

**CITY OF COLORADO
CITY, TEXAS**

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S
REPORT

APRIL 30, 2018

Roberts & McGee, CPA
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CITY OF COLORADO CITY, TEXAS

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report.....	1
Management’s Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities.....	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	12
Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds.....	13
Reconciliation of Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	14
Statement of Net Position – Proprietary Fund	15
Statement of Revenue, Expenses, and Changes in Net Position – Proprietary Fund	16
Statement of Cash Flows – Proprietary Fund	17
Notes to Financial Statements.....	18
Required Supplementary Information:	
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual – General Fund.....	36
Schedule of Changes in Net Pension Liability And Related Ratios	38
Schedule of Contributions with Related Notes	39

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INDEPENDENT AUDITOR'S REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Roberts + McGee, CPA
Roberts & McGee, CPA

Abilene, Texas,
August 10, 2018

**THE CITY OF COLORADO CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2018**

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

Financial Highlights

Government-Wide Financial Statements

- The assets of the City of Colorado City exceeded its liabilities at the close of the most recent fiscal year by \$8,550,621 (*net position*). Of this amount, \$721,445 (*unrestricted*) may be used to meet the government's ongoing obligations to citizens. \$6,973,162 of the City's equity is invested in capital assets, net of related debt; and \$856,014 of the City's equity is restricted for debt service and other purposes.
- The City's total assets decreased by \$1,461,921 during the 2018 fiscal year.
- The net position (*equity*) of the City decreased by \$301,607 during the 2018 fiscal year.

Fund Financial Statements

- As of the close of the current fiscal year, the City of Colorado City's General Fund reported an ending unassigned fund balance of \$818,518. This fund balance reflects a decrease of \$102,340 for the current year.
- In the Water and Wastewater Fund, the net position reflects \$569,625 of unrestricted equity, which is an increase of \$9,610 from the prior year.

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. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *statement of net position* presents information on all of the City of 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).

The government-wide financial statements reflect functions of the City of Colorado City that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the City of Colorado City include general administration, public safety, streets, municipal court, airport, sanitation, and economic development.

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

**THE CITY OF COLORADO CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2018**

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

The City of Colorado City maintains two governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund and the Time Warrant Fund, which is considered to be a non-major fund.

The governmental fund financial statements can be found on pages 11-14 of this report.

The City of Colorado City adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget on page 36-37.

Proprietary fund. When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net position and the Statement of Activities. In fact, the City's enterprise fund (a component of proprietary funds) is the same as the business-type activities reported in the government-wide statements, but it provides more detail and additional information, such as cash flows, for the proprietary fund. The proprietary fund financial statements can be found on pages 15-17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-35 of this report.

**THE CITY OF COLORADO CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Colorado City, assets exceeded liabilities by \$8,550,621 at the close of the most recent fiscal year.

\$6,973,162 of the City of Colorado City's net position (82 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), net of related debt. The City of Colorado City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

The City of Colorado City's Net Position

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Current assets	\$ 1,431,262	\$ 1,440,486
Noncurrent assets	4,493,465	5,149,786
Total Assets	<u>5,924,727</u>	<u>6,590,272</u>
Deferred outflows of resources - pensions	<u>32,471</u>	<u>182,266</u>
Total assets and deferred outflows of resources	5,957,198	6,772,538
Current liabilities	146,731	383,141
Long-term liabilities	<u>1,108,323</u>	<u>1,330,512</u>
Total Liabilities	<u>1,255,054</u>	<u>1,713,653</u>
Deferred inflows of resources - pensions	<u>185,161</u>	<u>71,427</u>
Total liabilities and deferred inflows of resources	1,440,215	1,785,080
Net investment in capital assets	3,947,076	4,516,644
Restricted	418,087	300,252
Unrestricted	<u>151,820</u>	<u>170,562</u>
Total Net Position	<u>\$ 4,516,983</u>	<u>\$ 4,987,458</u>
	<u>Business-type Activities</u>	
	<u>2018</u>	<u>2017</u>
Current assets	\$ 1,110,347	\$ 1,255,525
Capital assets	<u>10,195,644</u>	<u>10,846,842</u>
Total Assets	<u>11,305,991</u>	<u>12,102,367</u>
Deferred outflows of resources - pension	<u>12,627</u>	<u>70,881</u>
Total assets and deferred outflows of resources	11,318,618	12,173,248
Current liabilities	1,039,625	1,111,898
Long-term liabilities	<u>6,173,348</u>	<u>7,168,803</u>
Total Liabilities	<u>7,212,973</u>	<u>8,280,701</u>
Deferred inflows of resources - pension	<u>72,007</u>	<u>27,777</u>
Total liabilities and deferred inflows of resources	7,284,980	8,308,478
Net investment in capital assets	3,026,086	2,745,002
Restricted	437,927	559,753
Unrestricted	<u>569,625</u>	<u>560,015</u>
Total Net Position	<u>\$ 4,033,638</u>	<u>\$ 3,864,770</u>

**THE CITY OF COLORADO CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2018**

The City of Colorado City's Changes in Net Position

	Governmental Activities		Business-type Activities	
	2018	2017	2018	2017
Revenues:				
Program Revenues:				
Charges for services	\$ 938,495	\$ 829,618	\$ 2,708,666	\$ 2,613,300
Capital grants & contributions		88,372		65,407
Operating grants & contributions		10,000		
General Revenues				
Property taxes	611,707	552,423	318,328	299,129
Sales and use taxes	642,550	608,863		
Franchise taxes	309,130	291,960		
Hotel/motel taxes	157,882	54,084		
Investment earnings	17,292	10,414	17,850	9,230
Miscellaneous income	27,185	33,748	81,788	49,916
Transfers	580,900	595,470	(580,900)	(595,470)
Total Revenues	<u>3,285,141</u>	<u>3,074,952</u>	<u>2,545,732</u>	<u>2,441,512</u>
Expenses				
General government	515,958	517,255		
Public safety	1,514,655	1,035,195		
Public works	793,729	1,211,304		
Culture and recreation	340,189	356,964		
Sanitation	557,696	474,859		
Airport	16,460	22,534		
Interest on long-term debt	16,929	17,697	215,614	234,300
Water and sewer			2,161,250	2,056,132
Total expenses	<u>3,755,616</u>	<u>3,635,808</u>	<u>2,376,864</u>	<u>2,290,432</u>
Increase (decrease) in net position	(470,475)	(560,856)	168,868	151,080
Beginning Net Position	4,987,458	5,576,297	3,864,770	3,714,119
Prior period adjustment		(27,983)		(429)
Ending Net Position	<u>\$ 4,516,983</u>	<u>\$ 4,987,458</u>	<u>\$ 4,033,638</u>	<u>\$ 3,864,770</u>

