CITY OF COLORADO CITY

ANNUAL FINANCIAL REPORT

For the Year Ended April 30, 2016

CATHRINE WILKS

Certified Public Accountant

CITY OF COLORADO CITY, TEXAS
ANNUAL FINANCIAL REPORT
YEAR ENDED APRIL 30, 2016

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor Jim Baum and
Members of the City Council
Colorado City, Texas 79512

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and the aggregate remaining funds of the City of Colorado City, Texas, ("City") as of and for the year ended April 30, 2016, 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 the 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 the 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, and the aggregate remaining funds of the City of Colorado City, Texas, as of April 30, 2016, and the respective changes in financial position, and, where applicable, cash flows, and the respective budgetary comparison for the general fund 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, the Schedules of Changes in Net Pension Liability and Related Ratios, and Schedule of Contributions and Notes to Schedule of Contributions, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental

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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 the 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 us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated August 3, 2016, on my consideration of the City of Colorado City, Texas's 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 the City's internal control over financial reporting and compliance.

Catherine Wilks

Sweetwater, Texas
August 3, 2016

CITY OF COLORADO CITY, TEXAS
Management's Discussion and Analysis

As management of the City of Colorado City, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended April 30, 2016. We encourage readers to consider the information presented here.

Financial Highlights

- The assets of the City of Colorado City's primary government exceeded its liabilities and deferred outflows of resources at the close of the most recent fiscal year by $9,290,416 (*net position*). Of this amount, $786,812 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Colorado City's general fund reported an ending fund balance of $860,335. Of this amount, $828,556 is *available for spending* at the government's discretion (*unassigned fund balance*). This is an overall fund balance increase of $179,854.
- The water and wastewater fund had an increase in net position of $694,050. The total net position at year end in this fund was $3,714,119. The unrestricted portion of net position was $627,611.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Colorado City's basic financial statements. The City of Colorado City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements.
The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Colorado City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Colorado City'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 Colorado City 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 and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City of Colorado City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Colorado City only include general government. The business-type activities of the City of Colorado City include only the Water and Wastewater Fund.

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements
A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Colorado City, 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 Colorado City 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 of 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 statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*,

The City of Colorado City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

These basic governmental fund financial statements can be found on pages 14-18 of this report.

Proprietary funds.
The City of Colorado City maintains one proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Colorado City's enterprise fund accounts for its water and wastewater activity. The basic proprietary fund financial statements can be found on pages 19-21 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 starting on page 23 of this report.

Government-wide Financial Analysis

Net Position
As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Colorado City, assets exceeded liabilities by $9,290,416 at the close of the most recent fiscal year.

By far the largest portion of the City of Colorado City's net position (83 percent) reflects its net investment in capital assets (e.g., land, buildings, water tower, utility plant, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Colorado City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Colorado City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The majority of the City of Colorado City's net position represent resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position,* (8 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

City of Colorado City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	$1,338,520	$1,135,595	$ 1,401,314	$1,889,396	$ 2,739,834	$3,024,991
Capital assets	5,910,377	6,377,821	11,596,857	11,745,115	17,507,234	18,122,936
Total assets	7,248,897	7,513,416	12,998,171	13,634,511	20,247,068	21,149,926
Deferred outflows of resources	221,418	-	86,107	-	307,525	-
Long-term liabilities outstanding	1,782,694	1,673,979	9,130,835	9,618,780	10,913,529	11,292,759
Other liabilities	111,324	95,762	239,324	563,312	350,648	659,074
Total liabilities	1,894,018	1,769,741	9,370,159	10,182,092	11,264,177	11,951,832
Net assets:						
Net investment in capital assets	5,169,316	5,483,336	2,569,298	2,152,056	7,738,614	7,635,392
Restricted	247,780	247,734	517,210	457,784	764,990	705,518
Unrestricted	159,201	12,605	627,611	842,579	786,812	855,184
Total net position	$5,576,297	$5,743,675	$3,714,119	$3,452,419	$9,290,416	$9,196,094

Governmental activities

Governmental activities decreased the City of Colorado City's net position by $650,857. To arrive at the decrease of $167,378 as seen above ($5,743,675 down to $5,576,297) you must take into consideration the prior period adjustment of $446,667 and $36,812 as described in notes (17) and (18).

The decrease of $650,857 is mainly attributable to the decrease in capital assets. The total amount of capital assets added was $535,154 and removals were $6,987 for the year. Depreciation expense for the year was $995,611, resulting in a net decrease in capital assets of $467,444.

Current and other assets increased $202,925. Approximately $166,000 is attributable to an increase in cash and cash equivalents. The other increase was in the receivable due from the water and wastewater fund.

The deferred outflows of resources of $221,418 is due to the implementation of GASB 68 this year which involves accounting for the TMRS pension plan. The details of this implementation are found in note (17)

Business-type activities

Current and other assets decreased $488,082. Cash, including restricted cash, had a decrease of $152,550. Details of the changes in cash can be seen on the Statement of Cash Flows on page 21. Long-term liabilities had a decrease of $487,945 with the current year debt service payments being made. Other liabilities saw a decrease of $323,988. This decrease was in accounts payable associated with the grant projects. Business-type activities increased the City of Colorado City's net position by $694,050. The above increase of $261,700 has been adjusted by the $446,666 and $14,316 prior period adjustments as explained in notes (17) and (18).

As with the governmental activities, the business-type activities also had deferred outflows of resources of $86,107 that is new to the City. The total of $307,525 is further explained on page 39 of the notes.

City of Colorado City's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Program Revenues:						
Charges for services	$ 972,894	$ 957,963	$2,602,446	$2,822,136	$3,575,340	$3,780,099
Operating grants and contributions	62,451	3,678	-	-	62,451	3,678
Capital grants and contributions	16,742	-	676,843	541,505	693,585	541,505
General Revenues:						
Taxes	1,587,908	1,712,696	302,404	293,684	1,890,312	2,006,380
Investment earnings	5,370	5,476	6,224	7,593	11,594	13,069
Insurance recoveries	48,131	1,861	10,573	13,700	58,704	15,561
Miscellaneous	45,389	30,597	178,982	-	224,371	30,597
Total Revenues	2,738,885	2,712,271	3,777,472	3,678,618	6,516,357	6,390,889
Program Expenses:						
General government	542,367	545,219	-	-	542,367	545,219
Public Safety	1,093,136	1,143,291	-	-	1,093,136	1,143,291
Public works	1,252,427	1,401,434	-	-	1,252,427	1,401,434
Culture and recreation	383,149	449,628	-	-	383,149	449,628
Sanitation	759,095	818,455	-	-	759,095	818,455
Airport	37,115	14,075	-	-	37,115	14,075
Interest	22,453	27,352	-	-	22,453	27,352
Water and Wastewater	-	-	2,383,422	2,482,360	2,383,422	2,482,360
Total Expenses	4,089,742	4,399,454	2,383,422	2,482,360	6,473,164	6,881,814
Excess (deficiency) before transfers	(1,350,857)	(1,687,183)	1,394,050	1,196,258	43,193	(490,925)
Transfers	700,000	800,000	(700,000)	(800,000)	-	-
(Decrease) in net assets	(650,857)	(887,183)	694,050	396,258	43,193	(490,925)
Net position – beginning (restated)	5,780,487	6,556,876	3,466,735	3,056,161	9,247,222	9,613,037
Prior period adjustment	446,667	73,982	(446,667)	-	-	73,982
Net position – ending	$5,576,297	$5,743,675	$3,714,119	$3,452,419	$9,290,415	$9,196,094

Changes in Net Position

Governmental Activities

There was not much change in total revenue from the previous year, however, the components that make up the total saw some increases and decreases. the City received a $50,000 grant from drug seizures in the 32nd Judicial District. The City also received a $16,742 capital grant from the Texas Facilities Commission in the form of surplus equipment for the airport. Property, sales and franchise taxes were all down from the previous year for a combined decrease of $124,788. This is attributable to the economy slowing down and a decrease in the property tax rate. At the beginning of the year when it was apparent that the monies were not coming into the City as they had anticipated, the City Council took measures to amend the budget and decrease expenses across the board. This cost saving measure is evident when you look at expenses by department.

