

**CITY OF COLEMAN,
TEXAS**

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S
REPORT

SEPTEMBER 30, 2014

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CITY OF COLEMAN, TEXAS

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Coleman, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Coleman, Texas, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-8 and 35-36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

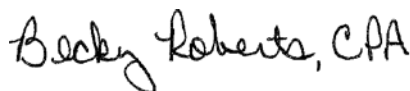
Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Coleman, Texas' basic financial statements. The other supplementary schedules on pages 37-40 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of state awards is presented for purposes of additional analysis as required by the State of Texas Single Audit Circular, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated April 2, 2015, on my consideration of the City of Coleman, Texas' internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Coleman, Texas' internal control over financial reporting and compliance.



BECKY ROBERTS, CPA

Abilene, Texas,
April 2, 2015

**THE CITY OF COLEMAN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014**

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, 2014.

Financial Highlights

Government-Wide Financial Statements

- The assets of the City of Coleman exceeded its liabilities at the close of the most recent fiscal year by \$12,992,483 (*net position*). Of this amount, \$5,246,594 (*unrestricted*) may be used to meet the government's ongoing obligations to citizens. \$7,652,907 of the City's equity is invested in capital assets, net of related debt; and \$92,982 of the City's equity is restricted.
- The City's total assets increased by \$292,942 during the 2014 fiscal year.
- The net position (*equity*) of the City increased by \$896,388 during the 2014 fiscal year, and net position increased \$167,407 from prior period adjustments to the previous audited amounts.

Fund Financial Statements

- As of the close of the current fiscal year, the City of Coleman's General Fund reported an ending unassigned fund balance of \$606,315. This fund balance reflects an increase of \$66,082 for the current year.
- In the Utility Fund, the net position reflects \$4,493,423 of unrestricted equity, which is an increase of \$342,644 for the current year.

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 9-10 of this report.

**THE CITY OF COLEMAN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014**

Fund Financial Statements

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

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

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

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

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

The City of Coleman adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget on page 35.

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-34 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 37-40 of this report.

**THE CITY OF COLEMAN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Coleman, assets exceeded liabilities by \$12,992,483 at the close of the most recent fiscal year.

\$7,652,907 of the City of Coleman's net position (59 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), net of related debt. The City of Coleman uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

The City of Coleman's Net Position

| | | Governmental Activities | |
|----------------------------------|-----------|-------------------------|---------------------|
| | | 2014 | 2013 |
| Current assets | \$ | 753,391 | \$ 634,770 |
| Capital assets | | 986,132 | 1,137,705 |
| Total Assets | | 1,739,523 | 1,772,475 |
| Current liabilities | | 106,820 | 128,848 |
| Long-term liabilities | | 134,834 | 122,179 |
| Total Liabilities | | 241,654 | 251,027 |
| Net investment in capital assets | | 913,716 | 1,024,260 |
| Restricted | | 5,779 | |
| Unrestricted | | 578,374 | 497,188 |
| Total Net Position | \$ | 1,497,869 | \$ 1,521,448 |

| | | Business-type Activities | |
|----------------------------------|-----------|--------------------------|----------------------|
| | | 2014 | 2013 |
| Current assets | \$ | 5,509,861 | \$ 4,305,023 |
| Capital assets | | 13,374,500 | 14,253,444 |
| Total Assets | | 18,884,361 | 18,558,467 |
| Current liabilities | | 721,194 | 1,301,533 |
| Long-term liabilities | | 6,668,553 | 6,849,692 |
| Total Liabilities | | 7,389,747 | 8,151,225 |
| Net investment in capital assets | | 6,739,191 | 5,686,626 |
| Restricted | | 87,203 | 293,122 |
| Unrestricted | | 4,668,220 | 4,427,494 |
| Total Net Position | \$ | 11,494,614 | \$ 10,407,242 |

**THE CITY OF COLEMAN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014**

The City of Coleman's Changes in Net Position

| | Governmental Activities | | Business-type Activities | |
|----------------------------------|-------------------------|---------------------|--------------------------|----------------------|
| | 2014 | 2013 | 2014 | 2013 |
| Revenues: | | | | |
| Program Revenues: | | | | |
| Charges for services | \$ 236,728 | \$ 275,050 | \$ 8,733,888 | \$ 8,518,073 |
| Capital grants & contributions | | | 777,652 | 551 |
| Operating grants & contributions | 88,163 | 55,758 | | |
| General Revenues | | | | |
| Property taxes | 352,559 | 341,843 | | |
| Sales and use taxes | 471,546 | 431,601 | | |
| Franchise taxes | 103,340 | 88,794 | 28,566 | 32,128 |
| Occupancy tax | 40,519 | 34,438 | | |
| Investment earnings | 1,340 | 1,019 | 2,072 | 3,029 |
| Miscellaneous income | 538,975 | 474,277 | 93,340 | 128,978 |
| Transfers | 554,016 | 505,187 | (554,016) | (505,187) |
| Total Revenues | 2,387,186 | 2,207,967 | 9,081,502 | 8,177,572 |
| Expenses | | | | |
| General administration | 198,930 | 185,520 | | |
| Public safety | 1,306,588 | 1,163,988 | | |
| Streets | 303,210 | 193,536 | | |
| Public service | 149,156 | 137,097 | | |
| Culture and recreation | 315,939 | 320,632 | | |
| Health and inspection | 314 | 2,293 | | |
| Cemetery | 122,343 | 120,192 | | |
| Environmental | 49,043 | 44,605 | | |
| Utility | | | 7,138,070 | 7,175,589 |
| Municipal airport | | | 259,095 | 296,244 |
| Sanitation | | | 725,569 | 706,916 |
| Interest | 4,043 | | | |
| Other | | | | |
| Total expenses | 2,449,566 | 2,167,863 | 8,122,734 | 8,178,749 |
| Change in net position | (62,380) | 40,104 | 958,768 | (1,177) |
| Beginning Net Position | 1,521,448 | 1,481,344 | 10,407,240 | 10,408,417 |
| Prior period adjustments | 38,801 | | 128,606 | |
| Ending Net Position | \$ 1,497,869 | \$ 1,521,448 | \$ 11,494,614 | \$ 10,407,240 |

FINANCIAL ANALYSIS OF THE GOVERNMENTS FUNDS

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

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

As of the end of the current fiscal year, the City of Coleman's governmental General Fund reported an ending fund balance of \$611,058. Of this amount, \$606,315 is unassigned and available for spending at the City's discretion. This represents approximately 3 months of operating equity based on 2014 current expenditures.

**THE CITY OF COLEMAN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014**

Fund Budgetary Highlights

The original and the final amended budgets for the General Fund reflect a balanced budget. Amendments were made to the budget during the year. The actual expenditures were \$85,251 more than the budgeted amounts, and actual revenues were \$201,605 more than was budgeted.

The original and the final amended budgets for the Utility Fund reflect a balanced budget on a modified accrual basis. On a GAAP basis, the actual operating expenses were \$243,120 more than the budgeted amounts, and actual revenues were \$264,748 more than was budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets The City of Coleman's investment in capital assets for its governmental activities amounts to \$986,132 (net of accumulated depreciation), and the investment in capital assets for its business-type activities amounts to \$13,374,500 (net of accumulated depreciation) as of September 30, 2014. This investment in capital assets includes land, buildings, improvements, infrastructure, and equipment.

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

| | | Governmental Activities 2014 | Governmental Activities 2013 |
|--------------------------|-----------|------------------------------------|------------------------------------|
| Land | \$ | 9,980 | \$ 9,980 |
| Infrastructure | | 2,951,870 | 2,951,870 |
| Equipment | | 4,660,236 | 4,637,205 |
| Accumulated depreciation | | (6,635,954) | (6,461,350) |
| Total | \$ | 986,132 | \$ 1,137,705 |

| | | Business-type Activities 2014 | Business-type Activities 2013 |
|----------------------------|-----------|-------------------------------------|-------------------------------------|
| Land | \$ | 317,161 | \$ 392,061 |
| Construction in progress | | 17,380 | 5,521,332 |
| Buildings and improvements | | 249,569 | 249,569 |
| Water improvements | | 21,343,543 | 15,537,638 |
| Airport improvements | | 2,682,551 | 1,844,704 |
| Equipment | | 3,405,911 | 3,392,864 |
| Accumulated depreciation | | (14,641,616) | (14,114,909) |
| Total | \$ | 13,374,499 | \$ 12,823,259 |

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

**THE CITY OF COLEMAN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014**

Debt Administration

The City of Coleman has long term debt in the form of bonds, notes payable and capital leases. As of September 30, 2014, the City had long term liabilities as follows:

Governmental Activities:

| | |
|----------------|-----------|
| Capital leases | \$ 6,501 |
| Notes payable | \$ 65,915 |

Business-type Activities:

| | |
|----------------|--------------|
| Capital leases | \$ 2,064 |
| Notes payable | \$ 113,245 |
| Bonds payable | \$ 6,520,000 |

