

REPORT ON
COUNTY OF COLEMAN
COLEMAN, TEXAS
YEAR ENDED SEPTEMBER 30, 2017

COUNTY OF COLEMAN
TABLE OF CONTENTS
YEAR ENDED SEPTEMBER 30, 2017

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements	
Government Wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements	
Balance Sheet	11
Reconciliation of the Balance Sheet to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balances	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	15-17
Fiduciary Fund Financial Statement	
Statement of Fiduciary Net Position	18
Notes to the Financial Statements	19-37
Required Supplementary Information	
Schedule of Changes in Net Position Liability and Related Ratios	38
Schedule of Employer Contributions	39
Notes to Required Supplementary Information	40
Supplementary Information	
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Road & Bridge Fund	41-43
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Other Governmental Funds	44-45
COMPLIANCE AND INTERNAL CONTROL SECTION	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	46-47
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	48-49
Schedule of Findings and Questioned Costs	50-51
Corrective Action Plan	52
Schedule of Expenditures of Federal Awards	53
Notes on Accounting Policies for Federal Awards	54

Reed, McKee & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2017, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that 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 include 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, 2017, 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 and the Schedule of Changes in Net Position Liability, Related Ratios and Schedule of Employer Contributions and related notes to supplementary information on pages 3-8 and 38-40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming 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 and the Schedule of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards are prepared for purposes of additional analysis and are not a required part of the basic financial statements.

The Budget vs Actual statements for the Road and Bridge Fund and Other Governmental Funds as well as the Schedule of Federal Awards mentioned above 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 Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual for the Road and Bridge fund and Other Governmental Funds as well as the Schedule of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2018 on our consideration of the County of Coleman's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County of Coleman's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Coleman's internal control over financial reporting and compliance.

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

February 8, 2018

**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, 2017. 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, decreased by \$213,646 as a result of this year's operations. The County's net position consists of unrestricted assets of \$1,694,493 which may be used to meet the County's ongoing obligations and net position invested in capital assets net of related debt of \$1,252,248 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. Total assets increased \$9,706,615 over the prior year due mainly to the issuance of the 2017 bond issue for \$9,055,000 for the construction of the new law enforcement center. Liabilities also increased due to the new bond issue. The County's position in relation to the pension liability increased from \$88,136 to \$106,241. This was due to the pension plan not meeting the expected rate of return as projected. Details about this liability and other items related to the County's pension plan are detailed in the following footnotes. Other liabilities also increased due to the payables related to the construction going on for the law enforcement center in the capital projects fund.

As shown in the statement of activities the County has charges for services of \$814,491 and revenues from operating grants of \$1,116,566 which were used to fund total expenses of \$5,623,609. The net result of this is \$3,692,552 of expenses that were funded by \$3,478,906 of general revenues to create a \$213,646 decrease in net position. Property taxes remained fairly constant as compared to the prior year. Grant revenues were up due to a FEMA project for new roads in the county. The total amount expended on this as of September 30, 2017 was \$997,494 and is shown in the schedule of Federal Expenditures. Expenses increased by \$1,077,888 again due to the expenditures on roads related to the above mentioned grant. As can be seen on Page 7 of this analysis, the largest increase in expenditures was in the road and bridge area which makes up 80% of the overall increase. All other areas were up slightly.

Comparing the balance sheet for the current year to the prior year, the following items were noted. Total assets for all governmental funds are \$11,095,648 which is an increase of \$8,910,182 compared to the prior year. With only a small portion of the bond proceeds being spent as of September 30, 2017, the largest increase in assets is in the unspent bond proceeds in the capital projects fund of \$9,018,874. Not all of the money from the FEMA grant was spent as of year-end so a deferred revenue of \$223,446 is recorded to show these unspent funds. The large increase in accounts payable is directly related to the payables related to the capital project fund of \$603,654. A total of \$8,415,220 is shown as restricted in the capital project fund representing the net amount remaining to be spent on the law enforcement center. The unassigned fund balance decreased from \$1,290,897 to \$1,120,017 in the current year. This represents approximately four and one half months of operations for the general fund utilizing the current year expenditures. As was mentioned earlier, property taxes remained fairly constant when compared to the prior year while intergovernmental revenues increased \$623,593 due to the grant for the repaving of the roads. Salaries and benefits for all funds totaled \$2,578,537 or 39% 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 \$101,392 less than the final budgeted amounts. As can be seen from looking at the budget comparison, taxes and the state supplement made up much of this decrease. Total expenditures in the general fund were \$75,578 more than budgeted amounts. The largest area of over expenditures was in the Public Safety area of the budget. This is primarily due to inmate expenses that include medical expenses to be paid by the County. There were also other areas of the budget that were overspent. A full detail of these can be seen in the budget comparison statements following. The original budget for the general fund projected a decrease in fund balance for the general fund of \$82. The amended budget projected an increase in fund balance of \$11,253. The actual amount of decrease in fund balance is \$170,880.

**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 \$956,792 more than budgeted due to the budget not including \$997,494 of FEMA revenue that was received during the year. Taxes were less than anticipated by \$36,116 while fees from registrations were more than budgeted by \$4,754. Actual expenses were \$1,304,537 more than budgeted amounts again due to the FEMA project not being budgeted. The original budget showed an anticipated decrease in fund balance of \$39,265 while the amended budget showed an increase of \$44,218. As can be seen, the actual decrease in fund balance was \$83,055.

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 \$47,992 was due to the treasurer as of September 30, 2017 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 decreased from \$3,620,987 to \$3,407,341. 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 \$1,694,493 at September 30, 2017.

Table I - NET POSITION

	Governmental Activities 2017	Governmental Activities 2016	Increase (Decrease)
Current and other assets	\$ 11,095,648	\$ 2,185,466	\$ 8,910,182
Capital assets, net	2,480,617	1,684,184	796,433
Total assets	<u>13,576,265</u>	<u>3,869,650</u>	<u>9,706,615</u>
Deferred outflows of resources	560,297	694,748	(134,451)
Long-term liabilities	9,679,715	671,390	9,008,325
Other liabilities	1,049,506	272,021	777,485
Total liabilities	<u>10,729,221</u>	<u>943,411</u>	<u>9,785,810</u>
Net Position:			
Invested in capital assets, net of related debt	1,252,248	1,100,930	151,318
Restricted	460,600	649,527	(188,927)
Unrestricted	1,694,493	1,870,530	(176,037)
Total Net Position	<u>\$ 3,407,341</u>	<u>\$ 3,620,987</u>	<u>\$ (213,646)</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 an increase in total assets of \$9,706,615 and an increase in total liabilities of \$9,785,810. Most of these increases are due to the bond proceeds for 2017 Series which is detailed out in the footnotes to these financial statements. The increase in net position related to the investment in capital assets is due to the capital additions in the capital project fund which is offset by the decreases in the unrestricted and restricted funds.