FINANCIAL ANALYSIS OF THE GOVERNMENTS 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 funds* 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 General Fund reported an ending fund balance of \$818,518, of which \$803,210 is unassigned and available for spending at the City's discretion.

Fund Budgetary Highlights

The original budget reflected a balanced budget. There were budget amendments made during the year ended April 30, 2018. The actual expenditures were \$142,698 less than the adjusted budgeted amounts. Actual revenues were \$71,958 less than was budgeted. Other financing sources were \$173,040 under budget.

**THE CITY OF COLORADO CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2018**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets The City of Colorado City's investment in capital assets for its governmental activities amounts to \$4,311,579 (net of accumulated depreciation), and the investment in capital assets for its business-type activities amounts to \$10,124,911 (net of accumulated depreciation) as of April 30, 2018. This investment in capital assets includes land, buildings and improvements, infrastructure, and equipment.

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

		Governmental Activities 2018		Governmental Activities 2017
Land	\$	313,364	\$	313,364
Buildings and systems		1,049,630		1,227,784
Infrastructure		1,499,573		2,138,255
Equipment and vehicles		1,449,012		1,470,383
Total	\$	<u>4,311,579</u>	\$	<u>5,149,786</u>
		Business-type Activities 2018		Business-type Activities 2017
Land	\$	717,472	\$	717,472
Building and systems		5,706,880		6,148,708
Utility service lines		3,470,358		3,804,256
Equipment and vehicles		230,201		176,406
Total	\$	<u>10,124,911</u>	\$	<u>10,846,842</u>

Additional information on the City of Colorado City's capital assets can be found in Note 4 on pages 25 and 26 of this report.

Debt Administration

The City of Colorado City has long term debt in the form of capital leases and notes payable within the governmental activities of the City and capital leases, notes payable, general obligation bonds, and certificates of obligation within the business-type activities. As of April 30, 2018, the City had long term liabilities as follows:

**THE CITY OF COLORADO CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2018**

	Balance April 30, 2018	Balance April 30, 2017
Governmental Activities:		
Capital Leases	\$ 26,114	\$ 147,622
Notes Payable	328,727	485,520
Net Pension Liability		150,838
Compensated Absences	88,813	78,872
Landfill Post Closure	752,842	743,181
Total Governmental Activities	\$ 1,196,496	\$ 1,606,033
Business-Type Activities		
Certificates of Obligation	\$ 2,305,000	\$ 2,500,000
General Obligation Bonds	4,450,000	4,925,000
Unamortized Debt Premium	89,575	98,607
Tax Notes	235,000	465,000
Capital Lease		77,483
Notes Payable	19,250	35,750
Net Pension Liability		58,660
Compensated Absences	16,023	11,319
Total Business-Type Activities	\$ 7,114,848	\$ 8,171,819

Additional information on the City of Colorado City's long term debt can be found in Note 5 on pages 27 through 30 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The general fund budget for the year beginning May 1, 2018 reflects revenue and expenses of \$3,657,660 which is an increase of \$479,230 from the adjusted fiscal year 2018 budgeted revenues and expenses. The water and sewer fund budgeted revenues and expenses for fiscal year 2019 are \$2,720,700. This is a decrease of \$99,600 from the fiscal year 2018 budget.

Requests for Information

This financial report is designed to provide a general overview of the City of Colorado City's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Secretary, City of Colorado City, 180 West 3rd Street, Colorado City, Texas 79512.

BASIC FINANCIAL STATEMENTS

CITY OF COLORADO CITY, TEXAS
STATEMENT OF NET POSITION
APRIL 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<u>ASSETS</u>				
Cash and cash equivalents	\$ 591,184	\$ 350,198	\$ 941,382	\$ 212,967
Restricted cash and cash equivalents	396,130	357,306	753,436	
Investments				79,122
Receivables:				
Taxes, net	322,328	105,887	428,215	
Accounts, net	74,075	263,087	337,162	
Other	1,017		1,017	
Interfund balances	9,730	(9,730)		
Prepaid expenses	36,798	14,777	51,575	
Inventory		28,822	28,822	
Non-depreciable capital assets	313,364	717,472	1,030,836	
Depreciable capital assets, net	3,998,215	9,407,439	13,405,654	
Net pension asset	181,886	70,733	252,619	
TOTAL ASSETS	5,924,727	11,305,991	17,230,718	292,089
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	32,471	12,627	45,098	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	5,957,198	11,318,618	17,275,816	292,089
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	58,557	5,410	63,967	
Accrued interest payable		25,706	25,706	
Deposits		67,009	67,009	
Long term liabilities:				
Due within one year	187,983	941,500	1,129,483	
Due after one year:				
Compensated absences	88,813	16,023	104,836	
Notes payable	166,859	2,750	169,609	
General obligation bonds		4,054,575	4,054,575	
Certificates of obligation		2,100,000	2,100,000	
Landfill post closure liability	752,842		752,842	
TOTAL LIABILITIES	1,255,054	7,212,973	8,468,027	
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	185,161	72,007	257,168	
<u>NET POSITION</u>				
Net Position:				
Net investment in capital assets	3,947,076	3,026,086	6,973,162	
Restricted	418,087	437,927	856,014	
Unrestricted	151,820	569,625	721,445	292,089
TOTAL NET POSITION	\$ 4,516,983	\$ 4,033,638	\$ 8,550,621	\$ 292,089