Additional information on the City of Coleman's long term debt can be found in Note 6 on pages 28 through 30 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- The City of Coleman adopted a 2014 property tax rate effective for its 2015 fiscal year of .57040 per \$100 property valuation. This is composed of the maintenance and operations rate of .24466 and the interest and sinking rate of .32574 per \$100 property valuation.
- These indicators were taken into account when adopting the general fund budget for fiscal year 2015. The general fund budget reflects a balanced budget at \$3,468,084, which is approximately \$727,000 more than the 2014 budget.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF COLEMAN, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

| | Primary Government | | | Component Units |
|--------------------------------------|----------------------------|-----------------------------|----------------------|---------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| <u>ASSETS</u> | | | | |
| Cash and cash equivalents | \$ 443,887 | \$ 1,898,458 | \$ 2,342,345 | \$ 844,041 |
| Restricted cash and cash equivalents | | 87,203 | 87,203 | |
| Investments | | 1,756,809 | 1,756,809 | 174,319 |
| Receivables: | | | | |
| Taxes, net | 202,416 | | 202,416 | 66,626 |
| Accounts, net | 7,456 | 430,760 | 438,216 | |
| Other receivables | 1,000 | 58,400 | 59,400 | 1,592 |
| Notes receivable | | | | 41,458 |
| Internal balances | 84,278 | (84,278) | | |
| Prepaid expenses | 14,354 | 12,336 | 26,690 | 119 |
| Bond discount | | 1,350,173 | 1,350,173 | |
| Non-depreciable capital assets | 9,980 | 334,541 | 344,521 | 26,000 |
| Depreciable capital assets, net | 976,152 | 13,039,959 | 14,016,111 | 189,692 |
| TOTAL ASSETS | 1,739,523 | 18,884,361 | 20,623,884 | 1,343,847 |
| <u>LIABILITIES</u> | | | | |
| Accounts payable | 35,170 | 400,275 | 435,445 | 5,229 |
| Accrued payroll and related taxes | | 27,080 | 27,080 | 1,081 |
| Other liabilities | | 17,913 | 17,913 | |
| Due to other governmental entities | 71,650 | | 71,650 | |
| Utility deposits | | 275,926 | 275,926 | |
| Long term liabilities: | | | | |
| Due within one year | 27,784 | 584,390 | 612,174 | |
| Due after one year: | | | | |
| Compensated absences | 62,418 | 33,244 | 95,662 | |
| Loan payable | 44,632 | 85,919 | 130,551 | |
| Certificates of obligation | | 5,965,000 | 5,965,000 | |
| TOTAL LIABILITIES | 241,654 | 7,389,747 | 7,631,401 | 6,310 |
| <u>NET POSITION</u> | | | | |
| Net Position: | | | | |
| Net investment in capital assets | 913,716 | 6,739,191 | 7,652,907 | 215,692 |
| Restricted | 5,779 | 87,203 | 92,982 | |
| Unrestricted | 578,374 | 4,668,220 | 5,246,594 | 1,121,845 |
| TOTAL NET POSITION | \$ 1,497,869 | \$ 11,494,614 | \$ 12,992,483 | \$ 1,337,537 |

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

CITY OF COLEMAN, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

| FUNCTIONS/PROGRAMS | Expenses | PROGRAM REVENUES | | |
|---------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| PRIMARY GOVERNMENT: | | | | |
| Governmental activities: | | | | |
| General administration | \$ 198,930 | \$ 14,197 | \$ 2,115 | \$ |
| Public safety | 1,306,588 | 6,405 | 67,315 | |
| Public service | 149,156 | 64,008 | | |
| Culture and recreation | 315,939 | 36,098 | 18,733 | |
| Health and inspection | 314 | 5,841 | | |
| Cemetery | 122,343 | 64,916 | | |
| Environment | 49,043 | | | |
| Streets | 303,210 | 45,263 | | |
| Interest | 4,043 | | | |
| Total governmental activities | 2,449,566 | 236,728 | 88,163 | |
| Business-type activities: | | | | |
| Utility | 7,138,070 | 7,838,491 | | 17,380 |
| Municipal airport | 259,095 | 117,797 | | 760,272 |
| Sanitation | 725,569 | 777,600 | | |
| Total business-type activities | 8,122,734 | 8,733,888 | | 777,652 |
| TOTAL PRIMARY GOVERNMENT | \$ 10,572,300 | \$ 8,970,616 | \$ 88,163 | \$ 777,652 |
| Component units: | | | | |
| Coleman Economic Development Corp | \$ 173,299 | \$ 5,100 | \$ | \$ |
| Coleman Community Coalition | 117,118 | | | |
| Coleman County Senior Citizens | 160,590 | 8,050 | 137,910 | |
| Total component units | \$ 451,007 | \$ 13,150 | \$ 137,910 | \$ |

GENERAL REVENUES:

Taxes:

Property taxes
Sales and use taxes
Franchise taxes
Hotel/motel taxes

Investment income
Miscellaneous income
Transfers

Total general revenues

Change in net position

Net position - beginning
Prior period adjustment

Net position - ending

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

| NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION | | | |
|---|-----------------------------|----------------------|---------------------|
| PRIMARY GOVERNMENT | | | |
| Governmental Activities | Business-type Activities | Total | Component Units |
| \$ (182,618) | \$ | \$ (182,618) | \$ |
| (1,232,868) | | (1,232,868) | |
| (85,148) | | (85,148) | |
| (261,108) | | (261,108) | |
| 5,527 | | 5,527 | |
| (57,427) | | (57,427) | |
| (49,043) | | (49,043) | |
| (257,947) | | (257,947) | |
| (4,043) | | (4,043) | |
| <u>(2,124,675)</u> | | <u>(2,124,675)</u> | |
| | 717,801 | 717,801 | |
| | 618,974 | 618,974 | |
| | 52,031 | 52,031 | |
| | <u>1,388,806</u> | <u>1,388,806</u> | |
| <u>(2,124,675)</u> | <u>1,388,806</u> | <u>(735,869)</u> | |
| | | | (168,199) |
| | | | (117,118) |
| | | | (14,630) |
| | | | <u>(299,947)</u> |
| 352,559 | | 352,559 | |
| 471,546 | | 471,546 | 466,860 |
| 103,340 | 28,566 | 131,906 | |
| 40,519 | | 40,519 | |
| 1,340 | 2,072 | 3,412 | 2,008 |
| 538,975 | 93,340 | 632,315 | 8,000 |
| 554,016 | (554,016) | | |
| <u>2,062,295</u> | <u>(430,038)</u> | <u>1,632,257</u> | <u>476,868</u> |
| (62,380) | 958,768 | 896,388 | 176,921 |
| 1,521,448 | 10,407,240 | 11,928,688 | 1,122,132 |
| 38,801 | 128,606 | 167,407 | 38,484 |
| <u>\$ 1,497,869</u> | <u>\$ 11,494,614</u> | <u>\$ 12,992,483</u> | <u>\$ 1,337,537</u> |

CITY OF COLEMAN, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

| | General Fund | Nonmajor Governmental Fund | Total Governmental Funds |
|---|--------------------------|----------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 441,453 | \$ 2,434 | \$ 443,887 |
| Receivables: | | | |
| Accounts, net | 7,456 | | 7,456 |
| Property tax, net | 41,962 | | 41,962 |
| Sales tax | 133,252 | | 133,252 |
| Hotel/motel tax | 9,327 | | 9,327 |
| Franchise tax | 17,875 | | 17,875 |
| Due from other governments | 1,000 | | 1,000 |
| Prepaid expenses | 14,354 | | 14,354 |
| Due from other funds | <u>85,426</u> | | <u>85,426</u> |
| TOTAL ASSETS | <u><u>\$ 752,105</u></u> | <u><u>\$ 2,434</u></u> | <u><u>\$ 754,539</u></u> |
| LIABILITIES: | | | |
| Accounts payable and accrued expenses | \$ 34,920 | \$ 250 | \$ 35,170 |
| Due to other governmental entities | 71,650 | | 71,650 |
| Due to other funds | | 1,148 | 1,148 |
| DERERRED INFLOWS OF RESOURCES: | | | |
| Deferred revenue | <u>34,477</u> | | <u>34,477</u> |
| Total liabilities and deferred inflows of resources | <u>141,047</u> | <u>1,398</u> | <u>142,445</u> |
| FUND BALANCE: | | | |
| Unassigned | 606,315 | | 606,315 |
| Restricted | <u>4,743</u> | <u>1,036</u> | <u>5,779</u> |
| Total Fund Balance | <u>611,058</u> | <u>1,036</u> | <u>612,094</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u><u>\$ 752,105</u></u> | <u><u>\$ 2,434</u></u> | <u><u>\$ 754,539</u></u> |

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

CITY OF COLEMAN, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

| | | |
|---|----|-------------------------|
| Total Fund Balances - Governmental Funds | \$ | 612,094 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore, are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$7,599,055 and the accumulated depreciation was \$6,461,351. The net effect of the beginning balances for capital assets (net of depreciation) in the governmental activities is an increase to net position. | | 1,137,704 |
| Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. There were current year capital asset purchases of \$23,031 in the General Fund. | | 23,031 |
| Depreciation expense is not reflected in the governmental funds, but is recorded in the government-wide financial statements as an expense and an increase to accumulated depreciation. The net effect of the current year depreciation expense of \$174,603 is to decrease net position. | | (174,603) |
| Long term debt is not due and payable in the current period and, therefore, it is not reported in governmental funds. The net effect of recognizing long term debt in the governmental activities is a decrease to net position of \$72,416. | | (72,416) |
| Compensated absences are reported in the government wide statements but are not recorded in the fund financial statements. | | (62,418) |
| Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the governmental funds. Deferred revenue of \$34,477 is recognized in the government-wide financial statements. This results in an increase in net position. | | <u>34,477</u> |
| Net Position of Governmental Activities | \$ | <u><u>1,497,869</u></u> |

