrent Portion		226,019
Total Notes Payable	\$	<u>256,243</u>

Business-Type Activities Long-term Debt

As of September 30, 2018, the Business-Type Activities long-term debt consisted of the following:

Accrued Compensated Absences:

Current Portion	\$	4,196
Noncurrent Portion		26,211
Total Accrued Compensated Absences	\$	<u>30,407</u>

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

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

	\$	3,495,000
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CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2018

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

	755,000
Total General Obligation Bonds and Certificates of Obligation	\$ 4,250,000
Current Portion	\$ 355,000
Noncurrent Portion	3,895,000
Total General Obligation Bonds and Certificates of Obligation	\$ 4,250,000

Notes Payable:

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. \$ 6,106

Note agreement with Government Capital Financing to purchase a brush chipper for the sanitation fund and two police cars for the general fund in the amount of \$121,613. The interest rate is 3.61% and two payments per year of \$9,974, including interest. 24,769

	\$ 30,875
Total Notes Payable	\$ 30,875
Current Portion	\$ 10,816
Noncurrent Portion	20,059
Total Notes Payable	\$ 30,875

The following is a summary of changes in long-term debt for the year ended September 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Notes Payable	\$ 285,816	\$ -0-	\$ 29,573	\$ 256,243	\$ 30,224
Compensated Absences	52,937	-0-	-0-	52,937	16,598
Business-Type Activities:					
2008 Series CO	3,665,000	-0-	170,000	3,495,000	170,000
2010 Series GO	240,000	-0-	240,000	-0-	-0-
2013 Series CO	930,000	-0-	175,000	755,000	185,000
Notes Payable	60,331	2,498	31,954	30,875	10,816
Landfill Closure and Post Closure	41,919	964	-0-	42,883	-0-
Compensated Absences	30,303	104	-0-	30,407	4,196
Total	\$ 5,306,306	\$ 3,566	\$ 647,814	\$ 4,663,345	\$ 416,834

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2018

The annual aggregate maturities for the Governmental and Business-Type Activities at September 30, 2018:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Long-term Bonds:			
Business-Type Activities:			
2019	\$ 355,000	\$ 13,816	\$ 368,816
2020	355,000	10,431	365,431
2021	360,000	7,046	367,046
2022	365,000	3,568	368,568
2023	170,000	-0-	170,000
2024-2028	830,000	-0-	830,000
2029-2033	825,000	-0-	825,000
2034-2038	825,000	-0-	825,000
2039	165,000	-0-	165,000
	<u>\$ 4,250,000</u>	<u>\$ 34,861</u>	<u>\$ 4,284,861</u>
Notes Payable:			
Governmental Activities:			
2019	\$ 30,224	\$ 9,709	\$ 39,933
2020	31,396	8,537	39,933
2021	32,613	7,320	39,933
2022	33,878	6,055	39,933
2023	35,191	4,742	39,933
2024-2027	92,941	8,573	101,514
	<u>\$ 256,243</u>	<u>\$ 44,936</u>	<u>\$ 301,179</u>
Business-Type Activities:			
2019	\$ 10,712	\$ 919	\$ 11,631
2020	4,774	685	5,459
2021	4,947	512	5,459
2022	5,128	331	5,459
2023	5,314	145	5,459
	<u>\$ 30,875</u>	<u>\$ 2,592</u>	<u>\$ 33,467</u>
Total Primary Government	<u>\$ 4,537,118</u>	<u>\$ 82,389</u>	<u>\$ 4,619,507</u>

IV.F. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables

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

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

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>
General Fund	Utility Fund	\$ 406,798
Sanitation Fund	General Fund	160,903
Utility Fund	Sanitation Fund	139,405
General Fund	Airport Fund	1,851
Airport Fund	Utility Fund	4,833
Utility Fund	General Fund	133,803
		<u>\$ 847,593</u>

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2018

Reconciliation to Fund Financial Statements:

	Due From Other Funds	Due To Other Funds
Governmental Funds	\$ 703,356	\$ -0-
Enterprise Funds	144,237	847,593
Total	<u>\$ 847,593</u>	<u>\$ 847,593</u>

Interfund Transfers

Interfund transfers for the year ended September 30, 2018 were as follows:

Transfer From	Transfer To	Amount	Nature of Interfund Transfer
Utility Fund	General Fund	\$ 1,373,966	Annual subsidy
General Fund	Utility Fund	318,287	Capital Assets
Sanitation Fund	General Fund	131,594	Annual subsidy
Debt Service Fund	Utility Fund	295,385	Tax related debt
Utility Fund	Airport Fund	36,073	Annual subsidy
		<u>\$ 2,155,305</u>	

IV.G. FUND BALANCE/NET POSITION

Fund Balances

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

	General Fund	Other Governmental Funds
Restricted for:		
Debt Service	\$ 85,034	
Asset Acquisition and Perpetual Care	181,117	
Public Safety	52,592	\$ 6,212
Tourism	30,363	
Total Restricted	<u>\$ 349,106</u>	<u>\$ 6,212</u>

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

V. RETIREMENT PLAN

Plan Description

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

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

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2018

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 2017 and 2018 were as follows:

Employee deposit rate:	7.00%
Employer deposit rate (2017)	16.78%
Employer deposit rate (2018)	16.26%
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	100.00% Repeating, Transfers
Annuity increase (to retirees)	CPU is assumed to be 2.5% per year

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Active Employees	68
Deferred Vested Former Employees	37
Retirees or Retiree Beneficiaries	<u>49</u>
Total	<u>154</u>

Contributions

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

Employees for the City were required to contribute 7.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 16.78% and 16.26% in calendar years 2017 and 2018 respectively. The City's contributions to TMRS for the year ended September 30, 2018 were \$469,702 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, 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 Basic Financial Statements

For the Year Ended September 30, 2018

Actuarial assumptions:

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

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

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

Actuarial assumptions used in the December 31, 2016 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 30, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2017 valuation.

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

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

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

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

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2018

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

	SCHEDULE OF CHANGES IN NET PENSION LIABILITY		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a)-(b)
Balance, Beginning of Year	\$ 14,379,749	\$ 11,781,527	\$ 2,598,222
Changes for the Year:			
Service cost	\$ 431,194	\$ -0-	\$ 431,194
Interest	963,026	-0-	963,026
Change of benefit terms	-0-	-0-	-0-
Difference between expected and actual experience	130,771	-0-	130,771
Changes of assumptions	-0-	-0-	-0-
Contributions – Employer	-0-	458,907	(458,907)
Contributions – Employee	-0-	191,645	(191,645)
Net Investment Income	-0-	1,632,467	(1,632,467)
Benefit Payments, including refunds of employee contributions	(656,599)	(656,599)	-0-
Administrative expense	-0-	(8,462)	8,462
Other changes	-0-	(429)	429
Net Changes	\$ 868,392	\$ 1,617,529	(\$ 749,137)
Balance, End of Year	\$ 15,248,141	\$ 13,399,056	\$ 1,849,085

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

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

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Net Pension Liability	\$ 3,851,996	\$ 1,849,085	\$ 190,837

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2018, the City recognized pension expense of \$300,861.

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CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2018

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 90,780	\$ 43,524
Changes in Assumptions	6,052	-0-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-0-	346,468
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	19,222	12,739
Contributions Subsequent to the Measurement Date	315,896	-0-
Total	\$ 431,950	\$ 402,731

The \$315,896 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:		
	2019	\$ 17,104
	2020	19,016
	2021	(155,355)
	2022	(167,442)
	Total	(\$ 286,677)

VI. OTHER INFORMATION

VI.A. Risk Management

The City is exposed to various risks as 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.