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

Table II - CHANGES IN NET POSITION

	Governmental Activities 2017	Governmental Activities 2016	Increase (Decrease)
Revenues:			
Program Revenues:			
Charges for services	\$ 814,491	\$ 809,194	\$ 5,297
Operating grants and contributions	1,116,566	492,973	623,693
General Revenues:			
Property taxes – maintenance and operations	2,345,648	2,330,895	14,753
Property taxes – roads and bridges	1,013,154	983,587	29,567
Investment earnings	9,989	5,866	4,123
Miscellaneous and intermediate revenue	110,115	105,386	4,729
Total Revenue	<u>5,409,963</u>	<u>4,727,901</u>	<u>682,062</u>
Expenses:			
General government	1,572,896	1,428,469	144,427
Roads and bridges	2,577,214	1,738,323	838,891
Justice system	372,908	345,813	27,095
Public safety	852,865	829,202	23,663
Public health and welfare	247,726	203,914	43,812
Total Expenses	<u>5,623,609</u>	<u>4,545,721</u>	<u>1,077,888</u>
Increase (Decrease) in net position	(213,646)	182,180	(395,826)
Prior period adjustment		0	0
Net position – beginning	<u>3,620,987</u>	<u>3,438,807</u>	<u>182,180</u>
Net position – Ending	<u>\$ 3,407,341</u>	<u>\$ 3,620,987</u>	<u>(213,646)</u>

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 \$1,077,888. 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 73% of total expenses both in the current year and prior year. Public safety expenses were at 15% 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 \$9,913,687 compared to a balance of \$1,749,877 in the prior year. This represents a \$8,163,810 increase in the fund balance primarily due to the bond proceeds of \$9,055,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2017, the County had \$4,207,343 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 \$1,726,726. Total additions of \$1,130,195 consisted of equipment acquired through a capital lease and expenditures toward the construction of a new law enforcement facility.

Debt

At the end of the current year, the County had total long term debt outstanding of \$9,679,715. This debt consisted of seven notes to a finance company also secured by equipment and a new bond issue for \$9,055,000 which is detailed in the footnotes that follow.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County has adopted a budget for 2018 with a combined tax rate of \$.9348 per \$100 value. This rate includes a debt service rate for the first time of \$.1358 in order to pay back the new bonds issued in 2017.

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, 2017

	Governmental Activities
ASSETS	
Cash & CDs	\$ 10,797,014
Due from Other Funds	47,992
Accounts Receivable	11,946
Delinquent Taxes Receivable, Net of Allowance	238,696
Capital Assets, Net of Accumulated Depreciation	2,480,617
Total Assets	<u>13,576,265</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to TCDRS	<u>560,297</u>
 LIABILITIES	
Accounts Payable	677,545
Other Payables	42,274
Deferred Revenue - FEMA	223,446
Notes Payable	624,715
Bonds Payable	9,055,000
Net Pension Liability	106,241
Total Liabilities	<u>10,729,221</u>
 NET POSITION	
Invested in Capital Assets, Net of Related Debt	1,252,248
Restricted	460,600
Unrestricted	1,694,493
Total Net Position	<u>\$ 3,407,341</u>

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

COUNTY OF COLEMAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities:				
General Government	\$ 1,572,896	\$ 273,074	\$ 34,230	\$ (1,265,592)
Roads and Bridges	2,577,214	449,754	1,063,064	(1,064,396)
Justice System	372,908	73,631	19,195	(280,082)
Public Safety	852,865	15,677	77	(837,111)
Public Health and Welfare	247,726	2,355	-	(245,371)
Total Governmental Activities	<u>\$ 5,623,609</u>	<u>\$ 814,491</u>	<u>\$ 1,116,566</u>	<u>(3,692,552)</u>
General Revenues:				
Property Taxes - Maintenance and Operations				2,345,648
Property Taxes - Roads and Bridges				1,013,154
Investment Earnings				9,989
Miscellaneous				110,115
Total General Revenues				<u>3,478,906</u>
Change in Net Position				(213,646)
Net Position - Beginning				<u>3,620,987</u>
Net Position - Ending				<u>\$ 3,407,341</u>

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

COUNTY OF COLEMAN
BALANCE SHEET
SEPTEMBER 30, 2017

	General	Road & Bridge	Capital Project	Other Funds	Total Governmental Funds
ASSETS					
Cash & CDs	\$ 1,162,547	\$ 490,848	\$ 9,018,874	\$ 124,745	\$ 10,797,014
Due from Other Funds	38,031	5,124	-	4,837	47,992
Accounts Receivable	8,581	3,365	-	-	11,946
Delinquent Taxes Receivable	283,667	112,537	-	-	396,204
Allowance for Uncollectible Taxes	(115,373)	(42,135)	-	-	(157,508)
Total Assets	1,377,453	569,739	9,018,874	129,582	11,095,648
LIABILITIES					
Accounts Payable	46,868	25,131	603,654	1,892	677,545
Other Payables	42,274	-	-	-	42,274
Deferred Revenue - FEMA	-	223,446	-	-	223,446
Total Liabilities	89,142	248,577	603,654	1,892	943,265
DEFERRED INFLOWS OF RESOURCES					
Unavailable Resources - Property Taxes	168,294	70,402	-	-	238,696
Total Deferred Inflows of Resources	168,294	70,402	-	-	238,696
FUND BALANCES					
Restricted	-	-	8,415,220	42,670	8,457,890
Committed	-	250,760	-	85,020	335,780
Unassigned	1,120,017	-	-	-	1,120,017
Total Fund Balances	1,120,017	250,760	8,415,220	127,690	9,913,687
Total Liabilities, Deferred Inflows and Fund Balances	\$ 1,377,453	\$ 569,739	\$ 9,018,874	\$ 129,582	\$ 11,095,648