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

CITY OF COLORADO CITY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2017

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	\$ 515,958	\$ 36,671	\$	
Public safety	1,514,655	9,643		
Public works	793,729	103,715		
Culture and recreation	340,189	46,443		
Sanitation	557,696	739,586		
Airport	16,460	2,437		
Interest	16,929			
Total governmental activities	<u>3,755,616</u>	<u>938,495</u>		
Business-type activities:				
Water and wastewater services	2,161,250	2,708,666		
Interest	215,614			
Total business-type activities	<u>2,376,864</u>	<u>2,708,666</u>		
TOTAL PRIMARY GOVERNMENT	<u>\$ 6,132,480</u>	<u>\$ 3,647,161</u>	<u>\$</u>	<u>\$</u>
Component unit:				
Heart of West Texas Museum	\$ 5,492	\$	\$ 9,513	\$
Main Street	2,232		2,013	
Volunteer Fire Department	67,187	11,748	87,736	
Total component units	<u>\$ 74,911</u>	<u>\$ 11,748</u>	<u>\$ 99,262</u>	<u>\$</u>
			GENERAL REVENUES:	
			Taxes:	
			Property taxes	
			Sales and use taxes	
			Franchise taxes	
			Hotel/motel taxes	
			Investment income	
			Miscellaneous income	
			Transfers	
			Total general revenues	
			Change in net position	
			Net position - beginning	
			Net position - ending	

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

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			
PRIMARY GOVERNMENT			COMPONENT UNIT
Governmental Activities	Business-type Activities	Total	Component Units
\$ (479,287)	\$	\$ (479,287)	\$
(1,505,012)		(1,505,012)	
(690,014)		(690,014)	
(293,746)		(293,746)	
181,890		181,890	
(14,023)		(14,023)	
(16,929)		(16,929)	
<u>(2,817,121)</u>		<u>(2,817,121)</u>	
	547,416	547,416	
	(215,614)	(215,614)	
	331,802	331,802	
<u>(2,817,121)</u>	<u>331,802</u>	<u>(2,485,319)</u>	
			\$ 4,021
			(219)
			<u>32,297</u>
			<u>36,099</u>
611,707	318,328	930,035	
642,550		642,550	
309,130		309,130	
157,882		157,882	1,441
17,292	17,850	35,142	1,485
27,185	81,788	108,973	3,120
580,900	(580,900)		
<u>2,346,646</u>	<u>(162,934)</u>	<u>2,183,712</u>	<u>6,046</u>
(470,475)	168,868	(301,607)	42,145
<u>4,987,458</u>	<u>3,864,770</u>	<u>8,852,228</u>	<u>249,944</u>
<u>\$ 4,516,983</u>	<u>\$ 4,033,638</u>	<u>\$ 8,550,621</u>	<u>\$ 292,089</u>

CITY OF COLORADO CITY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
APRIL 30, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 591,184	\$	\$ 591,184
Restricted cash and cash equivalents	15,308	380,822	396,130
Receivables:			
Accounts, net	74,075		74,075
Property tax, net	171,419		171,419
Sales tax	122,450		122,450
Hotel/motel tax		22,398	22,398
Franchise tax	6,061		6,061
Other	1,017		1,017
Interfund	10,171	(441)	9,730
Prepaid expenses	36,798		36,798
TOTAL ASSETS	\$ 1,028,483	\$ 402,779	\$ 1,431,262
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Accounts payable and accrued expenses	\$ 58,557	\$	\$ 58,557
Deferred inflow of resources:			
Deferred revenue	151,408		151,408
Total Liabilities and Deferred Inflows of Resources	209,965		209,965
FUND BALANCE:			
Unassigned	803,210		803,210
Restricted for:			
Court technology	516		516
Law enforcement	3,761		3,761
Police training	4,940		4,940
Cemetery care	6,091	101,999	108,090
Tourism		90,436	90,436
Debt retirement		210,344	210,344
Total Fund Balance	818,518	402,779	1,221,297
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,028,483	\$ 402,779	\$ 1,431,262

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

CITY OF COLORADO CITY, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
APRIL 30, 2018

Total Fund Balances - Governmental Funds	\$	1,221,297
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$35,986,180 and the accumulated depreciation was \$30,836,394. The net effect of the beginning balances for capital assets (net of depreciation) in the governmental activities is an increase to net position.		5,149,786
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Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. There were current year capital asset purchases of \$166,089 in the General Fund.		166,089
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Depreciation expense is not reflected in the governmental funds, but is recorded in the government-wide financial statements as an expense and an increase to accumulated depreciation. The net effect of the current year depreciation expense of \$1,004,296 is to decrease net position.		(1,004,296)
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Long term debt is not due and payable in the current period and, therefore, it is not reported in governmental funds. The net effect of recognizing long term debt in the governmental activities is a decrease to net position of \$354,842		(354,842)
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Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the governmental funds. Deferred revenue of \$151,408 is recognized in the government-wide financial statements. This results in an increase in net position.		151,408
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Long term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds. The net effect of recognizing long term liabilities related to the City's landfill closure and post closure requirement is a decrease in net position.		(752,842)
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Long term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds. The net effect of recognizing long term liabilities related to the City's compensated absences liability results in a decrease in net position.		(88,813)
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Included on the government-wide financial statements is the recognition of the City's proportionate share of the net pension asset of \$181,886, a deferred outflow of resources of \$32,471, and a deferred inflow of resources of \$185,161. The net effect is to decrease net position.		29,196
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Net Position of Governmental Activities	\$	4,516,983
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The accompanying notes are an integral part of the financial statements.

