

REPORT ON
COUNTY OF COLEMAN
COLEMAN, TEXAS
YEAR ENDED SEPTEMBER 30, 2016

COUNTY OF COLEMAN
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YEAR ENDED SEPTEMBER 30, 2016

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Reed, McKee & Co., P.C.

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INDEPENDENT AUDITOR'S REPORT

County Judge and Commissioner's Court
County of Coleman
Coleman, Texas 76834

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Coleman (the County) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County'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, each major fund, and the aggregate remaining fund information of the County of Coleman as of September 30, 2016, and the respective changes in financial position and respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements as well as the Schedule of Changes in Net Position Liability and Related Ratios and Schedule of Employer Contributions on pages 38 and 39. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County of Coleman's basic financial statements. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual for the Road & Bridge fund and Other Governmental funds are prepared for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information noted above and on pages 41 through 45 is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Reed, McKee & Co. P.C.
Reed, McKee & Co., P.C.
Certified Public Accountants

June 1, 2017

**COUNTY OF COLEMAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED**

This section of the County of Coleman's annual financial report presents our discussion and analysis of the County's financial performance for the fiscal year ended September 30, 2016. Please read it in conjunction with the Independent Auditor's Report and the County's Basic Financial Statements.

FINANCIAL HIGHLIGHTS

The County's net position as presented on the statement of net position, increased by \$182,180 as a result of this year's operations. The County's net position consists of unrestricted assets of \$1,870,530 which may be used to meet the County's ongoing obligations and net position invested in capital assets net of related debt of \$1,100,930 which represent the County's depreciable assets net of related debt. Restricted net assets consist mainly of funds restricted for specific use of state fees collected by the county and the asset created by the pension accounting standard. Total assets decreased \$172,482 over the prior year, with a corresponding \$91,261 increase in total liabilities. The decrease in total assets is mainly due to the effect of the pension adjustments. The County had a \$325,108 asset in the prior year that is now a liability of \$88,136. This was due to the pension plan not meeting the expected rate of return as projected. The \$88,136 net pension liability is the reason that liabilities have increased. The other item of interest on the statement of net position is the large increase in the deferred outflow of resources. It has increased \$445,923 as a result of the current year activity. This account is utilized to try to even out the pension expense reflected in the statement of activity. With the large change in the pension from an asset to a liability, a lot of that change is deferred in this account.

As shown in the statement of activities the County has charges for services of \$809,194 and revenues from operating grants of \$492,973 which were used to fund total expenses of \$4,545,721. The net result of this is \$3,243,554 of expenses that were funded by \$3,425,734 of general revenues to create a \$182,180 increase in net position. Property taxes remained fairly constant as compared to the prior year. Expenses were up by \$441,684 which corresponds to the increase of \$350,403 in operating grants as the Road and Bridge funds continued the process of repaving several of the rural roads with a grant received from the Texas Department of Transportation.

Comparing the balance sheet for the current year to the prior year, the following items were noted. Total assets for all governmental funds are \$2,185,466 which is an increase of \$285,454 compared to the prior year. Total cash and certificates of deposit increased by \$218,025. This corresponds with the overall net change in fund balances of \$201,660. The increase in liabilities of \$79,462 is primarily due to the deferred insurance proceeds for roof repair. The total deferred is the unspent amounts at year-end of \$105,393. This amount will be recognized as insurance proceeds in the next fiscal year as the funds are spent on the roof. Total fund balance increased from \$1,548,217 to \$1,749,877 as a result of current operations as shown in the statement of revenues, expenditures, and changes in fund balance. As was mentioned earlier, property taxes remained fairly constant when compared to the prior year while intergovernmental revenues increased \$350,403 due to the grant for the repaving of the roads. Expenditures by functional area actually decreased in the Road and Bridge fund due to not having a capital lease for equipment like last year. Total expenses for all functions were nearly exactly the same for this year as last year. With the additional grant funds, this had the effect of adding \$201,660 to the fund balances. Salaries and benefits for all funds totaled \$2,609,083 or 58% of total expenses.

The County's budget comparison for the general fund and road and bridge fund is included in the financial statements for further analysis. Actual revenues of the general fund were \$58,647 less than the final budgeted amounts. As can be seen from looking at the budget comparison, taxes made up \$57,674 of this decrease. Total expenditures in the general fund were \$122,085 less than budgeted amounts. While the overall budget was not over spent there were some functional areas that were overspent. The sheriff department was overspent by \$93,929. This is primarily due to inmate expenses that include medical expenses to be paid by the County. This shows that the County is staying within budgeted amounts. The original budget for the general fund projected an decrease in fund balance for the general fund of \$26,626. The amended budget projected a decrease in fund balance of \$36,585. The actual amount of increase in fund balance is \$26,532.

**COUNTY OF COLEMAN
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
UNAUDITED**

A comparison of the Road and Bridge budget to actual shows the following information. Actual revenues were \$570,467 less than budgeted due to the budget including \$400,550 of FEMA revenue that has not been received as of year-end. Taxes were less than anticipated by \$28,318 while fees from registrations were under budget by \$16,671. The total grant from the Department of Transportation of \$464,000 was budgeted while only \$337,513 of the funds were in revenue. Actual expenses were \$727,754 less than budgeted amounts again due to not as much expenses on anticipated FEMA project. The original and amended budget showed an anticipated increase in fund balance of \$9,803. As can be seen, the actual increase in fund balance was \$171,999.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the County.

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the County as a whole and present a longer-term view of the County's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial report of a business enterprise.

Fund financial statements report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statement of fiduciary net assets provides financial information about activities for each of the County offices and represents funds that have not been remitted to the Treasurer as of year end.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The supplementary information includes information for further analysis.

Reporting the County as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the County's overall financial condition and operations begins with the statement of net position and statement of activities. The primary purpose is to show whether the County is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the County's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the County's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The County's revenues are divided into those provided from charges for services such as fees and fines collected in each of the various county offices. Operating grants and contributions are separate grants for specific purposes. All the County's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

**COUNTY OF COLEMAN
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
UNAUDITED**

These two statements report the County's net position and changes in position. The County's net position (the difference between the sum of assets and deferred outflows less liabilities and deferred inflows) provide one measure of the County's financial health, or financial position. Over time, increases or decreases in the County's net position is one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the County, however, you should consider non financial factors as well, such as changes in the County's property tax base and the condition of the County's equipment and facilities.

In the Statement of Net Position and the Statement of Activities, we present all the activities of the County as one governmental activity which is defined below.

Governmental activities—Most of the County's basic services are reported here, including the costs of running the individual offices of the County including the tax assessor-collector, district clerk, county clerk, county judge, county treasurer, sheriff's office and other general activities. Also included within the governmental activities would be the road and bridge activities as well as each of the precincts.

Reporting the County's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the County as a whole. Laws and contracts require the County to establish some funds, such as grants and other funds for specific fines mandated by the state. The fund financial statements reflect the general fund and separate columns for all major funds as defined by GASB 34 and all other funds combined in a column referred to as all other funds. All these funds are determined to be governmental funds as defined below.

Governmental funds—Most of the County's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the County's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

The County as Trustee

Reporting the County's Fiduciary Responsibilities

The County is the trustee, or fiduciary, for money raised by the individual offices in the courthouse and jail area until those funds are remitted to the Treasurer. At the time the monthly fees are collected by the individual offices they are considered the revenues of the County in the various funds. A total of \$36,911 was due to the treasurer as of September 30, 2016 representing these revenues not remitted yet. All of the County's fiduciary activities are reported in the separate Statement of Fiduciary Net Position. We exclude these resources from the County's other financial statements because the County cannot use these assets to finance its operations until received from these offices.

**COUNTY OF COLEMAN
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
UNAUDITED**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position of the County's governmental activities increased from \$3,438,807 to \$3,620,987. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – are \$1,870,530 at September 30, 2016.

Table I - NET POSITION

| | Governmental Activities 2016 | Governmental Activities 2015 | Increase (Decrease) |
|---|------------------------------------|------------------------------------|------------------------|
| Current and other assets | \$ 2,185,466 | \$ 2,225,120 | \$ (39,654) |
| Capital assets, net | 1,684,184 | 1,817,012 | (132,828) |
| Total assets | <u>3,869,650</u> | <u>4,042,132</u> | <u>(172,482)</u> |
| Deferred outflows of resources | <u>694,748</u> | <u>248,825</u> | <u>445,923</u> |
| Long-term liabilities | 671,390 | 661,010 | 10,380 |
| Other liabilities | 272,021 | 191,140 | 80,881 |
| Total liabilities | <u>943,411</u> | <u>852,150</u> | <u>91,261</u> |
| Net Position: | | | |
| Invested in capital assets, net of related debt | 1,100,930 | 1,156,002 | (55,072) |
| Restricted | 649,527 | 619,266 | 30,261 |
| Unrestricted | 1,870,530 | 1,663,539 | 206,991 |
| Total Net Position | <u>\$ 3,620,987</u> | <u>\$ 3,438,807</u> | <u>\$ 182,180</u> |

The increases and decreases in the individual categories have been discussed previously in the financial highlights section of this discussion and analysis. As can be seen there is a decrease in total assets of \$172,482 which has been previously analyzed in financial highlights above. Most of the increase in fund balance is in the unrestricted portion of the net position with the decrease in the invested in capital assets, net of related debt is due to depreciation exceeding the capital additions and note reductions.

