

CITY OF COLORADO
CITY, TEXAS

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S
REPORT

YEAR ENDED

APRIL 30, 2019



Roberts & McGee CPA

CITY OF COLORADO CITY, TEXAS

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Colorado City, Texas, as of and for the year ended April 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Colorado City, Texas, as of April 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension related schedules on pages 3–8 and 38-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Roberts + McGee, CPA
Roberts & McGee, CPA

Abilene, Texas,
August 8, 2019

**THE CITY OF COLORADO CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2019**

As management of the City of Colorado City, we offer readers of the City of Colorado City, Texas' financial statements this narrative overview and analysis of the financial activities of the City of Colorado City, Texas for the fiscal year ended April 30, 2019.

Financial Highlights

Government-Wide Financial Statements

- The assets of the City of Colorado City exceeded its liabilities at the close of the most recent fiscal year by \$8,351,756 (*net position*). Of this amount, \$748,322 (*unrestricted*) may be used to meet the government's ongoing obligations to citizens. \$6,652,803 of the City's equity is invested in capital assets, net of related debt; and \$950,631 of the City's equity is restricted for debt service and other purposes.
- The City's total assets decreased by \$753,054 during the 2019 fiscal year.
- The net position (*equity*) of the City decreased by \$44,355 during the 2019 fiscal year.

Fund Financial Statements

- As of the close of the current fiscal year, the City of Colorado City's General Fund reported an ending unassigned fund balance of \$1,011,811. This fund balance reflects an increase of \$193,293 for the current year.
- In the Water and Wastewater Fund, the net position reflects \$515,870 of unrestricted equity, which is a decrease of \$53,755 from the prior year.

Overview of the Financial Statements

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

Government-Wide Financial Statements

The *statement of net position* presents information on all of the City of Colorado City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Colorado City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

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

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

**THE CITY OF COLORADO CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2019**

Fund Financial Statements

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

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

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

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

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

The City of Colorado City adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget on page 38-39.

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-37 of this report.

**THE CITY OF COLORADO CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Colorado City, assets exceeded liabilities by \$8,351,756 at the close of the most recent fiscal year.

\$6,652,803 of the City of Colorado City's net position (80 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), net of related debt. The City of Colorado City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

The City of Colorado City's Net Position

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Current assets	\$ 1,803,093	\$ 1,431,262
Noncurrent assets	<u>4,098,630</u>	<u>4,493,465</u>
Total Assets	5,901,723	5,924,727
Deferred outflows of resources - pensions	<u>415,500</u>	<u>32,471</u>
Total assets and deferred outflows of resources	6,317,223	5,957,198
Current liabilities	369,101	146,731
Long-term liabilities	<u>1,659,586</u>	<u>1,108,323</u>
Total Liabilities	2,028,687	1,255,054
Deferred inflows of resources - pensions	<u>206,713</u>	<u>185,161</u>
Total liabilities and deferred inflows of resources	2,235,400	1,440,215
Net investment in capital assets	3,269,539	3,947,076
Restricted	579,832	418,087
Unrestricted	<u>232,452</u>	<u>151,820</u>
Total Net Position	<u>\$ 4,081,823</u>	<u>\$ 4,516,983</u>
	<u>Business-type Activities</u>	
	<u>2019</u>	<u>2018</u>
Current assets	\$ 1,044,385	\$ 1,110,347
Capital assets	<u>9,531,556</u>	<u>10,195,644</u>
Total Assets	10,575,941	11,305,991
Deferred outflows of resources - pension	<u>161,583</u>	<u>12,627</u>
Total assets and deferred outflows of resources	10,737,524	11,318,618
Current liabilities	819,761	1,039,625
Long-term liabilities	<u>5,567,442</u>	<u>6,173,348</u>
Total Liabilities	6,387,203	7,212,973
Deferred inflows of resources - pension	<u>80,388</u>	<u>72,007</u>
Total liabilities and deferred inflows of resources	6,467,591	7,284,980
Net investment in capital assets	3,383,264	3,026,086
Restricted	370,799	437,927
Unrestricted	<u>515,870</u>	<u>569,625</u>
Total Net Position	<u>\$ 4,269,933</u>	<u>\$ 4,033,638</u>

**THE CITY OF COLORADO CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2019**

The City of Colorado City's Changes in Net Position

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Revenues:				
Program Revenues:				
Charges for services	\$ 900,441	\$ 938,495	\$ 3,095,022	\$ 2,708,666
Capital grants & contributions				
Operating grants & contributions				
General Revenues				
Property taxes	617,909	611,707	315,640	318,328
Sales and use taxes	732,110	642,550		
Franchise taxes	295,148	309,130		
Hotel/motel taxes	224,331	157,882		
Investment earnings	90,982	17,292	24,966	17,850
Miscellaneous income	37,886	27,185	97,905	81,788
Transfers	600,000	580,900	(600,000)	(580,900)
Total Revenues	<u>3,498,807</u>	<u>3,285,141</u>	<u>2,933,533</u>	<u>2,545,732</u>
Expenses				
General government	471,120	515,958		
Public safety	914,014	1,514,655		
Public works	1,370,989	793,729		
Culture and recreation	386,670	340,189		
Sanitation	648,835	557,696		
Airport	11,447	16,460		
Interest on long-term debt	19,645	16,929	196,765	215,614
Water and sewer			2,457,210	2,161,250
Total expenses	<u>3,822,720</u>	<u>3,755,616</u>	<u>2,653,975</u>	<u>2,376,864</u>
Increase (decrease) in net position	(323,913)	(470,475)	279,558	168,868
Beginning Net Position	4,516,983	4,987,458	4,033,638	3,864,770
Adjustment to Beg Net Position	<u>(111,247)</u>	<u></u>	<u>(43,263)</u>	<u></u>
Ending Net Position	<u>\$ 4,081,823</u>	<u>\$ 4,516,983</u>	<u>\$ 4,269,933</u>	<u>\$ 4,033,638</u>

FINANCIAL ANALYSIS OF THE GOVERNMENTS FUNDS

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

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

As of the end of the current fiscal year, the City of Colorado City's governmental General Fund reported an ending fund balance of \$1,011,811, of which \$994,732 is unassigned and available for spending at the City's discretion.

Fund Budgetary Highlights

The original General Fund budget reflected an increase in fund balance of \$4,570. There were budget amendments made during the year ended April 30, 2019. The actual expenditures were \$466,583 over the adjusted budgeted amounts. Actual revenues were \$69,110 less than was budgeted. Other financing sources were \$719,686 over budget.