CITY OF COLORADO CITY, TEXAS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUE:			
Taxes:			
Property	\$ 594,714	\$	\$ 594,714
Sales	642,550		642,550
Occupancy		157,882	157,882
Franchise	309,130		309,130
Charges for service	802,516		802,516
Insurance recovery	4,243		4,243
Fines	26,832		26,832
Licenses and permits	109,147		109,147
Intergovernmental			
Investment earnings	8,055	4,994	13,049
Contributions and donations	12,612		12,612
Miscellaneous income	14,573		14,573
Total Revenue	<u>2,524,372</u>	<u>162,876</u>	<u>2,687,248</u>
EXPENDITURES:			
Current:			
General government	493,640		493,640
Public safety	821,078		821,078
Public works	740,181		740,181
Culture and recreation	240,832	37,977	278,809
Sanitation	442,784		442,784
Airport	7,492		7,492
Debt service:			
Principal retired	121,508	156,792	278,300
Interest	2,168	14,761	16,929
Capital outlay			
General government	6,588		6,588
Public Safety	5,731		5,731
Public Works	81,370		81,370
Sanitation	72,400		72,400
Total Expenditures	<u>3,035,772</u>	<u>209,530</u>	<u>3,245,302</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(511,400)	(46,654)	(558,054)
OTHER FINANCING SOURCES (USES)			
Proceeds from debt issuance			
Sale of assets			
Transfers in (out)	409,060	171,840	580,900
Total other financing sources (uses)	<u>409,060</u>	<u>171,840</u>	<u>580,900</u>
CHANGE IN FUND BALANCE	(102,340)	125,186	22,846
FUND BALANCE AT BEGINNING OF YEAR	<u>920,858</u>	<u>277,593</u>	<u>1,198,451</u>
FUND BALANCE AT END OF YEAR	<u>\$ 818,518</u>	<u>\$ 402,779</u>	<u>\$ 1,221,297</u>

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

CITY OF COLORADO CITY, TEXAS
RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED APRIL 30, 2018

Net Change in Fund Balances - Governmental Funds	\$	22,846
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The current year capital asset purchases in the General Fund were \$166,089.</p>		166,089
<p>Depreciation expense is not reflected in the governmental funds, but is recorded in the government-wide financial statements as an expense and an increase to accumulated depreciation. The net effect of the current year depreciation expense of \$1,004,296 is to decrease net position.</p>		(1,004,296)
<p>The current year issuance of long term debt provides current financial resources to governmental funds, while repayment of the principal of long term debt consumes the current financial resources of governmental funds. The net effect of recognizing current issuance and payments on long term debt in the government-wide financial statements is a net increase to net position of \$268,639.</p>		268,639
<p>Other changes in long term liabilities are not recognized in the current period expenditures. The adjustments to these other long term liabilities are recognized in the government-wide financial statements and resulted in a decrease in net position.</p>		(9,941)
<p>Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the governmental funds. The current year adjustment to revenue recognized in the government-wide financial statements is \$16,993. This results in an increase in net position.</p>		16,993
<p>Certain expenditures for pension that are recorded to the fund financial statements must be recorded as deferred outflows of resources. Contributions made after the measurement date caused the change in net position to increase in the amount of \$28,755. The City's share of the unrecognized deferred inflows and outflows for TMRS as of the measurement date must be amortized and the City's proportionate share of the pension expense must be recognized. These cause the change in net position to decrease in the amount of \$40,440. The net effect is an increase in net position.</p>		<u>69,195</u>
Change in Net Position of Governmental Activities	\$	<u><u>(470,475)</u></u>

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

CITY OF COLORADO CITY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
APRIL 30, 2018

	<u>Water and Wastewater Fund</u>
ASSETS:	
Current Assets:	
Cash and cash equivalents	\$ 350,198
Restricted cash and cash equivalents	357,306
Accounts receivable, net	263,087
Property tax receivable	105,887
Inventory	28,822
Prepaid expenses	<u>14,777</u>
Total Current Assets	<u>1,120,077</u>
Noncurrent Assets:	
Non-depreciable capital assets	717,472
Depreciable capital assets, net	9,407,439
Net pension asset	<u>70,733</u>
Total Noncurrent Assets	<u>10,195,644</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension	<u>12,627</u>
Total Assets and Deferred Outflows of Resources	<u>11,328,348</u>
LIABILITIES:	
Accounts payable	5,410
Accrued interest payable	25,706
Compensated absences	16,023
Due to other funds	9,730
Customer security deposits	67,009
Long term liabilities:	
Due within one year	941,500
Due after one year:	
General obligation bonds	4,054,575
Note payable	2,750
Certificates of obligation	<u>2,100,000</u>
Total Liabilities	<u>7,222,703</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension	<u>72,007</u>
NET POSITION:	
Net investment in capital assets	3,026,086
Restricted for debt service	437,927
Unrestricted	<u>569,625</u>
Total Net Position	<u>\$ 4,033,638</u>

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

CITY OF COLORADO CITY, TEXAS
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUND
YEAR ENDED APRIL 30, 2018

	<u>Water and Wastewater Fund</u>
OPERATING REVENUE:	
Charges for sales and services:	
Water sales	\$ 1,540,810
Sewer charges	1,079,341
Other charges for services	<u>88,515</u>
Total Operating Revenue	<u>2,708,666</u>
OPERATING EXPENSES:	
Personnel services	569,780
Supplies	135,728
Other services and charges	585,425
Depreciation	<u>870,317</u>
Total Operating Expenses	<u>2,161,250</u>
Operating Income	<u>547,416</u>
NON-OPERATING REVENUE (EXPENSES)	
Property taxes	318,328
Intergovernmental	
Lease income	45,647
Interest income	17,850
Insurance recovery	36,141
Interest expense	<u>(215,614)</u>
Total Non-operating Revenue (Expenses)	<u>202,352</u>
NET INCOME BEFORE OPERATING TRANSFERS	749,768
OPERATING TRANSFERS	
Transfers out	<u>(580,900)</u>
CHANGE IN NET POSITION	168,868
NET POSITION BEGINNING OF YEAR	<u>3,864,770</u>
NET POSITION END OF YEAR	<u>\$ 4,033,638</u>

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

CITY OF COLORADO CITY, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
YEAR ENDED APRIL 30, 2018