**COUNTY OF COLEMAN
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
UNAUDITED**

Table II - CHANGES IN NET POSITION

| | Governmental Activities 2016 | Governmental Activities 2015 | Increase (Decrease) |
|---|------------------------------------|------------------------------------|------------------------|
| Revenues: | | | |
| Program Revenues: | | | |
| Charges for services | \$ 809,194 | \$ 795,728 | \$ 13,466 |
| Operating grants and contributions | 492,973 | 142,570 | 350,403 |
| General Revenues: | | | |
| Property taxes – maintenance and operations | 2,330,895 | 2,284,971 | 45,924 |
| Property taxes – roads and bridges | 983,587 | 988,301 | (4,714) |
| Investment earnings | 5,866 | 5,639 | 227 |
| Miscellaneous and intermediate revenue | 105,386 | 97,994 | 7,392 |
| Total Revenue | 4,727,901 | 4,315,203 | 412,698 |
| Expenses: | | | |
| General government | 1,428,469 | 1,349,772 | 78,697 |
| Roads and bridges | 1,738,323 | 1,585,559 | 152,764 |
| Justice system | 345,813 | 314,622 | 31,191 |
| Public safety | 829,202 | 667,608 | 161,594 |
| Public health and welfare | 203,914 | 186,476 | 17,438 |
| Total Expenses | 4,545,721 | 4,104,037 | 441,684 |
| Increase (Decrease) in net position | 182,180 | 211,166 | (28,986) |
| Prior period adjustment | 0 | 465,884 | (465,884) |
| Net position – beginning | 3,438,807 | 2,761,757 | 677,050 |
| Net position – Ending | \$ 3,620,987 | \$ 3,438,807 | \$ 182,180 |

This table is provided to show the increases and decreases as compared to the prior year. All significant changes have been previously discussed in the financial highlights section of the discussion and analysis.

A comparison of the governmental activities expenses by function shows that there was an increase in overall expenses of \$441,684. As shown above there were increases in most functions with increases in the road and bridge funds due to concerted efforts to resurface county roads and the additional inmate expenses in the sheriff department as previously explained. General government expenses and the road and bridge expenses totaled to be approximately 70% of total expenses both in the current year and prior year. Public safety expenses were at 18% of expenses with the remaining percentages spent on the justice system and public health and welfare.

**COUNTY OF COLEMAN
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
UNAUDITED**

THE COUNTY'S FUNDS

As the County completed the year, its governmental funds reported a combined fund balance of \$1,749,877 compared to a balance of \$1,548,217 in the prior year. This represents a \$201,660 increase in the fund balance as previously explained.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016, the County had \$3,281,807 invested in a broad range of capital assets, including facilities and equipment for general operations of the County and road and bridge repair. Accumulated depreciation related to these assets was \$1,597,623. Total additions of \$75,842 consisted of equipment for precinct one as well as vehicles and safety equipment.

Debt

At the end of the current year, the County had total long term debt outstanding of \$583,254. This debt consisted of seven notes to a finance company also secured by equipment. For more information refer to the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County has adopted a budget for 2017 with a combined tax rate of \$.8071 per \$100 value.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. If there are questions concerning any of the information provided in this report or a request for additional financial information, please contact the County Treasurer at the County of Coleman, 100 W Liveoak Suite 203, Coleman, TX 76834.

BASIC FINANCIAL STATEMENTS

COUNTY OF COLEMAN
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

| | Governmental Activities |
|---|----------------------------|
| ASSETS | |
| Cash | \$ 606,313 |
| Certificates of Deposit | 1,287,232 |
| Due from Other Funds | 36,911 |
| Accounts Receivable | 11,329 |
| Grant Receivable | 56,414 |
| Delinquent Taxes Receivable, Net of Allowance | 187,267 |
| Capital Assets, Net of Accumulated Depreciation | 1,684,184 |
| Total Assets | 3,869,650 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred Outflows Related to TCDRS | 694,748 |
| LIABILITIES | |
| Accounts Payable | 107,513 |
| Other Payables | 35,416 |
| Unexpended Insurance Proceeds | 105,393 |
| Compensated Absences Payable | 23,699 |
| Notes Payable | 583,254 |
| Net Pension Liability | 88,136 |
| Total Liabilities | 943,411 |
| NET POSITION | |
| Invested in Capital Assets, Net of Related Debt | 1,100,930 |
| Restricted | 649,527 |
| Unrestricted | 1,870,530 |
| Total Net Position | \$ 3,620,987 |

The accompanying notes are an integral part of this financial statement.

COUNTY OF COLEMAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

| | | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|---|------------------|-------------------------|--|--|
| FUNCTIONS/PROGRAMS | Expenses | Charges for Services | Operating Grants and Contributions | Governmental Activities |
| Governmental Activities: | | | | |
| General Government | \$ 1,428,469 | \$ 259,032 | \$ 34,916 | \$ (1,134,521) |
| Roads and Bridges | 1,738,323 | 453,329 | 367,472 | (917,522) |
| Justice System | 345,813 | 74,706 | 90,585 | (180,522) |
| Public Safety | 829,202 | 22,127 | - | (807,075) |
| Public Health and Welfare | 203,914 | - | - | (203,914) |
| Total Governmental Activities | \$ 4,545,721 | \$ 809,194 | \$ 492,973 | (3,243,554) |
| General Revenues: | | | | |
| Property Taxes - Maintenance and Operations | | | | 2,330,895 |
| Property Taxes - Roads and Bridges | | | | 983,587 |
| Investment Earnings | | | | 5,866 |
| Miscellaneous | | | | 105,386 |
| Total General Revenues | | | | 3,425,734 |
| Change in Net Position | | | | 182,180 |
| Net Position - Beginning | | | | 3,438,807 |
| Net Position - Ending | | | | \$ 3,620,987 |

The accompanying notes are an integral part of this financial statement.

COUNTY OF COLEMAN
BALANCE SHEET
SEPTEMBER 30, 2016

| | General | Road & Bridge | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------|--------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash | \$ 237,387 | \$ 246,735 | \$ 122,191 | \$ 606,313 |
| Certificates of Deposit | 1,217,971 | 69,261 | - | 1,287,232 |
| Due from Other Funds | 25,497 | 6,442 | 4,972 | 36,911 |
| Accounts Receivable | 8,179 | 3,150 | - | 11,329 |
| Grant Receivable | - | 56,414 | - | 56,414 |
| Delinquent Taxes Receivable | 257,169 | 101,404 | - | 358,573 |
| Allowance for Uncollectible Taxes | (107,058) | (64,248) | - | (171,306) |
| Total Assets | 1,639,145 | 419,158 | 127,163 | 2,185,466 |
| LIABILITIES | | | | |
| Accounts Payable | 61,570 | 43,959 | 1,984 | 107,513 |
| Other Payables | 31,174 | 4,228 | 14 | 35,416 |
| Unexpended Insurance Proceeds | 105,393 | - | - | 105,393 |
| Total Liabilities | 198,137 | 48,187 | 1,998 | 248,322 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable Resources - Property Taxes | 150,111 | 37,156 | - | 187,267 |
| Total Deferred Inflows of Resources | 150,111 | 37,156 | - | 187,267 |
| FUND BALANCES | | | | |
| Restricted | - | - | 42,915 | 42,915 |
| Committed | - | 333,815 | 82,250 | 416,065 |
| Unassigned | 1,290,897 | - | - | 1,290,897 |
| Total Fund Balances | 1,290,897 | 333,815 | 125,165 | 1,749,877 |
| Total Liabilities, Deferred Inflows and Fund Balances | \$ 1,639,145 | \$ 419,158 | \$ 127,163 | \$ 2,185,466 |

The accompanying notes are an integral part of this financial statement.

COUNTY OF COLEMAN
RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

| | |
|---|---------------------|
| Total fund balances of governmental funds | \$ 1,749,877 |
| Net capital assets used in governmental activities are recognized in the Statement of Net Position. | 1,684,184 |
| Deferred outflows related to TCDRS are recognized in the Statement of Net Position. | 694,748 |
| Net delinquent property taxes receivable are deferred in the fund financial statements. | 187,267 |
| Compensated absences payable are recognized in the Statement of Net Position. | (23,699) |
| Notes payable are recognized in the Statement of Net Position. | (583,254) |
| Net pension liability is recognized in the Statement of Net Position. | <u>(88,136)</u> |
| Total net position of governmental activities | <u>\$ 3,620,987</u> |

The accompanying notes are an integral part of this financial statement.

