

CITY OF CROCKETT, TEXAS  
ANNUAL FINANCIAL REPORT  
For the Year Ended September 30, 2015

## C O N T E N T S

Independent Auditors' Report .....	3
Management's Discussion and Analysis .....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	10
Statement of Activities .....	11
Fund Financial Statements:	
Combining Balance Sheet - Governmental Funds .....	12
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds .....	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	14
Statement of Net Position - Proprietary Funds .....	15
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds .....	16
Statement of Cash Flows - Proprietary Funds .....	17
Statement of Fiduciary Net Assets.....	18
Notes to Financial Statements .....	19
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual - General Fund .....	34
Schedule of Changes in Net Pension Liability and Related Ratios .....	35
Supplementary Information:	
Combining Statements:	
Combining Balance Sheets- Non-Major Governmental Funds .....	37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds .....	38
Other Budgetary Schedules:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual - Water and Sewer Fund .....	40
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual - Debt Service Fund .....	41
Component Unit - Crockett Economic and Industrial Development Corporation:	
Governmental Fund Balance Sheet / Statement of Net Position.....	43
Governmental Income Statement.....	44
Compliance and Internal Control Section:	
Independent Auditors Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	46
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance required by OMB Circular A-133 .....	48
Schedule of Findings and Questioned Costs .....	50
Summary Schedule of Prior Audit Findings .....	51
Corrective Action Plan .....	52
Schedule of Expenditures of Federal Awards.....	53
Notes to the Schedule of Expenditures of Federal Awards .....	54

**INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and  
City Council  
City of Crockett  
Crockett, Texas

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Crockett, as of and for the year ended September 30, 2015, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 unit, each major fund, and the aggregate remaining fund information of the City of Crockett, as of September 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity 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 schedule of changes in net pension liabilities and related ratios on pages 5-8 and 34-35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements, other budgetary schedules, component unit and schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining financial statements, other budgetary schedules, component unit, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements, other budgetary schedules, component unit, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports on page 46-47 are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

  
CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas  
March 21, 2016

## CITY OF CROCKETT, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Crockett's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2015. Please read it in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

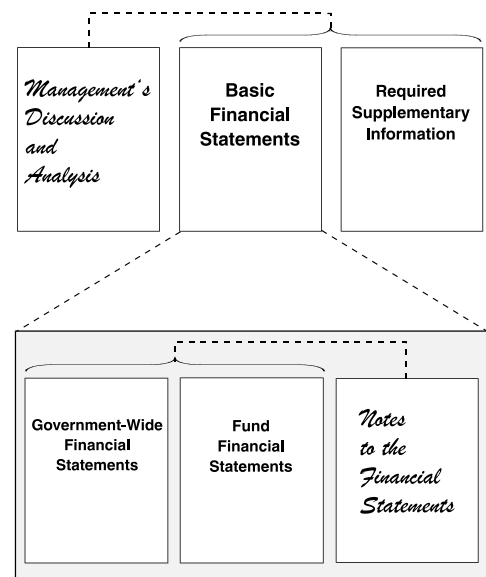
- The City's total combined net position was \$9,985,721 at September 30, 2015.
- During the year, the City's expenses were \$555,738 less than the \$6,979,543 generated in revenues for governmental activities.
- During the year, the City implemented GASB 68 (Note 4-E), this resulted in a net pension liability of \$359,141, various deferred inflows and outflows related to the timing of pension activities and actuarial assumptions, and a prior period adjustment of \$115,162 to record the liabilities noted.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government services* were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.

Figure A-1, Required Components of the City's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

## Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how it has changed. Net position - the difference between the City's assets and liabilities - is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's property tax base, sales tax collection, and franchise tax fees.

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general government, public safety, highways and streets, sanitation, economic development, culture and recreation, and interest on long-term debt. Property taxes and grants finance most of these activities.

## Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds* - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds* - Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds* - Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements

Type of Statements	Fund Statements		
	Government-wide	Governmental Funds	Proprietary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the city that are not proprietary or fiduciary	Activities the city operates similar to private businesses; self insurance
Required financial statements	♦ Statement of net position	♦ Balance sheet	♦ Statement of net position
	♦ Statement of activities	♦ Statement of revenues, expenditures & changes in fund balances	♦ Statement of revenues, expenses and changes in fund net assets
			♦ Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was \$9,985,721 (See Table A-1).