	<u>Water and Wastewater Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 2,664,198
Payments to suppliers	(142,858)
Payments to employees and related taxes and benefits	(591,985)
Payments to others	(586,354)
Net cash provided by operating activities	<u>1,343,001</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Operating transfers out	(580,900)
Property tax revenue	306,563
Miscellaneous income	81,788
Net cash used by noncapital financing activities	<u>(192,549)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal payments on long-term debt	(993,982)
Interest payments on long-term debt	(227,148)
Acquisition and construction of capital assets	(148,386)
Net cash used by capital and related financing activities	<u>(1,369,516)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	17,850
Net cash provided by investing activities	<u>17,850</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(201,214)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>908,718</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 707,504</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 547,416
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	870,317
(Increase) Decrease in utility receivable	(46,702)
(Increase) Decrease in prepaid expenses	(929)
(Increase) Decrease in inventory	6,046
Increase (Decrease) in accounts payable	(10,490)
Increase (Decrease) in interfund borrowing	(2,686)
Increase (Decrease) in compensated absences	4,704
Increase (Decrease) in customer deposits	2,234
Increase (Decrease) in pension liability	(26,909)
Net cash provided by operating activities	<u>\$ 1,343,001</u>

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

CITY OF COLORADO CITY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2018

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

The City of Colorado City, Texas 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, culture, recreation, water, sewer, sanitation, streets, and general administrative services.

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

Discretely Presented Component Units

The component unit column in the government-wide financial statements includes the financial data of the combined component units of the City of Colorado City, Texas. The financial information is listed in a separate column to emphasize that these entities are legally separate from the City.

The Heart of West Texas, Inc. is a legally separate nonprofit corporation 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.

Colorado City Main Street Program is a legally separate nonprofit corporation pursuant to the Texas Non-Profit Corporation Act and permitted under Section 501(c)(3) of the Internal Revenue Code. Main Street was formed in 2006 and operates as a volunteer-based program that helps revive downtown areas focusing on design, economic restructuring, organization, and promotion. The City Council appoints the board members who serve Main Street and provide general fund budgeted funds to fund the program director salary. Separate financial statements are not prepared for Colorado City Main Street.

The Volunteer Fire Department is responsible for providing support to the fireman 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 the City equipment and facilities. Separate financial statements are not prepared for the volunteer fire department.

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 nonfiduciary 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. Financial information for the component units is aggregated and reported separately from the financial information presented for the primary government.

CITY OF COLORADO CITY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Separate financial statements are provided for governmental funds and proprietary funds.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

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

The City reports the following major governmental fund:

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

The City reports the following major proprietary fund:

Water and Wastewater Fund - This enterprise fund is used to account for the activities of the City's water and sewer services which are financed and operated in a manner similar to private business enterprises - where the intent of the government body is that the costs (expenses including depreciation) of providing services to the general public on a continuing basis will be financed or recovered primarily through user charges.

Additionally, the government reports the following non-major fund types:

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

Special revenue funds:

Cemetery care fund accounts for the 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.

CITY OF COLORADO CITY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenue. Likewise, general revenues include all taxes.

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 water, sewer, and sanitation services are charges to customers for sales and services. Operating expense for the enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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 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 1st, 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 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 one budget amendment during the year. This budget amendment changed the revenues and expenses within departments, but did not change the overall budgeted revenues or expenses.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During fiscal year 2018 in the general fund, expenditures exceeded the budget in a couple of departmental areas; however, funds were available to cover these expenditures.

USE OF ESTIMATES

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

CITY OF COLORADO CITY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

CASH AND CASH EQUIVALENTS

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 subdivision 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 considers investments with a maturity of three months or less are considered to be cash equivalents.

INVENTORY

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

RECEIVABLES AND PAYABLES

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

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

RESTRICTED ASSETS

Certain proceeds of the City's enterprise fund certificates of obligation, as well as certain resources set aside for 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.

CAPITAL ASSETS

Capital assets, which include property, plant, and 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 and in the fund financial statements for the proprietary fund. In the governmental fund financial statements, capital assets are recorded as expenditures. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Capital assets are stated at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donations.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the lives is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

CITY OF COLORADO CITY, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Capital assets in the primary government, are depreciated using the straight line method over the following estimated useful lives. The estimated useful lives of capital assets are as follows:

Buildings	20 - 50 years
Water and Sewer System	30 - 50 years
Machinery and Equipment	3 - 10 years
Improvements	5 - 50 years

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

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.

PENSIONS

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

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.

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."

CITY OF COLORADO CITY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 limits 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 Council has provided otherwise in its commitment or assignment actions.

Payment between the City and the 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 units.

NOTE 2: DEPOSITS AND INVESTMENTS

At April 30, 2018 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 \$1,694,818 and the component units' carrying amount of deposits totaled \$212,967. The respective bank balances totaled \$1,880,635 and \$213,115. 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 \$3,029,489. The collateral for the City is held by the City National Bank and is held in the City's name. The component units' bank accounts were fully covered by Federal Depository Insurance.

CITY OF COLORADO CITY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 2: DEPOSITS AND INVESTMENTS - continued

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 of the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

As of April 30, 2018, the City only had certificates of deposit which were considered to be cash equivalents for reporting purposes.

The investments of the component unites at April 30, 2018 are show below:

Heart of West Texas, Inc.

Investment or Investment Type	Book Value	Fair Value
Fixed Income Fund	\$ 34,400	\$ 32,412

Volunteer Fire Department

Investment or Investment Type	Book Value	Fair Value
Federal Bond Fund Mutual Fund	\$ 49,598	\$ 46,710

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 – Should 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	\$ 3,761
Police department	4,940
Court technology	516
Cemetery Care	6,091
Non-major governmental funds:	
Tourism	189,718
Cemetery care	103,507
Debt service	87,597
Enterprise fund	
Debt service	<u>357,306</u>
Total restricted cash and cash equivalents	<u>\$ 753,436</u>

CITY OF COLORADO CITY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 3: ACCOUNTS RECEIVABLE

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:

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Major Proprietary Fund</u>	<u>Total</u>
Receivables:				
Accounts	\$ 136,059	\$	\$ 419,719	\$ 555,778
Grants	-			-
Taxes	362,138	22,398	135,396	519,932
Other	<u>1,017</u>		<u>42,497</u>	<u>43,514</u>
Gross receivables	499,214	22,398	597,612	1,119,224
Less: Allowance for uncollectible	<u>124,192</u>		<u>228,638</u>	<u>352,830</u>
Net total receivables	\$ <u><u>375,022</u></u>	\$ <u><u>22,398</u></u>	\$ <u><u>368,974</u></u>	\$ <u><u>766,394</u></u>

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

NOTE 4: CAPITAL ASSETS

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

<u>Government Activities:</u>	<u>Balance April 30, 2017</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Balance April 30, 2018</u>
Capital assets, not being depreciated:				
Land	\$ 313,364	\$	\$	\$ 313,364
Total capital assets, not being depreciated	<u>313,364</u>	<u>-</u>	<u>-</u>	<u>313,364</u>
Capital assets being depreciated:				
Buildings and improvements	2,213,690	16,461		2,230,151
Infrastructure	29,533,413			29,533,413
Equipment	<u>3,925,713</u>	<u>149,628</u>		<u>4,075,341</u>
Total assets being depreciated	<u>35,672,816</u>	<u>166,089</u>		<u>35,838,905</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,085,361)	(95,160)		(1,180,521)
Infrastructure	(27,395,158)	(638,681)		(28,033,839)
Equipment	<u>(2,355,875)</u>	<u>(270,455)</u>		<u>(2,626,330)</u>
Total accumulated depreciation	<u>(30,836,394)</u>	<u>(1,004,296)</u>		<u>(31,840,690)</u>
Total capital assets being depreciated, net	<u>4,836,422</u>	<u>(838,207)</u>		<u>3,998,215</u>
Governmental activities capital assets, net	\$ <u><u>5,149,786</u></u>	\$ <u><u>(838,207)</u></u>	\$ <u><u>-</u></u>	\$ <u><u>4,311,579</u></u>

CITY OF COLORADO CITY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 4: CAPITAL ASSETS - continued

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

<u>Business-type activities:</u>	Balance April 30, 2017	Additions/ Completions	Retirements/ Adjustments	Balance April 30, 2018
Capital assets, not being depreciated:				
Land	\$ 717,472	\$	\$	\$ 717,472
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>717,472</u>	<u>-</u>	<u>-</u>	<u>717,472</u>
Capital assets being depreciated:				
Buildings and systems	14,242,351	39,730		14,282,081
Utility Service Lines	13,649,236			13,649,236
Machinery and equipment	492,348	108,656		601,004
Vehicles	179,062			179,062
Total assets being depreciated	<u>28,562,997</u>	<u>148,386</u>	<u>-</u>	<u>28,711,383</u>
Less accumulated depreciation for:				
Buildings and systems	(8,093,643)	(481,558)		(8,575,201)
Utility Service Lines	(9,844,980)	(333,901)		(10,178,881)
Machinery and equipment	(352,803)	(43,311)		(396,114)
Vehicles	(142,201)	(11,547)		(153,748)
Total accumulated depreciation	<u>(18,433,627)</u>	<u>(870,317)</u>	<u>-</u>	<u>(19,303,944)</u>
Total capital assets being depreciated, net	<u>10,129,370</u>	<u>(721,931)</u>	<u>-</u>	<u>9,407,439</u>
Business-type activities capital assets, net	<u>\$ 10,846,842</u>	<u>\$ (721,931)</u>	<u>\$ -</u>	<u>\$ 10,124,911</u>

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

Governmental activities:	
General Government	\$ 24,531
Public Safety	725,663
Public Works	76,520
Airport	8,968
Culture and recreation	54,112
Sanitation	<u>114,502</u>
	<u>\$ 1,004,296</u>
Business-type activities:	
Water and wastewater	\$ 870,317

CITY OF COLORADO CITY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 5: LONG TERM DEBT

At April 30, 2018, capital lease obligations consisted of the following individual leases:

	Governmental Activities
Caterpillar Financial - due in 60 monthly payments of \$2,919 including interest at 2.80% through November 2018, secured by the Caterpillar Excavator	\$ 20,246
Welch State Bank - due in 60 monthly payments of \$2,944 including interest at 2.78% through June 2018, secured by an Asphalt Zipper	5,868
Total Governmental Activities Leases Payable	\$ 26,114

The future lease obligations as of April 30, 2018, were as follows:

Year Ended April 30	Principal	Interest	Total
2019	\$ 26,114	\$ 210	\$ 26,324
	\$ 26,114	\$ 210	\$ 26,324

CITY OF COLORADO CITY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 5: LONG TERM DEBT - continued

At April 30, 2018, long-term debt consisted of the following:

	<u>Business-Type Activities</u>
<u>Certificates of Obligation:</u>	
Series 2013 Combination Tax & Surplus Revenue Certificates of Obligation, issued July 12, 2013, bearing interest at 2.0% - 3.5% due in annual installment through March 2028.	\$ 2,305,000
<u>General Obligation Refunding Bonds:</u>	
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.	3,900,000
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.	550,000
<u>Tax Notes</u>	
Tax Notes, Series 2012 issued June 1, 2012, bearing interest at 1.0% to 2.0% due in annual installments through March 2019.	235,000
<u>Notes Payable</u>	
Non-interest bearing note payable issued June 2016, due in annual installments of \$1,375 through June 2019.	19,250
	<u>\$ 7,009,250</u>
	<u>Government-Type Activities</u>
<u>Notes Payable</u>	
Notes payable to First Financial Bank, dated June 11, 2015, bearing interest at 2.948%, due in annual installments through April 2020.	\$ 227,447
Notes Payable with Government Capital Corporation, dated July 2016, bearing interest at 2.948%, due in yearly installments of \$52,890 through July 2019.	101,280
	<u>\$ 328,727</u>

The annual aggregate maturities for the governmental and business-type activities at April 30, 2018 are as follows:

Year Ended April 30	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2019	161,869	9,685	941,500	203,971
2020	166,858	4,912	712,750	187,120
2021			440,000	169,700
2022			445,000	158,750
2023			460,000	147,650
2024-2028			2,490,000	524,025
2029-2033			1,255,000	184,600
2034-2035			265,000	16,000
	<u>\$ 328,727</u>	<u>\$ 14,597</u>	<u>\$ 7,009,250</u>	<u>\$ 1,591,816</u>

CITY OF COLORADO CITY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 5: LONG TERM DEBT

Changes in long-term liabilities for the year ended April 30, 2018 are summarized as follows:

	Balance May 1, 2017	Transfers, Issues or, Additions	Transfers, Payments or Expenditures	Balance April 30, 2018	Due Within One Year
Governmental Activities:					
Capital Leases	\$ 147,622	\$	\$ (121,508)	\$ 26,114	\$ 26,114
Notes Payable	485,520		(156,792)	328,728	161,869
Compensated Absences	78,872	9,941		88,813	
Net Pension Liability (Asset)	150,838		(332,724)	(181,886)	
Landfill Post Closure	743,181	9,661		752,842	
Total Governmental Activities	\$ 1,606,033	\$ 19,602	\$ (611,024)	\$ 1,014,611	\$ 187,983
Business-Type Activities					
Certificates of Obligation	\$ 2,500,000	\$	\$ (195,000)	\$ 2,305,000	\$ 205,000
General Obligation Bonds	4,925,000		(475,000)	4,450,000	485,000
Unamortized Debt Premium	98,607		(9,032)	89,575	
Tax Notes	465,000		(230,000)	235,000	235,000
Capital Lease	77,483		(77,483)	-	-
Notes Payable	35,750		(16,500)	19,250	16,500
Net Pension Liability (Asset)	58,660		(129,393)	(70,733)	
Compensated Absences	11,319	4,704		16,023	
Total Business-Type Activities	\$ 8,171,819	\$ 4,704	\$ (1,132,408)	\$ 7,044,115	\$ 941,500

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 operations 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 plan improvements, drilling new water wells, and construction of water storage facilities.

General Obligation Refunding Bonds

The 2012 General Obligation bonds were issued to refund the 2000, 200A, 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 Obligation Refunding bonds were issued to refund the 2004 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 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 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.

CITY OF COLORADO CITY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 5: LONG TERM DEBT

Notes Payable

The City entered into a contract with First Financial Bank for the purchase of two sanitation trucks and dumpsters. The note is payable from 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.

The city entered into a contract with Debby Guelker to purchase real property. The note is payable from budgeted funds in the general fund.

Capital Lease Obligations

Leases are for a water metering system, equipment at the City landfill and an asphalt zipper for the street department. All capital lease payments have been made as of April 30, 2018. 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 make the payments on the water meter 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 Environment 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 2017-2018. 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 year life in the opened landfill site.

NOTE 6: 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, and 3) move unrestricted enterprise fund revenue to financial various programs that the government must account for in other funds in accordance with budgetary authorizations.

During the year ended April 30, 2018, the city made the following transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 409,060	\$ -
Non-Major Governmental Fund	171,840	-
Major Business-Type Fund	-	580,900
	<u>\$ 580,900</u>	<u>\$ 580,900</u>

NOTE 7: RISK FINANCING

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; and errors or omissions, 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

CITY OF COLORADO CITY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018

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.

NOTE 8: COMMITMENTS AND CONTINGENCIES

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

NOTE 9: PENSION PLAN

A. Plan Description

The City of Colorado City participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

B. Benefits Provided

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

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

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

Employee deposit rate:	6.0%
Employer deposit rate (2017)	9.13%
Matching ratio (City to employee):	2 to 1
Years required for vesting:	5 years
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25
Updated service credit	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	27
Inactive employees entitled to but not yet receiving benefits	45
Active employees	40
Total	<u>112</u>

CITY OF COLORADO CITY, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018**

NOTE 9: PENSION PLAN

C. Contributions

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

Employees for the City of Colorado City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Colorado City were 9.13% and 8.89% in calendar years 2017 and 2018 respectively. The City's contributions to TMRS for the year ended April 30, 2018, were \$141,117, and were equal to the required contributions.

D. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2017 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 Health Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male 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, 2017 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. 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 assets 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 area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

CITY OF COLORADO CITY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 9: PENSION PLAN - continued

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.750%. 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 (Asset)	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance as 12/31/2016	\$ 5,445,715	\$ 5,236,217	\$ 209,498
Changes for the year:			
Service cost	216,073		216,073
Interest	365,829		365,829
Change of benefit terms			
Difference between expected and actual experience	(96,005)		(96,005)
Changes of assumptions			
Contributions – employer		135,957	(135,957)
Contributions – employee		89,348	(89,348)
Net Investment Income		726,660	(726,660)
Benefit Payments, including refunds of employee contributions	(268,124)	(268,124)	
Administrative expense		(3,761)	3,761
Other changes		(190)	190
Net Changes	217,773	679,890	(462,117)
Balance 12/31/2017	\$ 5,663,488	\$ 5,916,107	\$ (252,619)

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ 496,814	\$ (252,619)	\$ (866,115)

CITY OF COLORADO CITY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 9: PENSION PLAN - continued

Pension Plan Fiduciary Net Position

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

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

For the year ended April 30, 2018, the City recognized pension expense of \$45,014.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience		\$ 93,348
Changes in actuarial assumptions		
Difference between projected and actual investment earnings		163,820
Contributions subsequent to the measurement date	45,098	
Total	\$ 45,098	\$ 257,168

\$45,098 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	
2018	\$ (83,233)
2019	(24,509)
2020	(74,782)
2021	(74,644)
2022	0
Thereafter	0
Total	\$ (257,168)

NOTE 10: SUPPLEMENTAL DEATH BENEFITS FUND

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System 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. The City offered supplemental death benefits to active employees and retirees during plan years 2015 and 2016.

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 one-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 term life insurance during employees’ entire careers.

CITY OF COLORADO CITY, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2018**

NOTE 10: SUPPLEMENTAL DEATH BENEFITS FUND

The City's contributions to the TMRS SDBF for the years ended 2018, 2017, and 2016 were \$5,398, \$4,516, and \$4,091, respectively which equaled the required contributions each year.