COUNTY OF COLEMAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

| | General | Road & Bridge | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------|--------------------------------|--------------------------------|
| REVENUES | | | | |
| Taxes | \$ 2,310,540 | \$ 999,610 | \$ - | \$ 3,310,150 |
| Fees | 210,533 | 453,329 | 58,123 | 721,985 |
| Fines | 87,209 | - | - | 87,209 |
| Intergovernmental | 125,501 | 367,472 | - | 492,973 |
| Interest | 5,323 | 543 | - | 5,866 |
| Miscellaneous | 21,784 | 77,657 | 5,945 | 105,386 |
| Total Revenues | 2,760,890 | 1,898,611 | 64,068 | 4,723,569 |
| EXPENDITURES | | | | |
| General Government | 1,353,293 | - | 70,824 | 1,424,117 |
| Roads and Bridges | - | 1,717,134 | - | 1,717,134 |
| Justice System | 331,574 | - | 11,880 | 343,454 |
| Public Safety | 837,605 | - | 594 | 838,199 |
| Public Health and Welfare | 199,005 | - | - | 199,005 |
| Total Expenditures | 2,721,477 | 1,717,134 | 83,298 | 4,521,909 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 39,413 | 181,477 | (19,230) | 201,660 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | - | 1,864 | 22,359 | 24,223 |
| Transfers Out | (12,881) | (11,342) | - | (24,223) |
| Total Other Financing Sources (Uses) | (12,881) | (9,478) | 22,359 | - |
| Net Change in Fund Balances | 26,532 | 171,999 | 3,129 | 201,660 |
| Fund Balances - Beginning | 1,264,365 | 161,816 | 122,036 | 1,548,217 |
| Fund Balances - Ending | \$ 1,290,897 | \$ 333,815 | \$ 125,165 | \$ 1,749,877 |

The accompanying notes are an integral part of this financial statement.

COUNTY OF COLEMAN
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 SEPTEMBER 30, 2016

| | |
|--|-------------------|
| Total net change in fund balances of governmental funds | \$ 201,660 |
| Capital outlays are capitalized in the government-wide financial statements. | 75,842 |
| Depreciation of capital assets is recognized in the government-wide financial statements. | (208,670) |
| Pension contributions paid to TCDRS during the year have either been recognized in the computation of the Net Pension Asset or included in Deferred Outflows Related to TCDRS in the government-wide financial statements. | 249,075 |
| Pension expense as determined under GASB 68 is recognized in the Statement of Activities. | (216,396) |
| Net delinquent property taxes receivable are not deferred in the government-wide financial statements. The current year increase has been recognized in the Statement of Activities. | 4,332 |
| Compensated absences payable are reported in the government-wide financial statements. The current year increase has been recognized in the Statement of Activities. | (1,419) |
| Repayments of principal on notes payable are reported as a decrease in liabilities in the government-wide financial statements. | <u>77,756</u> |
| Change in net position of governmental activities | <u>\$ 182,180</u> |

The accompanying notes are an integral part of this financial statement.

COUNTY OF COLEMAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

| | Budget Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|-------------------------------|------------------|------------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | | | | |
| Ad Valorem Taxes-Current | \$ 2,279,333 | \$ 2,279,333 | \$ 2,228,290 | \$ (51,043) |
| Ad Valorem Taxes-Delinquent | 55,000 | 55,000 | 48,369 | (6,631) |
| Penalty and Interest Taxes | 32,000 | 33,881 | 33,881 | - |
| Total Taxes | <u>2,366,333</u> | <u>2,368,214</u> | <u>2,310,540</u> | <u>(57,674)</u> |
| Fees | | | | |
| Alcoholic Beverages | 5,000 | 7,689 | 7,689 | - |
| Law Library | 4,000 | 4,000 | 3,640 | (360) |
| Jury Fees | 350 | 350 | 120 | (230) |
| Defensive Driving Fees | 1,000 | 1,000 | 703 | (297) |
| Bail Bond Fee | 150 | 159 | 159 | - |
| D.P.S. Arrest Fees | 2,000 | 2,000 | 1,560 | (440) |
| T.P.W. Arrest Fees | 300 | 597 | 597 | - |
| 9-1-01 to 12-31-03 Fees | 1 | 1 | - | (1) |
| Indigent Legal Services Fee | 100 | 100 | 37 | (63) |
| Judicial Support Fee | 400 | 400 | 329 | (71) |
| Time Payment Fee | 2,300 | 2,300 | 2,146 | (154) |
| Local Judicial Education | 200 | 200 | 185 | (15) |
| Child Safety | - | - | 42 | 42 |
| 1-1-04 Forward Fees | 3,000 | - | 2,257 | 2,257 |
| Drug Court Program | 200 | - | 77 | 77 |
| Indigent Defense Fee | 125 | 125 | 95 | (30) |
| Jury Reimbursement Fee | 200 | 468 | 468 | - |
| Truancy Prevention | - | 335 | 335 | - |
| DNA Testing Fee (DNS CS) | - | - | 5 | 5 |
| Justice Court-Indigent | 20 | 20 | 20 | - |
| EMS Trauma Fund | 100 | 100 | 71 | (29) |
| Local Traffic Fee | 2,000 | 2,000 | 1,423 | (577) |
| Probate-Indigent | 20 | 20 | 16 | (4) |
| County Court-Civil-Indigent | 20 | 20 | 4 | (16) |
| D. Court-Divorce-Indigent | 20 | 20 | 6 | (14) |
| District Court-Other Indigent | 50 | 50 | 26 | (24) |
| J.P. Dismissal Fee | 1,000 | 1,000 | 240 | (760) |
| State Traffic Fees | 700 | 700 | 513 | (187) |
| Criminal Indigent Fees | 10 | 10 | - | (10) |
| Tax Assessor-Collector Fees | 73,000 | 73,000 | 65,168 | (7,832) |
| District Clerk Fees | 20,000 | 20,000 | 15,158 | (4,842) |
| County Clerk Fees | 65,000 | 65,000 | 59,951 | (5,049) |
| Sheriff's Fees | 15,000 | 15,000 | 19,675 | 4,675 |
| County Judge Fees | 200 | 200 | 232 | 32 |
| County Attorney Fees | 800 | 800 | 471 | (329) |
| Constable Fees | 100 | 100 | 540 | 440 |
| Dist.Clerk-Atty.General Fees | 3,000 | 3,000 | 3,246 | 246 |
| Prisoner Transport Reimb. | 5,000 | 5,000 | 987 | (4,013) |
| Other Revenue-Elections | - | - | 14,217 | 14,217 |
| Septic System Permit Fees | 3,000 | 3,000 | 2,625 | (375) |
| Septic System Inspection Fees | 5,501 | 5,501 | 5,500 | (1) |
| Total Fees | <u>213,867</u> | <u>214,265</u> | <u>210,533</u> | <u>(3,732)</u> |

The accompanying notes are an integral part of this financial statement.

COUNTY OF COLEMAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - GENERAL FUND - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2016

| | Budget Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|---------------------------------------|------------------|------------------|-------------------|---|
| | Original | Final | | |
| Fines | | | | |
| District Clerk-Fines | 25,000 | 25,000 | 17,274 | (7,726) |
| County Clerk-Fines | 16,000 | 16,000 | 6,945 | (9,055) |
| Justice of Peace Fines | 55,000 | 55,000 | 52,234 | (2,766) |
| Sheriff-Fines | 1,000 | 1,000 | 635 | (365) |
| Motor Carrier Weight Violation | - | - | 900 | 900 |
| Justice of Peace-Deferred Disposition | 9,000 | 9,000 | 9,218 | 218 |
| Moving Violation Fees | 10 | 10 | 3 | (7) |
| Total Fines | 106,010 | 106,010 | 87,209 | (18,801) |
| Intergovernmental | | | | |
| U.S. Treasury in Lieu of Taxes | 8,200 | 9,578 | 9,578 | - |
| State Salary Supplement | 78,400 | 78,400 | 82,318 | 3,918 |
| Tier Two Salary Supplement | 8,400 | 8,400 | 8,400 | - |
| Tier Three Salary Supplement | 8,400 | 8,400 | 8,400 | - |
| State Excess Contribution | 500 | 500 | 138 | (362) |
| State Juror Reimbursement | 5,000 | - | 4,318 | 4,318 |
| Indigent Defense Grant | - | 14,000 | 12,349 | (1,651) |
| Total Intergovernmental | 108,900 | 119,278 | 125,501 | 6,223 |
| Interest - Interest Earned | 5,300 | 5,300 | 5,323 | 23 |
| Miscellaneous | | | | |
| Oil and Gas Royalties | 150 | 150 | 13 | (137) |
| Insurance Proceeds | - | - | 8,220 | 8,220 |
| Other Revenue | 2,000 | 2,000 | 671 | (1,329) |
| Telephone Commission | 600 | 600 | 310 | (290) |
| Sale of Equipment | 14,000 | - | 8,850 | 8,850 |
| Donations-Drug Dog | 1,000 | 3,720 | 3,720 | - |
| Total Miscellaneous | 17,750 | 6,470 | 21,784 | 15,314 |
| Total Revenues | 2,818,160 | 2,819,537 | 2,760,890 | (58,647) |

EXPENDITURES

General Government

| | | | | |
|---------------------------------|------------------|------------------|------------------|----------------|
| Non-Departmental | 641,047 | 654,883 | 582,434 | 72,449 |
| Tax Assessor-Collector | 109,720 | 109,720 | 106,590 | 3,130 |
| District Clerk | 88,141 | 88,141 | 87,923 | 218 |
| County Clerk | 113,917 | 113,917 | 115,043 | (1,126) |
| County Judge | 87,068 | 87,068 | 78,619 | 8,449 |
| Commissioners Court | 20,500 | 20,500 | 14,927 | 5,573 |
| County Treasurer | 79,763 | 79,763 | 74,926 | 4,837 |
| Veterans Service Officer | 10,845 | 10,845 | 8,694 | 2,151 |
| County Extension Office | 116,347 | 116,347 | 117,835 | (1,488) |
| Courthouse and Jail Buildings | 103,085 | 103,085 | 91,801 | 11,284 |
| Elections | 14,000 | 14,000 | 32,057 | (18,057) |
| Permanent Improvements | 125,000 | 125,000 | 42,444 | 82,556 |
| Total General Government | 1,509,433 | 1,523,269 | 1,353,293 | 169,976 |

The accompanying notes are an integral part of this financial statement.