**Table A-1**  
City's Net Position

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2015	2014	2015	2014	2015	2014
Current Assets:						
Cash and cash equivalents	\$ 1 188 366	\$ 814 169	\$ 538 386	\$ 458 597	\$ 1 726 752	\$ 1 272 766
Receivables	490 575	511 474	275 823	260 111	766 398	771 585
Due from other funds	-	-	-	-	-	-
TOTAL CURRENT ASSETS	<u>1 678 941</u>	<u>1 325 643</u>	<u>814 209</u>	<u>718 708</u>	<u>2 493 150</u>	<u>2 044 351</u>
Noncurrent Assets:						
Cash and cash equivalents	-	-	458 830	245 371	458 830	245 371
Capital assets (net)	<u>6 349 181</u>	<u>6 162 777</u>	<u>4 866 751</u>	<u>5 049 353</u>	<u>11 215 932</u>	<u>11 212 130</u>
TOTAL NONCURRENT ASSETS	<u>6 349 181</u>	<u>6 162 777</u>	<u>5 325 581</u>	<u>5 294 724</u>	<u>11 674 762</u>	<u>11 457 501</u>
TOTAL ASSETS	<u>8 028 122</u>	<u>7 488 420</u>	<u>6 139 790</u>	<u>6 013 432</u>	<u>14 167 912</u>	<u>13 501 852</u>
Deferred Outflows:						
Bond issue cost	<u>200 351</u>	-	<u>44 046</u>	-	<u>244 397</u>	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>8 228 473</u>	<u>7 488 420</u>	<u>6 183 836</u>	<u>6 013 432</u>	<u>14 412 309</u>	<u>13 501 852</u>
Current Liabilities:						
Accounts payable and accrued liabilities	95 377	81 167	43 429	12 471	138 806	93 638
Due to other funds	-	-	-	-	-	-
Customer deposits	<u>-</u>	<u>-</u>	<u>276 965</u>	<u>272 035</u>	<u>276 965</u>	<u>272 035</u>
TOTAL CURRENT LIABILITIES	<u>95 377</u>	<u>81 167</u>	<u>320 394</u>	<u>284 506</u>	<u>415 771</u>	<u>803 361</u>
Noncurrent Liabilities:						
Due within one year	578 276	484 900	10 421	-	588 697	484 900
Due in more than one year	<u>2 921 250</u>	<u>2 652 161</u>	<u>119 856</u>	<u>10 129</u>	<u>3 041 106</u>	<u>2 662 290</u>
TOTAL LIABILITIES	<u>3 594 903</u>	<u>3 655 916</u>	<u>450 671</u>	<u>294 635</u>	<u>4 045 574</u>	<u>3 950 551</u>
Deferred inflows	<u>379 759</u>	<u>437 688</u>	<u>1 255</u>	-	<u>381 014</u>	<u>437 688</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>3 974 662</u>	<u>3 655 916</u>	<u>451 926</u>	<u>294 635</u>	<u>4 426 588</u>	<u>3 950 551</u>
Net Position:						
Invested in capital assets	3 231 552	3 106 678	4 810 688	5 049 353	8 042 240	8 156 031
Restricted	434 711	362 949	458 830	450 863	893 541	813 812
Unrestricted	<u>587 548</u>	<u>362 877</u>	<u>462 392</u>	<u>218 581</u>	<u>1 049 940</u>	<u>581 458</u>
TOTAL NET POSITION	<u>\$ 4 253 811</u>	<u>\$ 3 832 504</u>	<u>\$ 5 731 910</u>	<u>\$ 5 718 797</u>	<u>\$ 9 985 721</u>	<u>\$ 9 551 301</u>

**Changes in Net Position.** The City's total revenues were \$9,804,123. 34%, of the City's revenue comes from taxes. 14% relates to charges for services.

The total cost of all programs and services was \$8,932,767; of these costs 33% were for business-type activities.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2015, the City had invested \$11,215,932 (net of depreciation) in a broad range of capital assets, including land, equipment, buildings, and vehicles.