**THE CITY OF COLORADO CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2019**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets The City of Colorado City's investment in capital assets for its governmental activities amounts to \$4,098,630 (net of accumulated depreciation), and the investment in capital assets for its business-type activities amounts to \$9,531,556 (net of accumulated depreciation) as of April 30, 2019. This investment in capital assets includes land, buildings and improvements, infrastructure, and equipment.

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

	Governmental Activities 2019	Governmental Activities 2018
Land	\$ 313,364	\$ 313,364
Buildings and systems	993,212	1,049,630
Infrastructure	861,822	1,499,573
Equipment and vehicles	1,930,232	1,449,012
Total	\$ 4,098,630	\$ 4,311,579

	Business-type Activities 2019	Business-type Activities 2018
Construction in Progress	\$ 47,342	
Land	717,472	\$ 717,472
Building and systems	5,322,842	5,706,880
Utility service lines	3,138,599	3,470,358
Equipment and vehicles	305,301	230,201
Total	\$ 9,531,556	\$ 10,124,911

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

Debt Administration

The City of Colorado City has long term debt in the form of capital leases and notes payable within the governmental activities of the City; and notes payable, general obligation bonds, and certificates of obligation within the business-type activities. As of April 30, 2019, the City had long term liabilities as follows:

**THE CITY OF COLORADO CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2019**

	Balance April 30, 2019	Balance April 30, 2018
Governmental Activities:		
Capital Leases	\$ 435,137	\$ 26,114
Notes Payable	393,954	328,728
Net Pension Liability (Asset)	170,909	(181,886)
Compensated Absences	85,189	88,813
Landfill Post Closure	766,394	752,842
Total Governmental Activities	\$ 1,851,583	\$ 1,014,611
Business-Type Activities		
Certificates of Obligation	\$ 2,100,000	\$ 2,305,000
General Obligation Bonds	3,685,000	4,450,000
Unamortized Debt Premium	80,542	89,575
Tax Notes		235,000
Notes Payable	2,750	19,250
Net Pension Liability (Asset)	66,465	(70,733)
Compensated Absences	21,433	16,023
Total Business-Type Activities	\$ 5,956,190	\$ 7,044,115

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The general fund budget for the year beginning May 1, 2019 reflects revenue and expenses of \$3,375,300, which is an increase of \$64,300 from the amended fiscal year 2019 budgeted revenues and expenses. The water and sewer fund budgeted revenues and expenses for fiscal year 2020 are \$3,194,400. This is an increase of \$473,700 from the fiscal year 2019 budget.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF COLORADO CITY, TEXAS
STATEMENT OF NET POSITION
APRIL 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 788,701	\$ 397,546	\$ 1,186,247	\$ 155,713
Restricted cash and cash equivalents	573,257	282,350	855,607	
Investments				34,349
Receivables:				
Taxes, net	317,619	111,590	429,209	
Accounts, net	72,407	205,776	278,183	
Other	1,017		1,017	
Interfund balances	17,309	(17,309)		
Prepaid expenses	32,783	13,473	46,256	
Inventory		50,959	50,959	
Non-depreciable capital assets	313,364	764,814	1,078,178	
Depreciable capital assets, net	3,785,266	8,766,742	12,552,008	244,558
TOTAL ASSETS	5,901,723	10,575,941	16,477,664	434,620
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	415,500	161,583	577,083	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	6,317,223	10,737,524	17,054,747	434,620
LIABILITIES				
Current liabilities:				
Accounts payable	63,957	6,678	70,635	
Accrued interest payable		23,583	23,583	
Deposits		76,750	76,750	
Long term liabilities:				
Due within one year	305,144	712,750	1,017,894	
Due after one year:				
Compensated absences	85,189	21,433	106,622	
Net Pension Liability	170,909	66,465	237,374	
Net OPEB Liability	113,147	44,002	157,149	
Notes payable and capital leases	523,947		523,947	
General obligation bonds		3,545,542	3,545,542	
Certificates of obligation		1,890,000	1,890,000	
Landfill post closure liability	766,394		766,394	
TOTAL LIABILITIES	2,028,687	6,387,203	8,415,890	
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	206,713	80,388	287,101	
NET POSITION				
Net Position:				
Net investment in capital assets	3,269,539	3,383,264	6,652,803	244,558
Restricted	579,832	370,799	950,631	
Unrestricted	232,452	515,870	748,322	434,620
TOTAL NET POSITION	\$ 4,081,823	\$ 4,269,933	\$ 8,351,756	\$ 434,620

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

CITY OF COLORADO CITY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2019

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	\$ 471,120	\$ 31,486	\$	
Public safety	914,014	12,845		
Public works	1,370,989	72,515		
Culture and recreation	386,670	47,750		
Sanitation	648,835	732,937		
Airport	11,447	2,908		
Interest	19,645			
Total governmental activities	<u>3,822,720</u>	<u>900,441</u>		
Business-type activities:				
Water and wastewater services	2,457,210	3,095,022		
Interest	196,765			
Total business-type activities	<u>2,653,975</u>	<u>3,095,022</u>		
TOTAL PRIMARY GOVERNMENT	<u>\$ 6,476,695</u>	<u>\$ 3,995,463</u>	<u>\$</u>	<u>\$</u>
Component unit:				
Heart of West Texas Museum	\$ 12,578	\$	\$ 9,704	\$
Volunteer Fire Department	172,206	9,533	84,043	221,079
Total component units	<u>\$ 184,784</u>	<u>\$ 9,533</u>	<u>\$ 93,747</u>	<u>\$ 221,079</u>
GENERAL REVENUES:				
Taxes:				
Property taxes				
Sales and use taxes				
Franchise taxes				
Hotel/motel taxes				
Investment income				
Miscellaneous income				
Transfers				
Total general revenues				
Change in net position				
Net position - beginning				
Adjustment to beginning net position				
Net position - ending				