VI.B. Commitments and Contingencies

Construction Commitments

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

Project Descriptions	Funding Source	Budget	Spent to Date	Balance
Water Treatment Plan	Debt Issued by USDA	\$9,600,000	\$ 205,384	\$9,394,616
Downtown Revitalization (Sidewalk Grant)	Texas Community Development Block Grant and Matching Grants	\$ 325,000	\$ 184,597	\$ 140,403
South Water Tower Rehabilitation	Utility Fund Cash Reserve	\$ 250,000	\$ 5,517	\$ 244,483
Overall Rest Pavillion Improvements	Cemetery Beautification Contributions	\$ 9,019	\$ 6,025	\$ 2,994

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2018

VI.C. Federal Assistance Programs

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

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

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these landfill closure and post-closure costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$42,883 reported as landfill closure and post-closure liability at September 30, 2018, represents the cumulative amount accrued to date. This amount is based on estimates of what it would cost to perform all closure and post-closure care in 2018. The total estimated closure and post-closure costs were determined by the City's engineering consultants and are adjusted annually by an inflation factor. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The City has applied for an amended permit to a Type IV landfill for the original landfill site. A second landfill site currently in use has the capacity for an estimated seventy-five years' volume.

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

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CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2018

VI.E. Restatements

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

Fund Financial Statements:

	General	Utility	Airport	Sanitation	Economic Development	Coalition	Senior Citizens Center
Beginning Balance as Previously Reported:	\$ 754,645	\$6,651,919	\$2,488,540	(\$ 82,450)	\$ 849,886	\$ 686,702	\$ 19,749
Add: Accounts Receivable to Actual	43,469	(11,012)	-0-	(5,245)	12,603	7,397	-0-
Reclassification of Payroll and Disbursement Funds	18,096	(75,991)	(7,929)	43,186	-0-	-0-	-0-
Removal of Senior Citizens Component Unit	-0-	-0-	-0-	-0-	-0-	-0-	(19,749)
Write-off Stale Balances	(30,743)	3,462	-0-	(2,528)	(11,324)	-0-	-0-
Accounts Payable to Actual	47,589	303,896	-0-	(42,898)	-0-	-0-	-0-
Adjust Due To/Due From	-0-	(153,061)	-0-	153,061	-0-	-0-	-0-
Capitalize Capital Assets	-0-	515,748	-0-	21,898	-0-	-0-	-0-
Total Changes to Beginning Balance	\$ 78,411	\$ 583,042	(\$ 7,929)	\$ 167,474	\$ 1,279	\$ 7,397	\$ -0-
Beginning Balance as Restated	\$833,056	\$7,234,961	\$2,480,611	\$ 85,024	\$ 851,165	\$ 694,099	\$ -0-

Government-wide Financial Statements:

	Governmental Activities
Beginning Balance as Previously Reported:	\$ 671,296
Add: Write Off Stale/Old Balances	(30,743)
Reclassification of Payroll and Disbursement Funds	18,096
Accounts Receivable to Actual	43,469
Accounts Payable to Actual	47,589
Total Changes in Beginning Balance	\$ 78,411
Beginning Balance as Restated	\$ 749,707

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

VI.F. New Pronouncements

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

GASB Statement 84, Fiduciary Activities – GASB 84 was issued January 2018, and this Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2018

criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The City has not yet determined the impact that implementation of GASB 84 will have on its net position.

GASB Statement 85, Omnibus 2019 – GASB 85 was issued March 2018, and this Statement address a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The City has not yet determined the impact that implementation of GASB 85 will have on its net position.

GASB Statement 86, Certain Debt Extinguishment Issues – GASB 86 issued May 2018, and the primary objective of this Statement is to improve the consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt substance. The City has not yet determined the impact that implementation of GASB 86 will have on its net position.

GASB Statement 87, Leases – GASB 87 was issued June 2018, and the primary objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about activities. The City has not yet determined the impact that implementation of GASB 87 will have on its net position.

GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements – GASB 88 was issued in April 2018 and improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2019. At this time, the impact to the City is unknown.

GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period – GASB 89 was issued in June 2018 and requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of construction period will no longer be included in the historical cost of a capital type activity or proprietary type funds. The requirements for this Statement are effective for reporting periods beginning after December 15, 2019. At this time, the impact to the City is unknown.

GASB Statement No. 90, Majority Interests (an amendment of GASB Statements 14 and 61) – GASB 90 was issued August 2019 and will be effective for periods beginning December 15, 2018. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that

CITY OF COLEMAN, TEXAS

Notes to the Basic Financial Statements

For the Year Ended September 30, 2018

a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The City has determined the implementation of GASB 90 will have no impact on its net position.

GASB Statement No. 91, Conduit Debt Obligations – GASB 91 was issued May 2019 and will be effective for periods beginning after December 1, 2020. The primary objectives of this Statement are to provide a single method of reporting and eliminate the option for government issuers to recognize conduit debt obligations. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. At this time, the impact to the City is unknown.

GASB Statement No. 92, Omnibus 2020 – GASB 92 was issued January 2020, and this Statement address a variety of topics including issues related to leases, intra-entity transfers of assets between a primary government and a component until defined benefit pension plan or defined benefit other postemployment benefit plan, pensions and postemployment benefits, fiduciary activities, asset retirement obligations, entity risk pools, fair value measurements, and derivative instruments.. The City has not yet determined the impact that implementation of GASB 85 will have on its net position.

VI.G. Subsequent Events

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a “Public Health Emergency of International Concern,” which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and are adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the City, its performance, and its financial results.

The City's management has evaluated subsequent events through July 9, 2020, the date which the financial statements were available for issue.

CITY OF COLEMAN, TEXAS

Budgetary Comparison Schedule - General Fund

For the Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property Tax	\$ 595,837	\$ 595,837	\$ 633,740	\$ 37,903
Sales Tax	800,000	800,000	432,020	(367,980)
Franchise Tax	93,479	93,479	90,298	(3,181)
Occupancy Tax	34,000	34,000	38,758	4,758
Alcohol Beverage Tax	5,556	5,556	6,326	770
Licenses and Permits	11,600	11,600	16,937	5,337
Intergovernmental	295,569	295,569	229,413	(66,156)
Fines and Forfeitures	136,884	136,884	99,080	(37,804)
Investment Income	1,568	1,568	2,359	791
General Service Fees	211,887	211,887	233,706	21,819
Internal Franchise Fees	211,887	211,887	233,706	21,819
Tower Rental	25,108	25,108	25,108	-0-
Charges for Services	289,994	289,994	405,402	115,408
Gifts and Contributions	1,200	1,200	484	(716)
Miscellaneous Income	10,250	10,250	6,152	(4,098)
Total Revenues	<u>\$ 2,724,819</u>	<u>\$ 2,724,819</u>	<u>\$ 2,453,489</u>	<u>(\$ 271,330)</u>
EXPENDITURES				
Current:				
General Government	\$ 1,057,084	\$ 1,057,084	\$ 301,601	\$ 755,483
Public Safety:				
Dispatch	267,943	267,943	271,032	(3,089)
Police Department	829,508	829,508	841,821	(12,313)
Fire Department	428,795	428,795	513,727	(84,932)
Public Service:				
Animal Control	61,877	61,877	60,032	1,845
Municipal Court	95,563	95,563	116,520	(20,957)
Health and Sanitation	8,120	8,120	2,017	6,103
Cultural and Recreation:				
Library	126,887	126,887	136,338	(9,451)
Parks	195,596	195,596	188,224	7,372
Cemetery	192,859	192,859	205,331	(12,472)
City Park Pool	34,331	34,331	31,202	3,129
Health and Inspection:				
City Inspection	6,670	6,670	4,141	2,529
Environmental	55,570	55,570	54,495	1,075
Highways and Streets:				
Streets	789,116	789,116	672,086	117,030
Total Current Expenditures	<u>\$ 4,149,919</u>	<u>\$ 4,149,919</u>	<u>\$ 3,398,567</u>	<u>\$ 751,352</u>
Debt Service:				
Principal Retired	40,041	40,041	29,573	10,468
Interest	-0-	-0-	10,360	(10,360)
Capital Outlay	56,061	56,061	68,192	(12,131)
Total Expenditures	<u>\$ 4,246,021</u>	<u>\$ 4,246,021</u>	<u>\$ 3,506,692</u>	<u>\$ 739,329</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(\$ 1,521,202)</u>	<u>(\$ 1,521,202)</u>	<u>(\$ 1,053,203)</u>	<u>\$ 467,999</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 1,520,169	\$ 1,520,169	\$ 1,210,175	(\$ 309,994)
Total Other Financing Sources (Uses)	<u>\$ 1,520,169</u>	<u>\$ 1,520,169</u>	<u>\$ 1,210,175</u>	<u>(\$ 309,994)</u>
Net Change in Fund Balance	<u>(\$ 1,033)</u>	<u>(\$ 1,033)</u>	<u>\$ 156,972</u>	<u>\$ 158,005</u>
Fund Balances - Beginning	678,162	678,162	754,645	76,483
Restatement of Beginning Fund Balance	(154,440)	(154,440)	78,411	232,851
Fund Balances - Ending	<u>\$ 522,689</u>	<u>\$ 522,689</u>	<u>\$ 990,028</u>	<u>\$ 467,339</u>