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, 2017

Total fund balances of governmental funds	\$ 9,913,687
Net capital assets used in governmental activities are recognized in the Statement of Net Position.	2,480,617
Deferred outflows related to TCDRS are recognized in the Statement of Net Position.	560,297
Net delinquent property taxes receivable are deferred in the fund financial statements.	238,696
Notes payable are recognized in the Statement of Net Position.	(624,715)
Bonds payable are recognized in the Statement of Net Position.	(9,055,000)
Net pension liability is recognized in the Statement of Net Position.	<u>(106,241)</u>
Total net position of governmental activities	<u><u>\$ 3,407,341</u></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, 2017

	General	Road & Bridge	Capital Project	Other Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 2,327,465	\$ 979,908	\$ -	\$ -	\$ 3,307,373
Fees	211,172	449,754	-	57,897	718,823
Fines	93,313	-	-	-	93,313
Intergovernmental	53,425	1,063,141	-	-	1,116,566
Interest	5,067	566	4,356	-	9,989
Miscellaneous	59,087	166,647	-	2,355	228,089
Total Revenues	2,749,529	2,660,016	4,356	60,252	5,474,153
EXPENDITURES					
General Government	1,457,033	-	-	68,343	1,525,376
Roads and Bridges	-	2,949,311	-	-	2,949,311
Justice System	385,002	-	603,654	8,598	997,254
Public Safety	820,100	-	-	-	820,100
Public Health and Welfare	241,015	-	-	1,802	242,817
Total Expenditures	2,903,150	2,949,311	603,654	78,743	6,534,858
Excess (Deficiency) of Revenues Over (Under) Expenditures	(153,621)	(289,295)	(599,298)	(18,491)	(1,060,705)
OTHER FINANCING SOURCES (USES)					
Bond Proceeds	-	-	9,055,000	-	9,055,000
Net Bond Premiums	-	-	198,004	-	198,004
Capital Lease Proceeds	-	209,997	-	-	209,997
Transfers In	-	7,801	-	21,273	29,074
Transfers Out	(17,259)	(11,558)	-	(257)	(29,074)
Bond Costs	-	-	(238,486)	-	(238,486)
Total Other Financing Sources (Uses)	(17,259)	206,240	9,014,518	21,016	9,224,515
Net Change in Fund Balances	(170,880)	(83,055)	8,415,220	2,525	8,163,810
Fund Balances - Beginning	1,290,897	333,815	-	125,165	1,749,877
Fund Balances - Ending	\$ 1,120,017	\$ 250,760	\$ 8,415,220	\$ 127,690	\$ 9,913,687

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, 2017

Total net change in fund balances of governmental funds	\$ 8,163,810
Capital outlays are capitalized in the government-wide financial statements.	1,130,195
Depreciation of capital assets is recognized in the government-wide financial statements.	(218,143)
The undepreciated basis in capital assets sold is costed out in the government-wide financial statements.	(115,619)
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.	240,586
Pension expense as determined under GASB 68 is recognized in the Statement of Activities.	(393,142)
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.	51,429
Compensated absences payable were previously reported in the government-wide financial statements. The current year decrease has been recognized in the Statement of Activities.	23,699
Proceeds from the issuance of notes payable are reported as an increase in liabilities in the government-wide financial statements.	(209,997)
Repayments of principal on notes payable are reported as a decrease in liabilities in the government-wide financial statements.	168,536
Proceeds from the issuance of bonds are reported as an increase in liabilities in the government-wide financial statements.	<u>(9,055,000)</u>
Change in net position of governmental activities	<u>\$ (213,646)</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, 2017

	Budget Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Ad Valorem Taxes-Current	\$ 2,303,330	\$ 2,303,330	\$ 2,235,982	\$ (67,348)
Ad Valorem Taxes-Delinquent	55,000	55,000	55,941	941
Penalty and Interest Taxes	32,000	32,000	35,542	3,542
Total Taxes	<u>2,390,330</u>	<u>2,390,330</u>	<u>2,327,465</u>	<u>(62,865)</u>
Fees				
Alcoholic Beverages	7,000	7,000	6,837	(163)
Law Library	4,000	4,000	4,130	130
Jury Fees	350	350	280	(70)
Defensive Driving Fees	1,000	1,000	1,090	90
Bail Bond Fee	150	150	192	42
D.P.S. Arrest Fees	1,500	1,500	2,128	628
T.P.W. Arrest Fees	700	700	673	(27)
Indigent Legal Services Fee	100	100	58	(42)
Judicial Support Fee	400	400	460	60
Time Payment Fee	2,300	2,300	2,387	87
Local Judicial Education	200	200	240	40
Child Safety	50	50	41	(9)
1-1-04 Forward Fees	2,500	2,500	3,339	839
Drug Court Program	100	100	169	69
Indigent Defense Fee	125	125	138	13
Jury Reimbursement Fee	500	500	301	(199)
Truancy Prevention	300	300	660	360
DNA Testing Fee (DNS CS)	-	335	81	(254)
Justice Court-Indigent	20	20	28	8
EMS Trauma Fund	100	100	135	35
Local Traffic Fee	1,500	1,500	1,687	187
Probate-Indigent	20	20	20	-
County Court-Civil-Indigent	10	10	4	(6)
D. Court-Divorce-Indigent	10	10	9	(1)
District Court-Other Indigent	50	50	42	(8)
J.P. Dismissal Fee	500	500	40	(460)
State Traffic Fees	700	700	818	118
Criminal Indigent Fees	10	10	2	(8)
Tax Assessor-Collector Fees	74,000	74,000	72,611	(1,389)
District Clerk Fees	17,000	17,000	17,852	852
County Clerk Fees	60,000	60,000	61,492	1,492
Sheriff's Fees	20,000	20,000	14,547	(5,453)
County Judge Fees	200	200	306	106
County Attorney Fees	500	500	331	(169)
Constable Fees	500	500	255	(245)
Dist.Clerk-Atty.General Fees	2,000	2,000	2,684	684
Prisoner Transport Reimb.	5,000	5,000	2,365	(2,635)
Other Revenue-Elections	100	100	2,365	2,265
Septic System Permit Fees	2,500	2,500	4,875	2,375
Septic System Inspection Fees	5,501	5,501	5,500	(1)
Total Fees	<u>211,496</u>	<u>211,831</u>	<u>211,172</u>	<u>(659)</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, 2017