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

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			
PRIMARY GOVERNMENT			COMPONENT UNIT
Governmental Activities	Business-type Activities	Total	Component Units
\$ (439,634)	\$	\$ (439,634)	\$
(901,169)		(901,169)	
(1,298,474)		(1,298,474)	
(338,920)		(338,920)	
84,102		84,102	
(8,539)		(8,539)	
(19,645)		(19,645)	
<u>(2,922,279)</u>		<u>(2,922,279)</u>	
	637,812	637,812	
	(196,765)	(196,765)	
	441,047	441,047	
<u>(2,922,279)</u>	<u>441,047</u>	<u>(2,481,232)</u>	
			\$ (2,874)
			<u>142,449</u>
			<u>139,575</u>
617,909	315,640	933,549	
732,110		732,110	
295,148		295,148	
224,331		224,331	
90,982	24,966	115,948	2,656
37,886	97,905	135,791	300
<u>600,000</u>	<u>(600,000)</u>		
<u>2,598,366</u>	<u>(161,489)</u>	<u>2,436,877</u>	<u>2,956</u>
(323,913)	279,558	(44,355)	142,531
4,516,983	4,033,638	8,550,621	292,089
<u>(111,247)</u>	<u>(43,263)</u>	<u>(154,510)</u>	
\$ <u>4,081,823</u>	\$ <u>4,269,933</u>	\$ <u>8,351,756</u>	\$ <u>434,620</u>

CITY OF COLORADO CITY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
APRIL 30, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 788,701	\$	\$ 788,701
Restricted cash and cash equivalents	17,079	556,178	573,257
Receivables:			
Accounts, net	72,407		72,407
Property tax, net	182,224		182,224
Sales tax	122,742		122,742
Hotel/motel tax		7,016	7,016
Franchise tax	5,637		5,637
Other	1,017		1,017
Interfund	17,750	(441)	17,309
Prepaid expenses	32,783		32,783
TOTAL ASSETS	\$ 1,240,340	\$ 562,753	\$ 1,803,093
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Accounts payable and accrued expenses	\$ 63,957	\$	\$ 63,957
Deferred inflow of resources:			
Deferred revenue	164,572		164,572
Total Liabilities and Deferred Inflows of Resources	228,529		228,529
FUND BALANCE:			
Unassigned	994,732		994,732
Restricted for:			
Court technology	1,021		1,021
Law enforcement	4,923		4,923
Police training	4,919		4,919
Cemetery care	6,216	105,621	111,837
Tourism		351,143	351,143
Debt retirement		105,989	105,989
Total Fund Balance	1,011,811	562,753	1,574,564
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,240,340	\$ 562,753	\$ 1,803,093

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

CITY OF COLORADO CITY, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
APRIL 30, 2019

Total Fund Balances - Governmental Funds	\$	1,574,564
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$36,152,269 and the accumulated depreciation was \$31,840,690. The net effect of the beginning balances for capital assets (net of depreciation) in the governmental activities is an increase to net position.		4,311,579
Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. There were current year capital asset purchases of \$782,902 in the General Fund.		782,902
Depreciation expense is not reflected in the governmental funds, but is recorded in the government-wide financial statements as an expense and an increase to accumulated depreciation. The net effect of the current year depreciation expense of \$995,851 is to decrease net position.		(995,851)
Long term debt is not due and payable in the current period and, therefore, it is not reported in governmental funds. The net effect of recognizing long term debt in the governmental activities is a decrease to net position of \$829,091		(829,091)
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the governmental funds. Deferred revenue of \$164,572 is not recognized in the government-wide financial statements. This results in an increase in net position.		164,572
Long term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds. The net effect of recognizing long term liabilities related to the City's landfill closure and post closure requirement is a decrease in net position.		(766,394)
Long term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds. The net effect of recognizing long term liabilities related to the City's compensated absences liability results in a decrease in net position.		(85,189)
Included on the government-wide financial statements is the recognition of the City's proportionate share of the net pension liability of \$170,909, a deferred outflow of resources of \$414,518, and a deferred inflow of resources of \$201,710. The net effect is to decrease net position.		41,899
Included on the government-wide financial statements is the recognition of the City's OPEB liability related to the supplemental death benefit plan. The OPEB liability at year end is \$113,147, the related deferred outflows are \$982 and the related deferred inflows are \$5,003. The net effect is to decrease net position.		(117,168)
Net Position of Governmental Activities	\$	<u>4,081,823</u>

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

CITY OF COLORADO CITY, TEXAS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUE:			
Taxes:			
Property	\$ 604,746	\$	\$ 604,746
Sales	732,110		732,110
Occupancy		224,331	224,331
Franchise	295,148		295,148
Charges for service	769,099		769,099
Insurance recovery	69,338		69,338
Fines	21,180		21,180
Licenses and permits	110,162		110,162
Intergovernmental			
Investment earnings	11,521	10,123	21,644
Contributions and donations	11,714		11,714
Miscellaneous income	26,172		26,172
Total Revenue	<u>2,651,190</u>	<u>234,454</u>	<u>2,885,644</u>
EXPENDITURES:			
Current:			
General government	446,098		446,098
Public safety	839,372		839,372
Public works	703,387		703,387
Culture and recreation	231,193	90,727	321,920
Sanitation	487,351		487,351
Airport	5,951		5,951
Debt service:			
Principal retired	69,086	161,961	231,047
Interest	10,053	9,592	19,645
Capital outlay			
General government	30,110		30,110
Public Safety	49,647		49,647
Sanitation	703,145		703,145
Total Expenditures	<u>3,575,393</u>	<u>262,280</u>	<u>3,837,673</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(924,203)	(27,826)	(952,029)
OTHER FINANCING SOURCES (USES)			
Proceeds from debt issuance	705,296		705,296
Sale of assets			
Transfers in (out)	412,200	187,800	600,000
Total other financing sources (uses)	<u>1,117,496</u>	<u>187,800</u>	<u>1,305,296</u>
CHANGE IN FUND BALANCE	193,293	159,974	353,267
FUND BALANCE AT BEGINNING OF YEAR	<u>818,518</u>	<u>402,779</u>	<u>1,221,297</u>
FUND BALANCE AT END OF YEAR	<u>\$ 1,011,811</u>	<u>\$ 562,753</u>	<u>\$ 1,574,564</u>

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

CITY OF COLORADO CITY, TEXAS
RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED APRIL 30, 2019