More detailed information about the City's capital assets is presented in the notes to the financial statements.

### Long Term Debt

At year-end the City had \$3,270,662 in debt and accrued vacation outstanding as shown in Table A-2. More detailed information about the City's debt is presented in the notes to the financial statements.

**Table A-2**

City's Long Term Debt

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Leases payable	\$ 637 629	\$ 131 099	\$ 56 063	\$ -	\$ 693 692	\$ 131 099
Bonds payable	2 480 000	2 925 000	-	-	2 480 000	2 925 000
Accrued vacation	87 565	80 962	9 405	10 129	96 970	91 091
TOTAL	<u>\$ 3 205 194</u>	<u>\$ 3 137 061</u>	<u>\$ 65 468</u>	<u>\$ 10 129</u>	<u>\$ 3 270 662</u>	<u>\$ 3 147 190</u>

### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's offices at 200 North 5<sup>th</sup> Street, Crockett, Texas.

## BASIC FINANCIAL STATEMENTS

CITY OF CROCKETT, TEXAS  
STATEMENT OF NET POSITION  
September 30, 2015

	GOVERN- MENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL	ECONOMIC DEVELOPMENT CORPORATION
<b>ASSETS</b>				
Current Assets:				
Cash and investments	\$ 1 188 366	\$ 538 386	\$ 1 726 752	\$ 934 922
Receivables Net of Allowance for Uncollectibles:				
Taxes	43 614	-	43 614	-
Customer accounts	-	268 225	268 225	-
Other	446 961	7 598	454 559	-
TOTAL CURRENT ASSETS	<u>1 678 941</u>	<u>814 209</u>	<u>2 493 150</u>	<u>934 922</u>
Noncurrent Assets:				
Restricted cash	-	458 830	458 830	-
Capital Assets:				
Land	1 384 487	161 390	1 545 877	369 094
Streets and infrastructure	-	-	-	1 389 908
Buildings and improvements	7 171 743	-	7 171 743	2 756 655
Furniture and equipment	5 774 771	992 282	6 767 053	42 853
Utility systems	-	12 306 753	12 306 753	-
Less: Accumulated depreciation	(7 982 868)	(8 593 674)	(16 576 542)	(894 351)
TOTAL CAPITAL ASSETS	<u>6 349 181</u>	<u>4 866 751</u>	<u>11 215 932</u>	<u>3 664 159</u>
TOTAL NONCURRENT ASSETS	<u>6 349 181</u>	<u>5 325 581</u>	<u>11 215 932</u>	<u>3 664 159</u>
TOTAL ASSETS	<u>8 028 122</u>	<u>6 139 790</u>	<u>14 167 912</u>	<u>4 599 081</u>
DEFERRED OUTFLOWS				
Deferred outflow - Pension	200 351	44 046	244 397	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>8 228 473</u>	<u>6 183 836</u>	<u>14 412 309</u>	<u>4 599 081</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	35 803	36 847	72 650	-
Accrued liabilities	55 660	6 582	62 242	-
Accrued interest payable	3 914	-	3 914	18 983
Current Portion of Long-Term Debt Liabilities:				
Notes payable	-	-	-	168 833
Leases payable	123 276	10 421	133 697	-
Revenue bonds	455 000	-	455 000	-
TOTAL CURRENT LIABILITIES	<u>673 653</u>	<u>53 850</u>	<u>727 503</u>	<u>187 816</u>
Noncurrent Liabilities:				
Bonds payable	2 025 000	-	2 025 000	-
Capitalized lease obligations	514 353	45 642	559 995	-
Notes payable	-	-	-	3 892 864
Accrued comp absence	87 565	9 405	96 970	-
Customer deposits	-	276 965	276 965	-
Net pension liability	294 332	64 809	359 141	-
TOTAL NONCURRENT LIABILITIES	<u>2 921 250</u>	<u>396 821</u>	<u>3 318 071</u>	<u>3 892 864</u>
TOTAL LIABILITIES	<u>3 594 903</u>	<u>450 671</u>	<u>4 045 574</u>	<u>4 080 680</u>
DEFERRED INFLOWS				
Unearned revenue	374 059	-	374 059	-
Deferred inflows - Pension	5 700	1 255	6 955	-
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>3 974 662</u>	<u>451 926</u>	<u>4 426 588</u>	<u>4 080 680</u>
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	3 231 552	4 810 688	8 042 240	891 376
Restricted for:				
Debt service	433 616	458 830	892 446	-
Grants	1 095	-	1 095	-
Unrestricted	587 548	462 392	1 049 940	(372 975)
TOTAL NET POSITION	<u>\$ 4 253 811</u>	<u>\$ 5 731 910</u>	<u>\$ 9 985 721</u>	<u>\$ 518 401</u>