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

CITY OF COLEMAN, TEXAS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2014

| | General Fund | Nonmajor Governmental | Total Governmental Funds |
|-------------------------|------------------|--------------------------|--------------------------------|
| REVENUE: | | | |
| Taxes: | | | |
| Franchise tax | \$ 103,340 | \$ | \$ 103,340 |
| Property tax | 359,426 | | 359,426 |
| Sales tax | 466,377 | | 466,377 |
| Occupancy tax | 40,519 | | 40,519 |
| Alcohol beverage tax | 5,269 | | 5,269 |
| Total taxes | <u>974,931</u> | | <u>974,931</u> |
| Licenses & permits | 6,772 | | 6,772 |
| Grants | 31,045 | 1,815 | 32,860 |
| Fines and forfeitures | 60,994 | | 60,994 |
| Investment income | 1,539 | 1 | 1,540 |
| General service fees | 228,901 | | 228,901 |
| Internal franchise fees | 228,901 | | 228,901 |
| Tower rental | 33,878 | | 33,878 |
| Charges for services | 227,530 | | 227,530 |
| Donations | 3,123 | | 3,123 |
| Sale of Assets | 8,260 | | 8,260 |
| Miscellaneous Income | 32,347 | | 32,347 |
| Total Revenue | <u>1,838,221</u> | <u>1,816</u> | <u>1,840,037</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| General government | 188,374 | | 188,374 |
| Public safety | | | |
| Dispatch | 223,958 | | 223,958 |
| Police department | 616,071 | 1,828 | 617,899 |
| Fire department | 361,682 | | 361,682 |
| Public service | | | |
| Animal control | 54,660 | | 54,660 |
| Municipal court | 90,639 | | 90,639 |
| Health and sanitation | 3,857 | | 3,857 |
| Cultural and recreation | | | |
| Library | 108,303 | | 108,303 |
| Parks | 163,009 | | 163,009 |
| City park pool | 27,468 | | 27,468 |
| Health and inspection | | | |
| City inspection | 314 | | 314 |
| Cemetery | 116,427 | | 116,427 |
| Environmental | 49,043 | | 49,043 |
| Highways and streets | | | |
| Streets | 255,055 | | 255,055 |
| Debt service: | | | |
| Principal retired | 40,221 | | 40,221 |
| Interest | 4,043 | | 4,043 |
| Capital outlay | 23,031 | | 23,031 |
| Total Expenditures | <u>2,326,155</u> | <u>1,828</u> | <u>2,327,983</u> |

CITY OF COLEMAN, TEXAS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - continued
YEAR ENDED SEPTEMBER 30, 2014

| | General Fund | Nonmajor Governmental | Total Governmental Funds |
|--|-------------------|--------------------------|--------------------------------|
| EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES | (487,934) | (12) | (487,946) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 682,194 | | 682,194 |
| Transfers out | (128,178) | | (128,178) |
| Total other financing sources (uses) | <u>554,016</u> | | <u>554,016</u> |
| CHANGE IN FUND BALANCE | 66,082 | (12) | 66,070 |
| FUND BALANCE AT BEGINNING OF YEAR | 506,175 | 1,048 | 507,223 |
| Adjustments to beginning fund balance | <u>38,801</u> | | <u>38,801</u> |
| FUND BALANCE AT END OF YEAR | <u>\$ 611,058</u> | <u>\$ 1,036</u> | <u>\$ 612,094</u> |

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

CITY OF COLEMAN, TEXAS
RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2014

| | | |
|---|----|------------------------|
| Net Change in Fund Balances - Governmental Funds | \$ | 66,070 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The current year capital asset purchases in the General Fund were \$87,500. | | 23,031 |
| Depreciation expense is not reflected in the governmental funds, but is recorded in the government-wide financial statements as an expense and an increase to accumulated depreciation. The net effect of the current year depreciation expense of \$174,603 is to decrease net position. | | (174,603) |
| The current year issuance of long term debt provides current financial resources to governmental funds, while repayment of the principal of long term debt consumes the current financial resources of governmental funds. The net effect of recognizing current issuance and payments on long term debt in the government-wide financial statements is a net increase to net position of \$41,028. | | 41,028 |
| Changes in compensated absences are shown in the statement of activities but are not included in the fund financial statements | | (11,039) |
| Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the governmental funds. The current year adjustment to revenue recognized in the government-wide financial statements is \$6,867. This results in an increase in net position. | | <u>(6,867)</u> |
| Change in Net Position of Governmental Activities | \$ | <u><u>(62,380)</u></u> |

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

CITY OF COLEMAN, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014

| | Utility Fund | Municipal Airport Fund | Sanitation Fund | Total Proprietary Funds |
|--------------------------------------|---------------------|------------------------------|--------------------|-------------------------------|
| ASSETS: | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | \$ 1,768,331 | \$ 71,520 | \$ 58,607 | \$ 1,898,458 |
| Restricted cash and cash equivalents | 48,199 | | 39,004 | 87,203 |
| Investments | 1,756,809 | | | 1,756,809 |
| Accounts receivable, net | 430,760 | | | 430,760 |
| Other receivables | 20,494 | 5,520 | 32,386 | 58,400 |
| Prepaid expenses | 11,984 | | 352 | 12,336 |
| Due from other funds | | | 107,973 | 107,973 |
| Total Current Assets | 4,036,577 | 77,040 | 238,322 | 4,351,939 |
| Noncurrent Assets: | | | | |
| Bond discount | 1,350,173 | | | 1,350,173 |
| Capital assets: | | | | |
| Land | 317,161 | | | 317,161 |
| Construction in progress | 17,380 | | | 17,380 |
| Buildings, net | 51,562 | | | 51,562 |
| Infrastructure and improvements, net | 9,826,833 | 2,404,013 | | 12,230,846 |
| Machinery & equipment, net | 368,660 | 330,462 | | 699,122 |
| City lakes, net | 36,842 | | | 36,842 |
| Landfill and improvements, net | | | 21,587 | 21,587 |
| Total Noncurrent Assets | 11,968,611 | 2,734,475 | 21,587 | 14,724,673 |
| Total Assets | 16,005,188 | 2,811,515 | 259,909 | 19,076,612 |
| LIABILITIES: | | | | |
| Accounts payable | 341,053 | 13,694 | 45,528 | 400,275 |
| Due to other funds | 151,108 | 41,143 | | 192,251 |
| Accrued payroll and related taxes | 25,884 | | 1,196 | 27,080 |
| Accrued interest payable | | | | |
| Other liabilities | 17,913 | | | 17,913 |
| Utility deposits | 275,926 | | | 275,926 |
| Capital lease payable | 2,064 | | | 2,064 |
| Notes payable | 27,326 | | | 27,326 |
| Certificates of obligation | 555,000 | | | 555,000 |
| Total current | 1,396,274 | 54,837 | 46,724 | 1,497,835 |
| Long term liabilities: | | | | |
| Compensated absences | 33,244 | | | 33,244 |
| Notes payable | 85,919 | | | 85,919 |
| Certificates of obligation | 5,965,000 | | | 5,965,000 |
| Total Liabilities | 7,480,437 | 54,837 | 46,724 | 7,581,998 |
| NET POSITION: | | | | |
| Net investment in capital assets | 3,983,129 | 2,734,475 | 21,587 | 6,739,191 |
| Restricted | 48,199 | | 39,004 | 87,203 |
| Unrestricted | 4,493,423 | 22,203 | 152,594 | 4,668,220 |
| Total Net Position | \$ 8,524,751 | \$ 2,756,678 | \$ 213,185 | \$ 11,494,614 |

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

CITY OF COLEMAN, TEXAS
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

| | Utility Fund | Municipal Airport Fund | Sanitation Fund | Total Proprietary Funds |
|--|---------------------|------------------------------|--------------------|-------------------------------|
| OPERATING REVENUE: | | | | |
| Water Sales | \$ 1,436,292 | \$ | \$ | \$ 1,436,292 |
| Sewer charges | 683,881 | | | 683,881 |
| Electric sales | 5,601,088 | | | 5,601,088 |
| Sanitation charges | | | 777,600 | 777,600 |
| Gas & oil sales | | 117,797 | | 117,797 |
| Utilities transfer fee | 25,896 | | | 25,896 |
| Franchise fee | | | 28,566 | 28,566 |
| Penalties on utility service | 91,334 | | | 91,334 |
| Rental income | | 9,428 | | 9,428 |
| Other income | 45,098 | 3,265 | 9,194 | 57,557 |
| Total Operating Revenue | <u>7,883,589</u> | <u>130,490</u> | <u>815,360</u> | <u>8,829,439</u> |
| OPERATING EXPENSES: | | | | |
| Utility department | | | | |
| Sewer administration | 26,237 | | | 26,237 |
| Water production administration | 115,912 | | | 115,912 |
| Light production administration | 487,322 | | | 487,322 |
| Light production department | 4,047,348 | | | 4,047,348 |
| Light distribution department | 666,890 | | | 666,890 |
| Water production department | 552,209 | | | 552,209 |
| Water distribution department | 490,195 | | | 490,195 |
| Lake Coleman | 44,502 | | | 44,502 |
| Wastewater collection department | 241,764 | | | 241,764 |
| Wastewater treatment plant | 219,727 | | | 219,727 |
| Utility office | 69,729 | | | 69,729 |
| Utility shop | 22,335 | | | 22,335 |
| Municipal airport | | 259,095 | | 259,095 |
| Sanitation | | | 725,569 | 725,569 |
| Total Operating Expenses | <u>6,984,170</u> | <u>259,095</u> | <u>725,569</u> | <u>7,968,834</u> |
| Operating Income | <u>899,419</u> | <u>(128,605)</u> | <u>89,791</u> | <u>860,605</u> |
| NON-OPERATING REVENUE (EXPENSES) | | | | |
| Interest income | 2,040 | 32 | | 2,072 |
| Interest expense | (153,900) | | | (153,900) |
| Grant income | 17,380 | 760,272 | | 777,652 |
| Disposal of assets | 11,026 | | | 11,026 |
| Amortization of reoffering costs | 15,329 | | | 15,329 |
| Total Non-operating | <u>(108,125)</u> | <u>760,304</u> | <u>-</u> | <u>652,179</u> |
| NET INCOME BEFORE OPERATING TRANSFERS | <u>791,294</u> | <u>631,699</u> | <u>89,791</u> | <u>1,512,784</u> |
| OPERATING TRANSFERS | | | | |
| Transfers in | 378,061 | 24,999 | | 403,060 |
| Transfers out | <u>(826,711)</u> | | <u>(130,365)</u> | <u>(957,076)</u> |
| CHANGE IN NET POSITION | <u>342,644</u> | <u>656,698</u> | <u>(40,574)</u> | <u>958,768</u> |
| NET POSITION - BEGINNING OF YEAR | <u>8,069,287</u> | <u>2,091,239</u> | <u>246,714</u> | <u>10,407,240</u> |
| Prior period adjustment | <u>112,820</u> | <u>8,741</u> | <u>7,045</u> | <u>128,606</u> |
| NET POSITION - END OF YEAR | <u>\$ 8,524,751</u> | <u>\$ 2,756,678</u> | <u>\$ 213,185</u> | <u>\$ 11,494,614</u> |