Net Change in Fund Balances - Governmental Funds	\$	353,267
Amounts reported for governmental activities in the statement of activities are different because:		
Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The current year capital asset purchases in the General Fund were \$782,902.		782,902
Depreciation expense is not reflected in the governmental funds, but is recorded in the government-wide financial statements as an expense and an increase to accumulated depreciation. The net effect of the current year depreciation expense of \$995,851 is to decrease net position.		(995,851)
The current year issuance of long term debt provides current financial resources to governmental funds, while repayment of the principal of long term debt consumes the current financial resources of governmental funds. The net effect of recognizing current issuance and payments on long term debt in the government-wide financial statements is a net decrease to net position of \$487,801.		(487,801)
Other changes in long term liabilities are not recognized in the current period expenditures. The adjustments to these other long term liabilities are recognized in the government-wide financial statements and resulted in a increase in net position.		3,624
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the governmental funds. The current year adjustment to revenue recognized in the government-wide financial statements is \$13,164. This results in an increase in net position.		13,164
Certain expenditures for pension that are recorded to the fund financial statements must be recorded as deferred outflows of resources. Contributions made after the measurement date caused the change in net position to increase in the amount of \$33,554. The City's share of the unrecognized deferred inflows and outflows for TMRS as of the measurement date must be amortized and the City's proportionate share of the pension expense must be recognized. These cause the change in net position to decrease in the amount of \$20,851. The net effect is an increase in net position.		12,703
Certain expenditures for the supplemental death benefit plan that are recorded to the fund financial statements must be recorded as deferred outflows of resources. The City's share of the unrecognized deferred inflows and outflows for TMRS as of the measurement date must be amortized and the City's proportionate share of the OPEB expenses must be recognized. These cause the change in net position to decrease in the amount of \$5,921.		<u>(5,921)</u>
Change in Net Position of Governmental Activities	\$	<u><u>(323,913)</u></u>

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

CITY OF COLORADO CITY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
APRIL 30, 2019

	<u>Water and Wastewater Fund</u>
ASSETS:	
Current Assets:	
Cash and cash equivalents	\$ 397,546
Restricted cash and cash equivalents	282,350
Accounts receivable, net	205,776
Property tax receivable	111,590
Inventory	50,959
Prepaid expenses	<u>13,473</u>
Total Current Assets	<u>1,061,694</u>
Noncurrent Assets:	
Non-depreciable capital assets	764,814
Depreciable capital assets, net	<u>8,766,742</u>
Total Noncurrent Assets	<u>9,531,556</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension and OPEB	<u>161,583</u>
Total Assets and Deferred Outflows of Resources	<u>10,754,833</u>
LIABILITIES:	
Accounts payable	6,678
Accrued interest payable	23,583
Compensated absences	21,433
Due to other funds	17,309
Customer security deposits	76,750
Long term liabilities:	
Due within one year	712,750
Due after one year:	
Net pension liability	66,465
Net OPEB liability	44,002
General obligation bonds	3,545,542
Certificates of obligation	<u>1,890,000</u>
Total Liabilities	<u>6,404,512</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension and OPEB	<u>80,388</u>
NET POSITION:	
Net investment in capital assets	3,383,264
Restricted for debt service	370,799
Unrestricted	<u>515,870</u>
Total Net Position	<u>\$ 4,269,933</u>

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

CITY OF COLORADO CITY, TEXAS
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUND
YEAR ENDED APRIL 30, 2019

	<u>Water and Wastewater Fund</u>
OPERATING REVENUE:	
Charges for sales and services:	
Water sales	\$ 1,629,740
Sewer charges	1,182,901
Other charges for services	<u>282,381</u>
Total Operating Revenue	<u>3,095,022</u>
OPERATING EXPENSES:	
Personnel services	668,909
Supplies	181,315
Other services and charges	825,238
Depreciation	<u>781,748</u>
Total Operating Expenses	<u>2,457,210</u>
Operating Income	<u>637,812</u>
NON-OPERATING REVENUE (EXPENSES)	
Property taxes	315,640
Lease income	49,500
Interest income	24,966
Insurance recovery	48,405
Interest expense	<u>(196,765)</u>
Total Non-operating Revenue (Expenses)	<u>241,746</u>
NET INCOME BEFORE OPERATING TRANSFERS	879,558
OPERATING TRANSFERS	
Transfers out	<u>(600,000)</u>
CHANGE IN NET POSITION	279,558
NET POSITION BEGINNING OF YEAR	4,033,638
Adjustment to beginning net position	<u>(43,263)</u>
NET POSITION END OF YEAR	<u>\$ 4,269,933</u>

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

CITY OF COLORADO CITY, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
YEAR ENDED APRIL 30, 2019

	<u>Water and Wastewater Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 3,162,074
Payments to suppliers	(194,605)
Payments to employees and related taxes and benefits	(666,137)
Payments to others	(823,934)
Net cash provided by operating activities	<u>1,477,398</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Operating transfers out	(600,000)
Property tax revenue	309,937
Miscellaneous income	97,905
Net cash used by noncapital financing activities	<u>(192,158)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal payments on long-term debt	(941,500)
Interest payments on long-term debt	(207,921)
Acquisition and construction of capital assets	(188,393)
Net cash used by capital and related financing activities	<u>(1,337,814)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	24,966
Net cash provided by investing activities	<u>24,966</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(27,608)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>707,504</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u><u>679,896</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 637,812
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	781,748
(Increase) Decrease in utility receivable	57,311
(Increase) Decrease in prepaid expenses	1,304
(Increase) Decrease in inventory	(22,137)
Increase (Decrease) in accounts payable	1,268
Increase (Decrease) in interfund borrowing	7,579
Increase (Decrease) in compensated absences	5,410
Increase (Decrease) in customer deposits	9,741
Increase (Decrease) in pension liability	(2,638)
Net cash provided by operating activities	<u>\$ 1,477,398</u>

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

CITY OF COLORADO CITY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2019

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

The City of Colorado City, Texas was incorporated on December 3, 1948. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety, public works, culture, recreation, water, sewer, sanitation, streets, and general administrative services.

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

Discretely Presented Component Units

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

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

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

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

CITY OF COLORADO CITY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

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

The City reports the following major governmental fund:

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

The City reports the following major proprietary fund:

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

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

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

Special revenue funds:

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

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

CITY OF COLORADO CITY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water, sewer, and sanitation services are charges to customers for sales and services. Operating expense for the enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

BUDGETARY CONTROL

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

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

Prior to May 1st, the budget is legally enacted through passage of an ordinance. The City Manager is authorized to transfer budgeted amounts between line items and departments within any fund within the final three months of the fiscal year by resolution; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Budgeted amounts are as originally adopted or as amended by the City Council. The City passed one budget amendment during the year. This budget amendment changed the revenues and expenses within departments, but did not change the overall budgeted revenues or expenses.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

USE OF ESTIMATES

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

CITY OF COLORADO CITY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

CASH AND CASH EQUIVALENTS

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

For purposes of the statement of cash flows, the Enterprise funds considers investments with a maturity of three months or less are considered to be cash equivalents.