COUNTY OF COLEMAN
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES - BUDGET AND ACTUAL - GENERAL FUND - CONTINUED
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

| | Budget Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| Justice System | | | | |
| County Attorney | 124,550 | 124,550 | 120,136 | 4,414 |
| District Attorney | 15,600 | 15,600 | 18,675 | (3,075) |
| Justice of Peace | 79,735 | 79,735 | 71,565 | 8,170 |
| Adult Probation | 5,800 | 5,800 | 5,521 | 279 |
| Juvenile Probation | 6,500 | 6,500 | 6,000 | 500 |
| District Court | 135,828 | 135,828 | 108,645 | 27,183 |
| Permanent Improvements | 2,000 | 2,000 | 1,032 | 968 |
| Total Justice System | 370,013 | 370,013 | 331,574 | 38,439 |
| Public Safety | | | | |
| Sheriff | 646,312 | 643,812 | 780,931 | (137,119) |
| Constable | 14,864 | 14,864 | 15,228 | (364) |
| Permanent Improvements | 85,000 | 85,000 | 41,446 | 43,554 |
| Total Public Safety | 746,176 | 743,676 | 837,605 | (93,929) |
| Public Health and Welfare | | | | |
| Donations | 175,004 | 175,004 | 169,212 | 5,792 |
| Welfare | 31,600 | 31,600 | 29,793 | 1,807 |
| Total Public Health and Welfare | 206,604 | 206,604 | 199,005 | 7,599 |
| Total Expenditures | 2,832,226 | 2,843,562 | 2,721,477 | 122,085 |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfers Out | (12,560) | (12,560) | (12,881) | (321) |
| Net Change in Fund Balance | (26,626) | (36,585) | 26,532 | 63,117 |
| Fund Balance - Beginning | 1,264,365 | 1,264,365 | 1,264,365 | - |
| Fund Balance - Ending | \$ 1,237,739 | \$ 1,227,780 | \$ 1,290,897 | \$ 63,117 |

The accompanying notes are an integral part of this financial statement.

COUNTY OF COLEMAN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2016

| | <u>General</u> |
|---------------------------|--------------------------|
| <u>ASSETS</u> | |
| Cash | \$ 480,137 |
| Certificates of Deposit | <u>28,918</u> |
| Total Assets | <u><u>509,055</u></u> |
| <u>LIABILITIES</u> | |
| Due to Other Funds | 36,911 |
| Due to Others | <u>472,144</u> |
| Total Liabilities | <u><u>\$ 509,055</u></u> |

The accompanying notes are an integral part of this financial statement.

COUNTY OF COLEMAN
Notes to the Financial Statements
September 30, 2016

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – Coleman County (“the County”) is a political subdivision of the State of Texas and is governed by the Commissioner’s Court, a five member group consisting of an elected County Judge and four County Commissioners elected from individual precincts. Services provided by the County include public transportation through roads and bridges, justice system, public safety, public health and welfare, as well as general administrative and support services. There are no component units included within the reporting entity.

Government-Wide and Fund Financial Statements – The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities include programs supported primarily by taxes, grants, and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges for services – payments from parties that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the County and (2) grants and contributions – payments from organizations outside the County that are restricted to meeting the operational or capital requirements of a particular function or segment of the County. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

All interfund transactions between governmental funds are eliminated in the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as interfund receivables and payables on the government-wide statement of net position.

Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other funds.

Measurement Focus and Basis of Accounting – Measurement focus is a term used to describe how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

Measurement Focus - The government-wide financial statements are presented using the economic resources, measurement focus, as well as the fiduciary fund financial statements. The fund financial statements are reported using the current financial resources measurement focus.

COUNTY OF COLEMAN
Notes to the Financial Statements - Continued
September 30, 2016

Measurement Focus and Basis of Accounting - Continued

Governmental funds utilize a current financial resources measurement focus. Current financial assets and liabilities are generally the only items included on their balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. Fund balance is used to measure available spendable financial resources at the end of the period.

Basis of Accounting – The government-wide financial statements use the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property tax revenues are recognized under the “susceptible to accrual” concept, that is, when they are both measurable and available. The County considers them “available” if they will be collected within 60 days of the end of the year. Other revenues are recorded when collected by the various County officials.

The Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting.

The government reports the following major governmental funds:

General Fund – This Fund is the general operating fund of the County. It is used to account for all revenues except those required to be accounted for in other funds.

Road and Bridge Fund – This fund is a special revenue fund and is used to account for revenues for the road and bridge precincts.

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2016

Measurement Focus and Basis of Accounting – Continued

Additionally, the government reports the following fund type;

Fiduciary Funds – These funds are used to account for resources which are collected by the County in a trustee capacity or as an agent for individual, private organizations, other governments, or other County funds.

Interfund Receivables and Payables – Activity between individual funds may result in amounts owed between funds which are classified as due to and from other funds. Other than amounts due to or from fiduciary funds these balances are eliminated in the statement of net position.

Capital Assets - In the government-wide financial statements, capital assets arising from modified accrual transactions are reported in the statement of net position. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. These capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|----------------------------|--------------|
| Buildings and Improvements | 15-20 |
| Machinery and Equipment | 5-10 |

In the fund financial statements, capital assets arising from modified accrual transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

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

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2016

Compensated Absences – County employees are entitled to vacation and sick leave based upon their length of employment. Sick leave is earned at a rate of 10 days per year and can be accumulated up to 45 days but must be used and is not payable at termination. Vacation pay is earned after one year of employment at various levels depending upon the length of employment. This pay is payable upon termination and has been reflected in the government-wide financial statements.

Fund Equity – In the fund financial statements, governmental funds report fund balances in classifications based primarily on the extent to which the County is bound to honor constraints on the specific purpose for which amounts in those funds can be spent. The *nonspendable* classification represents assets that will be consumed or must be maintained intact and therefore will never convert to cash, such as inventories of supplies or prepaid amounts. Provisions of laws, contracts, and grants specify how fund resources can be used in the *restricted* classification. The nature of these two classifications precludes a need for a policy from the county commissioners. However, the commissioners do develop a policy for the three unrestricted classifications – *committed*, *assigned*, and *unassigned*.

From time to time, the county commissioners may commit fund balances by a majority vote in a scheduled meeting. The commissioners' commitment may be modified or rescinded by a majority vote in a scheduled meeting. Commissioners' commitments cannot exceed the amount of fund balance that is greater than the sum of *nonspendable* and *restricted* fund balances since that practice would commit funds that the County does not have. Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions (rainy day funds), and other purposes determined by the Commissioners.

The Commissioners may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a scheduled meeting. The Commissioners may modify or rescind its delegation of authority by the same action. The authority to make assignments shall be in effect until modified or rescinded by the Commissioners by a majority vote in a scheduled meeting.

When the County makes expenditures that can be made from either restricted or unrestricted balances, the expenditure should be charged to restricted balances. When the County incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditure should be charged to committed if directly associated with the specific commitment, to assigned if directly associated with the specific assignment, and to unassigned.

Property Tax Revenues – Property taxes are assessed on January 1 of each year at which time a tax lien attaches to the property to secure the payment of taxes. Property taxes are levied on October 1 of each year. The taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the following year at which time they become subject to penalties and interest.

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2016

Interfund Transfers – Permanent relocations of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Note 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budget – The County prepares and adopts a budget for governmental funds prior to the beginning of each fiscal year. The County holds public meetings for the purpose of obtaining comments from citizens prior to adopting the budget. Once a budget is approved, it can be amended only by approval of a majority of the members of the Commissioners' Court. The budget was amended during the year.

Budgets for the General Fund and Special Revenue Funds are adopted on a modified accrual basis and cover a one-year period. Appropriations lapse at year end.

Note 3 – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

Deposits and Investments – The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the County 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.

Statutes authorize the County to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies.

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2016

Deposits and Investments – Continued

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

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

Concentration of Credit Risk: The investment policy of the County contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. At September 30, 2016, all of the County's investments are in certificates of deposit with its depository bank. The certificates of deposit are completely covered by pledged securities as described in the preceding paragraph.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At September 30, 2016, was not significantly exposed to credit risk.

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

Foreign Currency Risk: Not applicable.