CITY OF COLEMAN, TEXAS

Required Supplementary Information

For the Year Ended September 30, 2018

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

Budgetary Accounting and Control

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

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

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

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

CITY OF COLEMAN, TEXAS

Required Supplementary Information

For the Year Ended September 30, 2018

Texas Municipal Retirement Fund -

Schedule of Changes in Net Pension Liability and Related Ratios

Last Fiscal Year

	2015	2016	2017	*2018
Total pension liability				
Service cost	\$ 323,904	\$ 377,525	\$ 417,201	\$ 431,194
Interest	888,783	924,126	917,852	963,026
Difference between expected and actual experience	(150,669)	(642,470)	(74,352)	130,771
Changes of assumptions	-0-	265,483	-0-	-0-
Benefit payments, including refunds of member contributions	(611,161)	(556,701)	(540,307)	(656,599)
Net change in total pension liability	\$ 450,857	\$ 367,963	\$ 720,394	\$ 868,392
Total pension liability - beginning	12,840,535	13,291,392	13,659,355	14,379,749
Total pension liability - ending (a)	<u>\$ 13,291,392</u>	<u>\$ 13,659,355</u>	<u>\$ 14,379,749</u>	<u>\$ 15,248,141</u>
Plan fiduciary net position				
Contributions - employer	\$ 415,577	\$ 466,754	\$ 469,352	\$ 458,907
Contributions - member	157,466	175,944	184,134	191,645
Net investment income	589,342	16,004	738,919	1,632,467
Benefit payments, including refunds of member contributions	(611,161)	(556,701)	(540,307)	(656,599)
Administrative expense	(6,153)	(9,748)	(8,349)	(8,462)
Other	(506)	(482)	(450)	(429)
Net change in plan fiduciary net position	\$ 544,565	\$ 91,771	\$ 843,299	\$ 1,617,529
Plan fiduciary net position - beginning	10,301,892	10,846,457	10,938,228	11,781,527
Plan fiduciary net position - ending (b)	<u>\$ 10,846,457</u>	<u>\$ 10,938,228</u>	<u>\$ 11,781,527</u>	<u>\$ 13,399,056</u>
Net pension liability - ending (a) - (b)	<u>\$ 2,444,935</u>	<u>\$ 2,721,127</u>	<u>\$ 2,598,222</u>	<u>\$ 1,849,085</u>
Plan fiduciary net position as a percentage of the total pension liability	81.61%	80.08%	81.93%	87.87%
Covered employee payroll	\$ 2,249,513	\$ 2,409,604	\$ 2,625,558	\$ 2,662,668
Net pension liability as a percentage of covered-employee payroll	108.69%	112.93%	98.96%	69.44%

Notes to Schedule:

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

*The information presented for fiscal year 2018 is based on a measurement date of 12/31/2017.