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

CITY OF CROCKETT, TEXAS  
STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2015

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION			
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRI- BUTIONS	CAPITAL GRANTS AND CONTRI- BUTIONS	PRIMARY GOVERNMENT			COMPONENT UNIT ECONOMIC DEVELOPMENT CORPORATION
					GOVERN- MENTAL ACTIVITIES	BUSINESS -TYPE ACTIVITIES	TOTAL	
Primary Government:								
Governmental Activities:								
General government	\$ 652 839	\$ 200 000	\$ 1 331 704	\$ -	\$ 878 865	\$ -	\$ 878 865	\$ -
Fire department	440 510	20 414	50 000	-	(370 096)	-	(370 096)	-
Police and courts department	1 316 659	162 026	-	-	(1 154 633)	-	(1 154 633)	-
Street department	459 805	-	-	-	(459 805)	-	(459 805)	-
Parks department	158 432	9 579	-	-	(148 853)	-	(148 853)	-
Sanitation department	977 191	1 116 968	-	-	139 777	-	139 777	-
Economic development department	153 101	-	-	-	(153 101)	-	(153 101)	-
Library department	149 973	-	-	-	(149 973)	-	(149 973)	-
Fleet maintenance department	149 960	-	-	-	(149 960)	-	(149 960)	-
Civic center department	227 103	25 096	-	-	(202 007)	-	(202 007)	-
Emergency management department	1 633 185	-	-	329 278	(1 303 907)	-	(1 303 907)	-
Interest expense	106 095	-	-	-	(106 095)	-	(106 095)	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>6 423 805</u>	<u>1 534 083</u>	<u>1 381 704</u>	<u>329 278</u>	<u>(3 178 740)</u>	<u>-</u>	<u>(3 178 740)</u>	<u>-</u>
Business-Type Activities:								
Water and sewer	2 508 962	2 804 568	-	-	-	295 606	295 606	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>2 508 962</u>	<u>2 804 568</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>295 606</u>	<u>295 606</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 8 932 767</u>	<u>\$ 4 338 651</u>	<u>\$ 1 381 704</u>	<u>\$ 329 278</u>	<u>\$ (3 178 740)</u>	<u>\$ 295 606</u>	<u>\$ (2 883 134)</u>	<u>\$ -</u>
Component Units:								
Economic development corporation	\$ 485 463	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (485 463)
TOTAL COMPONENT UNITS	<u>\$ 485 463</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (485 463)</u>
General Revenues:								
Taxes:								
Property taxes - General					\$ 1 081 897	\$ -	\$ 1 081 897	\$ -
Property taxes - Debt service					404 775	-	404 775	-
Sales taxes					1 110 254	-	1 110 254	556 227
Other tax revenue					679 952	-	679 952	-
Unrestricted investment earnings					2 049	615	2 664	-
Other unrestricted revenue					172 699	19 397	192 096	-
Transfers					282 852	(282 852)	-	-
TOTAL GENERAL REVENUES					<u>3 734 478</u>	<u>(262 840)</u>	<u>3 471 638</u>	<u>556 227</u>
CHANGE IN NET POSITION					<u>555 738</u>	<u>32 766</u>	<u>588 504</u>	<u>70 764</u>
Net position - Beginning					<u>3 832 504</u>	<u>5 718 797</u>	<u>9 551 301</u>	<u>447 637</u>
Prior period adjustment					<u>52 149</u>	<u>(19 653)</u>	<u>32 496</u>	<u>-</u>
NET POSITION - BEGINNING (RESTATED)					<u>3 698 073</u>	<u>5 699 144</u>	<u>9 397 217</u>	<u>447 637</u>
NET POSITION - ENDING					<u>\$ 4 253 811</u>	<u>\$ 5 731 910</u>	<u>\$ 9 985 721</u>	<u>\$ 518 401</u>