The carrying amount of the County's cash and temporary investments at September 30, 2016, approximates fair value and consisted of the following:

| | <u>Governmental Funds</u> | <u>Fiduciary Funds</u> | <u>Total</u> |
|--------------------------------------|-------------------------------|----------------------------|---------------------|
| Cash on Hand and in Bank | \$ 606,313 | \$ 480,137 | \$ 1,806,450 |
| Certificates of Deposit | <u>1,287,232</u> | <u>28,918</u> | <u>1,316,150</u> |
| Total Cash and Temporary Investments | <u>\$ 1,893,545</u> | <u>\$ 509,055</u> | <u>\$ 3,122,600</u> |

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2016

Interfund Transfers and Balances – During the year ended September 30, 2016, the General Fund and the Road & Bridge Fund made transfers totaling \$24,223 to various other nonmajor governmental funds.

The following is a summary of amounts due from and due to other funds as of September 30, 2016:

| <u>Due From</u> | <u>Due To</u> | <u>Amount</u> | <u>Purpose</u> |
|-----------------|--------------------------|------------------|-----------------|
| Fiduciary Funds | General Fund | \$ 25,497 | Unremitted Fees |
| Fiduciary Funds | Road & Bridge Fund | 6,442 | Unremitted Fees |
| Fiduciary Funds | Other Governmental Funds | <u>4,972</u> | Unremitted Fees |
| Total | | <u>\$ 36,911</u> | |

Capital Assets – Capital asset activity for the year ended September 30, 2016, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|-------------------------------|------------------------------|---------------------|------------------|---------------------------|
| General Road & Bridge | \$ 140,179 | \$ 0 | \$ 0 | \$ 140,179 |
| Precinct One | 543,658 | 46,900 | (17,000) | 573,558 |
| Precinct Two | 649,949 | 0 | (6,100) | 643,849 |
| Precinct Three | 781,443 | 0 | 0 | 781,443 |
| Precinct Four | 650,811 | 0 | 0 | 650,811 |
| Sheriff | 205,529 | 28,942 | (24,063) | 210,408 |
| Courthouse | 207,921 | 0 | 0 | 207,921 |
| 911 Equipment | 73,638 | 0 | 0 | 73,638 |
| Total Capital Assets | \$ 3,253,128 | \$ 75,842 | \$ (47,163) | \$ 3,281,807 |
| Less Accumulated Depreciation | <u>(1,436,116)</u> | <u>(208,670)</u> | <u>47,163</u> | <u>(1,597,623)</u> |
| Capital Assets, Net | <u>\$ 1,817,012</u> | <u>\$ (132,828)</u> | <u>\$ 0</u> | <u>\$ 1,684,184</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|-------------------------|-------------------|
| General Government | \$ 13,135 |
| Road and Bridges | 159,321 |
| Justice System | 3,650 |
| Public Safety | 27,655 |
| Public Health & Welfare | 4,909 |
| Total | <u>\$ 208,670</u> |

Compensated Absences Payable – Compensated absences payable consists of an accrual of earned vacation leave that has not been taken as of September 30, 2016 and is payable to employees at that date. Below is a summary of the activity for the year.

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|----------------------|------------------------------|------------------|------------------|---------------------------|
| Compensated Absences | \$ 22,280 | \$ 1,419 | \$ 0 | \$ 23,699 |

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2016

Notes & Capital Leases Payable – Notes and capital leases payable as of September 30, 2016 consist of the following:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|------------------|---------------------------|
| 3.2% capital lease payable to a finance company with monthly payments of \$1,831 maturing June 7, 2017 | \$ 106,717 | \$ 0 | \$ 20,424 | \$ 86,293 |
| 3.2% capital lease payable to a finance company with monthly payments of \$1,626 maturing June 7, 2017 | 126,448 | 0 | 17,030 | 109,418 |
| 3.2% capital lease payable to a finance company with monthly payments of \$539.42 maturing on 12-27-17 | 111,749 | 0 | 3,189 | 108,560 |
| 3.2% capital lease payable to a finance company with monthly payments of \$474.05 maturing on 7-19-18 | 44,765 | 0 | 4,685 | 40,080 |
| 2.9% capital lease payable to a finance company with monthly payments of \$1,187.27 maturing on 11-14-18 | 73,435 | 0 | 13,320 | 60,115 |
| 2.9% capital lease payable to a finance company with monthly payments of \$1,328.92 maturing on 9-11-20 | 164,534 | 0 | 12,284 | 152,250 |
| 2.9% capital lease payable to a finance company with monthly payments of \$597.96 maturing on 9-21-20 | <u>33,362</u> | <u>0</u> | <u>6,824</u> | <u>26,538</u> |
| Total | <u>\$ 661,010</u> | <u>\$ 0</u> | <u>\$ 77,756</u> | <u>\$ 583,254</u> |

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2016

Notes & Capital Leases Payable - Continued

Combined debt service requirements on notes and capital leases payable is as follows:

| <u>Y/E Sept 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|-------------------|------------------|-------------------|
| 2017 | \$ 229,767 | \$ 13,648 | \$ 243,415 |
| 2018 | 173,409 | 7,480 | 180,889 |
| 2019 | 55,816 | 4,081 | 59,897 |
| 2020 | 124,262 | 3,342 | 127,604 |
| Totals | <u>\$ 583,254</u> | <u>\$ 28,551</u> | <u>\$ 611,805</u> |

Note 4 – OTHER INFORMATION

Pension Plan

Plan Description – The County provides retirement, disability, and survivor benefits for all of its full-time employees through a statewide, agent multiple-employer, public employee retirement system through the Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The most recent CAFR can be found at the following link, www.tcdrs.org.

The plan provisions are adopted by the governing body of the employer within the option available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 8 years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's deposits to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2016

Pension Plan – Continued
Funding Policy

Introduction

The funding policy governs how the Texas County & District System (TCDRS) determines the employer contributions required to ensure that benefits provided to TCDRS members are funded in a reasonable and equitable manner. The goals of TCDRS' funding policy are to fully fund benefits over the course of employees' careers to ensure intergenerational equity, and to balance rate and benefit stability with the need for the plan funding to be reflective of current plan conditions.

The policy documents the current funding policies in effect for the December 31, 2015 actuarial valuation as established by state law, administrative rule and action by the TCDRS Board of Trustees (the board). The policy serves as a comprehensive funding overview and complies with the GASB reporting requirements for an agent multiple-employer plan.

TCDRS Funding Overview

TCDRS is a model for responsible, disciplined funding. TCDRS does not receive any state funding. As an agent, multiple-employer plan, each participating employer in the system funds its plan independently. A combination of three elements funds each employer's plan: employee deposits, employer contributions and investment income.

The deposit rate for employees is 4%, 5%, 6% or 7% of compensation, as adopted by the employer's governing body.

Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees.

Investment income funds a large part of the benefits employees earn.

Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis.

Each employer has the opportunity to make additional contributions in excess of its annual required contribution rate either adopting an elected rate that is higher than the required rate or by making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience.

In addition, employers annually review their plans and may adjust benefits and costs based on their local needs and budgets. Although accrued benefits may not be reduced, employers may reduce future benefit accruals and immediately reduce costs.

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2016

Pension Plan – Continued

Methodology for Determining Employer Contribution Rates

The board hires independent outside consulting actuaries to conduct an annual valuation to measure the funding status and to determine the required employer contribution rate for each employer plan. In order to calculate the employer contribution rate, the actuary does the following:

Studies each employer's adopted plan of benefits and the profile of its plan participants, and uses assumptions established by the board to estimate future benefit payments

Discounts the estimate of future benefit payments so the present based on the long-term rate of investment return to determine the present value of future benefits

Compares the present value of future benefits with the plan's assets to determine the difference that needs to be funded based on the funding policy

The valuation of each employer plan is based on the system funding policy and the assets, benefits and participant profile of each participating employer plan. The four key components in the determination of employer contribution rates are as follows.

1. Actuarial cost method – TCDRS has adopted the replacement life entry age cost method, a conservative cost method and an industry standard. The goal of this cost method is to fund benefits in an orderly manner for each participant over his or her career so that sufficient funds are accumulated by the time benefit payments begin. Under this approach benefits are funded in advance as a level percentage of pay. This portion of the contribution rate is called the normal cost rate and generally remains stable from year to year.
2. Amortization policy – The portion of the contribution rate that funds any remaining unfunded amounts for benefits that are not covered by the normal cost is called the unfunded actuarial accrued liability (UAAL) rate. UAAL amounts occur when benefit enhancements are adopted that have not been funded in advance, or when actual investment or demographic experience varies from the actuarial assumptions (actuarial gains and losses). UAAL amounts are amortized on a level-percentage-of-covered-payroll basis over a closed period with a layered approach. The closed periods ensure all unfunded liabilities are financed over no more than 20 years from the time they occur. Each year new layers are established to amortize changes in the UAAL due to actuarial gains or losses, as well as any plan benefit changes elected by an employer for that year.

Benefit enhancements are amortized over a 15 year closed period. All other changes in the UAAL are amortized over 20 year closed periods. These amortization periods are generally more conservative than those of most other public retirement plans and are stricter than the minimum amortization period required under state law.

Notwithstanding the layered approach, the total UAAL payment may not be less than the required payment obtained by amortizing the entire UAAL over a 20 year period.

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2015

Pension Plan - Continued

If a plan is overfunded, the overfunded actuarial accrued liability (OAAL) is calculated annually using a 30 year open amortization period.