	Budget Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Fines				
District Clerk-Fines	15,000	15,000	20,025	5,025
County Clerk-Fines	10,000	10,000	11,452	1,452
Justice of Peace Fines	55,000	55,000	43,800	(11,200)
Sheriff-Fines	600	600	875	275
Motor Carrier Weight Violation	-	900	-	(900)
Justice of Peace-Deferred Disposition	9,000	9,000	17,156	8,156
Moving Violation Fees	10	10	5	(5)
Total Fines	89,610	90,510	93,313	2,803
Intergovernmental				
U.S. Treasury in Lieu of Taxes	6,000	6,000	8,955	2,955
State Salary Supplement	82,400	82,400	12,319	(70,081)
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	75	(425)
State Juror Reimbursement	5,000	5,000	3,332	(1,668)
Indigent Defense Grant	14,000	14,000	11,944	(2,056)
Total Intergovernmental	124,700	124,700	53,425	(71,275)
Interest - Interest Earned	4,000	4,000	5,067	1,067
Miscellaneous				
Oil and Gas Royalties	50	50	15	(35)
Insurance Proceeds	-	-	26,323	26,323
Other Revenue	1,000	1,000	1,404	404
Telephone Commission	500	500	806	306
Sale of Equipment	-	-	7,200	7,200
District Attorney Reimbursement	27,500	27,500	23,264	(4,236)
Donations-Drug Dog	500	500	75	(425)
Total Miscellaneous	29,550	29,550	59,087	29,537
Total Revenues	2,849,686	2,850,921	2,749,529	(101,392)
EXPENDITURES				
General Government				
Non-Departmental	602,294	598,294	710,434	(112,140)
Tax Assessor-Collector	108,330	108,330	109,786	(1,456)
District Clerk	86,064	86,064	94,363	(8,299)
County Clerk	114,385	114,385	121,527	(7,142)
County Judge	80,058	80,058	73,635	6,423
Commissioners Court	16,000	16,000	5,790	10,210
County Treasurer	80,908	80,908	77,648	3,260
Veterans Service Officer	500	500	86	414
County Extension Office	118,952	119,352	113,406	5,946
Courthouse and Jail Buildings	92,862	92,862	109,197	(16,335)
Elections	10,000	10,000	18,318	(8,318)
Permanent Improvements	245,000	245,000	22,843	222,157
Total General Government	1,555,353	1,551,753	1,457,033	94,720

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, 2017

	Budget Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Justice System				
County Attorney	123,093	123,093	125,714	(2,621)
District Attorney	47,346	47,346	55,440	(8,094)
Justice of Peace	77,668	77,668	82,282	(4,614)
Adult Probation	5,700	5,700	5,477	223
Juvenile Probation	6,000	6,000	6,000	-
District Court	111,128	111,128	109,185	1,943
Permanent Improvements	2,000	2,000	904	1,096
Total Justice System	<u>372,935</u>	<u>372,935</u>	<u>385,002</u>	<u>(12,067)</u>
Public Safety				
Sheriff	618,678	612,178	740,960	(128,782)
Constable	15,306	15,306	16,045	(739)
Permanent Improvements	35,000	35,000	63,095	(28,095)
Total Public Safety	<u>668,984</u>	<u>662,484</u>	<u>820,100</u>	<u>(157,616)</u>
Public Health and Welfare				
Donations	211,800	211,800	213,865	(2,065)
Welfare	28,600	28,600	27,150	1,450
Total Public Health and Welfare	<u>240,400</u>	<u>240,400</u>	<u>241,015</u>	<u>(615)</u>
Total Expenditures	<u>2,837,672</u>	<u>2,827,572</u>	<u>2,903,150</u>	<u>(75,578)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers Out	<u>(12,096)</u>	<u>(12,096)</u>	<u>(17,259)</u>	<u>(5,163)</u>
Net Change in Fund Balance	(82)	11,253	(170,880)	(182,133)
Fund Balance - Beginning	<u>1,290,897</u>	<u>1,290,897</u>	<u>1,290,897</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 1,290,815</u>	<u>\$ 1,302,150</u>	<u>\$ 1,120,017</u>	<u>\$ (182,133)</u>

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

COUNTY OF COLEMAN
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 SEPTEMBER 30, 2017

	<u>General</u>
<u>ASSETS</u>	
Cash	\$ 501,093
Certificates of Deposit	<u>29,034</u>
Total Assets	<u><u>530,127</u></u>
<u>LIABILITIES</u>	
Due to Other Funds	47,992
Due to Others	<u>482,135</u>
Total Liabilities	<u><u>\$ 530,127</u></u>

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

COUNTY OF COLEMAN
Notes to the Financial Statements
September 30, 2017

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, 2017

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.

Capital Projects Fund – The proceeds from Long-term debt financing and revenues and expenditures related to the authorized construction and other capital asset acquisitions are accounted for in the capital project fund.

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2017

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.

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 three months of employment at various levels depending upon the length of employment. With a change in policy in the current year, the County is not paying any accumulation of vacation pay at termination.

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2017

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.

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.

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2017

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 all governmental funds are adopted on a modified accrual basis and cover a one-year period. Appropriations lapse at year end.

Excess of Expenditures over Appropriations

The County over spent the general fund and road and bridge fund budget in the current year. See those budget schedules for further details.

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.

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.

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2017

Deposits and Investments – Continued

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, 2017, all of the County's investments in certificates of deposits are with its depository bank. The certificates of deposit are completely covered by pledged securities as described in the preceding paragraph. The County also has funds in an investment pool account with Tex Star. These funds have their own security pledge.

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, 2017, was not significantly exposed to credit risk. As of September 30, 2017 the County's investments in the Tex Star Investment Pool was rated AAA by Standards & Poor.

Public Funds Investment Pools – Public funds investment pools in Texas ("Pools") are established under the authority of the Inter-local Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of the participants in the pool and other persons who do not have business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying portfolio within one half of one percent of the value of its shares.

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.

As of September 30, 2017, the County had the following cash, certificates of deposit and temporary investments for all governmental type funds and fiduciary funds:

Cash on Hand and in Bank	\$ 987,188
Certificates of Deposit	1,321,079
Tex-Star	<u>9,018,874</u>
Total Cash and Cash Equivalents	<u>\$ 11,327,141</u>

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2017

Interfund Transfers and Balances – During the year ended September 30, 2017, the General Fund and the Road & Bridge Fund made transfers totaling \$29,074 to various other nonmajor governmental funds.