The decision that it was appropriate to reclassify all of the 2012 Bond issue to the enterprise fund resulted in $100,000 less needing to be transferred to the governmental funds for debt servicing.

Business-type Activities

The charges for services in the water and wastewater fund saw a $219,690 decrease. This can be attributable to decreased consumption. The most significant increase in revenue was an easement in the amount of $144,128 for access across the well field. Expenses decreased less than $100,000 with no significant fluctuations within the fund.

Financial Analysis of the Government's Funds
As noted earlier, the City of Colorado City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds.
The focus of the City of Colorado City's *governmental/general fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Colorado City'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 Colorado City's governmental funds reported combined ending fund balances as seen on page 14 of $1,076,336. The combined ending fund balances consist of $828,556 in unassigned fund balance, which is available for spending at the government's discretion and $247,780 in restricted fund balances, which are restricted for spending for specific uses.

The general fund is the chief operating fund of the City of Colorado City. At the end of the current fiscal year, total fund balance of the general fund was $860,335 of which $828,556 was unassigned.

Proprietary funds.
The City of Colorado City's proprietary/water and wastewater fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the water and wastewater fund at the end of the year amounted to $627,611. The total increase in net position for this fund was $694,050. As mentioned earlier, the two community development projects were the main focus of the proprietary fund this fiscal year. The projects are expected to be completed in the next fiscal year. The details of the capital asset additions are discussed in more detail below.

General Fund Budgetary Highlights
The general fund has a positive budget variance of revenue as seen on page 18 of $94,173. Revenues in nearly each line item had a negative variance. The City had one substantial business close and one major hotel was completely destroyed in a fire. The overall economy in the area did not perform at the level expected when the budget was being drafted. Management responded to this lack of revenue by cutting back on expenditures. As you can see on page 18, most departments were under budget. The main exception was in the sanitation department. The Council had approved the purchase of sanitation equipment of $516,714 by formal council action, but an official budget ordinance was not passed.

The City passed two budget amendments last year. Only one of these was significant. The amendment reduced revenue and expenses of the general fund by $252,000 and revenue and expenses of the water and wastewater fund by $199,700. The reductions were in all departments and several line items in each department. This amendment was early in the fiscal year with the purpose of reducing the overall budget after some revenue sources did not come in as anticipated when the budget was adopted.

Capital Asset and Debt Administration
Capital assets.
The City of Colorado City's investment in capital assets for its governmental and business type activities as of April 30, 2016 amount to $17,507,234 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, utility service lines, Infrastructure, vehicles, and other equipment. The most significant capital asset events during the current fiscal year were as follows:

- Sanitation equipment $491,684
- Infrastructure - Stripes project $140,930
- Infrastructure - Studio 6 project $396,365
- Water improvements construction in-progress $165,572

City of Colorado City's Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	$ 313,364	$ 313,364	$ 717,472	$ 717,472	$ 1,030,836	$ 1,030,836
Construction-in-progress	11,121	11,121	165,571	745,411	176,692	756,532
Buildings and Systems	1,223,042	1,317,756	6,580,167	5,774,511	7,803,209	7,092,267
Utility service lines	-	-	3,914,538	4,248,544	3,914,538	4,248,544
Machinery and equipment	1,372,509	1,129,853	179,107	199,499	1,551,616	1,329,352
Infrastructure	2,776,935	3,415,617	-	-	2,776,935	3,415,617
Automobiles	213,406	190,110	40,002	59,676	253,408	249,786
Total	$5,910,377	$6,377,821	$ 11,596,857	$ 11,745,113	$17,507,234	$18,122,934

Additional information on the City of Colorado City's capital assets can be found in the notes of this report.

Long-Term Debt

This fiscal year the City decreased their long-term debt by $555,382. The City had new debt in fiscal year 2016 in the form of a note payable in the amount of $547,079 for sanitation equipment and net pension liability in the amount of $322,824 associated with the implementation of GASB 68. Details of the City's debt can be found on pages 32- 35 of this report.

City's Long-Term Debt

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Certificates of obligation	$ -	$ -	$2,690,000	$2,790,000	$2,690,000	$2,790,000
General obligation bonds	-	-	5,390,000	6,005,000	5,390,000	6,005,000
Unamortized debt premium	-	-	107,640	116,673	107,640	116,673
Tax notes	-	-	690,000	910,000	690,000	910,000
Capital leases	299,653	447,818	149,919	218,053	449,572	665,871
Note payable	441,408	-	-	-	441,408	-
Net pension liability	232,433	-	90,391	-	322,824	-
Compensated absences	73,378	54,547	12,885	25,721	86,263	80,268
Landfill Post Closure Liability	735,822	724,947	-	-	735,822	724,947
Total Long-Term Debt	$1,782,694	$1,227,312	$9,130,835	$10,065,447	$10,913,529	$11,292,759

Economic Factors and Next Year's Budgets and Rates

Major factors considered in preparing the City of Colorado City's budget for the 2016-2017 fiscal year were the sanitation services and airport improvements. This will be the first full year since the City took back control of the sanitation services. The City is working with TXDOT through a grant program to make some improvements to the airport. The staff will propose that the tax rate remain the same in order to fund the budget. The City's property values have increased from 134 million to 142 million. Some specific revenue and expense accounts with anticipated major changes in the upcoming year are as follows:

- Purchase of 4 police vehicles
- Increased water rates in December 2015

Requests for Information

This financial report is designed to provide a general overview of the City of Colorado City's finances for all 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 of Colorado City, P.O. Box 912, Colorado City, Texas, 79512.

Government-wide Financial Statements

CITY OF COLORADO CITY, TEXAS

Statement of Net Position
April 30, 2016

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and cash equivalents	$ 684,133	$ 452,129	$ 1,136,262	$ 193,565
Investments	-	-	-	74,500
Receivables (net of allowance for uncollectibles)	362,733	450,885	813,618	-
Internal balances	53,778	(53,778)	-	-
Inventories	-	34,868	34,868	-
Cash - Restricted	237,877	517,210	755,087	-
Capital assets (net of accumulated depreciation):				
Land	313,364	717,472	1,030,836	-
Construction in-progress	11,121	165,571	176,692	-
Utility service lines	-	3,914,538	3,914,538	-
Buildings and systems	1,223,042	6,580,167	7,803,209	-
Machinery and equipment	1,372,509	179,107	1,551,616	-
Infrastructure	2,776,935	-	2,776,935	-
Automobiles	213,406	40,002	253,408	-
Total assets	7,248,897	12,998,171	20,247,068	268,065
Deferred Outflows of Resources				
Pension Plan	221,418	86,107	307,525	0
Liabilities				
Accounts payable and other current liabilities	109,592	157,057	266,649	-
Customer security deposits	-	52,180	52,180	-
Accrued interest payable	1,732	30,087	31,819	-
Note payable	-	-	-	13,000
Noncurrent Liabilities:				
Due Within one year	265,176	962,759	1,227,935	-
Due in More than one year	1,517,518	8,168,076	9,685,594	-
Total liabilities	1,894,018	9,370,159	11,264,177	13,000
Net Position				
Net investment in capital assets	5,169,316	2,569,298	7,738,614	-
Restricted for:				
Court technology	6,253	-	6,253	-
Law enforcement	4,255	-	4,255	-
Police training	15,655	-	15,655	-
Cemetery Care	106,909	-	106,909	-
Tourism	83,504	-	83,504	-
Debt Retirement	31,204	517,210	548,414	-
Unrestricted	159,201	627,611	786,812	255,065
Total Net Position	$ 5,576,297	$ 3,714,119	$ 9,290,416	$ 255,065

The notes to the financial statements are an integral part of this statement.