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

CITY OF COLEMAN, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

| | Utility Fund | Municipal Airport Fund | Sanitation Fund | Total Proprietary Funds |
|---|---------------------|------------------------------|--------------------|-------------------------------|
| Cash flows from operating activities: | | | | |
| Receipts from customers | \$ 7,722,586 | \$ 123,215 | \$ 776,261 | \$ 8,622,062 |
| Receipts from other operation functions | 162,328 | 3,265 | 37,760 | 203,353 |
| Payments to suppliers | (4,907,809) | | (685,501) | (5,593,310) |
| Payments to employees and related taxes and benefits | (1,574,974) | (9,600) | (43,536) | (1,628,110) |
| Payments to others | | (140,181) | | (140,181) |
| Net cash provided (used) by operating activities | <u>1,402,131</u> | <u>(23,301)</u> | <u>84,984</u> | <u>1,463,814</u> |
| Cash flows from noncapital financing activities: | | | | |
| Operating transfers in/out | (448,650) | 24,999 | (146,211) | (569,862) |
| Due from other governments | (1,931) | | | (1,931) |
| Miscellaneous income | | | | |
| Net cash provided (used) by noncapital financing activities | <u>(450,581)</u> | <u>24,999</u> | <u>(146,211)</u> | <u>(571,793)</u> |
| Cash flows from capital and related financing activities: | | | | |
| Principal payments on long-term debt | (575,513) | | | (575,513) |
| Interest payments on long-term debt | (67,179) | | | (67,179) |
| Proceeds from issuance of debt | 130,513 | | | 130,513 |
| Acquisition and construction of capital assets | (456,173) | (754,206) | | (1,210,379) |
| Disposal of assets | 12,624 | | | 12,624 |
| Capital grant proceeds | 18,853 | 760,272 | | 779,125 |
| Net cash provided (used) by capital and related financing activities | <u>(936,875)</u> | <u>6,066</u> | <u>-</u> | <u>(930,809)</u> |
| Cash flows from investing activities: | | | | |
| Interest income | 2,040 | 32 | | 2,072 |
| Purchase of investments | (558) | | | (558) |
| Net cash provided (used) by investing activities | <u>1,482</u> | <u>32</u> | <u>-</u> | <u>1,514</u> |
| Net increase (decrease) in cash and cash equivalents | 16,157 | 7,796 | (61,227) | (37,274) |
| Cash and cash equivalents at beginning of year | <u>1,800,373</u> | <u>63,724</u> | <u>158,838</u> | <u>2,022,935</u> |
| Cash and cash equivalents at end of year | <u>\$ 1,816,530</u> | <u>\$ 71,520</u> | <u>\$ 97,611</u> | <u>\$ 1,985,661</u> |
| Reconciliation of operating income to net cash | | | | |
| Provided (used) by operating activities: | | | | |
| Operating income | \$ 899,419 | \$ (128,605) | \$ 89,791 | \$ 860,605 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Depreciation | 584,295 | 97,181 | | 681,476 |
| (Increase) Decrease in accounts receivable | (10,043) | (4,010) | (1,339) | (15,392) |
| (Increase) Decrease in prepaid expenses | (11,984) | | (352) | (12,336) |
| Increase (Decrease) in accounts payable | (60,869) | 12,133 | (2,591) | (51,327) |
| Increase (Decrease) in payroll accruals | (10,055) | | (525) | (10,580) |
| Increase in customer deposits | 11,368 | | | 11,368 |
| Net cash provided (used) by operating activities | <u>1,402,131</u> | <u>(23,301)</u> | <u>84,984</u> | <u>\$ 1,463,814</u> |

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

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting framework and the more significant accounting principles and practices of the City of Coleman, Texas (City) are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2014.

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

REPORTING ENTITY

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

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

The City has oversight responsibility for the Coleman Economic Development Corporation, the Coleman Community Coalition Type B Economic Development Corporation, and the Coleman County Senior Center. The City is financially accountable for the three component units since the City Council appoints a majority of their boards and the City is able to impose its will on the entities. The audited financial statements of these entities are discretely presented component units, presented as governmental type activities using the modified accrual basis of accounting.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide financial statements

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

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

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Fund financial statements

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

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

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

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

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

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

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

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Budgetary Control

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

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

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

Excess of Expenditures over Appropriations

During fiscal year 2014, the general fund, expenditures exceeded the budget in total by \$89,274. Most departments within the general fund show expenditures greater than budget for the year. However, funds were available to cover all unbudgeted expenditures since the overall revenues were over their projected budget by \$205,628. The city's overall revenues over expenditures compared to budget was a positive \$116,354.

Use of Estimates

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

Fund Types and Major Funds

Governmental Funds

The City reports the following major governmental fund:

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

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

Proprietary Funds

The City reports the following major enterprise funds:

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

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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

Assets, Liabilities, and Net Position or Equity

Cash and cash equivalents

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

Receivables and payables

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

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

Capital assets, depreciation, and amortization

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

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

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

Compensated Absences

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

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Long-term debt

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

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

Fund balance classifications

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

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The city has no nonspendable funds for the year ended September 30, 2014.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the revenue note and restricted through debt covenants. Federal or state funds are restricted for use only for a specific use. The City has \$5,779 restricted funds at September 30, 2014.

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

Assigned – This classification includes amounts that are constrained by the City Council's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the Council delegating this responsibility to management through the budgetary process. The City has no assigned funds for the year ended September 30, 2014.

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

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

NOTE 2: DEPOSITS AND INVESTMENTS

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

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 2: DEPOSITS AND INVESTMENTS - continued

Cash Deposits

The City's cash deposits were entirely covered by FDIC insurance or be pledged collateral held by the City's bank in the City's name at September 30, 2014.

The Coleman Economic Development Corporation, Coleman Community Coalition Type B Economic Development Corporation, and the Coleman County Senior Center were fully collateralized at September 30, 2014.

Investments

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

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

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

The City's investments at September 30, 2014 are as follows:

| | Reported Amount/Fair Value |
|-------------------------------|-------------------------------|
| Governmental Activities: | |
| Certificates of Deposits | \$ 151,648 |
| Total Governmental Activities | 151,648 |
| Business-type Activities: | |
| Certificates of Deposit | 100,000 |
| TexPool | 1,656,809 |
| | 1,756,809 |
| Total Government | \$ 1,908,457 |

Custodial credit risk – deposits. Deposits in financial institutions are carried at cost which approximates fair value. At September 30, 2014, the City had cash and cash investments, which represents cash on hand, demand deposits and savings accounts at federally insured local banks. At September 30, 2014, the City's deposits were fully secured by federal depository insurance and pledged securities held by the City's agent in the City's name.

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 2: DEPOSITS AND INVESTMENTS - continued

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

NOTE 3: ACCOUNTS RECEIVABLE

Enterprise Receivables

Significant receivables in the Enterprise funds include amounts due from customers primarily for utility services and airport services. An allowance has been recorded to estimate the receivables collectible at year end. The receivables in the Utility Fund, Airport Fund, and Sanitation Fund total \$430,760 (net of an allowance of \$19,140), \$5,520, and \$32,386 respectively.

NOTE 4: TAXES RECEIVABLE

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of tax bill and are delinquent if not paid before February 1 of the year following the year in which tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period. The tax rate to finance general governmental services and service the debt for the year ended September 30, 2014 was \$.37135 per \$100 valuation (.23814 for maintenance and operations and .13321 for debt service).

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

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

Property taxes receivable (net) is computed as follows:

| | |
|---|------------------|
| | <u>General</u> |
| | <u>Fund</u> |
| Property taxes receivable | \$ 62,404 |
| Less: Allowance for uncollectible taxes | <u>(20,442)</u> |
| Property taxes receivable (net) | <u>\$ 41,962</u> |

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 5: CAPITAL ASSETS

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

| <u>Government Activities:</u> | Balance September 30, 2013 | Additions/ Completions | Retirements/ Adjustments | Balance September 30, 2014 |
|---|----------------------------------|---------------------------|-----------------------------|----------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 9,980 | \$ | \$ | \$ 9,980 |
| Total capital assets, not being depreciated | <u>9,980</u> | | | <u>9,980</u> |
| Capital assets being depreciated: | | | | |
| Infrastructure | 2,951,870 | | | 2,951,870 |
| Equipment | 4,637,205 | 23,031 | | 4,660,236 |
| Total assets being depreciated | <u>7,589,075</u> | <u>23,031</u> | | <u>7,612,106</u> |
| Less accumulated depreciation for: | | | | |
| Infrastructure | (2,498,477) | (12,422) | | (2,510,899) |
| Equipment | (3,962,874) | (162,181) | | (4,125,055) |
| Total accumulated depreciation | <u>(6,461,351)</u> | <u>(174,603)</u> | | <u>(6,635,954)</u> |
| Total capital assets being depreciated, net | <u>1,127,724</u> | <u>(151,572)</u> | | <u>976,152</u> |
| Governmental activities capital assets, net | <u>\$ 1,137,704</u> | <u>\$ (151,572)</u> | <u>\$</u> | <u>\$ 986,132</u> |