**Schedule of Contribution Rates:
(Retiree-only portion of the rate)**

<u>Plan\ Calendar Year</u>	<u>Annual Required Contribution (Rate)</u>	<u>Actual Contribution Made (Rate)</u>	<u>Percent ofARC Contributed</u>
2015	0.10%	0.10%	100%
2016	0.10%	0.10%	100%
2017	0.12%	0.12%	100%
2018	0.13%	0.13%	100%

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COLORADO CITY, TEXAS
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND
YEAR ENDED APRIL 30, 2018

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Amended Budget	Actual	
REVENUE:				
Taxes:				
Property	\$ 546,300	\$ 591,300	\$ 594,714	\$ 3,414
Sales	610,000	640,000	642,550	2,550
Franchise tax	310,000	310,000	309,130	(870)
Charges for services	775,200	862,400	802,516	(59,884)
Insurance recovery	4,000	4,000	4,243	243
Fines	86,500	47,800	26,832	(20,968)
Licenses and permits	16,250	110,780	109,147	(1,633)
Intergovernmental	4,500	-	-	-
Investment earnings	1,600	6,100	8,055	1,955
Contributions and donations	1,700	1,200	12,612	11,412
Miscellaneous	23,650	22,750	14,573	(8,177)
Total Revenues	<u>2,379,700</u>	<u>2,596,330</u>	<u>2,524,372</u>	<u>(71,958)</u>
EXPENDITURES:				
Current:				
General government:				
City council	69,020	90,420	85,981	4,439
Court	54,790	44,790	31,764	13,026
Legal	55,000	55,000	50,205	4,795
City Hall/Finance	253,230	270,180	262,780	7,400
Non-departmental	184,970	73,000	69,498	3,502
Public safety:				
Police department	785,220	804,720	749,038	55,682
Fire department	98,770	78,870	77,771	1,099
Code enforcement	49,160	51,460	49,545	1,915
Public works:				
Streets and signals	511,550	610,950	674,255	(63,305)
Cemetery	25,440	36,190	34,253	1,937
Animal control	61,880	66,380	63,499	2,881
Culture and recreation:				
Civic Center	53,600	53,600	55,792	(2,192)
Swimming Pool	66,460	71,460	69,037	2,423
Parks	37,390	37,390	36,114	1,276
Day Care	6,100	6,100	6,328	(228)
Community development	75,630	75,630	73,561	2,069
Sanitation:				
Solid waste	201,440	315,040	387,056	(72,016)
Sanitation collection	279,350	286,350	128,127	158,223
Airport	7,000	7,000	7,492	(492)
Debt Service:				
Principal	139,900	139,900	121,508	18,392
Interest	4,000	4,000	2,168	1,832
Total expenditures	<u>3,019,900</u>	<u>3,178,430</u>	<u>3,035,772</u>	<u>142,658</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(640,200)	(582,100)	(511,400)	70,700

CITY OF COLORADO CITY, TEXAS
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND
YEAR ENDED APRIL 30, 2018

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Amended Budget	Actual	
OTHER FINANCING SOURCES (USES)				
Sale of assets	1,200	1,200	-	(1,200)
Transfers in	<u>639,000</u>	<u>580,900</u>	<u>409,060</u>	<u>(171,840)</u>
Total Other Financing Sources (Uses)	<u>640,200</u>	<u>582,100</u>	<u>409,060</u>	<u>(173,040)</u>
CHANGE IN FUND BALANCE			(102,340)	(102,340)
FUND BALANCES AT BEGINNING OF YEAR	<u>920,858</u>	<u>920,858</u>	<u>920,858</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ 920,858</u>	<u>\$ 920,858</u>	<u>\$ 818,518</u>	<u>\$ (102,340)</u>

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability			
Service cost	\$ 216,073	\$ 211,235	\$ 205,582
Interest (on the Total Pension Liability)	365,829	353,852	343,880
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(96,005)	(140,037)	(47,593)
Change of Assumptions	-	-	48,342
Benefit payments, including refunds of employee contributions	<u>(268,124)</u>	<u>(231,951)</u>	<u>(214,741)</u>
Net Change in Total Pension Liability	217,773	193,099	335,470
Total Pension Liability - Beginning	<u>5,445,715</u>	<u>5,252,616</u>	<u>4,917,146</u>
Total Pension Liability - Ending (a)	<u>\$ 5,663,488</u>	<u>\$ 5,445,715</u>	<u>\$ 5,252,616</u>
 Plan Fiduciary Net Position			
Contributions - Employer	\$ 135,957	\$ 120,495	\$ 118,610
Contributions - Employee	89,348	88,383	91,709
Net Investment Income	726,660	333,464	7,279
Benefit payments, including refunds of employee contributions	(268,124)	(231,951)	(214,741)
Administrative Expense	(3,761)	(3,763)	(4,432)
Other	<u>(190)</u>	<u>(203)</u>	<u>(218)</u>
Net Change in Plan Fiduciary Net Position	679,890	306,425	(1,793)
Plan Fiduciary Net Position - Beginning	<u>5,236,217</u>	<u>4,929,792</u>	<u>4,931,585</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 5,916,107</u>	<u>\$ 5,236,217</u>	<u>\$ 4,929,792</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ (252,619)</u>	<u>\$ 209,498</u>	<u>\$ 322,824</u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	104.46%	96.15%	93.85%
 Covered Employee Payroll	\$ 1,489,130	\$ 1,473,047	\$ 1,528,490
 Net Pension Liability as a Percentage of Covered Employee Payroll	-16.96%	14.22%	21.12%

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

	2016	2017	2018
Actuarially Determined Contribution	\$ 118,641	\$ 123,713	\$ 141,117
Contributions in relation to the actuarially determined contribution	118,641	123,713	141,117
Contributions deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 1,504,581	\$ 1,461,579	\$ 1,558,980
Contributions as a percentage of covered payroll	7.89%	8.46%	9.05%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 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 2010 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.