CITY OF COLORADO CITY, TEXAS

Statement of Activities
For the Year Ended April 30, 2016

		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Units
Function/Program Activities								
Primary Government:								
Governmental Activities								
General government	$ 542,367	$ 105,557	$ -	$ -	$ (436,810)	$ -	$ (436,810)	$ -
Public safety	1,093,136	40,791	60,000	-	(992,345)	-	(992,345)	-
Public works	1,252,427	417	2,451	-	(1,249,559)	-	(1,249,559)	-
Culture and recreation	383,149	58,704	-	-	(324,445)	-	(324,445)	-
Sanitation	759,095	728,383	-	-	(30,712)	-	(30,712)	-
Airport	37,115	39,042	-	16,742	18,669	-	18,669	-
Interest on long-term debt	22,453	-	-	-	(22,453)	-	(22,453)	-
Total governmental activities	4,089,742	972,894	62,451	16,742	(3,037,655)	-	(3,037,655)	-
Business-type Activities:								
Water and sewer	2,383,422	2,602,446	-	676,843	-	895,867	895,867	-
Total business-type activities	2,383,422	2,602,446	-	676,843	-	895,867	895,867	-
Total Primary Government	$ 6,473,164	$ 3,575,340	$ 62,451	$ 693,585	$ (3,037,655)	$ 895,867	$ (2,141,788)	$ -
Component Units:								
Heart of West Texas Museum	11,261	-	5,183	-	-	-	-	(6,078)
Volunteer Fire Department	86,840	12,060	90,750	-	-	-	-	15,970
Total component unit	$ 98,101	$ 12,060	$ 95,933	$ -	$ -	$ -	$ -	$ 9,892
General revenues:								
Property taxes, levied for general purposes					530,401	302,404	832,805	-
Sales tax					699,431	-	699,431	-
Franchise tax					314,328	-	314,328	-
Occupancy tax					43,748	-	43,748	-
Investment earnings					5,370	6,224	11,594	1,036
Insurance recoveries					48,131	10,573	58,704	-
Miscellaneous					45,389	178,982	224,371	-
Transfers					700,000	(700,000)	-	-
Total general revenues and transfers					2,386,798	(201,817)	2,184,981	1,036
Change in net assets					(650,857)	694,050	43,193	10,928
Net Position - beginning (restated)					5,780,487	3,466,735	9,247,222	244,137
Prior period adjustments					446,667	(446,667)	-	-
Net Position - ending					$ 5,576,297	$ 3,714,119	$ 9,290,416	$ 255,065

The notes to the financial statements are an integral part of this statement.

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Fund Financial Statements

CITY OF COLORADO CITY, TEXAS

Balance Sheet
Governmental Funds
April 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 684,133	$ -	$ 684,133
Receivables, net of allowance for uncollectibles	351,877	10,344	362,221
Due from other funds	54,219	-	54,219
Restricted - cash and cash equivalents	31,779	206,098	237,877
Total assets	$ 1,122,008	$ 216,442	$ 1,338,450
Liabilities , Deferred Inflows and Fund Balances			
Liabilities:			
Accounts payable	109,592	-	109,592
Due to other funds	-	441	441
Deferred Inflow of resources:			
Unavailable revenue	152,081	-	152,081
Fund balances:			
Restricted for:			
Court technology	6,253	-	6,253
Law enforcement	4,255	-	4,255
Police training	15,655	-	15,655
Cemetery care	5,616	101,293	106,909
Tourism	-	83,504	83,504
Debt retirement	-	31,204	31,204
Unassigned	828,556	-	828,556
Total fund balances	860,335	216,001	1,076,336
Total liabilities, deferred inflows and fund balances	$ 1,122,008	$ 216,442	$ 1,338,450

The notes to the financial statements are an integral part of this statement.

CITY OF COLORADO CITY, TEXAS

Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets
April 30, 2016

Total Fund Balances - Governmental Funds	$ 1,076,336
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 $35,404,369 and the accumulated depreciation was $29,026,548. In addition, long-term liabilities are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. At the beginning of the year, this balance was $1,676,525. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.	4,701,296
Current year capital outlays of $535,154 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions/addition as increases in capital assets in the government-wide financial statements. Sales and removals of capital assets of $6,987 must be shown on the government-wide statements as well. The net effect of including these changes is to increase (decrease) net assets.	528,167
Increases and decreases in debt are recorded as revenue and expense in fund financial statements. They must be recorded as long-term debt in the statement of net assets.	(79,009)
Current year changes in debt such as net pension liability, compensated absences, landfill closure and post-closure care costs and accrued interest on bonds are not recorded on the fund financial statements, but are decreases to net assets.	(28,892)
Deferred outflows of resources are not reported in the governmental funds.	221,418
The depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(995,611)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis accounting. These include recoginzing deferred revenue as revenue, and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.	152,592
Net Position of Governmental Activities	$ 5,576,297

The notes to the financial statements are an integral part of this statement.

CITY OF COLORADO CITY, TEXAS

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended April 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes:			
Property	$ 514,850	$ -	$ 514,850
Sales	699,431	-	699,431
Occupancy	-	43,748	43,748
Franchise fees	314,328	-	314,328
Charges for services	837,582	-	837,582
Insurance Recovery	48,131	-	48,131
Fines	103,376	-	103,376
Licenses and permits	25,318	-	25,318
Intergovernmental	10,000	-	10,000
Investment income	3,682	1,177	4,859
Contributions and donations	52,451	-	52,451
Miscellaneous	48,003	-	48,003
Total revenues	2,657,152	44,925	2,702,077
Expenditures			
Current:			
General government	492,377	-	492,377
Public safety	967,311	-	967,311
Public works	560,534	-	560,534
Culture and recreation	253,810	54,537	308,347
Sanitation	637,126	-	637,126
Airport	22,121	-	22,121
Debt Service:			
Principal	148,165	105,671	253,836
Interest	10,275	12,992	23,267
Capital outlay:			
General government	5,442		5,442
Public safety	10,127	-	10,127
Public works	4,928	-	4,928
Culture and recreation	4,928	-	4,928
Sanitation	491,714	-	491,714
Airport	7,600		7,600
Total expenditures	3,616,458	173,200	3,789,658
Excess (deficiency) of revenues over (under) expenditures	(959,305)	(128,275)	(1,087,580)
Other financing sources (uses)			
Issuance of debt	547,079		547,079
Sale of assets	10,893		10,893
Transfers In	700,000	118,812	818,812
Transfers out	(118,812)	-	(118,812)
Total other financing sources and uses	1,139,160	118,812	1,257,972
Net change in fund balances	179,854	(9,463)	170,391
Fund balances - beginning	680,481	225,464	905,945
Fund balances - ending	$ 860,335	$ 216,001	$ 1,076,336

The notes to the financial statements are an integral part of this statement.

CITY OF COLORADO CITY, TEXAS

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended April 30, 2016

Amounts reported for governmental activities in the statement of activities (page 11) are different because:

Net change in fund balances - total governmental funds (page 16)	$ 170,391
Current year capital outlay additions and removals of $528,168, increases and decreases in debt of $ 177,116, are revenue and expenditures in the fund financial statements, but should be shown as increases in capital assets and reductions/additions in long-term debt in the government-wide financial statements.	705,284
Increases in general long-term debt should be recorded as debt increases in the fund financial statements and expenditures in the associated department.	(547,079)
Reclassification entries to convert modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, and adjusting current year revenue to show revenue earned from the current year's tax levy.	16,158
The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(995,611)
Change in net position of governmental activities (page 11)	$ (650,857)

The notes to the financial statements are an integral part of this statement.