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

| <u>Business-type activities:</u> | Balance September 30, 2013 | Additions/ Completions | Retirements/ Adjustments | Balance September 30, 2014 |
|--|----------------------------------|---------------------------|-----------------------------|----------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 392,061 | \$ | \$ (74,900) | \$ 317,161 |
| Construction in progress | 5,521,332 | 301,953 | (5,805,905) | 17,380 |
| Total capital assets, not being depreciated | <u>5,913,393</u> | <u>301,953</u> | <u>(5,880,805)</u> | <u>334,541</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 249,569 | | | 249,569 |
| Water improvements | 15,537,638 | 5,805,905 | | 21,343,543 |
| Airport Improvements | 1,844,704 | 837,847 | | 2,682,551 |
| Equipment | 3,392,864 | 153,225 | (140,178) | 3,405,911 |
| Total assets being depreciated | <u>21,024,775</u> | <u>6,796,977</u> | <u>(140,178)</u> | <u>27,681,574</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (194,359) | (3,648) | | (198,007) |
| Water improvements | (10,991,131) | (488,738) | | (11,479,869) |
| Airport Improvements | (229,850) | (48,688) | | (278,538) |
| Equipment | (2,699,569) | (93,564) | 107,931 | (2,685,202) |
| Total accumulated depreciation | <u>(14,114,909)</u> | <u>(634,638)</u> | <u>107,931</u> | <u>(14,641,616)</u> |
| Total capital assets being depreciated, net | <u>6,909,866</u> | <u>6,162,339</u> | <u>(32,247)</u> | <u>13,039,958</u> |
| Business-type activities capital assets, net | <u>\$ 12,823,259</u> | <u>\$ 6,464,292</u> | <u>\$ (5,913,052)</u> | <u>\$ 13,374,499</u> |

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 5: CAPITAL ASSETS - continued

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

Governmental activities:

| | |
|------------------------|-------------------|
| General Government | \$ 8,714 |
| Public safety | 96,205 |
| Streets | 47,603 |
| Culture and recreation | 16,717 |
| Cemetery | <u>5,364</u> |
| | <u>\$ 174,603</u> |

Business-type activities:

| | |
|-------------------|-------------------|
| Utility Shop | \$ 5,857 |
| Sewer | 10,525 |
| Light | 282,369 |
| Utility | 5,281 |
| Municipal Airport | 97,181 |
| Water | <u>233,425</u> |
| | <u>\$ 634,638</u> |

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

| <u>Component Units Combined</u> | Balance September 30, 2013 | Additions/ Completions | Retirements/ Adjustments | Balance September 30, 2014 |
|--|----------------------------------|---------------------------|-----------------------------|----------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 26,000 | \$ - | \$ - | \$ 26,000 |
| Total capital assets, not being depreciated | <u>26,000</u> | <u>-</u> | <u>-</u> | <u>26,000</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 304,491 | 87,555 | | 392,046 |
| Equipment | <u>58,547</u> | <u>6,725</u> | | <u>65,272</u> |
| Total assets being depreciated | <u>363,038</u> | <u>94,280</u> | | <u>457,318</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (202,656) | (22,630) | | (225,286) |
| Equipment | <u>(34,730)</u> | <u>(7,610)</u> | | <u>(42,340)</u> |
| Total accumulated depreciation | <u>(237,386)</u> | <u>(30,240)</u> | | <u>(267,626)</u> |
| Total capital assets being depreciated, net | <u>125,652</u> | <u>64,040</u> | | <u>189,692</u> |
| Business-type activities capital assets, net | \$ <u>151,652</u> | \$ <u>64,040</u> | \$ - | \$ <u>215,692</u> |

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

| | |
|---------------------------|------------------|
| Economic Development Corp | \$ 17,447 |
| Community Coalition | 2,260 |
| Senior Citizens Center | <u>10,533</u> |
| Total Depreciation | <u>\$ 30,240</u> |

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2014

NOTE 6: LONG TERM DEBT

In January 2008, the City was approved for Tax and Utility System Surplus Revenue Certificates of Obligation, Series 2008, in the amount of \$5,024,000 from the Drinking Water State Revolving Fund administered by the Texas Water Development Board. The release of funds is required to occur through multiple installments. The funds will include an additional \$885,000 in Loan Forgiveness through the DWSRT Disadvantaged Program. The bonds are 0% interest. Interest was imputed on these bonds. A bond discount of \$1,445,436 resulted in the imputed interest. The balance at 9/30/2014 is \$4,175,000.

In January 2010, the City issued \$1,735,000 of General Obligation Refunding Bonds with interest rates ranging from 2.0% to 3.5%. The refunding issued achieved total present value savings equal to 4.672% of the \$1,845,000 refunded amount. Average annual savings will be \$11,953 from 2011 through 2018. Total debt service savings through the life of the refunding issue is \$95,620. The balance at 09/30/2014 is \$920,000.

In January 2013, the City issued \$1,765,000 of General Obligation Refunding Bonds, which refunded the Tax and Utility System Surplus Revenue Certificates of Obligation. Interest rates are at 1.83%. The refunding issue achieved total present value savings equal to 11.582% of the \$1,680,000 refunded amount. Average annual savings will be \$23,402 from 2014 to 2022. Total debt service savings through the life of the refunding issue is \$214,725. The balance at 09/30/2014 is \$1,425,000.

In February 2010, the City entered into a note agreement with Caterpillar Financial for a Caterpillar skid loader in the amount of \$24,000. The interest rate is 4.5%, and monthly payments of \$750, including interest, are due from the City for 36 months. The balance at 09/30/2014 is \$2,404.

In November 2012, the City entered into a note agreement with Caterpillar Financial for a Caterpillar motor grader in the amount of \$86,538. Payments of \$23,392 with an interest rate of 3.2% are due annually until October 2016. The balance at 09/30/2014 is \$65,915.

In November 2013, the City entered into an \$80,870 note agreement with Government Capital Financing to purchase a low boy trailer and recloser. The note was for a term of 5 years with quarterly payments, including interest, of \$4,373 through September 2018. The balance of this loan at 09/30/2014 is \$65,213.

In April 2014, the City entered into a note agreement with Caterpillar Financial Services Corporation for a Caterpillar backhoe and excavator in the amount of \$49,643. The interest rate is 3.2% and monthly payments of \$896, including interest, are due from the City for 60 months. The balance at 09/30/2014 is \$45,627.

In April 2010, the City entered into a lease agreement with Canon Financial Services, Inc. for a digital copier. The effective interest rate is 6.0. Payments of \$265 are due monthly through April 2015. The balance at 09/30/2014 is \$2,064.

In 2011, the City entered into a lease agreement with Government Capital Corporation for a phone system and furniture for the police department. The effective interest rate is 5.8%. Payments of \$4,750 are due quarterly with the final payment due in October 2014. The balance at 09/30/2014 is \$4,683.

In 2010, the City entered into a lease with Cannon Financial Services for a digital copier. The effective interest rate is 6.0%. Payments of \$170 are due monthly with the final payment due May 2015. The balance at 09/30/2014 is \$1,819.

A schedule of the City's transaction in the long term debt for the year ended September 30, 2014 is as follows:

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 6: LONG TERM DEBT - continued

| | <u>Balance at 09/30/2013</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance at 09/30/2013</u> |
|--------------------------------------|----------------------------------|-------------------|--------------------|----------------------------------|
| Primary Government: | | | | |
| <i>Governmental Activities:</i> | | | | |
| Capital Lease | \$ 27,182 | \$ | \$ 20,681 | \$ 6,501 |
| Notes Payable | 86,263 | | 20,348 | 65,915 |
| | <u>113,445</u> | <u>-</u> | <u>41,029</u> | <u>72,416</u> |
| <i>Business-Type Activities:</i> | | | | |
| Capital Lease | 4,783 | | 2,719 | 2,064 |
| Notes Payable | 61,828 | 130,513 | 79,096 | 113,245 |
| Bonds Payable | 7,070,000 | | 550,000 | 6,520,000 |
| | <u>7,136,611</u> | <u>130,513</u> | <u>631,815</u> | <u>6,635,309</u> |
| Total Primary Government | \$ <u>7,250,056</u> | \$ <u>130,513</u> | \$ <u>672,844</u> | \$ <u>6,707,725</u> |

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 6: LONG TERM DEBT - continued

The annual aggregate maturities for the governmental and business-type activities at September 30, 2014

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------------|----------------------------|--------------------------|----------------------------|
| Long term bonds | | | |
| <i>Business-type activities:</i> | | | |
| 2015 | \$ 555,000 | \$ 49,818 | \$ 604,818 |
| 2016 | 560,000 | 40,373 | 600,373 |
| 2017 | 570,000 | 30,454 | 600,454 |
| 2018 | 585,000 | 19,618 | 604,618 |
| 2019 | 355,000 | 12,124 | 367,124 |
| 2020-2024 | 1,420,000 | 15,830 | 1,435,830 |
| 2025-2029 | 825,000 | | 825,000 |
| 2030-2034 | 825,000 | | 825,000 |
| 2035-2039 | 825,000 | | 825,000 |
| | <u>6,520,000</u> | <u>168,217</u> | <u>6,688,217</u> |
| Notes Payable: | | | |
| <i>Governmental Activities:</i> | | | |
| 2015 | 21,283 | 2,109 | 23,392 |
| 2016 | 21,964 | 1,428 | 23,392 |
| 2017 | 22,668 | 725 | 23,393 |
| | <u>65,915</u> | <u>4,262</u> | <u>70,177</u> |
| <i>Business-type activities:</i> | | | |
| 2015 | 27,326 | 3,396 | 30,722 |
| 2016 | 25,756 | 2,494 | 28,250 |
| 2017 | 26,618 | 1,632 | 28,250 |
| 2018 | 27,510 | 741 | 28,251 |
| 2019 | 6,035 | 240 | 6,275 |
| | <u>113,245</u> | <u>8,503</u> | <u>121,748</u> |
| Capital Leases Payable: | | | |
| <i>Governmental activities:</i> | | | |
| 2015 | <u>6,501</u> | <u>123</u> | <u>6,624</u> |
| <i>Business-type Activities:</i> | | | |
| 2015 | <u>2,064</u> | <u>47</u> | <u>2,111</u> |
| Total Primary Government | <u>\$ 6,707,725</u> | <u>\$ 181,152</u> | <u>\$ 6,888,877</u> |