INVENTORY

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

RECEIVABLES AND PAYABLES

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

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

RESTRICTED ASSETS

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

CAPITAL ASSETS

Capital assets, which include property, plant, and equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for the proprietary fund. In the governmental fund financial statements, capital assets are recorded as expenditures. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Capital assets are stated at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donations.

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

CITY OF COLORADO CITY, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

COMPENSATED ABSENCES

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

PENSIONS

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

LONG-TERM OBLIGATIONS

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

EQUITY CLASSIFICATIONS

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

CITY OF COLORADO CITY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Governmental Fund Statements

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

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

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

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

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

Unassigned – all other spendable amounts.

Net Position

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed unless the City Council has provided otherwise in its commitment or assignment actions.

Payment between the City and the Component Units

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

NOTE 2: DEPOSITS AND INVESTMENTS

At April 30, 2019 the City's deposits including the deposits of the component units, were fully insured or collateralized as required by the state statutes. At year-end the carrying amount of the City's deposits totaled \$2,041,854 and the component units' carrying amount of deposits totaled \$155,713. The respective bank balances totaled \$2,252,347 and \$159,447. Of the total City's bank balances, \$250,000 was covered by Federal Depository Insurance. The remainder was fully covered by collateral with a value of \$3,736,127. The collateral for the City is held by the City National Bank and is held in the City's name. The component units' bank accounts were fully covered by Federal Depository Insurance.

CITY OF COLORADO CITY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2019

NOTE 2: DEPOSITS AND INVESTMENTS - continued

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date of the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

As of April 30, 2019, the City only had certificates of deposit which were considered to be cash equivalents for reporting purposes.

The investments of the component units at April 30, 2019 are show below:

Heart of West Texas, Inc.

Investment or Investment Type	Book Value	Fair Value
Fixed Income Fund	\$ 34,349	\$ 35,621

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

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

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

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

Restricted Cash and Cash Equivalents

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

Cash and cash equivalents

General Fund:	
Law enforcement education	\$ 4,923
Police department	4,919
Court technology	1,021
Cemetery Care	6,216
Non-major governmental funds:	
Tourism	344,127
Cemetery care	105,621
Debt service	106,430
Enterprise fund	
Debt service	<u>282,350</u>
Total restricted cash and cash equivalents	<u>\$ 855,607</u>

CITY OF COLORADO CITY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2019

NOTE 3: ACCOUNTS RECEIVABLE

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

	General Fund	Non-Major Governmental Funds	Major Proprietary Fund	Total
Receivables:				
Accounts	\$ 136,428	\$	\$ 403,061	\$ 539,489
Taxes	372,218	7,016	140,299	519,533
Other	<u>1,017</u>			<u>1,017</u>
Gross receivables	509,663	7,016	543,360	1,060,039
Less: Allowance for uncollectible	<u>125,636</u>		<u>225,994</u>	<u>351,630</u>
Net total receivables	<u>\$ 384,027</u>	<u>\$ 7,016</u>	<u>\$ 317,366</u>	<u>\$ 708,409</u>

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

NOTE 4: CAPITAL ASSETS

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

<u>Government Activities:</u>	Balance April 30, 2018	Additions/ Completions	Retirements/ Adjustments	Balance April 30, 2019
Capital assets, not being depreciated:				
Land	\$ 313,364	\$	\$	\$ 313,364
Total capital assets, not being depreciated	<u>313,364</u>	<u>-</u>	<u>-</u>	<u>313,364</u>
Capital assets being depreciated:				
Buildings and improvements	2,230,151	19,562		2,249,713
Infrastructure	29,533,413			29,533,413
Equipment	<u>4,075,341</u>	<u>763,340</u>	<u>(96,062)</u>	<u>4,742,619</u>
Total assets being depreciated	<u>35,838,905</u>	<u>782,902</u>	<u>(96,062)</u>	<u>36,525,745</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,180,521)	(75,980)		(1,256,501)
Infrastructure	(28,033,839)	(637,751)		(28,671,590)
Equipment	<u>(2,626,330)</u>	<u>(282,120)</u>	<u>96,062</u>	<u>(2,812,388)</u>
Total accumulated depreciation	<u>(31,840,690)</u>	<u>(995,851)</u>	<u>96,062</u>	<u>(32,740,479)</u>
Total capital assets being depreciated, net	3,998,215	(212,949)		3,785,266
Governmental activities capital assets, net	<u>\$ 4,311,579</u>	<u>\$ (212,949)</u>	<u>\$ -</u>	<u>\$ 4,098,630</u>

CITY OF COLORADO CITY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2019

NOTE 4: CAPITAL ASSETS - continued

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

<u>Business-type activities:</u>	Balance April 30, 2018	Additions/ Completions	Retirements/ Adjustments	Balance April 30, 2019
Capital assets, not being depreciated:				
Land	\$ 717,472	\$	\$	\$ 717,472
Construction in progress	-	47,342		47,342
Total capital assets, not being depreciated	<u>717,472</u>	<u>47,342</u>	<u>-</u>	<u>764,814</u>
Capital assets being depreciated:				
Buildings and systems	14,282,081			14,282,081
Utility Service Lines	13,649,236	6,384		13,655,620
Machinery and equipment	601,004	101,521	(35,000)	667,525
Vehicles	179,062	33,146	(23,362)	188,846
Total assets being depreciated	<u>28,711,383</u>	<u>141,051</u>	<u>(58,362)</u>	<u>28,794,072</u>
Less accumulated depreciation for:				
Buildings and systems	(8,575,201)	(384,042)		(8,959,243)
Utility Service Lines	(10,178,881)	(338,141)		(10,517,022)
Machinery and equipment	(396,114)	(47,978)	35,000	(409,092)
Vehicles	(153,748)	(11,587)	23,362	(141,973)
Total accumulated depreciation	<u>(19,303,944)</u>	<u>(781,748)</u>	<u>58,362</u>	<u>(20,027,330)</u>
Total capital assets being depreciated, net	<u>9,407,439</u>	<u>(640,697)</u>	<u>-</u>	<u>8,766,742</u>
Business-type activities capital assets, net	<u>\$ 10,124,911</u>	<u>\$ (593,355)</u>	<u>\$ -</u>	<u>\$ 9,531,556</u>