CITY OF COLORADO CITY, TEXAS

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended April 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
Property	$ 513,882	$ 486,882	$ 514,850	$ 27,968
Sales	776,956	776,956	699,431	(77,525)
Franchise tax	330,000	330,000	314,328	(15,672)
Charges for services	783,100	783,100	837,582	54,482
Insurance Recovery	50,000	10,000	48,131	38,131
Fines	135,900	100,900	103,376	2,476
Licenses and permits	39,450	29,450	25,318	(4,132)
Intergovernmental	17,500	17,500	10,000	(7,500)
Investment income	3,561	3,561	3,682	121
Contributions and donations	1,600	1,600	52,451	50,851
Miscellaneous	38,030	23,030	48,003	24,973
Total revenues	2,689,979	2,562,979	2,657,152	94,173
Expenditures				
Current:				
General government:				
City Council	108,721	74,021	55,328	18,693
Court	100,211	87,711	82,372	5,339
Legal	50,000	70,000	70,120	(120)
City Hall/Finance	244,581	137,397	218,061	(80,664)
Non-departmental	111,000	222,862	71,938	150,924
Public safety:				
Police department	770,005	756,305	743,458	12,847
Fire department	115,626	105,306	102,283	3,023
Code enforcement	143,859	136,109	131,698	4,411
Public works:				
Streets and signals	717,228	558,728	489,214	69,514
Cemetery	44,410	30,410	28,522	1,888
Animal control	54,861	48,861	47,726	1,135
Culture and recreation:				
Tourism	-	-	426	(426)
Civic Center	74,602	70,102	65,535	4,567
Swimming Pool	91,038	72,600	71,858	742
Parks	50,810	44,760	44,081	679
Day Care	8,500	11,600	14,006	(2,406)
Community Development	69,971	67,971	62,832	5,139
Sanitation				
Solid waste	265,120	303,620	311,301	(7,681)
Sanitation collection	317,800	293,630	817,539	(523,909)
Airport	43,600	33,600	29,721	3,879
Debt service:				
Principal	148,255	148,255	148,165	90
Interest	8,190	10,040	10,275	(235)
Total expenditures	3,538,388	3,283,888	3,616,459	(332,571)
Excess (deficiency) of revenues over (under) expenditures	(848,409)	(720,909)	(959,306)	(238,398)
Other financing sources (uses)				
Issuance of Debt	-	100,000	547,079	447,079
Transfers in	1,115,500	890,500	700,000	(190,500)
Transfers out	(265,000)	(265,000)	(118,812)	146,188
Sale of capital assets	1,000	1,000	10,893	9,893
Total other financing sources an uses	851,500	726,500	1,139,160	412,660
Net change in fund balances	3,091	5,591	179,854	174,262
Fund balances - beginning	680,481	680,481	680,481	-
Fund balances - ending (budgetary basis)	$ 683,572	$ 686,072	$ 860,335	$ 174,262

The notes to the financial statements are an integral part of this statement.

CITY OF COLORADO CITY, TEXAS

Statement of Net Position
Proprietary Funds
April 30, 2016

	Business-type Activities- Enterprise Fund
Assets	
Current assets:	
Cash and cash equivalents	$ 452,129
Restricted assets:	
Cash and cash equivalents	517,210
Accounts receivable (net of allowance for uncollectibles)	450,885
Due from other funds	441
Inventories	34,868
Total current assets	1,455,531
Noncurrent assets:	
Capital assets:	
Land	717,472
Construction in-progress	165,572
Utility Service Lines	13,422,680
Buildings and Systems	14,192,851
Machinery and equipment	492,349
Automobiles	181,779
Less accumulated depreciation	(17,575,845)
Total capital assets (net of accumulated depreciation)	11,596,860
Total assets	13,052,390
Deferred Outflows of Resources	
Pension Plan	86,107
Liabilities	
Current Liabilities:	
Accounts payable	157,057
Customer security deposits	52,180
Due to other funds	54,219
Compensated absences	1,289
Accrued interest payable	30,087
Certificates of obligation	190,000
General obligation bonds	474,033
Tax notes	225,000
Capital leases	72,437
Total current liabilities	1,256,302
Noncurrent liabilities:	
Compensated absences	11,596
Net pension liability	90,391
Certificates of obligation	2,500,000
General obligation bonds	5,023,607
Tax notes	465,000
Capital leases	77,482
Total noncurrent liabilities	8,168,076
Total liabilities	9,424,378
Net Position	
Net investment in capital assets	2,569,298
Restricted for debt service (expendable)	517,210
Unrestricted	627,611
Total net position	$ 3,714,119

The notes to the financial statements are an integral part of this statement.

CITY OF COLORADO CITY, TEXAS

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended April 30, 2016

	Business-type Activities- Enterprise Fund
Operating revenues:	
Charges for sales and services:	
Water sales	$ 1,508,810
Sewer charges	990,766
Other charges for services	102,870
Total operating revenue	2,602,446
Operating expenses:	
Personal services	584,598
Supplies	105,820
Other services and charges	574,466
Depreciation	869,786
Total operating expenses	2,134,670
Operating income (loss)	467,776
Nonoperating revenues (expenses):	
Property taxes	302,404
Intergovernmental	676,843
Lease income	42,753
Easement	144,128
Interest income	6,224
Insurance recovery	10,573
Loss on disposal of assets	(7,898)
Interest expense	(248,752)
Total nonoperating revenue (expense)	926,275
Net income (loss) before operating transfers	1,394,050
Transfers out	(700,000)
Change in net assets	694,050
Total net position - beginning (restated)	3,005,753
Prior period adjustments	14,316
Total net position - ending	$ 3,714,119

The notes to the financial statements are an integral part of this statement.

CITY OF COLORADO CITY, TEXAS

Statement of Cash Flows
Proprietary Funds
For the Year Ended April 30, 2016

	Business-type Activities- Enterprise Fund
Cash Flows From Operating Activities	
Receipts from customers and users	$ 2,982,558
Payments to suppliers	1,048,851
Payments to employees	578,834
Net cash provided by operating activities	1,354,873
Cash Flows From Noncapital Financing Activities	
Transfers to other funds	(700,000)
Property tax revenue	302,404
Intergovernmental income	676,843
Lease income	42,753
Easement	144,128
Insurance recoveries	10,573
Net cash provided (used) by noncapital financing activities	476,701
Cash Flows From Capital and Related Financing Activities	
Purchases of capital assets	(729,427)
Principal paid on certificates of obligation	(100,000)
Principal paid on general obligation bonds	(624,033)
Principal paid on tax notes	(220,000)
Principal paid on capital leases	(68,134)
Interest paid on debt	(248,752)
Net cash provided (used) by capital and related financing activities	(1,990,348)
Cash Flows From Investing Activities	
Interest and dividends received	6,224
Net cash provided (used) by investing activities	6,224
Net (decrease) in cash and cash equivalents	(152,550)
Cash and cash equivalents at beginning of year	1,121,889
Cash and cash equivalents at end of year	$ 969,339
As reported on balance sheet:	
Cash	$ 452,129
Restricted Cash	517,210
Total cash and cash equivalents at end of year	$ 969,339
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	467,776
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	869,786
(Increase) decrease in accounts receivable	304,480
(Increase) decrease in inventories	(20,373)
(Increase) decrease in deferred outflows of resources	(75,834)
Increase (decrease) in accounts payable	(347,568)
Increase (decrease) in customer security deposits	24,205
Increase (decrease) in due to other funds	51,427
Increase (decrease) in accrued interest payable	(624)
Increase (decrease) in compensated absences	(12,836)
Increase (decrease) in net pension liability	94,434
Total adjustments	887,097
Net cash provided by operating activities	$ 1,354,873

The notes to the financial statements are an integral part of this statement.