The following is a summary of amounts due from and due to other funds as of September 30, 2017:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Purpose</u>
Fiduciary Funds	General Fund	\$ 38,031	Unremitted Fees
Fiduciary Funds	Road & Bridge Fund	5,124	Unremitted Fees
Fiduciary Funds	Other Governmental Funds	<u>4,837</u>	Unremitted Fees
Total		<u>\$ 47,992</u>	

Capital Assets – Capital asset activity for the year ended September 30, 2017, 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	573,558	118,420	0	691,978
Precinct Two	643,849	5,950	0	649,799
Precinct Three	781,443	68,015	0	849,458
Precinct Four	650,811	221,090	(175,300)	696,601
Sheriff	210,408	34,396	(29,359)	215,445
Courthouse	207,921	0	0	207,921
911 Equipment	73,638	0	0	73,638
Law Enforcement Center	<u>0</u>	<u>682,324</u>	<u>0</u>	<u>682,324</u>
Total Capital Assets	\$ 3,281,807	\$ 1,130,195	\$ (204,659)	\$ 4,207,343
Less Accumulated Depreciation	(1,597,623)	(218,143)	89,040	(1,726,726)
Capital Assets, Net	<u>\$ 1,684,184</u>	<u>\$ 912,052</u>	<u>\$ (115,619)</u>	<u>\$ 2,480,617</u>

Expenditures on the Law Enforcement Center of \$682,324 are the costs associated with the bond proceeds and represent the amount of funds spent as of September 30, 2017. These expenditures represent a project in progress therefore, no depreciation is calculated on this until the project is completed.

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 13,042
Road and Bridges	167,447
Justice System	3,650
Public Safety	29,095
Public Health & Welfare	4,909
Total	<u>\$ 218,143</u>

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2017

Compensated Absences Payable – Due to a change in policy, the County no longer allows the accrual of unused vacation pay.

Long-Term Debt – Long-term debt as of September 30, 2017 consist of the following:

Capital Leases:

	<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	\$ 86,293	\$ 0	\$ 17,712	\$ 68,581
3.2% capital lease payable to a finance company with monthly payments of \$1,626 maturing June 7, 2017	109,418	0	109,418	0
3.2% capital lease payable to a finance company with monthly payments of \$539.42 maturing on 12-27-17	108,560	0	2,786	105,774
3.2% capital lease payable to a finance company with monthly payments of \$474.05 maturing on 7-19-18	40,080	0	4,093	35,987
2.9% capital lease payable to a finance company with monthly payments of \$1,187.27 maturing on 11-14-18	60,115	0	10,584	49,581
2.9% capital lease payable to a finance company with monthly payments of \$1,328.92 maturing on 9-11-20	152,250	0	10,699	141,551
3.2% capital lease payable to a finance company with monthly payments of \$2,022.09 maturing on 4-24-22	0	209,997	7,350	202,647

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2017

Capital Leases - Continued

2.9% capital lease payable to a finance company with monthly payments of \$597.96 maturing on 9-21-20

	<u>26,538</u>	<u>0</u>	<u>5,944</u>	<u>20,594</u>
Total	<u>\$ 583,254</u>	<u>\$ 209,997</u>	<u>\$ 168,536</u>	<u>\$ 624,715</u>

Bonds Payable:

Coleman County, Texas General Obligation Bonds, Series 2017

These bonds were issued on August 7, 2017 for the face amount of \$9,055,000 at an effective interest rate of 3.0091255% and are scheduled to mature on February 15, 2042. The bond has annual principal payments due on each February 15th beginning in 2018 and semi-annual interest payments due on August 15th and February 15th of each year. Interest rates range from 3% for the first twenty years of the bonds and 3.125% to 3.250% for the remaining five years until maturity. Bonds may be redeemed early beginning on February 15, 2028.

See below the combined changes in long-term debt.

	<u>Beginning Balances</u>	<u>Additons</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital Leases	\$ 583,254	\$ 209,997	\$ 168,536	\$ 624,715	\$ 216,276
Series 2017 Bonds	<u>0</u>	<u>9,055,000</u>	<u>0</u>	<u>9,055,000</u>	<u>270,000</u>
	<u>\$ 583,254</u>	<u>\$ 9,264,997</u>	<u>\$ 168,536</u>	<u>\$ 9,679,715</u>	<u>\$ 486,276</u>

Future minimum payments for the total long-term debt are as follows:

<u>Year Ending September 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 486,276	\$ 266,825	\$ 753,101
2019	355,332	276,223	631,555
2020	421,367	266,092	687,459
2021	289,859	253,894	543,753
2022	401,881	256,168	658,049
2023-2027	1,520,000	1,074,638	2,594,638
2028-2032	1,760,000	829,388	2,589,388
2033-2037	2,045,000	544,313	2,589,313
2038-2042	<u>2,400,000</u>	<u>269,594</u>	<u>2,669,594</u>
	<u>\$ 9,679,715</u>	<u>\$ 4,037,135</u>	<u>\$13,716,850</u>

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2017

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.

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, 2016 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.

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2017

Pension Plan – Continued
Funding Policy

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.

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.

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2017

Pension Plan – Continued

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.

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.

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2017

Pension Plan - Continued

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.

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. These audits are conducted by an independent reviewing actuary and alternate between a peer review and a full replication audit of the valuation. In the peer review audit of the valuation, the actuary uses a sample of participant data and TCDRS plans to test the results of the valuation. The reviewing actuary also examines the consulting actuary's methods and assumptions for reasonableness and internal consistency. In a full replication audit of the valuation, the auditing actuary performs all the steps of a peer review audit but instead of analyzing sample data and plans, the auditing actuary fully replicates the original actuarial valuation.

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.

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2017

Pension Plan - Continued

Net Pension Liability / (Asset)	<u>December 31, 2015</u>	<u>December 31, 2016</u>
Total pension liability	\$ 6,977,845	\$ 7,328,229
Fiduciary net position	6,889,710	7,221,988
Net pension liability / (asset)	88,136	106,241
Fiduciary net position as a % of total pension liability	98.74%	98.55%
Pensionable covered payroll	1,653,666	1,740,686
Net pension liability as a % of covered payroll	5.33%	6.10%

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

*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.

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2017

Pension Plan - Continued

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.