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

Governmental activities:	
General Government	\$ 23,932
Public Safety	73,503
Public Works	677,509
Airport	5,718
Culture and recreation	65,093
Sanitation	<u>150,096</u>
	<u>\$ 995,851</u>
Business-type activities:	
Water and wastewater	\$ 781,748

CITY OF COLORADO CITY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2019

NOTE 5: LONG TERM DEBT

At April 30, 2019, capital lease obligations consisted of the following individual leases:

	Governmental Activities
Caterpillar Financial - due in 60 monthly payments of \$8,848 including interest at 4.20% through October 2023, secured by the Caterpillar Landfill Compactor	\$ 435,137
Total Governmental Activities Leases Payable	\$ 435,137

The future lease obligations as of April 30, 2019, were as follows:

Year Ended April 30	Principal	Interest	Total
2020	\$ 89,729	\$ 16,450	\$ 106,179
2021	93,571	12,608	106,179
2022	97,578	8,602	106,180
2023	101,756	4,423	106,179
2024	52,503	589	53,092
	\$ 435,137	\$ 42,672	\$ 477,809

CITY OF COLORADO CITY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2019

NOTE 5: LONG TERM DEBT - continued

At April 30, 2019, long-term debt consisted of the following:

	<u>Business-Type Activities</u>
<u>Certificates of Obligation:</u>	
Series 2013 Combination Tax & Surplus Revenue Certificates of Obligation, issued July 12, 2013, bearing interest at 2.0% - 3.5% due in annual installment through March 2028.	\$ 2,100,000
<u>General Obligation Refunding Bonds:</u>	
General Obligation Refunding Bonds Series 2012, dated June 1, 2012, due in annual installments through 2035, bearing interest at 2% until March 2024, and 3% thereafter.	3,685,000
General Obligation Refunding Bonds, Series 2014 dated March 1, 2014, due in annual installments through 2020, bearing interest from 0.54% through 2.4% increasing annually.	280,000
<u>Notes Payable</u>	
Non-interest bearing note payable issued June 2016, due in annual installments of \$1,375 through June 2019.	2,750
	<u>\$ 6,067,750</u>
	<u>Government-Type Activities</u>
<u>Notes Payable</u>	
Notes payable to First Financial Bank, dated June 11, 2015, bearing interest at 2.948%, due in annual installments through April 2020.	\$ 115,390
Notes Payable with Government Capital Corporation, dated July 2016, bearing interest at 2.948%, due in yearly installments of \$52,890 through July 2019.	51,376
Notes Payable with Government Capital Corporation, dated July 2018, bearing interest at 4.44%, due in yearly installments of \$18,222 through July 2021.	49,647
Notes Payable with Government Capital Corporation, dated January 2019, bearing interest at 4.19%, due in yearly installments of \$40,094 through January 2024.	177,541
	<u>\$ 393,954</u>

CITY OF COLORADO CITY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2019

NOTE 5: LONG TERM DEBT - continued

The annual aggregate maturities for the governmental and business-type activities at April 30, 2019 are as follows:

Year Ended April 30	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2020	215,416	14,453	712,750	187,120
2021	50,728	7,587	440,000	169,700
2022	52,395	5,420	445,000	158,750
2023	36,934	3,160	460,000	147,650
2024	38,481	1,612	470,000	136,200
2025-2029			2,290,000	443,175
2030-2034			1,115,000	139,850
2035			135,000	5,400
	<u>\$ 393,954</u>	<u>\$ 32,232</u>	<u>\$ 6,067,750</u>	<u>\$ 1,387,845</u>

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

	Balance May 1, 2018	Transfers, Issues or, Additions	Transfers, Payments or Expenditures	Balance April 30, 2019	Due Within One Year
Governmental Activities:					
Capital Leases	\$ 26,114	\$ 478,108	\$ (69,086)	\$ 435,136	\$ 89,729
Notes Payable	328,728	227,188	(161,961)	393,955	215,416
Compensated Absences	88,813		(3,624)	85,189	
Net Pension Liability (Asset)	(181,886)	352,795		170,909	
OPEB Liability	111,247	1,900		113,147	
Landfill Post Closure	752,842	13,552		766,394	
Total Governmental Activities	<u>\$ 1,125,858</u>	<u>\$ 1,073,543</u>	<u>\$ (234,671)</u>	<u>\$ 1,964,730</u>	<u>\$ 305,145</u>
Business-Type Activities					
Certificates of Obligation	\$ 2,305,000		\$ (205,000)	\$ 2,100,000	\$ 210,000
General Obligation Bonds	4,450,000		(485,000)	3,965,000	500,000
Unamortized Debt Premium	89,575		(9,033)	80,542	
Tax Notes	235,000		(235,000)	-	
Notes Payable	19,250		(16,500)	2,750	2,750
Net Pension Liability (Asset)	(70,733)	137,198		66,465	
OPEB Liability	43,263	739		44,002	
Compensated Absences	16,023	5,410		21,433	
Total Business-Type Activities	<u>\$ 7,087,378</u>	<u>\$ 143,347</u>	<u>\$ (950,533)</u>	<u>\$ 6,280,192</u>	<u>\$ 712,750</u>

Certificates of Obligation

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

CITY OF COLORADO CITY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2019

NOTE 5: LONG TERM DEBT

General Obligation Refunding Bonds

The 2012 General Obligation bonds were issued to refund the 2000, 200A, and the 2007 Certificates of Obligation. The bonds are direct obligations of the city and are payable from and secured by an annual ad valorem tax levied, within the limits prescribed by law, against all taxable property located within the City. The City intends to pay the Bonds from the net revenues of its Water and Sewer System

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

Notes Payable

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

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

The city entered into several contracts with Government Capital Corporation to purchase police vehicles and equipment for the street department. These notes are payable from revenues from the sanitation department and tax revenues.

Capital Lease Obligations

Leases are for equipment at the City landfill and an asphalt zipper for the street department. All capital lease payments have been made as of April 30, 2019. Assets purchased with capital leases are depreciated with all other City capital assets. The general fund makes the payments on the landfill and street equipment and the water fund make the payments on the water meter system debt.

Landfill Closure and Post-Closure Care Costs

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

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

These amounts are based on what it would cost to perform all post-closure costs in fiscal year 2018-2019. Actual costs may differ from the estimated amount due to inflation and changes in technology and/or applicable laws and regulations. There is estimated to be about 8 year life in the opened landfill site.