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(1) Summary of Significant Accounting Policies

A. General Statement

The City of Colorado City (the "City") was incorporated on December 3, 1948. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety, public works, public health and welfare, culture, recreation and waterworks.

B. Financial Reporting Entity

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable.

Discretely presented component units:
The Heart of West Texas, Inc. is a legally separate nonprofit corporation organized pursuant to the Texas Non-Profit Corporation Act and permitted under Section 501(c)(3) of the Internal Revenue code. The City is financially accountable for the museum because the museum is fiscally dependent upon the City. Separate financial statements for the museum are not prepared.

The Volunteer Fire Department is responsible for providing support to the firemen that are employees of the City of Colorado City. The City is financially accountable for the volunteer firemen because the volunteers are dependent upon the City for the use of City equipment and facilities. Separate financial statements are not prepared for the volunteer fire department.

C. Government-wide and Fund 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 non-fiduciary activities of the primary government and its component units. 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. These component units include Colorado City Volunteer Fire Department, and Heart of West Texas Museum. Financial information for the component units is aggregated and reported separately from the financial information presented for the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are 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*.

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

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

The government reports the following major governmental fund:

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

The government reports the following major proprietary fund:

The *water and wastewater fund* accounts for the activities of the City. The City of Colorado City supplies water to city residents, some smaller municipalities, and a non-profit corporation; disposal of wastewater is primarily limited to the citizens of Colorado City.

Additionally, the government reports the following fund types:

Debt service fund accounts for accumulation of resources for payment of long-term debt.

Special revenue funds:

Cemetery care fund accounts for nonspendable funds accumulated for long-term cemetery care as well as annual donations that can be used for cemetery maintenance.

Motel tax fund is used to account for the local portion of taxes collected by hotels and motels located within the City. Funds are restricted for tourism purposes by tax code chapter 351.

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 revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise fund are charges to customers for sales and services. Operating expenses for

enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

E. Budgetary Control

The City Charter establishes the fiscal year as the twelve-month period beginning May 1. The departments submit to the City Manager a budget of estimated expenditures for the ensuing fiscal year after which the City Manager subsequently submits a budget of estimated expenditures and revenues to the City Council by April 1.

Upon receipt of the budget estimates, the Council holds a first reading on the Budget Ordinance and Tax Roll Ordinance. Information about the Budget Ordinance is then published in the official newspaper of the City.

Prior to May 1, the budget is legally enacted through passage of an ordinance. The City Manager is authorized to transfer budgeted amounts between line items and departments within any fund within the final three months of the fiscal year end by resolution; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Budgeted amounts are as originally adopted or as amended by the City Council. The City passed two budget amendments last year. Only one of these was significant. The amendment reduced revenue and expenses of the general fund by $252,000 and revenue and expenses of the water and wastewater fund by $199,700. The reductions were in all departments and several line items in each department.

F. 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" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans.) All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

G. Cash and Investments

Cash and Cash Equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City. State statutes authorize the City to invest in (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations guaranteed by the United States or State of Texas, (4) obligations of states, agencies, counties, cities and other political subdivisions of any state that are rated as investment quality and have received a rating not less than A or its equivalent, (5) certificates of deposit issued by state or national banks domiciled in Texas that are insured or secured by obligations that are described above. All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

For purposes of the statement of cash flows, the Enterprise funds consider all investments with a maturity of three months or less, to be cash equivalents

H. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

I. Restricted Assets

Certain proceeds of the City's enterprise fund certificates of obligation, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited. Certain bank accounts in the governmental and enterprise funds are maintained in separate accounts and are limited as to their use.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest has not been capitalized on fixed assets in the Governmental Fund Type operations.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	20 – 50
Water and Sewer System	30 – 50
Machinery and Equipment	3 – 10
Improvements	5 – 50

K. Net Pension Liability

Each fund is responsible for liquidating their share of net pension liability.

L. Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The City has one item that qualified for reporting in this category; the deferred outflow related to pension reported in the government-wide Statement of Net Position and Proprietary fund financial statements.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The city has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. It is unavailable revenue related to property taxes which is reported only in the governmental funds balance sheet. This

amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

M. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

N. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. In the government-wide statement of net position and the proprietary fund type statement of net position, debt premiums and discounts are netted against debt payable and debt issuance costs are recognized as an outflow of resources in the period incurred. On the government-wide and proprietary fund type statement of activities, unamortized debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method.

At the government fund reporting level, debt premiums and discounts are reported as other financing sources and uses, separately from the face amount of the debt issued. Debt issuance costs are reported as debt service expenditures.

O. Equity Classifications

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

Governmental Fund Statements

Governmental fund equity is classified as fund balance. In accordance with Governmental Accounting Standards Board Statement No. 54—Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balance as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact (such as inventory).

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of City Charter, City Code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

Assigned - amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council through the budget process or agenda item. The assignment can be reversed by the same process.

Unassigned - all other spendable amounts.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Commission has provided otherwise in its commitment or assignment actions. The government-wide statement of net position of the primary government reported restricted net position of $764,990, of which $109,667 of net position is restricted by enabling legislation.

P. Payments Between the City and Component Units

Resource flows between a primary government and its discretely presented component units are reported as external transactions – that is, as revenues and expenses. Payments to component units are primarily subsidized funding for operating costs of the component unit.

(2) Detailed Notes on All Funds

Deposits and Investments

At April 30, 2016 the City's deposits including the deposits of the component units, were fully insured or collateralized as required by the state statutes. At year-end the carrying amount of the City's deposits totaled $1,891,349 and the component units' carrying amount of deposits totaled $193,565. The respective bank balances totaled $1,960,313 and $193,565. Of the total City's bank balances, $250,000 was covered by Federal Depository Insurance. The remainder was fully covered by collateral with a value of $2,978,808. The collateral for the City is held by the City National Bank and is held in the City's name. The component unit's bank accounts were fully covered by Federal Depository Insurance.

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

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 basic 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.

As of April 30, 2016, the City only had certificates of deposit which were considered to be cash equivalents for reporting purposes.

Each of the Component Units has an investment account. Their investments at April 30, 2016 are shown below:

Heart of West Texas, Inc.

Investment or Investment Type	Book Value	Fair Value
Federated Bond Fund Mutual Fund	$ 31,763	$ 29,813

Volunteer Firemen

Investment or Investment Type	Book Value	Fair Value
Fixed Income Fund	$ 46,496	$ 44,687

Interest rate risk. The City's policy is to manage interest rate risk by investing in government securities and certificates of deposits with no more than 24 month maturities.

Credit Risk. To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the City has chosen to invest in certificates of deposit.

Custodial Credit Risk for Deposits. State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. The City was in compliance with this requirement.

Concentration of Credit Risk. To limit the risk of loss, the City 's investment policy states an investment risk that should avoid the over-concentration of assets in a specific maturity sector, limits the average maturity of operating funds investments to one year, and avoidance of the over-concentration of assets in specific instruments other than U.S. Treasury Securities and Insured or Collateralized Certificates of Deposits.

Restricted Cash and Cash Equivalents

Certain of the City's cash and cash equivalents are restricted for the following purposes:

Cash and cash equivalents:	
General fund:	
Law enforcement education	$ 4,255
Police department	15,655
Court technology	6,253
Cemetery care	5,616
Non-major governmental funds	
Tourism	73,160
Cemetery care	101,293
Debt service	31,645
Enterprise fund	
Debt service	517,210
Total restricted cash and cash equivalents	$ 755,087

(3) Receivables

Receivables as of year-end for the government's individual major funds and aggregate non-major funds, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Non-major Governmental Funds	Major Proprietary Fund	Total
Receivables:				
Accounts	$ 138,228	$ 10,344	$ 397,689,	$ 546,261
Grants	-	-	132,598	132,598
Taxes	307,974	-	115,620	423,594
Accrued Interest	511	-	-	511
Gross Receivables	446,713	$ 10,344	645,907	1,102,964
Less: allowance for uncollectibles	94,324	-	195,022	289,346
Net total receivables	$ 352,389	$ 10,344	$ 450,885	$ 813,618

Intergovernmental receivables are classified separately in the accompanying financial statements. All significant receivables are expected to be collected within one year.