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

Receivables and Payables

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

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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

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

| Fund with Due From | Fund with Due to | Amount |
|--------------------|------------------|-----------|
| Municipal | General | \$ 41,143 |
| Utility | Garbage | 96,115 |
| General | Garbage | 11,858 |
| Utility | General | 54,993 |
| Law | General | 1,148 |

NOTE 8: RISK FINANCING

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

NOTE 9: COMMITMENTS AND CONTINGENCIES

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

Note 10: PENSION PLAN

Plan Description – The City of Coleman provides pension benefits for all of its eligible employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

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

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

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

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

Note 10: PENSION PLAN - continued

Contributions – Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member’s compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The City contributed using the actuarially determined rate of 18.48% for October through November 2013 and 16.59% for January through December 2014, and the contribution rate payable by the employee members was the rate of 7.0%. For the City’s accounting year ending September 30, 2014, the annual pension cost for City was \$393,556, and the actual employee contributions were \$153,499.

Actuarial Valuation Information

| | <u>12/31/11</u> | <u>12/31/12</u> | <u>12/31/13</u> |
|--|--------------------------------|--------------------------------|--------------------------------|
| Actuarial valuation date | 12/31/11 | 12/31/12 | 12/31/13 |
| Actuarial cost method | projected unit credit | projected unit credit | entry age normal |
| Amortization method | level percentage of payroll | level percentage of payroll | level percentage of payroll |
| GASB 25 amortization period | 26.3 years, closed | 24.4 years, closed | 19.0 years, closed |
| Amortization period for new gains\losses | 30 years | 30 years | 30 years |
| Asset valuation method | 10-year smoothed | 10-year smoothed | 10-year smoothed |
| Actuarial Assumptions: | market | market | market |
| Investment rate of return* | 7.0% | 7.0% | 7.0% |
| Projected salary increases* | Varies by age and service | | |
| Inflation | 3.0% | 3.0% | 3.0% |
| Cost of living adjustments | 1.5% | 1.5% | 1.5% |

*Includes inflation at the stated rate

Trend Information
for the Retirement Plan for the Employees of the City of Coleman

| <u>Calendar Year Ending</u> | <u>Annual Required Contr. (ARC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|-------------------------------------|---|--|---------------------------------------|
| December, 31 2012 | \$ 393,880 | 100% | - 0 - |
| December 31, 2013 | 359,864 | 100% | - 0 - |
| December 31, 2014 | 412,160 | 100% | - 0 - |

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

Note 10: PENSION PLAN – continued

| Schedule of Funding Progress for the Retirement Plan for the Employees of the City of Coleman | | | | | | |
|--|---------------------------------|--|---------------------------|-----------------|------------------------------|--|
| | (a) | (b) | (b-a) | (a/b) | (c) | ((b-a)/c) |
| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Annual Covered Payroll | UAAL as a Percentage of Covered Payroll |
| 12/31/11 | 8,258,016 | 10,678,050 | 2,420,034 | 77.3% | 2,414,224 | 100.2% |
| 12/31/12 | 8,982,559 | 11,506,198 | 2,523,639 | 78.1% | 2,384,274 | 105.8% |
| 12/31/13 | 9,709,972 | 12,840,535 | 3,130,863 | 75.6% | 2,169,152 | 144.3% |

Note 11: HEALTH CARE COVERAGE

During the year ended September 30, 2014, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$523 per month per employee for October through December 2013 and \$534 per employee per month for January through September 2014. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by a contractual agreement.

Note 12: CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations require the City to place a cover on its City of Coleman Landfill site. The original landfill was a Type I landfill and the City made the decision in 1997 to close the landfill. By closing the landfill the city avoided the new requirements for installing monitoring wells and other expensive closing requirements. The City had to monitor the landfill for five years. As of January 2003, the city had completely closed the Type I portion of the landfill and no additional cost is expected. The remaining portion of the landfill site was converted to a Type IV (debris only) landfill. The City has instructed to open a landfill trust to cover any future costs of closing the Type IV proportion of the landfill. The trust is to cover 30 years. The trust was started in 1998 with contributions of \$5,636. The City made additional contributions until the trust reached a balance of \$37,746, the estimated amount needed to cover the Type IV proportion of the landfill. Each year as the landfill is used; the city covered the filled portion of the landfill using landfill maintenance expense funds. The City remains in compliance with all closure requirements and there are no unfunded closure needs as of September 30, 2014. The trust remains intact and will only be used in the event the City is unable to provide the proper funds for closure anytime in the 30 years following the final closure.

Note 13: DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources reported in the governmental funds of unavailable revenues are reported for property tax revenues in the amount of \$34,477.

CITY OF COLEMAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

Note 14: PRIOR PERIOD ADJUSTMENTS

During the audit procedures it was noted that prior year balances were reported incorrectly or were misclassified on the financial statements. For the Governmental Funds the beginning fund balances were increased by \$38,801. This increase was due to the re-classification of the Health Insurance Fund, Cemetery Fund, Disbursement Fund and Payroll Clearing fund in the amount of \$37,814.

The remaining adjustment of \$987 in the governmental funds includes the following adjustments:

| | <u>Adjustment to Fund Balance</u> |
|--------------------------------------|---------------------------------------|
| Increase to payroll tax liabilities | \$ 11,925 |
| Increase to franchise tax receivable | (5,078) |
| Increase to sales tax receivable | <u>(7,834)</u> |
| | <u>\$ 987</u> |

In the Enterprise funds, the beginning net position was adjusted by a total of \$128,606. Of this amount, \$112,820 was in the Utility Fund, \$8,741 was in the Airport Fund, and \$7,045 was in the Sanitation Fund. The adjustment in the Airport fund was to record Texas Department of Transportation grant activity from the previous fiscal year which had not been recorded. The adjustment in the Sanitation fund was to record an overstatement on the allowance for uncollectible accounts in the amount of \$7,356, and adjustments to the payroll tax liability of \$(311).

The adjustment in beginning net position recorded in the Enterprise Fund includes the follow adjustments:

| | <u>Adjustment to Net Position</u> |
|--|---------------------------------------|
| Decrease in Notes Payable and Bond Obligations | \$ 24,653 |
| Decrease in Accumulated Depreciation | 46,845 |
| Decrease in allowance for uncollectible accounts | 30,771 |
| Increase in payroll tax liabilities | (11,723) |
| Increase in accrued interest liability | <u>22,274</u> |
| | <u>\$ 112,820</u> |

Both the Coleman Economic Development Corporation and the Coleman Community Coalition recorded beginning net position adjustments of \$19,242. These adjustments were made due to the incorrect recording of the sales tax receivable in the prior year.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COLEMAN, TEXAS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2014

| | General Fund | | | |
|-------------------------|--------------------|----------------------------|------------------|--|
| | Original Budget | Final Amended Budget | Actual | Variance Favorable (Unfavorable) |
| REVENUE: | | | | |
| Taxes: | | | | |
| Franchise tax | \$ 88,000 | \$ 88,000 | \$ 103,340 | \$ 15,340 |
| Property tax | 341,713 | 341,713 | 359,426 | 17,713 |
| Sales tax | 382,050 | 382,050 | 466,377 | 84,327 |
| Occupancy tax | 40,000 | 40,000 | 40,519 | 519 |
| Alcohol beverage tax | 4,000 | 4,000 | 5,269 | 1,269 |
| Total taxes | <u>855,763</u> | <u>855,763</u> | <u>974,931</u> | <u>119,168</u> |
| Licenses & permits | 5,051 | 5,051 | 6,772 | 1,721 |
| Intergovernmental | 8,500 | 12,523 | 31,045 | 18,522 |
| Fines and forfeitures | 68,000 | 68,000 | 60,994 | (7,006) |
| Investment income | 882 | 882 | 1,539 | 657 |
| General service fees | 233,753 | 233,753 | 228,901 | (4,852) |
| Internal franchise fees | 233,753 | 233,753 | 228,901 | (4,852) |
| Tower rental | 34,500 | 34,500 | 33,878 | (622) |
| Charges for services | 160,250 | 160,250 | 227,530 | 67,280 |
| Donations | 2,500 | 2,500 | 3,123 | 623 |
| Sale of Assets | 10,000 | 10,000 | 8,260 | (1,740) |
| Miscellaneous Income | 19,641 | 19,641 | 32,347 | 12,706 |
| Total Revenue | <u>1,632,593</u> | <u>1,636,616</u> | <u>1,838,221</u> | <u>201,605</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 179,667 | 179,667 | 188,374 | (8,707) |
| Public safety | | | | |
| Dispatch | 220,879 | 220,879 | 223,958 | (3,079) |
| Police department | 623,586 | 623,586 | 616,071 | 7,515 |
| Fire department | 348,546 | 348,546 | 361,682 | (13,136) |
| Public service | | | | |
| Animal control | 52,046 | 52,046 | 54,660 | (2,614) |
| Municipal court | 87,951 | 87,951 | 90,639 | (2,688) |
| Health and sanitation | 2,149 | 2,149 | 3,857 | (1,708) |
| Cultural and recreation | | | | |
| Library | 96,671 | 100,694 | 108,303 | (7,609) |
| Parks | 156,576 | 156,576 | 163,009 | (6,433) |
| City park pool | 31,006 | 31,006 | 27,468 | 3,538 |
| Health and inspection | | | | |
| City inspection | 710 | 710 | 314 | 396 |
| Cemetery | 113,666 | 113,666 | 116,427 | (2,761) |
| Environmental | 47,185 | 47,185 | 49,043 | (1,858) |
| Highways and streets | | | | |
| Streets | 229,106 | 229,106 | 255,055 | (25,949) |
| Debt service: | | | | |
| Principal retired | 27,480 | 27,480 | 40,221 | (12,741) |
| Interest | 2,762 | 2,762 | 4,043 | (1,281) |
| Capital outlay | 16,895 | 16,895 | 23,031 | (6,136) |
| Total Expenditures | <u>2,236,881</u> | <u>2,240,904</u> | <u>2,326,155</u> | <u>(85,251)</u> |