NOTE 6: TRANSFERS

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

CITY OF COLORADO CITY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2019

NOTE 6: TRANSFERS

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

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 412,200	\$ -
Non-Major Governmental Fund	187,800	-
Major Business-Type Fund	-	<u>600,000</u>
	<u>\$ 600,000</u>	<u>\$ 600,000</u>

NOTE 7: RISK FINANCING

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

NOTE 8: COMMITMENTS AND CONTINGENCIES

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

NOTE 9: PENSION PLAN

A. Plan Description

The City of Colorado City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

B. Benefits Provided

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

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

CITY OF COLORADO CITY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2019

NOTE 9: PENSION PLAN

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Employee deposit rate:	6.0%
Employer deposit rate (2017)	8.89%
Matching ratio (City to employee):	2 to 1
Years required for vesting:	5 years
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25
Updated service credit	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating

Employees covered by benefit terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	46
Active employees	<u>45</u>
Total	120

C. Contributions

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

Employees for the City of Colorado City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Colorado City were 8.89% and 8.39% in calendar years 2018 and 2019 respectively. The City's contributions to TMRS for the year ended April 30, 2019, were \$136,692, and were equal to the required contributions.

D. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

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

CITY OF COLORADO CITY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2019

NOTE 9: PENSION PLAN - continued

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

Actuarial assumptions used in the December 31, 2018 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target assets allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.750%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF COLORADO CITY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2019

NOTE 9: PENSION PLAN - continued

Changes in the Net Pension Liability (Asset)	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance as 12/31/2017	\$ 5,663,488	\$ 5,916,107	\$ (252,619)
Changes for the year:			
Service cost	220,193		220,193
Interest	380,885		380,885
Change of benefit terms			
Difference between expected and actual experience	(65,835)		(65,835)
Changes of assumptions			
Contributions – employer		135,187	(135,187)
Contributions – employee		91,240	(91,240)
Net Investment Income		(177,574)	177,574
Benefit Payments, including refunds of employee Contributions	(261,683)	(261,683)	
Administrative expense		(3,425)	3,425
Other changes		(178)	178
Net Changes	273,560	(216,433)	489,993
Balance 12/31/2018	\$ 5,937,048	\$ 5,699,674	\$ 237,374

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City’s Net Pension Liability	\$ 1,008,908	\$ 237,374	\$ (395,967)

Pension Plan Fiduciary Net Position

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

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

For the year ended April 30, 2019, the City recognized pension expense of \$119,049.

At April 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience		\$ 55,943
Changes in actuarial assumptions		
Difference between projected and actual investment earnings	529,116	224,210
Contributions subsequent to the measurement date	46,603	
Total	\$ 575,719	\$ 280,153

CITY OF COLORADO CITY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2019

NOTE 9: PENSION PLAN - continued

\$46,603 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending April 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	
2019	\$ 63,668
2020	29,175
2021	40,738
2022	115,383
2023	0
Thereafter	0
Total	\$ 248,963

NOTE 10: SUPPLEMENTAL DEATH BENEFITS FUND

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System known as the Supplemental Death Benefits Fund (SDB). The SDB plan includes coverage for both active and retiree members and assets are comingled for the payment of such benefits. The SDB plan does not qualify as an OPEB Trust in accordance with paragraph 4 of GASB Statement Number 75. The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDB by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other postemployment benefit,” or OPEB. The City offered supplemental death benefits to active employees and retirees during plan years 2016, 2017 and 2018.

Employees covered by benefit terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the SDB:

Inactive employees or beneficiaries currently receiving benefits	23
Inactive employees entitled to but not yet receiving benefits	7
Active employees	<u>45</u>
Total	75

OPEB Liability

The City’s total OPEB liability of \$157,149 was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The OPEB Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary increases	3.5% to 10.5% including inflation
Discount rate	3.71% per year

CITY OF COLORADO CITY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2019

NOTE 10: SUPPLEMENTAL DEATH BENEFITS FUND - continued

Administrative Expenses - All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

Mortality Rates – Service retirees - RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with Scale BB.

Mortality Rates – Disabled Retirees - RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Changes in the OPEB Liability	Total OPEB Liability (a)
Balance as 12/31/2017	\$ 154,510
Changes for the year:	
Service cost	7,755
Interest on total OPEB liability	5,210
Change of benefit terms	
Difference between expected and actual experience	931
Changes in assumptions or other inputs	(9,280)
Benefit Payments	(1,977)
Other changes	
Net Changes	2,639
Balance 12/31/2018	\$ 157,149

Sensitivity of the OPEB Liability to changes in the discount rate

The following presents the OPEB liability of the City, calculated using the discount rate of 3.71%, as well as what the City’s OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

	1% Decrease in Discount Rate (2.71%)	Discount Rate (3.71%)	1% Increase in Discount Rate (4.71%)
City’s OPEB Liability	\$ 181,997	\$ 157,149	\$ 137,319

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended April 30, 2019, the City recognized OPEB expense (benefit) of \$10,867.

At April 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	697	
Changes in actuarial assumptions		6,948
Difference between projected and actual investment earnings		
Contributions subsequent to the measurement date	667	
Total	\$ 1,364	\$ 6,948

CITY OF COLORADO CITY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2019

NOTE 10: SUPPLEMENTAL DEATH BENEFITS FUND - continued

The deferred outflows balance includes contributions subsequent to the measurement date of \$667. This amount will be recognized as a reduction of the OPEB liability for the year ending April 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31:	
2019	\$ (2,098)
2020	(2,098)
2021	(2,055)
2022	
2023	
Thereafter	0
Total	\$ (6,251)

NOTE 11: ADJUSTMENT TO BEGINNING NET POSITION

During the year ended April 30, 2019, the City adopted GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The City must report its liability related to the Supplemental Death Benefit Plan that is offered and administered by the Texas Municipal Retirement System. Adoption of GASB 75 required a prior period adjustment to report the liability and the related deferred inflows and outflows that would have been reported at April 30, 2018. The amount of the prior period adjustment resulted in a decrease in the net position of the governmental activities of \$111,247 and the business type activities of \$43,263.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COLORADO CITY, TEXAS
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND
YEAR ENDED APRIL 30, 2019