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, 2016, 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 2017 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, 2017

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	13.50%	4.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	16.00%	7.70%
Global Equities	MSCI World (net) Index	1.50%	5.00%
International Equities – Developed	MSCI World (net) Index	10.00%	4.70%
International Equities – Emerging	MSCI EM Standard (net) Index	7.00%	5.70%
Investment- Grade Bonds	Bloomberg Barclays Aggregate Bond Index	3.00%	0.60%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.70%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	3.83%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.15%
Distressed Debt	Cambridge Assoc. Distressed Securities Index	3.00%	6.70%
REIT Equities	67% FTSE NAREIT Equity REIT's Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	3.85%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.60%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	7.20%
Hedge Funds	Hedge fund research, Inc. (HFRI) Fund of Funds Composite Index	20.00%	3.85%

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2017

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, 2015	\$ 6,977,845	\$ 6,889,710	\$ 88,136
Changes for the year:			
Service Cost	196,164		196,164
Interest on total pension liability	558,319		558,319
Effect of plan changes	0		0
Effect of economic/demographic gains and losses	(34,514)		(34,514)
Effect of assumption changes or inputs	0		0
Refund of contributions	(2,746)	(2,746)	0
Benefit payments	(366,839)	(366,839)	0
Administrative expenses		(5,525)	5,525
Member contributions		121,848	(121,848)
Net Investment income		509,392	(509,392)
Employer contributions		119,933	(119,933)
Other		(43,785)	43,785
Balances at December 31, 2016	\$ 7,328,229	\$ 7,221,988	\$ 106,241

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.

	1% Decrease <u>7.10%</u>	Current Discount Rate <u>8.10%</u>	1% Increase <u>9.10%</u>
Total pension liability	\$ 8,064,248	\$ 7,328,229	\$ 6,697,810
Fiduciary net position	<u>7,221,988</u>	<u>7,221,988</u>	<u>7,221,988</u>
Net pension liability / (asset)	\$ 842,260	\$ 106,241	\$ (524,178)

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2017

Pension Plan - Continued

Pension Expense

Pension Expense / (Income)	<u>January 1, 2016 to December 31, 2016</u>
Service cost	\$ 196,164
Interest on total pension liability	558,319
Effect of plan changes	0
Administrative expenses	5,525
Member contributions – (All Paid by County for Members, so expensed)	(121,848)
Expected investment return net of investment expenses	(551,033)
Recognition of deferred inflows/outflows of resources:	
Recognition of economic/demographic gains or losses	2,778
Recognition of assumption changes or inputs	18,632
Recognition of investment gains or losses	118,973
Other	<u>43,785</u>
Pension expense/(income)	<u>\$ 271,294</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	\$ 25,886	\$ 17,384
Changes of assumptions	0	37,264
Net difference between projected and actual earnings	0	349,384
Contributions made subsequent to measurement date	N/A	182,151

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:	
2017	\$ 140,382
2018	134,954
2019	94,482
2020	8,328
2021	0
Thereafter	0

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2017

Note 3 – Pension Plan - Continued

Schedule of Deferred Inflows and Outflow of Resources

	Original Amount	Date Established	Original Recognition Period	Amount Recognized in 12/31/16	Balance of Deferred Inflows 12/31/16	Balance of Deferred Outflows 12/31/16
Investment						
(gains) or losses	\$ 41,641	12/31/16	5.0	\$ 8,328	\$ 0	\$ 33,313
	473,912	12/31/15	5.0	94,782	0	284,347
	79,310	12/31/14	5.0	15,862	0	31,724
Economic/ Demographic						
(gains) or losses	(34,514)	12/31/16	4.0	(8,629)	25,886	0
	23,912	12/31/15	4.0	5,978	0	11,956
	21,713	12/31/14	4.0	5,428	0	5,428
Assumption						
Changes on inputs	0	12/31/16	4.0	0	0	0
	74,527	12/31/15	4.0	18,632	0	37,264
	0	12/31-14	4.0	0	0	0
Employer & Employee Contributions Made subsequent To measurement Date	0			0	0	182,151

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF COLEMAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
SEPTEMBER 30, 2017

	Year Ended December 31		
	2016	2015	2014
Total Pension Liability (Asset)			
Service cost	\$ 196,164	\$ 184,668	\$ 178,211
Interest on total pension liability	558,319	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	(34,514)	23,912	21,713
Benefit payments/refunds of contributions	(369,585)	(405,990)	(410,883)
Net change in total pension liability	350,384	387,910	290,089
Total pension liability, beginning	6,977,845	6,589,935	6,299,846
Total pension liability, ending (a)	\$ 7,328,229	\$ 6,977,845	\$ 6,589,935
Fiduciary Net Position			
Employer contributions	\$ 119,933	\$ 119,064	\$ 115,502
Member contributions	121,848	115,757	111,212
Investment income net of investment expenses	509,392	86,710	454,984
Benefit payments/refunds of contributions	(369,585)	(405,990)	(410,883)
Administrative expenses	(5,524)	(4,954)	(5,195)
Other	(43,785)	64,079	48,089
Net change in fiduciary net position	332,279	(25,334)	313,709
Fiduciary net position, beginning	6,889,709	6,915,043	6,601,334
Fiduciary net position, ending (b)	\$ 7,221,988	\$ 6,889,709	\$ 6,915,043
Net pension liability/(asset) ending = (a) - (b)	\$ 106,241	\$ 88,136	\$ (325,108)
Fiduciary net position as a % of total pension liability	98.55%	98.74%	104.93%
Pensionable covered payroll	\$ 1,740,686	\$ 1,653,666	\$ 1,589,749
Net pension liability (asset) as a % of covered payroll	6.10%	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, 2017**

<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>
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%
2016	119,933	119,933	-	1,740,686	6.9%

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, 2017

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	13.6 years (based on contribution rate calculated in 12/31/16 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 Reflected in the Schedule of Employer Contributions	2015: No changes in plan provisions. 2016: No changes in plan provisions