CITY OF COLEMAN, TEXAS

Required Supplementary Information

For the Year Ended September 30, 2018

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

Last Fiscal Year

	2014	2015	2016	2017	2018
Actuarially determined contribution	\$ 393,556	\$ 446,857	\$ 453,772	\$ 455,732	\$ 469,702
Contributions in relation to the actuarially determined contribution	393,556	446,857	453,772	455,732	469,702
Contribution deficiency (excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Covered employee payroll	\$ 2,192,839	\$ 2,409,604	\$ 2,525,286	\$ 2,673,271	\$ 2,866,320
Contributions as a percentage of covered-employee payroll	17.95%	18.54%	17.97%	17.05%	16.39%

Notes to Schedule:

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

Methods and Assumptions Used to Determine Contribution Rates:

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

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

Other Supplementary Information

CITY OF COLEMAN, TEXAS

General Fund Descriptions

For the Year Ended September 30, 2018

GENERAL FUND

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

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

The general fund contains the following sub-fund accounts:

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

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

Payroll – To disburse payroll payments.

Disbursement – To disburse funds for City expenditures.

CITY OF COLEMAN, TEXAS

Combining Balance Sheet - General Fund Accounts

As of September 30, 2018

	General	Cemetary Endowment	Community Development	Employee Health Benefits	Payroll	Disbursement	Total General Fund
ASSETS							
Current Assets:							
Cash and Cash Equivalents	422,478	\$ -0-	\$ -0-	\$ -0-	\$ 7,777	\$ 61,750	\$ 492,005
Investments	1,648	-0-	-0-	-0-	-0-	-0-	1,648
Receivables:							
Accounts, Net	75,460	-0-	-0-	-0-	-0-	-0-	75,460
Property Tax, Net	93,915	-0-	-0-	-0-	-0-	-0-	93,915
Sales Tax	72,736	-0-	-0-	-0-	-0-	-0-	72,736
Franchise Tax	15,102	-0-	-0-	-0-	-0-	-0-	15,102
Due from Other Funds (Interfund)	-0-	-0-	-0-	-0-	75,333	101,867	177,200
Due from Other Funds	251,257	-0-	-0-	-0-	65,102	386,997	703,356
Prepaid Expense	13,550	-0-	-0-	-0-	-0-	-0-	13,550
Restricted Assets:							
Cash and Cash Equivalents	199,106	-0-	-0-	-0-	-0-	-0-	199,106
Investments	150,000	-0-	-0-	-0-	-0-	-0-	150,000
Total Current Assets	<u>\$ 1,295,252</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 148,212</u>	<u>\$ 550,614</u>	<u>\$ 1,994,078</u>
Total Assets	<u>\$ 1,295,252</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 148,212</u>	<u>\$ 550,614</u>	<u>\$ 1,994,078</u>
LIABILITIES							
Accounts Payable and Accrued Expenses	\$ 40,310	\$ -0-	\$ -0-	\$ -0-	\$ 148,212	\$ 550,614	\$ 739,136
Due to Other Funds (Interfund)	177,200	-0-	-0-	-0-	-0-	-0-	177,200
Due to Other Governments	12,138	-0-	-0-	-0-	-0-	-0-	12,138
Total Liabilities	<u>\$ 229,648</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 148,212</u>	<u>\$ 550,614</u>	<u>\$ 928,474</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue - Property Taxes	\$ 75,576	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 75,576
Total Deferred Inflows of Resources	<u>\$ 75,576</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 75,576</u>
FUND BALANCE							
Nonspendable	\$ 13,550	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 13,550
Restricted	349,106	-0-	-0-	-0-	-0-	-0-	349,106
Unassigned	627,372	-0-	-0-	-0-	-0-	-0-	627,372
Total Fund Balance	<u>\$ 990,028</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 990,028</u>