(4) Capital Assets

Capital asset activity for the year ended April 30, 2016, was as follows:

Primary Government	Beginning			Ending
Governmental activities:	Balance	Increases	Decreases	Balance
Capital assets, not being depreciated:				
Land	$ 313,364	$ -	$ -	$ 313,364
Construction in-progress	11,121	-	-	11,121
Total capital assets, not being depreciated:	324,485	-	-	324,485
Capital assets, being depreciated:				
Buildings	2,213,690	-	-	2,213,690
Machinery and Equipment	2,814,781	535,153	(76,780)	3,273,154
Infrastructure	29,533,413	-	-	29,533,413
Vehicles	517,998	-	(114,650)	403,348
Total capital assets being depreciated	35,079,882	535,153	(191,430)	35,423,605
Less accumulated depreciation for:				
Buildings	(895,934)	(94,714)	-	(990,648)
Machinery and Equipment	(1,684,928)	(215,719)	76,780	(1,823,867)
Infrastructure	(26,117,796)	(638,681)	-	(26,756,477)
Vehicles	(327,888)	(46,497)	107,664	(266,721)
Total accumulated depreciation	(29,026,546)	(995,611)	184,444	(29,837,713)
Total capital assets, being depreciated, net	6,053,335	(460,458)	(6,986)	5,585,892
Governmental activities capital assets, net	$ 6,377,821	$ (460,458)	$ (6,986)	$ 5,910,377

Business-type activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 717,472	$ -	$ -	$ 717,472
Construction in-progress	745,411	165,571	(745,411)	165,571
Total capital assets, not being depreciated:	1,462,883	165,571	(745,411)	883,043
Capital assets, being depreciated:				
Buildings and System	12,903,807	1,289,044	-	14,192,851
Utility Service Lines	13,422,680	-	-	13,422,680
Machinery and equipment	472,125	20,223	-	492,348
Vehicles	197,897	-	(16,118)	181,780
Total capital assets being depreciated	26,996,509	1,309,267	(16,118)	28,289,659
Less accumulated depreciation for:				
Buildings and System	(7,129,296)	(483,387)	-	(7,612,684)
Utility Service Lines	(9,174,136)	(334,006)	-	(9,508,142)
Machinery and equipment	(272,626)	(42,616)	-	(313,242)
Vehicles	(138,221)	(11,777)	8,219	(141,778)
Total accumulated depreciation	(16,714,279)	(869,786)	8,219	(17,575,845)
Total capital assets, being depreciated, net	10,282,230	439,481	(7,899)	10,713,814
Business-type activities capital assets, net	$ 11,745,113	$ 605,052	$ (753,310)	$ 11,596,857

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

Governmental activities:	
General government	$ 24,287
Public safety	99,127
Public works	682,068
Culture and recreation	74,042
Community services	107,420
Airport	8,667
Total depreciation expense – governmental activities	$ 995,611

(5) Short-Term Debt

Discretely presented component units:

	Beginning Balance	Issued	Repaid	Ending Balance
Note payable	$ -	$ 13,000	$ -	$ 13,000

On September 10, 2015 the Colorado City Volunteer Fire Department negotiated a commercial loan agreement for equipment improvements. The note is scheduled to be repaid on September 9, 2016 in a single annual payment including interest at 3.250 percent.

(6) Capital Lease Obligations

At April 30, 2016, capital lease obligations consisted of the following individual leases:

	Governmental Activities
Caterpillar Financial – due in 60 monthly payments of $4,571 including interest at 2.38% through September 2017, secured by the Caterpillar track tractor.	$ 76,403
Caterpillar Financial – due in 60 monthly payments of $2,769 including interest at 2.95% through January 2018, secured by the Caterpillar small wheel loader.	61,850
Caterpillar Financial - due in 60 monthly payments of $2,919 including interest at 2.8% through November 2018, secured by a Caterpillar Excavator.	87,208
Welch State Bank - due in 60 monthly payments of $2,944 including interest at 2.78% through June 2018, secured by an Asphalt Zipper.	74,192
Total Governmental Activities Leases Payable	$ 299,653

	Business-type Activities
Public Capital Financial – due in 10 annual payments in various increments including interest at 4.190% through February 2018, secured by the Drive-by water metering system.	$ 138,031
Public Capital Financial – due in 10 annual payments in various increments including interest at 4.9% through February 2018, secured by the Drive-by water metering system.	11,888
Total Business-Type Activities Leases Payable	$ 149,919

The future lease obligations as of April 30, 2016, were as follows:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
Year Ending April 30,				
2017	152,195	6,246	72,437	6,472
2018	121,344	2,327	77,482	3,335
2019	26,114	210	-	-
Totals	$ 299,653	$ 8,783	$ 149,919	$ 9,807

(7) Long-Term Debt

Certificates of Obligation

Business-Type Activities

Series 2013 Combination Tax & Surplus Revenue Certificates of Obligation, issued July 12, 2013, bearing interest at 2.0% - 3.5% due in annual installments through March 2028.	$ 2,690,000

General Obligation Refunding Bonds

Business-Type Activities

General Obligation Refunding Bonds, Series 2012, dated June 1, 2012, due in annual installments through 2035, bearing interest at 2% until March 2024, and 3% thereafter.	$ 4,315,000
General Obligation Refunding Bonds, Series 2014, dated March 1, 2014, due in annual installments through 2020, bearing interest from 0.54% through 2.4% increasing annually.	$ 1,075,000
Total Business-Type	$ 5,390,000

Tax Notes

Business-Type Activities

Tax Notes, Series 2012 issued June 1, 2012, bearing Interest at 1.00% -2.00%, due in annual installments through March 2019.	$ 690,000

Notes

Governmental Activities

Note payable to First Financial Bank, dated June 11, 2015, bearing Interest at 2.948%, due in annual installments through April 2020.	$ 441,408

Debt Service Requirements

The annual aggregate maturities for the years subsequent to April 30, 2016, are as follows:

Year Ending	Governmental Activities		Business-Type Activities	
April 30	Principal	Interest	Principal	Interest
2017	105,644	13,019	880,000	238,741
2018	108,758	9,905	900,000	223,812
2019	111,964	6,699	925,000	203,971
2020	115,041	3,622	710,000	187,120
2021	-	-	440,000	169,700
2022 – 2026	-	-	2,355,000	668,750
2027 – 2031	-	-	1,875,000	303,275
2032 – 2035	-	-	685,000	59,000
Total	441,408	33,245	8,770,000	2,054,369

Interest costs on long-term debt for business-type activities and included in direct costs on the Statement of Activities was $ 248,752.