3. **Asset Valuation Method** – When determining the actuarial value of assets used for measuring a plan's funded status, TCDRS smooths each year's actuarial investment gains and losses and recognizes them over a five-year period to better reflect the system's long-term investment horizons and to keep employer contribution rates more stable. As actuarial asset investment gains and losses are recognized, they become part of the actuarial gains and losses for the year and are funded according to the amortization policy. The five-year period helps stabilize employer rates while still ensuring that rates are reflective of current market conditions.

In addition, the board has the ability to set aside reserves from investment earnings that are used to help offset future negative economic cycles. These reserves are held separately and are not counted as part of a participating employer's plan assets until they are passed through to employers when determined necessary by the board. Reserves help maintain rate stability for employers. In addition, reserves ensure that employers do not adopt benefit increases based on a temporarily lower plan cost at a high point in a market cycle and, conversely, are not as pressured to immediately reduce benefit levels, during a low point in a market cycle.

4. **Actuarial Assumptions** – Demographic and economic assumptions are used to estimate employer liabilities and to determine the amount of funding required from employer contributions as opposed to investment earnings. These assumptions reflect a long-term perspective of 30 years or more. Examples of key economic assumptions include long-term investment return, long-term inflation and annual payroll increases.

Demographic assumptions are the actuary's best estimate of what will happen to TCDRS members and retirees. Examples of demographic assumptions are employment termination rates, retirement rates and retiree mortality rates. A complete listing of all actuarial assumptions can be found in the annual system valuation report.

Oversight

The board has established review policies to ensure that actuarial assumptions are appropriate and that the methodology for determining employer contribution rates is being correctly applied. TCDRS' actuarial assumptions are periodically reviewed and revised as deemed necessary to reflect best estimates of future experience. Every four years, the TCDRS consulting actuary conducts an investigation of experience. TCDRS assumptions are compared to plan experience and future expectations, and changes to the assumptions are recommended as needed. The board adopts actuarial assumptions to be used in the valuation based on the results of this study.

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2016

Pension Plan - Continued

An actuarial audit of every investigation of experience is required and must be performed by an independent auditing actuary to review the consulting actuary's analysis, conclusions and recommendation for accuracy, appropriateness and reasonableness. These audits alternate between a peer review and full replication audit of the investigation of experience. In a peer review audit of the investigation, the reviewing actuary uses the raw results of the investigation for demographic assumptions as calculated by the consulting actuary to test the conclusions and recommendations. In addition, the reviewing actuary independently analyzes economic assumptions to test the results and recommendations of the consulting actuary. The reviewing actuary also examines the consulting actuary's methods and assumptions for reasonableness and internal consistency. In a full replication audit of the investigation, in addition to performing all of the steps of a peer review, the auditing actuary fully replicates the calculation of the investigation's raw results.

In order to test accuracy and ensure that the actuarial methods and assumptions are being correctly applied, an audit of the valuation is required every four years. The board will review this policy on a regular basis and may modify this policy at its discretion. Modifications to the policy may be submitted for consideration to the board by staff and/or outside consulting actuaries as circumstances warrant.

| Net Pension Liability / (Asset) | Net Pension Liability / (Asset) | |
|--|--|---------------------------------|
| | <u>December 31, 2014</u> | <u>December 31, 2015</u> |
| Total pension liability | \$ 6,589,935 | \$ 6,977,845 |
| Fiduciary net position | 6,915,043 | 6,889,710 |
| Net pension liability / (asset) | (325,108) | 88,136 |
| Fiduciary net position as a % of total pension liability | 104.93% | 98.74% |
| Pensionable covered payroll | 1,588,749 | 1,653,666 |
| Net pension liability as a % of covered payroll | (20.46%) | 5.33% |

The total pension liability (asset) was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below.

| Discount rate | | |
|--|----------------|----------------|
| Discount rate | 8.10% | 8.10% |
| Long-term expected rate of return, net of invest expense | *8.10% | *8.10% |
| Municipal bond rate | Does not apply | Does not apply |

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2016

Pension Plan - Continued

*The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in the period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payment sin that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Or alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2016

Pension Plan - Continued

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expense for GASB 68 purposes. Therefore, we have used a discount rate of 8.10%. This rate of return on assets for funding purposes of 8.00%, net of expenses, increased by 0.10% to be gross of administrative expenses.

Other Key Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of December 31, 2015, were based on the results of an actuarial experience study for the period January 1, 2009 – December 31, 2012, except where required to be different by GASB 68.

Long-Term Expected Rate of Return

The Long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information show below are provided by TCDRS' investment consultant. The numbers shown are based on January 2016 information for a 7-10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every 4 years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013.

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2016

Pension Plan – Continued

| Asset Class | Benchmark | Target Allocation | Geometric Real Rate of Return Expected minus Inflation) |
|------------------------------------|---|-------------------|---|
| U.S. Equities | Dow Jones U.S. total Stock Market Index | 14.50% | 5.45% |
| Private Equity | Cambridge Associates Global Private Equity & Venture Capital Index | 14.00% | 8.45% |
| Global Equities | MSCI World (net) Index | 1.50% | 5.75% |
| International Equities – Developed | MSCI World (net) Index | 10.00% | 5.45% |
| International Equities – Emerging | MSCI World (net) Index | 8.00% | 6.45% |
| Investment- Grade Bonds | Barclays Capital Aggregate Bond Index | 3.00% | 1.00% |
| High-Yield Bonds | Citigroup High-Yield Cash-Pay Capped Index | 3.00% | 5.10% |
| Opportunistic Credit | Citigroup High-Yield Cash-Pay Capped Index | 2.00% | 5.09% |
| Direct Lending | Citigroup High-Yield Cash-Pay Capped Index | 5.00% | 6.40% |
| Distressed Debt | Citigroup High-Yield Cash-Pay Capped Index | 3.00% | 8.10% |
| REIT Equities | 67% FTSE NAREIT Equity REIT's Index + 33% FRSE EPRA/NAREIT Global Real Estate Index | 3.00% | 4.00% |
| Master Limited Partnerships (MLPs) | Alerian MLP Index | 3.00% | 6.80% |
| Private Real Estate Partnerships | Cambridge Associates Real Estate Index | 5.00% | 6.90% |
| Hedge Funds | Hedge fund research, Inc. (HFRI) Fund of Funds Composite Index | 25.00% | 5.25% |

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2016

Note 3 – Pension Plan – Continued

Changes in Net Pension Liability / (Asset)

| Changes in Net Pension Liability / (Asset) | Total Pension Liability (a) | Increase (Decrease) Fiduciary Net Position (b) | Net Pension Liability/(Asset) (a) – (b) |
|---|--|---|--|
| Balances as of December 31, 2014 | \$ 6,589,935 | \$ 6,915,043 | \$ (325,108) |
| Changes for the year: | | | |
| Service Cost | 184,667 | | 184,667 |
| Interest on total pension liability | 527,300 | | 527,300 |
| Effect of plan changes | (16,507) | | (16,507) |
| Effect of economic/demographic gains and losses | 23,912 | | 23,912 |
| Effect of assumption changes or inputs | 74,527 | | 74,527 |
| Refund of contributions | (36,934) | (36,934) | 0 |
| Benefit payments | (369,055) | (369,055) | 0 |
| Administrative expenses | | (4,953) | 4,953 |
| Member contributions | | 115,757 | (115,757) |
| Net Investment income | | 86,710 | (86,710) |
| Employer contributions | | 119,064 | (119,064) |
| Other | | 64,079 | (64,079) |
| Balances at December 31, 2015 | \$ 6,977,845 | \$ 6,889,710 | \$ 88,136 |

Sensitivity Analysis

The following presents the net pension liability of the County, calculated using the discount rate of 8.10%, as well as what the Coleman County net pension liability would be if it were calculated using a discount rate of 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

| | <u>1% Decrease 7.10%</u> | <u>Current Discount Rate 8.10%</u> | <u>1% Increase 9.10%</u> |
|---------------------------------|----------------------------------|--|----------------------------------|
| Total pension liability | \$ 7,682,838 | \$ 6,977,845 | \$ 6,373,559 |
| Fiduciary net position | 6,889,710 | 6,889,710 | 6,889,710 |
| Net pension liability / (asset) | \$ 793,129 | \$ 88,136 | \$ (516,150) |

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2016

Pension Plan - Continued

Pension Expense

| Pension Expense / (Income) | <u>January 1, 2015 to December 31, 2015</u> |
|--|---|
| Service cost | \$ 184,667 |
| Interest on total pension liability | 527,300 |
| Effect of plan changes | (16,507) |
| Administrative expenses | 4,953 |
| Member contributions – (All Paid by County for Members, so expensed) | (115,757) |
| Expected investment return net of investment expenses | (560,622) |
| Recognition of deferred inflows/outflows of resources: | |
| Recognition of economic/demographic gains or losses | 11,406 |
| Recognition of assumption changes or inputs | 18,632 |
| Recognition of investment gains or losses | 110,644 |
| Other | <u>(64,079)</u> |
| Pension expense/(income) | <u>\$ 100,638</u> |