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

CITY OF CROCKETT, TEXAS  
COMBINING BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2015

	GENERAL	NONMAJOR GOVERN- MENTAL	TOTAL
<b>ASSETS</b>			
Cash and investments	\$ 753 655	\$ 434 711	\$ 1 188 366
Property tax receivable	-	43 614	43 614
Other receivables	446 961	-	446 961
<b>TOTAL ASSETS</b>	<b>\$ 1 200 616</b>	<b>\$ 478 325</b>	<b>\$ 1 678 941</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 35 803	\$ -	\$ 35 803
Accrued liabilities	55 660	-	55 660
<b>TOTAL LIABILITIES</b>	<b>91 463</b>	<b>-</b>	<b>91 463</b>
<b>Deferred Inflows:</b>			
Unearned revenue	446 677	43 614	490 291
<b>TOTAL DEFERRED INFLOWS</b>	<b>446 677</b>	<b>43 614</b>	<b>490 291</b>
<b>Fund Balance:</b>			
<b>Restricted:</b>			
Debt service	-	433 616	433 616
Grant fund	-	1 095	1 095
<b>Unassigned Reported in:</b>			
General fund	662 476	-	662 476
<b>TOTAL FUND BALANCE</b>	<b>\$ 662 476</b>	<b>\$ 434 711</b>	<b>1 097 187</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Activities are Different Because:</b>			
Capital assets used in governmental activities are financial resources and, therefore, are not reported in the funds.			6 349 181
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.			116 232
Deferred inflows and outflows, net, used in governmental activity, not recorded in funds.			194 651
Net pension liability used in governmental activities not recorded in funds.			(294 332)
Debt principal and compensated absences used in governmental activity, not recorded in funds.			(3 209 108)
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>			<b>\$ 4 253 811</b>

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

CITY OF CROCKETT, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE -  
 GOVERNMENTAL FUNDS  
 For the Year Ended September 30, 2015

	GENERAL	NONMAJOR FUNDS	TOTAL
Revenues:			
Property taxes	\$ 1 038 283	\$ 404 775	\$ 1 443 058
Sales tax	1 110 254	-	1 110 254
Other taxes	679 952	-	679 952
Fines and fees	96 199	-	96 199
Interest	1 121	928	2 049
Municipal court fines	120 916	-	120 916
Sanitation charges	1 116 968	-	1 116 968
Grant and donations	55 921	1 655 061	1 710 982
Miscellaneous	408 688	-	408 688
TOTAL REVENUES	<u>4 628 302</u>	<u>2 060 764</u>	<u>6 689 066</u>
Expenditures:			
General administration	567 217	-	567 217
Fire department	424 001	-	424 001
Police department	1 377 597	-	1 377 597
Street department	444 681	-	444 681
Park department	151 203	-	151 203
Sanitation department	956 391	-	956 391
Economic development department	152 587	-	152 587
Library department	138 305	-	138 305
Fleet maintenance department	149 492	-	149 492
Civic center department	120 724	-	120 724
Emergency management department	22 551	-	22 551
Debt service	-	551 095	551 095
Grant expense	-	1 655 061	1 655 061
TOTAL EXPENDITURES	<u>4 504 749</u>	<u>2 206 156</u>	<u>6 710 905</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>123 553</u>	<u>(145 392)</u>	<u>(21 839)</u>
Other Financing Sources (Uses):			
Proceeds from capital lease	89 052	-	89 052
Gain on sale of assets	8 471	-	8 471
Transfers in (out)	65 698	217 154	282 852
TOTAL OTHER FINANCING SOURCES (USES)	<u>163 221</u>	<u>217 154</u>	<u>380 375</u>
NET CHANGE IN FUND BALANCES	286 774	71 762	358 536
Fund balances, beginning	<u>375 702</u>	<u>362 949</u>	<u>738 651</u>
FUND BALANCE, ENDING	<u>\$ 662 476</u>	<u>\$ 434 711</u>	<u>\$ 1 097 187</u>