Changes in Long-Term Liabilities

Transactions for the year ended April 30, 2016, are summarized as follows:

	Balance May 1, 2015	Transfers, Issues, or Additions	Transfers, Payments, or Expenditures	Balance April 30,2016	Due Within One Year
Governmental Activities:					
Capital Leases	$ 447,818	$ -	$ 148,165	$ 299,653	152,195
Note	-	547,079	105,671	441,408	105,644
Net Pension Liability	-	232,433	-	232,433	-
Compensated Absences	54,547	32,447	13,616	73,378	7,338
Landfill Post Closure	724,947	10,875	-	735,822	-
Total Governmental Activities	$ 1,227,312	$ 822,834	$ 267,452	$ 1,782,694	$ 265,176
Business-Type Activities					
Certificates of Obligation	2,790,000	-	100,000	2,690,000	190,000
General Obligation Bonds	6,005,000	-	615,000	5,390,000	465,000
Unamortized Debt Premium	116,673	-	9,033	107,640	9,033
Tax Notes	910,000	-	220,000	690,000	225,000
Capital Lease	218,053	-	68,134	149,919	72,437
Net Pension Liability	-	90,391	-	90,391	-
Compensated Absences	25,721	2,131	14,967	12,885	1,289
Total Business-Type Activities	$ 10,065,447	$ 92,522	$ 1,027,134	$ 9,130,835	$ 962,759
Total of All Fund Types	$ 11,292,759	$ 915,356	$ 1,294,586	$ 10,913,529	$ 1,227,935

Certificates of Obligation

Combination Tax and Surplus Revenue Certificates of Obligation, Series 2013, constitutes a direct obligation of the City payable from and secured by a continuing ad valorem tax levied against all taxable property located within the City and from a pledge of the surplus net revenues of the City's waterworks and sewer system that remain after the payment of all maintenance and operation expenses thereof, and all debt service, reserve and other requirements in connection with all of the City's revenue obligations. Proceeds from the sale of the Certificates was used for the improvement and extension of the System, consisting of construction of improvements to the City's water and wastewater distribution and collection systems, construction of waste water treatment plant improvements, drilling new water wells, and construction of water storage facilities.

General Obligation Refunding Bonds

The 2012 General Obligations bonds were issued to refund the 2000, 2000A and the 2007 Certificates of Obligation. The bonds are direct obligations of the city and are payable from and secured by an annual ad valorem tax levied, within the limits prescribed by law, against all taxable property located within the City. The City intends to pay the Bonds from the net revenues of its Water and Sewer System.

The 2014 General Obligations Refunding bonds were issued to refund the 2004 Series Certificates of Obligation. The bonds are direct obligations of the city and are payable from and secured by an annual ad valorem tax levied, within the limits prescribed by law, against all taxable property located within the City. The City intends to pay the Bonds from the net revenues of its Water and Sewer System as well as property tax revenue.

Tax Notes

Proceeds from the sale of the Notes were used to construct improvements to the City's water and sewer facilities, including for the construction of an elevated water tower, development of water wells, water/sewer line upgrades, and sewer treatment plant upgrades. The Notes are payable from and secured by a continuing ad valorem tax levied, within the limits prescribed by law, against all taxable property located within the City. The City intends to pay this obligation from the net revenues of its Water and Sewer System, but the City has not secured payment of the Notes from any source other than the pledged tax revenues.

Note Payable
The City entered into a contract with First Financial Bank for the purchase of two sanitation trucks and dumpsters. The note is payable Ad Valorem taxes and other revenues and funds lawfully available. To the extent permitted by law, the City pledges its maintenance and operations tax as security for this obligation.

Capital Lease Obligations
The City is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled $707,424 in the enterprise fund and $826,159 in the governmental fund at April 30, 2016. Leases are for a water metering system, equipment at the City landfill and an asphalt zipper for the street department. The landfill equipment includes a dozer, a loader and an excavator. All capital lease payments have been made as of April 30, 2016. The effective rates of interest are given on the previous pages. Assets purchased with capital leases are depreciated with all other City capital assets. The general fund makes the payments on the landfill and street equipment and the water fund makes the payments on the water metering system debt.

Landfill Closure and Post-Closure Care Costs
Federal and state laws and regulations require the placement of a final cover on Landfills when they stop accepting waste, and the performance of certain maintenance and monitoring functions at the site for thirty years after closure.

The City owns a landfill site of approximately 160 acres, which is currently under permit with Texas Commission on Environmental Quality (TCEQ). This site was converted to a type IV solid waste landfill. The post-closure care costs are the responsibility of the City. Although those costs will be paid only after the date the landfill stops accepting waste, the City reports an estimate of these costs as a liability in the general long-term debt account group.

These amounts are based on what it would cost to perform all post-closure costs in fiscal year 2015-2016. Actual costs may differ from the estimated amount due to inflation and changes in technology and/or applicable laws and regulations. There is estimated to be about 8 yrs. of life in the opened landfill site.

(8) Property Tax

The City's property tax is levied and becomes a lien each October 1, on 100 percent of assessed value listed for all real and personal property located in the City as of the prior January 1. Assessed values are established by the Appraisal Board of Review.

The City is permitted by Article II, Section 5 of the State of Texas constitution to levy taxes up to $2.50 per $100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. Taxes are due on the levy date and are delinquent on January 31, following the October 1, levy date. Current tax collections for the 2016 tax levy were 85.45% collected as of April 30, 2016.

Property tax revenues are recognized when they become available. Available means collected within the current period and the amount expected to be collected soon after year-end to pay liabilities of the current period not to exceed 60 days. The amount of taxes collected in the balance of taxes receivable, net of allowance, is recorded as unavailable revenue.

(9) Employee Retirement Systems

Plan Description

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

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

Benefits Provided

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

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

TMRS members vest after 5 years of service. If a vested member leaves covered employment before reaching retirement eligibility, the member may leave his or her deposits with TMRS, earn interest on the deposits, and, upon reaching age 60, apply for and receive a monthly retirement payment. A member becomes eligible for service retirement based on various combinations of age and service, depending on which provisions have been adopted by the employing municipality. The City of Colorado City has adopted a 5 yrs/age 60, 25 yrs/any age provision for their service retirement eligibilities.

A member city may elect to increase the annuities of its retirees (grant a cost-of-living adjustment, or COLA), either annually or on an annually repeating basis, effective January 1 of a calendar year. For cities that adopted annuity increases since January 1, 2000, the adjustment is either 30%, 50%, or 70% of the increase (if any) in the Consumer Price Index - All Urban Consumers (CPI-U) between the December preceding the member's retirement date and the December 13 months before the effective date of the increase, applied to the original monthly annuity.

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	25
Inactive employees entitled to but not yet receiving benefits	45
Active employees	42
	112

Contributions

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

Employees for the City of Colorado City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 7.76% and 8.18% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended April 30, 2016 were $118,641 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103% The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS,

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the are between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.00%	

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability [a]	Plan Fiduciary Net Position [b]	Net Pension Liability [a] – [b]
Balance at 12/31/2014	$ 4,917,146	$ 4,931,585	$ (14,439)
Changes for the year:			
Service cost	205,582	-	205,582
Interest	343,880	-	343,880
Difference between expected and actual experience	(47,593)	-	(47,593)
Changes in assumptions	48,342	-	48,342
Contributions – employer	-	118,610	(118,610)
Contributions – employee	-	91,709	(91,709)
Net investment income	-	7,279	(7,279)
Benefit payments, including refunds of employee contributions	(214,741)	(214,741)	-
Administrative expense	-	(4,432)	4,432
Other changes	-	(219)	219
Net changes	$ 335,470	$ (1,793)	$ 337,263
Balance at 12/31/2015	$ 5,252,616	$ 4,929,792	$ 322,824

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

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

	Discount rate	Net pension liability
1% decrease	5.75%	$ 1,043,399
Current discount rate	6.75%	$ 322,824
1% increase	7.75%	$ (266,220)

Pension Plan Fiduciary Net Position

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

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

For the year ended April 30, 2016 the city recognized pension expense of $66,427. At April 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 29,217
Changes of assumptions	-	(29,677)
Net difference between projected and actual earnings on Plan investments	270,346	-
Contributions subsequent to the measurement date	36,719	-
Total	$ 307,065	$ (460)

In accordance with GAAP, the negative deferred inflows of resources has been netted with the deferred outflows of resources for a net $307,525 deferred outflows of resources on the financial statements. Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending April 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending Dec 31:	
2016	$ 67,875
2017	67,757
2018	67,586
2019	67,588
2020	-
Thereafter	-
Total	$ 270,806

(10) Other Post-Employment Benefits

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The city elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other postemployment benefit" or OPEB. For plan years 2015 and 2016 the City offered supplemental death coverage to active employees as well as retirees.