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Amended Budget	Actual	
REVENUE:				
Taxes:				
Property	\$ 590,500	\$ 607,150	\$ 604,746	\$ (2,404)
Sales	657,400	731,800	732,110	310
Franchise tax	318,000	306,000	295,148	(10,852)
Charges for services	793,600	819,650	769,099	(50,551)
Insurance recovery	4,000	65,500	69,338	3,838
Fines	62,000	30,400	21,180	(9,220)
Licenses and permits	80,100	107,200	110,162	2,962
Investment earnings	7,150	11,500	11,521	21
Contributions and donations	5,600	10,600	11,714	1,114
Miscellaneous	28,800	30,500	26,172	(4,328)
Total Revenues	<u>2,547,150</u>	<u>2,720,300</u>	<u>2,651,190</u>	<u>(69,110)</u>
EXPENDITURES:				
Current:				
General government:				
City council	69,730	86,030	87,377	(1,347)
Court	32,770	21,670	19,297	2,373
Legal	55,000	55,000	41,807	13,193
City Hall/Finance	223,945	249,165	246,604	2,561
Non-departmental	234,860	196,000	81,124	114,876
Public safety:				
Police department	813,250	813,250	835,598	(22,348)
Fire department	40,500	53,100	53,421	(321)
Code enforcement	71,910	71,910	67,458	4,452
Public works:				
Streets and signals	575,960	575,960	474,790	101,170
Cemetery	36,630	36,630	23,647	12,983
Animal control	64,610	64,610	63,964	646
Culture and recreation:				
Tourism	38,545	35,015	35,476	(461)
Civic Center	54,940	63,840	64,310	(470)
Swimming Pool	56,090	42,590	39,400	3,190
Parks	33,400	41,400	42,844	(1,444)
Day Care	7,200	14,500	15,110	(610)
Community development	29,690	33,290	34,053	(763)
Sanitation:				
Solid waste	713,240	370,180	1,101,927	(731,747)
Sanitation collection	169,940	198,930	162,096	36,834
Airport	4,800	6,300	5,951	349
Debt Service:				
Principal and Interest	133,190	79,440	79,139	301
Total expenditures	<u>3,460,200</u>	<u>3,108,810</u>	<u>3,575,393</u>	<u>(466,583)</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(913,050)	(388,510)	(924,203)	(535,693)

CITY OF COLORADO CITY, TEXAS
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND
YEAR ENDED APRIL 30, 2019

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Amended Budget	Actual	
OTHER FINANCING SOURCES (USES)				
Proceeds from Issuance of Debt	519,810	-	705,296	705,296
Transfers in	397,810	397,810	412,200	14,390
Total Other Financing Sources (Uses)	917,620	397,810	1,117,496	719,686
CHANGE IN FUND BALANCE	4,570	9,300	193,293	183,993
FUND BALANCES AT BEGINNING OF YEAR	818,518	818,518	818,518	-
FUND BALANCES AT END OF YEAR	\$ 823,088	\$ 827,818	\$ 1,011,811	\$ 183,993

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability				
Service cost	\$ 220,193	\$ 216,073	\$ 211,235	\$ 205,582
Interest (on the Total Pension Liability)	380,885	365,829	353,852	343,880
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(65,835)	(96,005)	(140,037)	(47,593)
Change of Assumptions	-	-	-	48,342
Benefit payments, including refunds of employee contributions	<u>(261,683)</u>	<u>(268,124)</u>	<u>(231,951)</u>	<u>(214,741)</u>
Net Change in Total Pension Liability	273,560	217,773	193,099	335,470
Total Pension Liability - Beginning	<u>5,663,488</u>	<u>5,445,715</u>	<u>5,252,616</u>	<u>4,917,146</u>
Total Pension Liability - Ending (a)	<u>\$ 5,937,048</u>	<u>\$ 5,663,488</u>	<u>\$ 5,445,715</u>	<u>\$ 5,252,616</u>
 Plan Fiduciary Net Position				
Contributions - Employer	\$ 135,187	\$ 135,957	\$ 120,495	\$ 118,610
Contributions - Employee	91,240	89,348	88,383	91,709
Net Investment Income	(177,574)	726,660	333,464	7,279
Benefit payments, including refunds of employee contributions	(261,683)	(268,124)	(231,951)	(214,741)
Administrative Expense	(3,425)	(3,761)	(3,763)	(4,432)
Other	<u>(178)</u>	<u>(190)</u>	<u>(203)</u>	<u>(218)</u>
Net Change in Plan Fiduciary Net Position	(216,433)	679,890	306,425	(1,793)
Plan Fiduciary Net Position - Beginning	<u>5,916,107</u>	<u>5,236,217</u>	<u>4,929,792</u>	<u>4,931,585</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 5,699,674</u>	<u>\$ 5,916,107</u>	<u>\$ 5,236,217</u>	<u>\$ 4,929,792</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 237,374</u>	<u>\$ (252,619)</u>	<u>\$ 209,498</u>	<u>\$ 322,824</u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	96.00%	104.46%	96.15%	93.85%
 Covered Employee Payroll	\$ 1,520,668	\$ 1,489,130	\$ 1,473,047	\$ 1,528,490
 Net Pension Liability as a Percentage of Covered Employee Payroll	15.61%	-16.96%	14.22%	21.12%

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially Determined Contribution	\$ 118,641	\$ 123,713	\$ 141,117	\$ 136,692
Contributions in relation to the actuarially Contributions deficiency (excess)	\$ <u>118,641</u> <u>\$ -</u>	\$ <u>123,713</u> <u>\$ -</u>	\$ <u>141,117</u> <u>\$ -</u>	\$ <u>136,692</u> <u>\$ -</u>
Covered employee payroll	\$ <u>1,504,581</u>	\$ <u>1,461,579</u>	\$ <u>1,558,980</u>	\$ <u>1,568,833</u>
Contributions as a percentage of covered payroll	7.89%	8.46%	9.05%	8.71%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 Years
Asset Valuation Method	10 Year smoothed market: 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year.

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

	2018
OPEB Liability	
Service cost	\$ 7,755
Interest (on the Total OPEB Liability)	5,210
Changes of benefit terms	-
Difference between expected and actual experience	931
Change of Assumptions	(9,280)
Benefit payments	(1,977)
Net Change in OPEB Liability	2,639
Total OPEB Liability - Beginning	157,149
Total OPEB Liability - Ending	\$ 159,788
Covered Employee Payroll	\$ 1,520,668
Net Pension Liability as a Percentage of Covered Employee Payroll	10.51%