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

CITY OF CROCKETT, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2015

Amounts Reported for Governmental Activities in the Statement of Activities  
are Different Because:

Net change in fund balances - Total governmental funds.	\$ 358 536
Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount capital outlay expenditures exceeded depreciation expense.	(412 287)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	43 614
Governmental funds report debt payments and compensated absences as expenses, however, in the statement of net position these are reduction of the liability.	571 176
Governmental funds report pension contributions as expenditures in the government wide statements, the cost of pension benefits earned, net of employee contributions is reported as pension expense	(5 301)
	<hr/>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>555 738</u></u>

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

CITY OF CROCKETT, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
September 30, 2015

ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 538 386
Accounts receivable (net of allowance for uncollectibles)	268 225
Other receivables	<u>7 598</u>
TOTAL CURRENT ASSETS	<u>814 209</u>
Noncurrent Assets:	
Restricted cash	<u>458 830</u>
Capital Assets:	
Land	161 390
Furniture and equipment	992 282
Utility systems	12 306 753
Accumulated depreciation	<u>(8 593 674)</u>
NET CAPITAL ASSETS	<u>4 866 751</u>
TOTAL NONCURRENT ASSETS	<u>5 325 581</u>
TOTAL ASSETS	<u>6 139 790</u>
Deferred Outflows:	
Deferred outflows - Pension	<u>44 046</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>6 183 836</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	36 847
Accrued liabilities	6 582
Current portion of long-term liabilities	<u>10 421</u>
TOTAL CURRENT LIABILITIES	<u>53 850</u>
Noncurrent Liabilities:	
Leases payable	45 642
Accrued compensated absences	9 405
Customer deposits	276 965
Net pension liability	<u>64 809</u>
TOTAL NONCURRENT LIABILITIES	<u>396 821</u>
TOTAL LIABILITIES	<u>450 671</u>
Deferred Inflows:	
Deferred inflows - Pension	<u>1 255</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>451 926</u>
NET POSITION	
Restricted for debt service	458 830
Unrestricted	<u>5 273 080</u>
TOTAL NET POSITION	<u>\$ 5 731 910</u>

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

CITY OF CROCKETT, TEXAS  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION - PROPRIETARY FUNDS  
For the Year Ended September 30, 2015

Operating Revenues:	
Charges for service	\$ 2 804 568
Miscellaneous	19 397
TOTAL OPERATING REVENUES	<u>2 823 965</u>
Operating Expenses:	
Purchase of utilities	257 678
Payroll costs	634 870
Supplies and materials	147 928
Repairs and maintenance	123 969
Purchased and contracted services	789 264
Miscellaneous	304 581
Depreciation	249 847
TOTAL OPERATING EXPENSES	<u>2 508 137</u>
OPERATING INCOME	<u>315 828</u>
Nonoperating Revenues (Expenses):	
Interest income	615
Interest expense	(825)
Transfer in (out)	(282 852)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(283 062)</u>
CHANGE IN NET POSITION	32 766
Total net position - Beginning	5 718 797
Prior period adjustment	<u>(19 653)</u>
TOTAL NET POSITION - ENDING	<u>\$ 5 731 910</u>

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

CITY OF CROCKETT, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended September 30, 2015

Reconciliation of Operating Income to Net Cash Provided  
by Operating Activities:

Operating income	\$ 315 828
Depreciation	249 847
Adjustments to Reconcile Operating Income to Net Provided by Operating Activities:	
Decrease (increase) in accounts receivable	(12 008)
Decrease (increase) in other receivables	(3 704)
Increase (decrease) in accounts payable	32 519
Increase (decrease) in accrued expenses payable	(1 561)
Increase (decrease) in compensated absences	(724)
Increase (decrease) in customer deposits	4 930
Decrease (increase) in deferred outflows	90
Increase (decrease) in deferred inflows	1 255
Increase (decrease) in net pension liability	(109)
TOTAL ADJUSTMENTS	<u>20 688</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>586 363</u>

Cash Flows from Noncapital Financing Activities:

Operating transfers in (out)	<u>(282 852)</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(282 852)</u>

Cash Flows from Capital and Related Activities:

Principal paid on capital debt	(10 053)
Interest paid on capital debt	(825)
NET CASH (USED) BY CAPITAL AND RELATED ACTIVITIES	<u>(10 878)</u>

Cash Flows from Investing Activities:

Interest on investments	615
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>615</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 293 248

Cash and cash equivalents, beginning 703 968

CASH AND CASH EQUIVALENTS, ENDING \$ 997 216

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

CITY OF CROCKETT, TEXAS  
STATEMENT OF FIDUCIARY NET ASSETS  
September 30, 2015

	<u>TRUST FUNDS</u>
ASSETS	
Cash and cash equivalents	\$ 734 996
TOTAL ASSETS	\$ <u>734 996</u>
LIABILITIES	
Due to others	\$ 734 996
TOTAL LIABILITIES	\$ <u>734 996</u>

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

CITY OF CROCKETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Crockett, Texas, (City) was incorporated under Section 4, Article XI, of the Texas constitution as a general law city in which the citizens elect the mayor and council members at large.

The financial statements of the City are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The following is a summary of the more significant policies:

A. Reporting Entity:

For financial reporting purposes, the City includes the services of the general government, public safety, municipal court, public works, sanitation, water and sewer, and all other funds, which the City's mayor and council exercise significant influence or are financially accountable. Significant influence or accountability is based on any budget adoption, taxing authority, outstanding debt secured by the City to finance any deficits that may occur, and receipt of significant subsidies from the City.

B Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) 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.

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

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

CITY OF CROCKETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The government reports the following governmental funds:

General Fund (Major) - The general fund is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest, and other cost.

Grant Fund - The grant fund is used to account for the proceeds of specific receivables that are legally restricted to specific expenditures.

The government reports the following proprietary funds:

Water and Sewer Fund (Major) - This fund accounts for the provision of water and sewer services to the residents of the City and some residents of the County. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt services, and billing and collection.

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. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF CROCKETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund is charges to customers for sales and services. The funds also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the systems. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as 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.

The government reports the following fiduciary funds:

Trust Fund - The trust fund is used to account for funds held on behalf of other entities.

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City's investment policies are governed by state statutes and city ordinances. Permissible investments include direct obligations of the U. S. Government, certificates of deposit and savings accounts.

Investments for the government, are reported at fair value. Collateral is required for demand deposits and certificates of deposits of all amounts not covered by federal deposit insurance.

2. Receivables and Payables:

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

All trade and property tax receivables are shown net of allowance for uncollectible. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Property taxes are levied on October 1, attach as an enforceable lien on property on January 1, and become delinquent on June 30 of every fiscal year.

CITY OF CROCKETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Inventories and Prepaid Items:

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

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

4. Restricted Assets:

Restricted assets include cash and investments of the proprietary funds that are legally restricted as to their use. The primary restricted assets are related to debt retirement, renewal and replacement, and construction activity of the Water and Sewer enterprise fund.

5. Capital Assets:

All purchased capital assets are valued at cost where historical records are available and estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received or placed into service. Assets contributed by the general government to proprietary funds are valued at the lesser of their fair market value at the date of the transfer or original cost.

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

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Depreciation is provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Structures and water and sewer systems	10 to 50 years
Equipment	3 to 15 years

6. Deferred Inflows and Outflows

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

CITY OF CROCKETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Balance:

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" clearly defines fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable Fund Balance - Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted Fund Balance - Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed Fund Balance - Amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., 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 Fund Balance - Amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned Fund Balance - Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

CITY OF CROCKETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

10. Discretely Present Component Unit:

The component units' column in the government-wide financial statements includes the financial data of the City's component unit.

Crockett Economic and Industrial Development Corporation

The Corporation exists to promote development in the City of Crockett, Texas. The City appoints all board members and approves the annual budget. The corporation is independently audited, but financial statements are included as supplementary information in the City's Annual Financial Report.

11. Subsequent Events:

Management has considered the effect of subsequent events through March 21, 2016, the date the financial statements were available for release.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting:

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) The City Administrator submits to the City Council a proposed operating budget for the fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted to obtain taxpayer comments.
- (3) The budget is legally enacted through passage of an ordinance.