CITY OF COLEMAN, TEXAS

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

As of September 30, 2018

	General	Cemetary Endowment	Community Development	Employee Health Benefits	Payroll	Disbursement	Total General Fund
REVENUES							
Taxes:							
Property Tax	\$ 633,740	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 633,740
Sales Tax	432,020	-0-	-0-	-0-	-0-	-0-	432,020
Franchise Tax	90,298	-0-	-0-	-0-	-0-	-0-	90,298
Occupancy Tax	38,758	-0-	-0-	-0-	-0-	-0-	38,758
Alcohol Beverage Tax	6,326	-0-	-0-	-0-	-0-	-0-	6,326
License and Permits	16,937	-0-	-0-	-0-	-0-	-0-	16,937
Grants	229,413	-0-	-0-	-0-	-0-	-0-	229,413
Fines and Forfeitures	99,080	-0-	-0-	-0-	-0-	-0-	99,080
Investment Income	2,352	-0-	-0-	7	-0-	-0-	2,359
General Service Fees	233,706	-0-	-0-	-0-	-0-	-0-	233,706
Internal Franchise Fees	233,706	-0-	-0-	-0-	-0-	-0-	233,706
Rental Revenue	25,108	-0-	-0-	-0-	-0-	-0-	25,108
Charges for Services	405,402	-0-	-0-	-0-	-0-	-0-	405,402
Donations	484	-0-	-0-	-0-	-0-	-0-	484
Miscellaneous Income	6,152	-0-	-0-	-0-	-0-	-0-	6,152
Total Revenues	\$ 2,453,482	\$ -0-	\$ -0-	\$ 7	\$ -0-	\$ -0-	\$ 2,453,489
EXPENDITURES							
Current:							
General Government	\$ 298,601	\$ -0-	\$ -0-	\$ 3,000	\$ -0-	\$ -0-	\$ 301,601
Public Safety	1,626,580	-0-	-0-	-0-	-0-	-0-	1,626,580
Public Service	178,569	-0-	-0-	-0-	-0-	-0-	178,569
Cultural and Recreation	561,095	-0-	-0-	-0-	-0-	-0-	561,095
Health and Inspection	58,636	-0-	-0-	-0-	-0-	-0-	58,636
Streets	672,086	-0-	-0-	-0-	-0-	-0-	672,086
Total Current Expenditures	\$ 3,395,567	\$ -0-	\$ -0-	\$ 3,000	\$ -0-	\$ -0-	\$ 3,398,567
Capital Outlay	68,192	-0-	-0-	-0-	-0-	-0-	68,192
Debt Service:							
Principal	29,573	-0-	-0-	-0-	-0-	-0-	29,573
Interest	10,360	-0-	-0-	-0-	-0-	-0-	10,360
Total Expenditures	\$ 3,503,692	\$ -0-	\$ -0-	\$ 3,000	\$ -0-	\$ -0-	\$ 3,506,692
Excess (Deficiency) of Revenues Over (Under) Expenditures	(\$ 1,050,210)	\$ -0-	\$ -0-	(\$ 2,993)	\$ -0-	\$ -0-	(\$ 1,053,203)
OTHER FINANCING SOURCES (USES)							
Transfers In (Out)	\$ 1,210,175	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 1,210,175
Transfers In (Out) (Interfund)	21,544	-0-	-0-	(21,544)	-0-	-0-	-0-
Total Other Financing Sources (Uses)	\$ 1,231,719	\$ -0-	\$ -0-	(\$ 21,544)	\$ -0-	\$ -0-	\$ 1,210,175
Net Change in Fund Balance	\$ 181,509	\$ -0-	\$ -0-	(\$ 24,537)	\$ -0-	\$ -0-	\$ 156,972
Fund Balance - Beginning	570,870	-0-	27	24,537	76,944	82,267	754,645
Restatement of Beginning Fund Balance	237,649	-0-	(27)	-0-	(76,944)	(82,267)	78,411
Fund Balance - Ending	\$ 990,028	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 990,028