CITY OF COLEMAN, TEXAS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND - continued
YEAR ENDED SEPTEMBER 30, 2014

| | General Fund | | | |
|---|--------------------|----------------------------|-------------------|--|
| | Original Budget | Final Amended Budget | Actual | Variance Favorable (Unfavorable) |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES | \$ (604,288) | \$ (604,288) | \$ (487,934) | \$ 116,354 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 726,727 | 726,727 | 682,194 | (44,533) |
| Transfers out | <u>(122,439)</u> | <u>(122,439)</u> | <u>(128,178)</u> | <u>(5,739)</u> |
| Total other financing sources (uses) | <u>604,288</u> | <u>604,288</u> | <u>554,016</u> | <u>(50,272)</u> |
| CHANGE IN FUND BALANCE | | | 66,082 | 66,082 |
| FUND BALANCE AT BEGINNING OF YE | 506,175 | 506,175 | 506,175 | |
| Adjustments to beginning fund balance | <u>38,801</u> | <u>38,801</u> | <u>38,801</u> | |
| FUND BALANCE AT END OF YEAR | <u>\$ 544,976</u> | <u>\$ 544,976</u> | <u>\$ 611,058</u> | <u>\$ 66,082</u> |

OTHER SUPPLEMENTARY INFORMATION

CITY OF COLEMAN, TEXAS
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
BUDGET (GAAP BASIS) AND ACTUAL - UTILITY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

| | Utility Fund | | | |
|--|---------------------|----------------------------|---------------------------------|----------------------|
| | Original Budget | Final Amended Budget | Adjustments to GAAP Basis | GAAP Basis Budget |
| OPERATING REVENUE: | | | | |
| Water Sales | \$ 1,687,022 | \$ 1,687,022 | \$ | \$ 1,687,022 |
| Sewer charges | 778,250 | 778,250 | | 778,250 |
| Electric sales | 5,033,309 | 5,033,309 | | 5,033,309 |
| Utilities transfer fee | 27,000 | 27,000 | | 27,000 |
| Penalties on utility service | 81,000 | 81,000 | | 81,000 |
| Other income | 12,260 | 12,260 | | 12,260 |
| Total Operating Revenue | <u>7,618,841</u> | <u>7,618,841</u> | <u>-</u> | <u>7,618,841</u> |
| OPERATING EXPENSES: | | | | |
| Utility department | | | | |
| Sewer administration | 26,894 | 26,894 | | 26,894 |
| Water production administration | 114,142 | 114,142 | | 114,142 |
| Light production administration | 490,140 | 490,140 | | 490,140 |
| Light production department | 3,734,740 | 3,734,740 | | 3,734,740 |
| Light distribution department | 780,731 | 780,731 | (90,726) | 690,005 |
| Water production department | 587,890 | 587,890 | | 587,890 |
| Water distribution department | 441,432 | 441,432 | (39,883) | 401,549 |
| Lake Coleman | 46,023 | 46,023 | | 46,023 |
| Wastewater collection department | 282,547 | 282,547 | (26,000) | 256,547 |
| Wastewater treatment plant | 294,201 | 294,201 | (3,708) | 290,493 |
| Utility office | 78,523 | 78,523 | | 78,523 |
| Utility shop | 24,104 | 24,104 | | 24,104 |
| Total Operating Expenses | <u>6,901,367</u> | <u>6,901,367</u> | <u>(160,317)</u> | <u>6,741,050</u> |
| Operating Income | <u>717,474</u> | <u>717,474</u> | <u>160,317</u> | <u>877,791</u> |
| NON-OPERATING REVENUE (EXPENSES) | | | | |
| Interest income | 3,000 | 3,000 | | 3,000 |
| Principal payments on debt | (464,879) | (464,879) | 464,879 | - |
| Interest expense | (24,879) | (24,879) | | (24,879) |
| Proceeds from debt | 107,286 | 107,286 | (107,286) | - |
| Grant income | 140,000 | 140,000 | | 140,000 |
| Disposal of assets | - | - | | - |
| Amortization of reoffering costs | - | - | | - |
| Total Non-operating | <u>(239,472)</u> | <u>(239,472)</u> | <u>357,593</u> | <u>118,121</u> |
| NET INCOME BEFORE OPERATING TRANSFERS | <u>478,002</u> | <u>478,002</u> | <u>517,910</u> | <u>995,912</u> |
| OPERATING TRANSFERS | | | | |
| Transfers in | 223,483 | 223,483 | | 223,483 |
| Transfers out | <u>(701,485)</u> | <u>(701,485)</u> | | <u>(701,485)</u> |
| | | | | - |
| CHANGE IN NET POSITION | - | - | 517,910 | 517,910 |
| | | | | - |
| NET POSITION - BEGINNING OF YEAR | 8,069,287 | 8,069,287 | | 8,069,287 |
| Prior period adjustment | <u>112,820</u> | <u>112,820</u> | | <u>112,820</u> |
| | | | | - |
| NET POSITION - END OF YEAR | <u>\$ 8,182,107</u> | <u>\$ 8,182,107</u> | <u>\$ 517,910</u> | <u>8,700,017</u> |

| Actual | Variance Favorable (Unfavorable) |
|--------------|--|
| \$ 1,436,292 | \$ (250,730) |
| 683,881 | (94,369) |
| 5,601,088 | 567,779 |
| 25,896 | (1,104) |
| 91,334 | 10,334 |
| 45,098 | 32,838 |
| 7,883,589 | 264,748 |
| 26,237 | 657 |
| 115,912 | (1,770) |
| 487,322 | 2,818 |
| 4,047,348 | (312,608) |
| 666,890 | 23,115 |
| 552,209 | 35,681 |
| 490,195 | (88,646) |
| 44,502 | 1,521 |
| 241,764 | 14,783 |
| 219,727 | 70,766 |
| 69,729 | 8,794 |
| 22,335 | 1,769 |
| 6,984,170 | (243,120) |
| 899,419 | 21,628 |
| 2,040 | (960) |
| (153,900) | (129,021) |
| 17,380 | (122,620) |
| 11,026 | 11,026 |
| 15,329 | 15,329 |
| (108,125) | (226,246) |
| 791,294 | (204,618) |
| 378,061 | 154,578 |
| (826,711) | (125,226) |
| 342,644 | (175,266) |
| 8,069,287 | - |
| 112,820 | - |
| 8,524,751 | \$ (175,266) |

CITY OF COLEMAN, TEXAS
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
SEPTEMBER 30, 2014

| | Coleman Economic Development Corp | Coleman Community Coalition | Coleman County Senior Citizens | Total Component Units |
|----------------------------------|---|-----------------------------------|--------------------------------------|-----------------------------|
| ASSETS: | | | | |
| Cash and cash equivalents | \$ 406,518 | \$ 422,544 | \$ 14,979 | \$ 844,041 |
| Investments | 123,996 | 50,323 | | 174,319 |
| Sales tax receivable | 33,313 | 33,313 | | 66,626 |
| Due from other governments | | | 1,592 | 1,592 |
| Note receivable | 2,958 | 38,500 | | 41,458 |
| Prepaid expenses | 119 | | | 119 |
| Non-depreciable capital assets | 26,000 | | | 26,000 |
| Depreciable capital assets, net | <u>173,289</u> | <u>9,645</u> | <u>6,758</u> | <u>189,692</u> |
| TOTAL ASSETS | <u>766,193</u> | <u>554,325</u> | <u>23,329</u> | <u>1,343,847</u> |
| LIABILITIES: | | | | |
| Accounts payable | 3,170 | 2,059 | | 5,229 |
| Accrued payroll taxes | <u>72</u> | | <u>1,009</u> | <u>1,081</u> |
| TOTAL LIABILITIES | <u>3,242</u> | <u>2,059</u> | <u>1,009</u> | <u>6,310</u> |
| NET POSITION: | | | | |
| Net investment in capital assets | 199,289 | 9,645 | 6,758 | 215,692 |
| Unassigned | <u>563,662</u> | <u>542,621</u> | <u>15,562</u> | <u>1,121,845</u> |
| TOTAL NET POSITION | <u>\$ 762,951</u> | <u>\$ 552,266</u> | <u>\$ 22,320</u> | <u>\$ 1,337,537</u> |