As of December 31, 2015, the deferred inflows and outflows of resources are as follows:

| Deferred Inflows / Outflows of Resources | <u>Deferred Inflows of Resources</u> | <u>Deferred Outflows of Resources</u> |
|--|--|---|
| Differences between expected and actual experience | \$ 0 | \$ 28,791 |
| Changes of assumptions | 0 | 55,895 |
| Net difference between projected and actual earnings | 0 | 426,716 |
| Contributions made subsequent to measurement date | N/A | 183,346 |

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pension, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

| Year ended December 31: | |
|-------------------------|------------|
| 2016 | \$ 140,683 |
| 2017 | 140,683 |
| 2018 | 135,254 |
| 2019 | 94,782 |
| 2020 | 0 |
| Thereafter | 0 |

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2016

Note 3 – Pension Plan - Continued

Schedule of Deferred Inflows and Outflow of Resources

| | Original Amount | Date Established | Original Recognition Period | Amount Recognized in 12/31/15 | Balance of Deferred Inflows 12/31/15 | Balance of Deferred Outflows 12/31/15 |
|---|--------------------|---------------------|-----------------------------------|--|---|--|
| Investment | | | | | | |
| (gains) or losses | \$473,912 | 12/31/15 | 5.0 | \$ 94,782 | \$ 0 | \$379,130 |
| | 79,310 | 12/31/14 | 5.0 | 15,862 | 0 | 47,586 |
| Economic/ Demographic | | | | | | |
| (gains) or losses | 23,912 | 12/31/15 | 4.0 | 5,978 | 0 | 17,934 |
| | 21,713 | 12/31/14 | 4.0 | 5,428 | 0 | 10,857 |
| Assumption | | | | | | |
| Changes on inputs | 74,527 | 12/31/15 | 4.0 | 18,632 | 0 | 55,895 |
| | 0 | 12/31/14 | 4.0 | 0 | 0 | 0 |
| Employer & Employee Contributions Made subsequent To measurement Date | 0 | | | 0 | 0 | 183,346 |
| Total | \$673,374 | | | \$ 140,682 | \$ 0 | \$ 694,748 |

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF COLEMAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
SEPTEMBER 30, 2016

| | Year Ended December 31 | |
|--|------------------------|--------------|
| | 2015 | 2014 |
| Total Pension Liability (Asset) | | |
| Service cost | \$ 184,668 | \$ 178,211 |
| Interest on total pension liability | 527,300 | 501,048 |
| Effect of plan changes | (16,507) | - |
| Effect of assumption changes or inputs | 74,527 | - |
| Effect of economic/demographic (gains) or losses | 23,912 | 21,713 |
| Benefit payments/refunds of contributions | (405,990) | (410,883) |
| | 387,910 | 290,089 |
| Net change in total pension liability | | |
| Total pension liability, beginning | 6,589,935 | 6,299,846 |
| Total pension liability, ending (a) | \$ 6,977,845 | \$ 6,589,935 |
| Fiduciary Net Position | | |
| Employer contributions | \$ 119,064 | \$ 115,502 |
| Member contributions | 115,757 | 111,212 |
| Investment income net of investment expenses | 86,710 | 454,984 |
| Benefit payments/refunds of contributions | (405,990) | (410,883) |
| Administrative expenses | (4,954) | (5,195) |
| Other | 64,079 | 48,089 |
| | (25,334) | 313,709 |
| Net change in fiduciary net position | | |
| Fiduciary net position, beginning | 6,915,043 | 6,601,334 |
| Fiduciary net position, ending (b) | \$ 6,889,709 | \$ 6,915,043 |
| Net pension liability/(asset) ending = (a) - (b) | \$ 88,136 | \$ (325,108) |
| Fiduciary net position as a % of total pension liability | 98.74% | 104.93% |
| Pensionable covered payroll | \$ 1,653,666 | \$ 1,589,749 |
| Net pension liability (asset) as a % of covered payroll | 5.33% | -20.46% |

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

**COUNTY OF COLEMAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
SEPTEMBER 30, 2016**

| <u>Year Ending December 31</u> | <u>Actuarially Determined Contribution</u> | <u>Actual Employer Contribution</u> | <u>Contribution Deficiency (Excess)</u> | <u>Pensionable Covered Payroll</u> | <u>Actual Contribution as a % of Covered Payroll</u> |
|--|--|---|---|--|--|
| 2006 | \$ 82,776 | \$ 82,776 | \$ - | \$ 1,138,590 | 7.3% |
| 2007 | 87,333 | 87,333 | - | 1,238,769 | 7.1% |
| 2008 | 84,359 | 84,359 | - | 1,343,292 | 6.3% |
| 2009 | 71,569 | 71,569 | - | 1,440,013 | 5.0% |
| 2010 | 94,658 | 94,658 | - | 1,456,273 | 6.5% |
| 2011 | 88,382 | 88,382 | - | 1,482,917 | 6.0% |
| 2012 | 95,391 | 95,391 | - | 1,490,489 | 6.4% |
| 2013 | 103,019 | 103,019 | - | 1,542,202 | 6.7% |
| 2014 | 115,502 | 115,502 | - | 1,588,749 | 7.3% |
| 2015 | 119,064 | 119,064 | - | 1,653,666 | 7.2% |

Note: It should be noted that the above is the employer contributions only in accordance with GASB 68 requirements. The County of Coleman also pays for the employee contributions which have been expensed in these financial statements.

COUNTY OF COLEMAN
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED SEPTEMBER 30, 2016

Valuation Date: Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|--|
| Actuarial Cost Method | Entry Age |
| Amortization Method | Level percentage of payroll, closed |
| Remaining Amortization Period | 14.8 years (based on contribution rate calculated in 12/31/15 valuation) |
| Asset Valuation Method | 5-year smoothed market |
| Inflation | 3.0% |
| Salary Increases | Varies by age and service. 4.9% average over career including inflation |
| Investment rate of Return | 8.00%, net of investment expenses, including inflation |
| Retirement Age | Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61. |
| Mortality | In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014. |
| Changes in Plan Provisions | No changes in plan provisions are reflected in the Schedule of Employer Contributions. |

SUPPLEMENTARY INFORMATION

COUNTY OF COLEMAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - ROAD & BRIDGE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

| | Budget Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|--------------------------------|------------------|------------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | | | | |
| Taxes-Lateral Road and FM | \$ 890,075 | \$ 890,075 | \$ 869,358 | \$ (20,717) |
| Taxes-Flood Control | 98,853 | 98,853 | 96,596 | (2,257) |
| Delinquent Ad Valorem Taxes | 25,000 | 25,000 | 19,894 | (5,106) |
| Penalty and Interest-Taxes | 14,000 | 14,000 | 13,762 | (238) |
| Total Taxes | <u>1,027,928</u> | <u>1,027,928</u> | <u>999,610</u> | <u>(28,318)</u> |
| Fees | | | | |
| Vehicle Registration | 370,000 | 370,000 | 297,281 | (72,719) |
| Vehicle Registration-Supple. | 100,000 | 100,000 | 156,048 | 56,048 |
| Total Fees | <u>470,000</u> | <u>470,000</u> | <u>453,329</u> | <u>(16,671)</u> |
| Intergovernmental | | | | |
| U.S. Treasury in Lieu of Taxes | 5,000 | 5,000 | 4,325 | (675) |
| State Lateral Road & FM Funds | 27,000 | 27,000 | 25,634 | (1,366) |
| FEMA Grant Funds | 400,550 | 400,550 | - | (400,550) |
| CTIF Grant | 464,000 | 464,000 | 337,513 | (126,487) |
| Total Intergovernmental | <u>896,550</u> | <u>896,550</u> | <u>367,472</u> | <u>(529,078)</u> |
| Interest - Interest Earned | <u>1,100</u> | <u>1,100</u> | <u>543</u> | <u>(557)</u> |
| Miscellaneous | | | | |
| Other Revenue | 68,000 | 68,000 | 61,407 | (6,593) |
| Sale of Equipment | 5,500 | 5,500 | 16,250 | 10,750 |
| Total Miscellaneous | <u>73,500</u> | <u>73,500</u> | <u>77,657</u> | <u>4,157</u> |
| Total Revenues | <u>2,469,078</u> | <u>2,469,078</u> | <u>1,898,611</u> | <u>(570,467)</u> |
| EXPENDITURES | | | | |
| General Road & Bridge | | | | |
| Salaries Commissioners | 171,504 | 171,504 | 171,504 | - |
| Salaries-Other | 31,239 | 31,239 | 31,239 | - |
| Social Security Taxes | 46,758 | 46,758 | 46,539 | 219 |
| Retirement | 85,371 | 85,371 | 84,983 | 388 |
| Health Insurance | 141,348 | 141,348 | 109,051 | 32,297 |
| Tax Appraisal District | 45,000 | 45,000 | 41,929 | 3,071 |
| Other Expenses | 7,500 | 7,500 | 231 | 7,269 |
| Insurance | 25,000 | 25,000 | 12,040 | 12,960 |
| General Precinct Expenses | 52,000 | 52,000 | 25,035 | 26,965 |
| Outside Audit | 5,000 | 5,000 | 4,707 | 293 |
| Flood Control-Repairs | 10,000 | 10,000 | - | 10,000 |
| Flood Control-S.W.C.D. | 11,000 | 11,000 | 11,000 | - |
| Total General Road & Bridge | <u>631,720</u> | <u>631,720</u> | <u>538,258</u> | <u>93,462</u> |

The accompanying notes are an integral part of this financial statement.