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing on-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2016, 2015, and 2014 were $1,364, $1,552, and $1,413 respectively, which equaled the required contributions each year.

(11) Individual Fund Disclosures

For fiscal year ended April 30, 2016, the City has expended funds in excess of appropriations at the level of control in the following areas:

Fund	Department/Control Level	Excess Amount
General Fund	Legal	120
	City Hall/Finance	80,664
	Tourism	426
	Day Care	2,406
	Solid waste	7,681
	Sanitation collection	523.909
	Interest expense	235

These over expenditures in the general fund were funded by under-expending in other departments. The City purchased two sanitation trucks and received a loan advance for their purchase. The budget was not amended for this purchase.

(12) Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables

The composition of interfund balances as April 30, 2016 is as follows:

	Due from	Due to
General Fund	$ 54,219	$ -
Non-Major Governmental Fund	-	441
Major Business-Type Fund	441	54,219
	$ 54,660	$ 54,660

The debt service fund owes the water and wastewater fund for operating expenses. The water and wastewater fund owes the general fund for operating expenses as well. All balances due are scheduled to be collected in the subsequent year.

Transfers

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, 3) move unrestricted enterprise fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

In the year ended April 30, 2016, the City made the following transfers:

	Transfers In	Transfers Out
General Fund	$ 700,000	$ 118,812
Non-Major Governmental Fund	118,812	-
Major Business-Type Fund	-	700,000
	$ 818,812	$ 818,812

(13) Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. To manage these risks, the City obtains general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage along with employee health insurance and workers compensation. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

(14) Contingent Liabilities

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. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

(15) Construction Commitments

The City has active construction projects at fiscal year-end. The key projects in progress include a waterworks and sewer projects. At fiscal year-end, the City's commitments with contractors and vendors are as follows:

Fund	Spent-to-date	Remaining Commitment
Business-type Activities	$165,571	$150,679

(16) Net Investment in Capital Assets

The "net investment in capital assets," amount reported on the government-wide statement of net position and the Business-Type Activities statement of net position as of April 30, 2016 is determined as follows:

Net investment in capital assets:	Business-Type	Governmental
Cost of capital assets	$ 29,172,702	$ 35,748,090
Less accumulated depreciation	17,575,845	29,837,713
Book value	11,596,857	5,910,377
Less capital related debt	8,919,919	741,061
Less unamortized debt issuance premium	107,640	-
Net investment in capital assets	$ 2,569,298	$ 5,169,316

(17) Impact of Recently Implemented and Issued Accounting Principles

Implemented

In June 2012, the GASB issued Statement 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement 27. GASB 68 improves accounting and financial reporting by state and local governments for pensions. This Statement is effective for fiscal years beginning after June 15, 2014.

In November 2013, the GASB issued Statement 71, Pension Transition for Contributions made Subsequent to the Measurement Date - an amendment of GASB Statement 68.

The implementation of Statements No. 68 and No. 71 resulted in the reporting of a deferred outflow of resources, a liability and a deferred inflow of resources related to the City's participation in the Texas Municipal Retirement System (TMRS). The City's net position has been restated as follows:

	Governmental Activities	Business-Type Activities
Net position beginning of year, as previously stated	$ 5,743,675	$ 3,452,419
GASB Statements 68 and 71 implementation	36,812	14,316
Net position - beginning as restated	$ 5,780,487	$ 3,466,735

Recently Issued Accounting Pronouncements

The GASB has issued the following statement which will become effective in future years.

Statement No. 75, " Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" - This statement changes the focus of accounting of postemployment benefits other than pensions from whether they are responsibility funding the benefits over time to a point-in-time liability that is reflected on the employer's financial statements for any actuarially unfunded portion of benefits earned to date. This statement will become effective for the City in fiscal year 2019.

Statement No. 77, "Tax Abatement Disclosures" - This statement requires governments that enter into tax abatement agreement to provide certain disclosures regarding these commitments. This statement will become effective for the City in fiscal year 2017.

Management is currently evaluating the impact of the adoption of these statements on the City's financial statements.

(18) Prior Period Adjustment

In the financial statements for the year ended April 30, 2015, the City had recorded a portion of the General Obligation Refunding Bonds, Series 2012 to the Governmental Funds. However, the entire interest and principal payments for this debt for the last two years has been paid entirely out of the tax revenues and utility revenues with the enterprise funds. The City has no plans to pay the debt payments from governmental revenues which are recorded in the governmental funds. Therefore, the City believes that it is appropriate to reclassify this debt of $446,667 to the enterprise fund.

(19) Subsequent Events

The City has evaluated subsequent events through August 15, 2016, the date which the financial statements were available for issue.

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Required Supplementary Information

CITY OF COLORADO CITY, TEXAS

Texas Municipal Retirement System
Schedule of Changes in Net Pension Liability and Related Ratios
Last 10 years (will ultimately be displayed)

	Measurement Year 2015
Total pension liability	
Service Cost	$ 205,582
Interest (on the Total Pension Liability)	343,880
Changes of benefit terms	-
Difference between expected and actual experience	(47,593)
Change of assumptions	48,342
Benefit payments, including refunds of employee contributions	(214,741)
Net Change in Total Pension Liability	335,470
Total Pension Liability - Beginning	4,917,146
Total Pension Liability - Ending (a)	$ 5,252,616
Plan Fiduciary Net Position	
Contributions - Employer	$ 118,610
Contributions - Employee	91,709
Net Investment Income	7,279
Benefit payments, including refunds of employee contributions	(214,741)
Administrative Expense	(4,432)
Other	(219)
Net change in Plan Fiduciary Net Position	(1,793)
Plan Fiduciary Net Position - Beginning	4,931,585
Plan Fiduciary Net Position - Ending (b)	$ 4,929,792
Net Pension Liability - Ending (a) - (b)	$ 322,824
Plan Fiduciary Net Position as a % of Total Pension Liability	93.85%
Covered Employee Payroll	$ 1,528,490
Net Pension Liability as a % of Covered Employee Payroll	21.12%

Notes to Schedule:

N/A

CITY OF COLORADO CITY, TEXAS

Texas Municipal Retirement System
Schedule of Contributions and Notes to Schedule of Contributions
Last 10 years (will ultimately be displayed)

		4/30/2016
Actuarially Determined Contribution	$	118,641
Contributions in relation to the actuarially determined contribution	$	118,641
Contribution deficiency (excess)	$	-
Covered employee payroll	$	1,504,581
Contributions as a percentage of covered employee payroll		8%

Notes to Schedule of Contributions

Valuation Date:

Notes	Actuarially determined contribution rates for the December 31 and become effective in January 13 month later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry age normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other information:

Notes	There were no benefit changes during the year.

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Government Auditing Standards Section

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CATHRINE WILKS
Certified Public Accountant

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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 ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor Jim Baum and
Members of the City Council
Colorado City, TX 79512

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, business-type activities, aggregate discretely presented component units, and the aggregate remaining funds of the City of Colorado City, Texas ("City"), as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated August 3, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Colorado City's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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,

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accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

Catherine Wilks

Sweetwater, Texas
August 3, 2016

CITY OF COLORADO CITY, TEXAS

Schedule of Findings and Responses
For the year ended April 30, 2016

I. Summary of the Auditor's Results:

1.	The type of report issued on the financial statements:	Unmodified
2.a.	Significant deficiencies in internal control:	None
b.	Significant deficiencies that were material weaknesses:	None
3.	Noncompliance, which is material to the financial statements:	None

II. Findings Relating to the Financial Statements Which Are Required To Be Reported Accordance with *Generally Accepted Government Auditing Standards.*

None

CITY OF COLORADO CITY, TEXAS

Summary Schedule of Prior Audit Findings
For the year ended April 30, 2016

Finding/Recommendation	Current Status	Management's Explanation If not Implemented
There were no prior audit findings		