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, 2017

	Budget Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Taxes-Lateral Road and FM	\$ 874,861	\$ 874,861	\$ 847,327	\$ (27,534)
Taxes-Flood Control	97,163	97,163	94,147	(3,016)
Delinquent Ad Valorem Taxes	32,000	32,000	23,567	(8,433)
Penalty and Interest-Taxes	12,000	12,000	14,867	2,867
Total Taxes	1,016,024	1,016,024	979,908	(36,116)
Fees				
Vehicle Registration	315,000	315,000	246,806	(68,194)
Vehicle Registration-Supple.	130,000	130,000	202,948	72,948
Total Fees	445,000	445,000	449,754	4,754
Intergovernmental				
U.S. Treasury in Lieu of Taxes	5,000	5,000	3,880	(1,120)
State Lateral Road & FM Funds	26,000	26,000	25,634	(366)
Law Enforcement Equip Grant Funds	-	-	77	77
FEMA Grant Funds	-	-	997,494	997,494
CTIF Grant	131,000	131,000	36,056	(94,944)
Total Intergovernmental	162,000	162,000	1,063,141	901,141
Interest - Interest Earned	700	700	566	(134)
Miscellaneous				
Other Revenue	75,000	75,000	51,647	(23,353)
Sale of Equipment	4,500	4,500	115,000	110,500
Total Miscellaneous	79,500	79,500	166,647	87,147
Total Revenues	1,703,224	1,703,224	2,660,016	956,792
EXPENDITURES				
General Road & Bridge				
Salaries Commissioners	170,144	170,144	171,076	(932)
Salaries-Other	30,992	30,992	31,048	(56)
Social Security Taxes	46,408	46,408	46,088	320
Retirement	83,078	83,078	80,461	2,617
Health Insurance	141,348	141,348	130,759	10,589
Tax Appraisal District	45,000	45,000	42,254	2,746
Other Expenses	4,000	4,000	782	3,218
Insurance	19,000	19,000	2,402	16,598
General Precinct Expenses	20,000	20,000	20,071	(71)
Outside Audit	5,000	5,000	4,751	249
Flood Control-Repairs	10,000	10,000	10,000	-

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, 2017

	Budget Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
General Road & Bridge - Continued				
Equipment Maintenance	-	-	481	(481)
Fuel	-	-	427	(427)
Supplies	-	-	1,686	(1,686)
Total General Road & Bridge	<u>574,970</u>	<u>574,970</u>	<u>542,286</u>	<u>32,684</u>
Precinct 1				
Operators Salaries Precinct 1	92,976	92,976	92,976	-
Capital Purchases	50,000	50,000	118,420	(68,420)
Equipment Maintenance	30,000	30,000	22,729	7,271
Pickup Allowance	8,400	8,400	8,400	-
Fuel	25,000	25,000	19,592	5,408
Supplies	40,000	40,000	565,473	(525,473)
Other Precinct Expenses	3,500	3,500	4,563	(1,063)
Total Precinct 1	<u>249,876</u>	<u>249,876</u>	<u>832,153</u>	<u>(582,277)</u>
Precinct 2				
Operators Salaries Precinct 2	92,976	92,976	89,281	3,695
Debt Service	15,955	4,000	14,618	(10,618)
Capital Purchases	50,000	50,000	5,950	44,050
Equipment Maintenance	40,000	4,000	42,787	(38,787)
Pickup Allowance	8,400	8,400	8,400	-
Fuel	26,000	26,000	30,828	(4,828)
Supplies	129,000	129,000	38,232	90,768
Other Precinct Expenses	4,000	4,000	6,584	(2,584)
Total Precinct 2	<u>366,331</u>	<u>318,376</u>	<u>236,680</u>	<u>81,696</u>
Precinct 3				
Operators Salaries Precinct 3	92,976	92,976	90,465	2,511
Debt Service	27,075	7,400	32,208	(24,808)
Capital Purchases	50,000	50,000	75,514	(25,514)
Equipment Maintenance	37,000	37,000	39,144	(2,144)
Pickup Allowance	8,400	8,400	8,400	-
Fuel	25,000	25,000	27,456	(2,456)
Supplies	60,000	60,000	79,770	(19,770)
Other Precinct Expenses	3,500	3,500	11,413	(7,913)
Total Precinct 3	<u>303,951</u>	<u>284,276</u>	<u>364,370</u>	<u>(80,094)</u>
Precinct 4				
Operators Salaries Precinct 4	92,976	92,976	94,049	(1,073)
Debt Service	30,753	7,450	138,249	(130,799)
General Precinct Expenses	-	7,450	934	6,516
Capital Purchases	20,000	20,000	221,090	(201,090)
Equipment Maintenance	30,000	30,000	26,450	3,550

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, 2017

	Budget Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Precinct 4 - Continued				
Pickup Allowance	8,400	8,400	8,400	-
Fuel	25,000	25,000	23,677	1,323
Supplies	20,000	20,000	455,178	(435,178)
Other Precinct Expenses	6,000	6,000	5,795	205
Total Precinct 4	<u>233,129</u>	<u>217,276</u>	<u>973,822</u>	<u>(756,546)</u>
 Total Expenditures	 <u>1,728,257</u>	 <u>1,644,774</u>	 <u>2,949,311</u>	 <u>(1,304,537)</u>
 <u>OTHER FINANCING SOURCES (USES)</u>				
Capital Lease Proceeds	-	-	209,997	209,997
Transfers In	-	-	7,801	7,801
Transfers Out	<u>(14,232)</u>	<u>(14,232)</u>	<u>(11,558)</u>	<u>2,674</u>
Net Other Financing Sources (Uses)	<u>(14,232)</u>	<u>(14,232)</u>	<u>206,240</u>	<u>220,472</u>
Net Change in Fund Balance	(39,265)	44,218	(83,055)	(127,273)
Fund Balance - Beginning	<u>333,815</u>	<u>333,815</u>	<u>333,815</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 294,550</u>	<u>\$ 378,033</u>	<u>\$ 250,760</u>	<u>\$ (127,273)</u>