CITY OF COLEMAN, TEXAS

Discretely Presented Component Unit Descriptions

For the Year Ended September 30, 2018

DISCRETELY PRESENTED COMPONENT UNITS

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

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

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

CITY OF COLEMAN, TEXAS

Combining Statement of Net Position - Discretely Presented Component Units

As of September 30, 2018

	Coleman Economic Development Corp.	Coleman Community Coalition	Total Component Units
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 256,595	\$ 406,186	\$ 662,781
Certificates of Deposit	-0-	51,015	51,015
Investments	125,885	-0-	125,885
Sales Tax Receivable	37,962	36,368	74,330
Accounts Receivable	3,931	1,601	5,532
Notes Receivable	-0-	209,686	209,686
Due from Other Governments	6,070	6,070	12,140
Total Current Assets	<u>\$ 430,443</u>	<u>\$ 710,926</u>	<u>\$ 1,141,369</u>
Noncurrent Assets:			
Net Capital Assets	\$ 488,133	\$ 32,300	\$ 520,433
Total Noncurrent Assets	<u>\$ 488,133</u>	<u>\$ 32,300</u>	<u>\$ 520,433</u>
Total Assets	<u><u>\$ 918,576</u></u>	<u><u>\$ 743,226</u></u>	<u><u>\$ 1,661,802</u></u>
LIABILITIES			
Accounts Payable	\$ 164	\$ 19,775	\$ 19,939
Total Liabilities	<u>\$ 164</u>	<u>\$ 19,775</u>	<u>\$ 19,939</u>
NET POSITION			
Net Investment in Capital Assets	\$ 488,133	\$ 32,300	\$ 520,433
Unrestricted	430,279	691,151	1,121,430
Total Net Position	<u><u>\$ 918,412</u></u>	<u><u>\$ 723,451</u></u>	<u><u>\$ 1,641,863</u></u>

CITY OF COLEMAN, TEXAS

Combining Statement of Activities - Discretely Presented Component Units

For the Year Ended September 30, 2018

	Coleman Economic Development Corp.	Coleman Community Coalition	Total Component Units
REVENUES:			
Sales Tax Revenue	\$ 218,010	\$ 216,009	\$ 434,019
Refunds and Reimbursements	-0-	6,559	6,559
Interest Income	854	1,485	2,339
Rental Income	25,210	-0-	25,210
Other Income	6,070	12,387	18,457
Total Revenues	<u>\$ 250,144</u>	<u>\$ 236,440</u>	<u>\$ 486,584</u>
EXPENDITURES:			
Accounting Fees	\$ 9,950	\$ 8,439	\$ 18,389
Advertising, Marketing, and Promotion	1,455	5,699	7,154
Depreciation Expense	21,972	6,840	28,812
Dues and Subscriptions	-0-	531	531
Grants, Projects, and Incentives	46,391	111,005	157,396
Insurance	9,945	241	10,186
Legal Fees	9,243	4,775	14,018
Meals	-0-	1,616	1,616
Miscellaneous Expenses	801	-0-	801
Office Expenses	12,609	5,437	18,046
Professional Services	-0-	993	993
Property Taxes	2,420	-0-	2,420
Rent, Parking, and Utilities	1,845	12,904	14,749
Repairs and Maintenance	5,513	-0-	5,513
Salaries, Taxes and Benefits	52,833	45,103	97,936
Supplies	-0-	2,505	2,505
Telephone and Internet	-0-	985	985
Travel and Seminars	7,920	15	7,935
Total Expenditures	<u>\$ 182,897</u>	<u>\$ 207,088</u>	<u>\$ 389,985</u>
Change in Net Position	\$ 67,247	\$ 29,352	\$ 96,599
Net Position, Beginning of Year	849,886	686,702	1,536,588
Restatement	1,279	7,397	8,676
Net Position, End of Year	<u><u>\$ 918,412</u></u>	<u><u>\$ 723,451</u></u>	<u><u>\$ 1,641,863</u></u>