COUNTY OF COLEMAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - ROAD & BRIDGE FUND - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2016

| | Budget Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|-------------------------------|------------------|------------------|-------------------|---|
| | Original | Final | | |
| Precinct 1 | | | | |
| Operators Salaries Precinct 1 | 93,717 | 93,717 | 93,717 | - |
| Capital Purchases | 50,000 | 50,000 | 46,900 | 3,100 |
| Equipment Maintenance | 20,000 | 20,000 | 44,722 | (24,722) |
| Pickup Allowance | 8,400 | 8,400 | 8,400 | - |
| Fuel | 36,000 | 36,000 | 23,213 | 12,787 |
| Supplies | 207,500 | 207,500 | 89,674 | 117,826 |
| Other Precinct Expenses | 3,500 | 3,500 | 2,602 | 898 |
| Total Precinct 1 | <u>419,117</u> | <u>419,117</u> | <u>309,228</u> | <u>109,889</u> |
| Precinct 2 | | | | |
| Operators Salaries Precinct 2 | 93,717 | 93,717 | 93,130 | 587 |
| Debt Service | 16,000 | 16,000 | 17,342 | (1,342) |
| Capital Purchases | 50,000 | 50,000 | - | 50,000 |
| Equipment Maintenance | 35,000 | 35,000 | 57,074 | (22,074) |
| Pickup Allowance | 8,400 | 8,400 | 8,400 | - |
| Fuel | 45,000 | 45,000 | 26,514 | 18,486 |
| Supplies | 325,700 | 325,700 | 12,627 | 313,073 |
| Other Precinct Expenses | 4,000 | 4,000 | 4,230 | (230) |
| Total Precinct 2 | <u>577,817</u> | <u>577,817</u> | <u>219,317</u> | <u>358,500</u> |
| Precinct 3 | | | | |
| Operators Salaries Precinct 3 | 93,717 | 93,717 | 91,403 | 2,314 |
| Debt Service | 36,500 | 36,500 | 39,232 | (2,732) |
| Capital Purchases | 50,000 | 50,000 | - | 50,000 |
| Equipment Maintenance | 37,000 | 37,000 | 33,700 | 3,300 |
| Pickup Allowance | 8,400 | 8,400 | 8,400 | - |
| Fuel | 45,000 | 45,000 | 21,746 | 23,254 |
| Supplies | 184,400 | 184,400 | 132,692 | 51,708 |
| Other Precinct Expenses | 3,500 | 3,500 | 3,097 | 403 |
| Total Precinct 3 | <u>458,517</u> | <u>458,517</u> | <u>330,270</u> | <u>128,247</u> |
| Precinct 4 | | | | |
| Operators Salaries Precinct 4 | 93,717 | 93,717 | 93,717 | - |
| Debt Service | 33,600 | 33,600 | 42,590 | (8,990) |
| Capital Purchases | 20,000 | 20,000 | - | 20,000 |
| Equipment Maintenance | 30,000 | 30,000 | 34,050 | (4,050) |
| Pickup Allowance | 8,400 | 8,400 | 8,400 | - |
| Fuel | 30,000 | 30,000 | 19,822 | 10,178 |
| Supplies | 136,000 | 136,000 | 117,714 | 18,286 |
| Other Precinct Expenses | 6,000 | 6,000 | 3,768 | 2,232 |
| Total Precinct 4 | <u>357,717</u> | <u>357,717</u> | <u>320,061</u> | <u>37,656</u> |
| Total Expenditures | <u>2,444,888</u> | <u>2,444,888</u> | <u>1,717,134</u> | <u>727,754</u> |

The accompanying notes are an integral part of this financial statement.

COUNTY OF COLEMAN
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES - BUDGET AND ACTUAL - ROAD & BRIDGE FUND - CONTINUED
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

| | Budget Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|---------------------------------------|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfers In | - | - | 1,864 | 1,864 |
| Transfers Out | (14,387) | (14,387) | (11,342) | 3,045 |
| Net Other Financing Sources (Uses) | (14,387) | (14,387) | (9,478) | 4,909 |
| Net Change in Fund Balance | 9,803 | 9,803 | 171,999 | 162,196 |
| Fund Balance - Beginning | 161,816 | 161,816 | 161,816 | - |
| Fund Balance - Ending | <u>\$ 171,619</u> | <u>\$ 171,619</u> | <u>\$ 333,815</u> | <u>\$ 162,196</u> |

The accompanying notes are an integral part of this financial statement.

COUNTY OF COLEMAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

| | Budget Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|---|----------------|---------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Fees | | | | |
| Hot Check Fees | \$ 4,000 | \$ 4,000 | \$ 3,280 | \$ (720) |
| Courthouse Security Fee | 6,500 | 6,500 | 5,831 | (669) |
| Justice Court Technology Fund | 2,500 | 2,500 | 2,576 | 76 |
| District Clerk Fees | 2,600 | 2,600 | 1,604 | (996) |
| County Clerk Fees | 800 | 800 | 474 | (326) |
| Law Enforcement Education Fund-Sheriff | 1,350 | 1,350 | 1,277 | (73) |
| Law Enforcement Education Fund-Constable | 650 | 650 | - | (650) |
| PVS Funds | 600 | 600 | 547 | (53) |
| County Clerk Archive Fees | 21,000 | 21,000 | 19,235 | (1,765) |
| District Clerk Criminal Technology Fees | 160 | 160 | 48 | (112) |
| County Clerk Criminal Technology Fees | 150 | 150 | 75 | (75) |
| Dist Clerk Civil Record Preservation Fees | 1,800 | 1,800 | 1,340 | (460) |
| Cty Clerk Civil Record Preservation Fees | 600 | 600 | 470 | (130) |
| District Clerk Archive Fees | 1,500 | 1,500 | 1,285 | (215) |
| County Clerk Records Management Fees | 21,000 | 21,000 | 19,341 | (1,659) |
| Supplemental Guardianship Fees | 1,000 | 1,000 | 740 | (260) |
| Total Fees | 66,210 | 66,210 | 58,123 | (8,087) |
| Miscellaneous | | | | |
| Seized Funds Received | 2,500 | 2,500 | 5,945 | 3,445 |
| Total Miscellaneous | 2,500 | 2,500 | 5,945 | 3,445 |
| Total Revenues | 68,710 | 68,710 | 64,068 | (4,642) |
| EXPENDITURES | | | | |
| General Government | | | | |
| Workers Compensation Fund | 27,037 | 27,037 | 22,313 | 4,724 |
| Records Management Fund | 3,000 | 3,000 | 3,000 | - |
| District Clerk Records Management Fund | 3,000 | 3,000 | - | 3,000 |
| Preservation of Vital Statistics Fund | 1,000 | 1,000 | 884 | 116 |
| County Clerk Archive Fund | 20,000 | 20,000 | 28,127 | (8,127) |
| District Clerk Criminal Technology Fund | 300 | 300 | - | 300 |
| County Clerk Criminal Technology Fund | 500 | 500 | - | 500 |
| District Clerk Civil Records Preserv Fund | 3,000 | 3,000 | - | 3,000 |
| County Clerk Civil Records Preserv Fund | 600 | 600 | - | 600 |
| District Clerk Archive Fund | 3,000 | 3,000 | - | 3,000 |
| County Clerk Record Management Fund | 20,000 | 20,000 | 16,500 | 3,500 |
| Supplemental Guardianship Fund | 2,000 | 2,000 | - | 2,000 |
| Forfeiture and Seizure Fund | 5,000 | 5,000 | - | 5,000 |
| Total General Government | 88,437 | 88,437 | 70,824 | 17,613 |

The accompanying notes are an integral part of this financial statement.

COUNTY OF COLEMAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - OTHER GOVERNMENTAL FUNDS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2016

| | Budget Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|--|------------------|------------------|-------------------|---|
| | Original | Final | | |
| <u>EXPENDITURES - CONTINUED</u> | | | | |
| Justice System | | | | |
| Courthouse Security Fund | 25,000 | 25,000 | - | 25,000 |
| Justice Court Technology Fund | 7,000 | 7,000 | 3,449 | 3,551 |
| County Attorney Hot Check Fund | 11,100 | 11,100 | 8,431 | 2,669 |
| Total Justice System | <u>43,100</u> | <u>43,100</u> | <u>11,880</u> | <u>31,220</u> |
| Public Safety | | | | |
| Law Enforcement Education Fund | <u>2,500</u> | <u>2,500</u> | <u>594</u> | <u>1,906</u> |
| Total Expenditures | <u>134,037</u> | <u>134,037</u> | <u>83,298</u> | <u>50,739</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfers In | <u>27,037</u> | <u>27,037</u> | <u>22,359</u> | <u>(4,678)</u> |
| Net Change in Fund Balance | (38,290) | (38,290) | 3,129 | 41,419 |
| Fund Balance - Beginning | <u>122,036</u> | <u>122,036</u> | <u>122,036</u> | <u>-</u> |
| Fund Balance - Ending | <u>\$ 83,746</u> | <u>\$ 83,746</u> | <u>\$ 125,165</u> | <u>\$ 41,419</u> |

The accompanying notes are an integral part of this financial statement.