COUNTY OF COLEMAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budget Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Fees				
Hot Check Fees	\$ 3,600	\$ 3,600	\$ 2,890	\$ (710)
Courthouse Security Fee	6,500	6,500	6,198	(302)
Justice Court Technology Fund	2,500	2,500	2,808	308
District Clerk Fees	2,200	2,200	2,015	(185)
County Clerk Fees	600	600	328	(272)
Law Enforcement Education Fund-Sheriff	1,000	1,000	-	(1,000)
Law Enforcement Education Fund-Constable	1,000	1,000	-	(1,000)
PVS Funds	600	600	624	24
County Clerk Archive Fees	17,000	17,000	19,170	2,170
District Clerk Criminal Technology Fees	100	100	78	(22)
County Clerk Criminal Technology Fees	100	108	53	(55)
Dist Clerk Civil Record Preservation Fees	1,200	1,200	1,435	235
Cty Clerk Civil Record Preservation Fees	500	500	550	50
District Clerk Archive Fees	1,100	1,100	1,415	315
County Clerk Records Management Fees	20,000	20,000	19,353	(647)
Supplemental Guardianship Fees	1,000	1,000	980	(20)
Total Fees	59,000	59,008	57,897	(1,111)
Miscellaneous				
Cookbook Sales	-	-	15	15
Seized Funds Received	-	5,000	-	(5,000)
Healthy County Reimbursements	-	-	2,340	2,340
Total Miscellaneous	-	5,000	2,355	(2,645)
Total Revenues	59,000	64,008	60,252	(3,756)
EXPENDITURES				
General Government				
Workers Compensation Fund	26,328	26,328	22,974	3,354
Records Management Fund	2,500	2,500	-	2,500
District Clerk Records Management Fund	3,000	3,000	-	3,000
Preservation of Vital Statistics Fund	1,000	1,000	-	1,000
County Clerk Archive Fund	23,000	23,000	34,037	(11,037)
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	21,000	21,000	11,332	9,668
Supplemental Guardianship Fund	2,000	2,000	-	2,000
Forfeiture and Seizure Fund	-	5,500	-	5,500
Total General Government	86,228	91,728	68,343	23,385

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, 2017

	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	2,885	4,115
County Attorney Hot Check Fund	11,000	11,000	5,713	5,287
Total Justice System	<u>43,000</u>	<u>43,000</u>	<u>8,598</u>	<u>34,402</u>
Public Safety				
Law Enforcement Education Fund	<u>2,500</u>	<u>2,500</u>	-	2,500
Public Health and Welfare				
Healthy County Fund	<u>-</u>	<u>-</u>	1,802	(1,802)
Total Expenditures	<u>131,728</u>	<u>137,228</u>	<u>78,743</u>	<u>58,485</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	26,328	26,328	21,273	5,055
Transfers Out	<u>-</u>	<u>-</u>	<u>(257)</u>	<u>(257)</u>
Net Other Financing Sources (Uses)	<u>26,328</u>	<u>26,328</u>	<u>21,016</u>	<u>4,798</u>
Net Change in Fund Balance	(46,400)	(46,892)	2,525	(57,443)
Fund Balance - Beginning	<u>125,165</u>	<u>125,165</u>	<u>125,165</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 78,765</u>	<u>\$ 78,273</u>	<u>\$ 127,690</u>	<u>\$ (57,443)</u>

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

COMPLIANCE AND INTERNAL CONTROL SECTION

Reed, McKee & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

3140 EXECUTIVE DRIVE
SAN ANGELO, TEXAS 76904
(325) 942-8984

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Coleman as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County of Coleman's basic financial statements, and have issued our report thereon dated February 8, 2018.

Internal Control Over Financial Reporting

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

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

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

Board of Trustees
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Coleman's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2017-001.

Response to Finding

The County of Coleman's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County of Coleman's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

Purpose of this Report

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

Reed, McKee & Co., P.C.
February 8, 2018

Reed, McKee & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

3140 EXECUTIVE DRIVE
SAN ANGELO, TEXAS 76904
(325) 942-8984

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the County of Coleman's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of Coleman's major federal programs for the year ended September 30, 2017. The County of Coleman's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County of Coleman's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Coleman's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County of Coleman's compliance.

Opinion on Each Major Federal Program

In our opinion, the County of Coleman complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Board of Trustees
Page Two

Report on Internal Control Over Compliance

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

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

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

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

Reed, McKee & Co., P.C.
February 8, 2018

COUNTY OF COLEMAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

I. Summary of the Auditor's Results:

Financial Statements

The auditor's report expresses an unqualified opinion on the basic financial statements of the County of Coleman.

Internal Control over financial reporting:

Material weaknesses identified? _____ yes x no

Significant deficiencies identified? _____ yes x none reported

Noncompliance material to financial statements noted? x yes _____ no

Federal Awards

Internal control over major programs:

Material weaknesses identified? _____ yes x no

Significant deficiencies identified? _____ yes x none reported

The auditor's report on compliance for major federal award programs for the County of Coleman expresses an unqualified opinion on all major federal programs.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of major program:

CFDA Number 97.036

Disaster Grant – Public Assistance

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ yes x no

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

Finding: 2017-001

MATERIAL NONCOMPLIANCE

Criteria: Local policy states that all moneys received and expended by a local government should be included in the annual budget

Condition: The County of Coleman expended \$75,578 more dollars in the general fund budget than appropriated and \$1,304,537 more dollars than appropriated in the road and bridge fund.

COUNTY OF COLEMAN
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2017

SECTION II – FINANCIAL STATEMENT FINDING

Finding: 2017-001

Name of Contact Person: Judge Billy Bledsoe

Corrective Action: The commissioners will review a budget-to-actual report prepared by the county treasurer of all the budgeted funds at each monthly commissioners court meeting. Budget amendments will be proposed by the county treasurer and given to the commissioners to consider for approval.

Proposed Completion Date: The Commissioners will implement the above procedure at the meeting starting in April of 2018.

COUNTY OF COLEMAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30,2017

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

Effect: Moneys were spent that had not been appropriated.

Cause: The County received and expended funds from a road and bridge grant that was not budgeted and expenditures by the Sheriff department in the general fund exceeded appropriations provided for inmate expenses and a budget amendment was not adopted.

Recommendation: Budget amendments should be adopted when revenues are received that exceed estimated revenues in the budget as well as when expenditures are going to exceed appropriated amounts.

Views of responsible officials and planned corrective actions: The County agrees with the finding. Budget amendments will be adopted prior to making expenditures that exceed budgeted amounts. Please refer to the corrective action plan on the following statement of Corrective Action Plan.

III. Findings and Questioned Costs - Major Federal Award Programs Audit

None Noted

COUNTY OF COLEMAN
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED SEPTEMBER 30, 2017

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditure
U.S. DEPARTMENT OF HOMELAND SECURITY			
<u>Passed Through the Department of Public Safety/ Texas Division of Emergency Management</u>			
Disaster Grant - Public Assistance	97.036		<u>\$997,494</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

COUNTY OF COLEMAN
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2017

1. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. The Federal grant funds were accounted for in the Road and Bridge Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. The period performance for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Performance of Federal Funds, Part 3, Uniform Guidance Compliance Supplement.