CITY OF COLEMAN, TEXAS
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
YEAR ENDED SEPTEMBER 30, 2014

| | Coleman Economic Development Corp | Coleman Community Coalition | Coleman County Senior Citizens | Total Component Units |
|--------------------------------------|---|-----------------------------------|--------------------------------------|-----------------------------|
| REVENUE: | | | | |
| Sales tax revenue | \$ 233,430 | \$ 233,430 | \$ | \$ 466,860 |
| Rental income | 5,100 | | 8,050 | 13,150 |
| Intergovernmental revenue | | | 55,752 | 55,752 |
| Contributions | | | 61,317 | 61,317 |
| Fundraising | | | 20,841 | 20,841 |
| Miscellaneous income | | | 8,000 | 8,000 |
| Investment income | 1,020 | 986 | 2 | 2,008 |
| Total Revenue | <u>239,550</u> | <u>234,416</u> | <u>153,962</u> | <u>627,928</u> |
| OPERATING EXPENSES: | | | | |
| Salary | 18,084 | 10,530 | 53,166 | 81,780 |
| Payroll taxes and benefits | 945 | 2,924 | 4,932 | 8,801 |
| Accounting fees | 6,045 | 5,486 | | 11,531 |
| Advertising, marketing and promotion | 20,000 | 28,125 | | 48,125 |
| Consumables | | | 6,165 | 6,165 |
| Depreciation expense | 17,447 | 2,260 | 10,532 | 30,239 |
| Dues and subscriptions | 2,051 | 1,471 | 145 | 3,667 |
| Entertainment and meals | 116 | | | 116 |
| Food | | | 63,528 | 63,528 |
| Grants, projects and incentives | 60,500 | 42,449 | | 102,949 |
| Hydrology study | 2,800 | | | 2,800 |
| Insurance | 4,571 | 270 | 211 | 5,052 |
| Legal fees | 11,560 | 4,555 | | 16,115 |
| Matach - AOA | | | 3,005 | 3,005 |
| Miscellaneous expenses | 10 | 22 | 1,550 | 1,582 |
| Office expenses | 11,088 | 8,329 | 907 | 20,324 |
| Professional services | 9,461 | 9,629 | | 19,090 |
| Property taxes | 2,278 | | | 2,278 |
| Repairs and maintenance | 2,075 | | 1,828 | 3,903 |
| Supplies | | | 727 | 727 |
| Telephone | 1,009 | | 1,034 | 2,043 |
| Travel and seminars | 302 | 1,068 | 1,695 | 3,065 |
| Utilities | 2,957 | | 11,165 | 14,122 |
| Total Operating Expenses | <u>173,299</u> | <u>117,118</u> | <u>160,590</u> | <u>451,007</u> |
| CHANGE IN NET POSITION | 66,251 | 117,298 | (6,628) | 176,921 |
| NET POSITION AT BEGINNING OF YEAR | 677,458 | 415,726 | 28,948 | 1,122,132 |
| Prior period adjustments | <u>19,242</u> | <u>19,242</u> | | <u>38,484</u> |
| NET POSITION AT END OF YEAR | <u>\$ 762,951</u> | <u>\$ 552,266</u> | <u>\$ 22,320</u> | <u>\$ 1,337,537</u> |

TEXAS SINGLE AUDIT SECTION

BECKY ROBERTS, CPA

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

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Coleman, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise City of Coleman, Texas' basic financial statements, and have issued my report thereon dated April 2, 2015.

Internal Control Over Financial Reporting

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

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

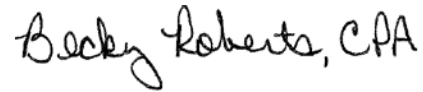
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described at 2014-001 and 2014-002 in the accompanying schedule of findings and questioned costs to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Coleman, Texas' financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Becky Roberts, CPA". The signature is written in a cursive, flowing style.

BECKY ROBERTS, CPA

Abilene, Texas,
April 2, 2015

BECKY ROBERTS, CPA

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ABILENE, TEXAS 79601
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becky.roberts@rm-cpa.net

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

The Honorable Mayor
Members of the City Council
City of Coleman, Texas:

Report on Compliance for Each Major State Program

I have audited the City of Coleman, Texas' compliance with the types of compliance requirements described in the State of Texas Single Audit Circular that could have a direct and material effect on each of the City of Coleman, Texas' major state programs for the year ended September 30, 2014. The City of Coleman, Texas' major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the City of Coleman, Texas' major state programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State of Texas Single Audit Circular. Those standards and the State Circular require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City of Coleman, Texas' compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

Opinion on Each Major State Program

In my opinion, the City of Coleman, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended September 30, 2014.

Report on Internal Control over Compliance

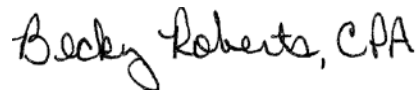
Management of the City of Coleman, Texas, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the City of Coleman, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Circular, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City of Coleman, Texas' internal control over compliance.

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

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

Purpose of this Report

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



BECKY ROBERTS, CPA

Abilene, Texas
April 2, 2015

CITY OF COLEMAN, TEXAS

SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2014

| <u>State Grantor/Pass-through Grantor/Program Title</u> | <u>Grant/Project Number</u> | <u>Grant Award</u> | <u>State Expenditures</u> |
|---|---------------------------------|------------------------|-------------------------------|
| STATE AWARDS: | | | |
| <u>Texas Department of Transportation</u> | | | |
| Aviation Division | | | |
| Airport Development Grant | 1223COLMN | \$ 857,853 | \$ 754,206 |
| Aviation Division | | | |
| Airport Routine Maintenance Grant | M1423COLM | <u>50,000</u> | <u>6,066</u> |
| Total Texas Department of Transportation | | <u>907,853</u> | <u>760,272</u> |
| Total State Awards | | <u>\$ 907,853</u> | <u>\$ 760,272</u> |

CITY OF COLEMAN, TEXAS

Notes to Schedule of Expenditures of State Awards
For the Year Ended September 30, 2014

NOTE A: GENERAL

The Schedule of Expenditures of State Awards presents the activity of all applicable State awards of City of Coleman, Texas. City of Coleman, Texas' reporting entity is defined in Note 1 of the financial statements. State awards received directly from State agencies as well as State awards passed through other governmental agencies are included on the Schedule of Expenditures of State Awards.

NOTE B: BASIS OF ACCOUNTING

The Schedule of Expenditures of State Awards is prepared on the accrual basis of accounting. The accrual basis of accounting is described in Note 1 of the financial statements. Cost reimbursement State grants are considered to be earned to the extent of expenditures made under the provision of the grant and, accordingly, when such funds are received they are recorded as deferred revenue until earned.

The format for the Schedule of Expenditures of State Awards has been prescribed by the State of Texas Single Audit Circular. Such format includes revenue recognized in City of Coleman, Texas' financial statements.

CITY OF COLEMAN, TEXAS

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

Summary of Auditor's Results

1. The auditor's report expressed an unmodified opinion on the financial statements.
2. Two material weaknesses and no significant deficiencies were disclosed in the audit of the financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. No material weaknesses or significant deficiencies in internal control over major state award programs were disclosed during the audit.
5. The auditor's report on compliance for the major state award programs expressed an unmodified opinion on all major state programs.
6. Audit findings that are required to be reported in accordance with the State of Texas Single Audit Circular are reported in this schedule.
7. The program tested as a major program is:
 - Coleman Municipal Airport Development Grant
 - TxDOT Project No: 1223COLMN
 - State Grantor: Texas Department of Transportation (TxDOT)
 - Division of Aviation
8. The threshold for distinguishing Type A and Type B state programs was \$300,000.
9. The auditee was not determined to be a low-risk auditee.

Findings - Financial Statement Audit

MATERIAL WEAKNESSES

Finding 2014-001

Criteria: The appropriate recording of grant proceeds and expenses in accordance with Generally Accepted Accounting Principles as it relates to the government's proprietary airport fund was not followed.

Statement of Condition: Activity related to a state airport grant was not appropriately recorded in the financial records of the City.

Questioned Costs: None

Perspective Information: The Airport Project Participation Agreement between the City of Coleman and TxDOT (State) names the City as the sponsor of the project; however, the agreement designates the State to be the agent of the sponsor. In its capacity as agent, the State was the party designated to receive and disburse all funds.

Cause: Because the grant receipts and the disbursements to the contractors were received and paid by the State, and these funds did not flow through the City's cash accounts, the funds were not recorded into the financial records of the City.

Effect: Due to the City not recording the airport grant activity in their financial records, the City's grant revenues and capital assets were materially misstated.

Recommendations: The City should establish procedures to ensure all grant activity is recorded in the City's financial records. Additional oversight should be established to ensure all activity related to grant funds are accurately recorded.

Views of Responsible Officials: The City agrees with the finding and the recommended procedures will be implemented.

Finding 2014-002

Criteria: The appropriate recording of capital assets and depreciation expense in accordance with Generally Accepted Accounting Principles (GAAP) as it relates to the City's proprietary funds was not followed.

Statement of Condition: The accounting procedures of the City of Coleman did not include capitalizing costs that met the City's capitalization threshold, updating the depreciation schedule for capital assets acquired or disposed of during the current year, and reconciling the depreciation expense to the schedule.

Questioned Costs: None

Perspective Information: Amounts in excess of \$1.2 million were not properly capitalized in the financial records of the City.

Cause: Proper accounting procedures are not in place to ensure that capital assets are properly accounted for in accordance with GAAP.

Effect: Amounts in excess of \$1.2 million were not properly capitalized in the financial records of the City. Several audit adjustments were made to adjust capital assets and depreciation expense in the financial records.

Recommendations: The City should establish procedures and oversight to ensure that capital assets are properly identified, recorded and depreciated in a timely manner.

Views of Responsible Officials: The City agrees with the finding and the recommended procedures will be implemented.

Findings and Questioned Costs - Major State Award Programs Audit

None

CITY OF COLEMAN, TEXAS

Summary Schedule of Prior Year Findings and Questioned Costs
For the Year Ended September 30, 2014

No Findings or Questioned Costs in Prior Year.