Finance-Related Legal and Contractual Provisions:

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below:

EXPENDITURES EXCEED BUDGET		
DEPARTMENT		AMOUNT
General administration	\$	24 159
Fire department	\$	15 381
Police department	\$	84 144
Civic center department	\$	9 039

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Cash and Investments:

Bank Deposits - At year end, the carrying amount of the City's deposits (demand and certificates) were \$2,185,582 and the bank balances were \$2,203,033. At year end, total deposits were covered by federal depository insurance or by securities held by the pledging financial institution in the City's name.

CITY OF CROCKETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

B. Restricted Assets:

At September 30, the City's restricted assets consisted of the following:

Water and sewer fund	\$ 458 830
Trust funds	734 996
TOTAL	<u>\$ 1 193 826</u>

C. Property Taxes:

Property taxes are levied as of January 1 on property values assessed as of the same date. Statements are mailed in October; taxes are considered delinquent as of February 1, and turned over to attorneys contracted for collection as of July 1. Deferred tax revenues are recorded for the taxes receivable in excess of the amount considered available for the current period.

D. Capital Assets:

A summary of capital asset activity at September 30 is as follows:

	BEGINNING BALANCE	ADDITIONS	DELETIONS	ENDING BALANCE
Governmental Activities:				
Land	\$ 1 384 487	\$ -	\$ -	\$ 1 384 487
Construction in progress				
Buildings and improvements	7 171 743	-	-	7 171 743
Furniture and equipment	5 685 719	90 100	-	5 775 819
TOTAL COST	<u>14 241 949</u>	<u>90 100</u>	<u>-</u>	<u>14 332 049</u>
Less Accumulated Depreciation:				
Buildings and improvements	(3 174 256)	(167 084)	-	(3 341 340)
Furniture and equipment	(4 396 325)	(245 203)	-	(4 641 528)
TOTAL ACCUMULATED DEPRECIATION	<u>(7 570 581)</u>	<u>(412 287)</u>	<u>-</u>	<u>(7 982 868)</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 6 671 368</u>	<u>\$ (322 187)</u>	<u>\$ -</u>	<u>\$ 6 349 181</u>
Proprietary Fund Activities:				
Land	\$ 161 390	\$ -	\$ -	\$ 161 390
Furniture and equipment	992 282	-	-	992 282
Utility systems	12 306 753	-	-	12 306 753
TOTAL COST	<u>13 460 425</u>	<u>-</u>	<u>-</u>	<u>13 460 425</u>
Less Accumulated Depreciation:				
Furniture and equipment	(892 918)	(16 483)	-	(909 401)
Utility systems	(7 450 909)	(233 364)	-	(7 684 273)
TOTAL ACCUMULATED DEPRECIATION	<u>(8 343 827)</u>	<u>(249 847)</u>	<u>-</u>	<u>(8 593 674)</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 5 116 598</u>	<u>\$ (249 847)</u>	<u>\$ -</u>	<u>\$ 4 866 751</u>
Component Unit:				
Land	\$ 369 094	\$ -	\$ -	\$ 369 094
Furniture and equipment	41 578	1 275	-	42 853
Building and improvements	2 752 235	4 420	-	2 756 655
Streets	969 387	-	-	969 387
Infrastructure - W/S lines	420 521	-	-	420 521
TOTAL COST	<u>4 552 815</u>	<u>5 695</u>	<u>-</u>	<u>4 558 510</u>
Less accumulated depreciation	<u>(765 050)</u>	<u>(129 301)</u>	<u>-</u>	<u>(894 351)</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 3 787 765</u>	<u>\$ (123 606)</u>	<u>\$ -</u>	<u>\$ 3 664 159</u>

CITY OF CROCKETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Depreciation expense was charged to the governmental functions as follows:

General government	\$ 84 222
Fire department	65 875
Police department	42 493
Street department	14 164
Sanitation department	81 290
Parks department	6 814
Library department	11 250
Civic center department	106 179
	<u>\$ 412 284</u>

E. Changes In Long-Term Liabilities:

Interest rates on note payable and certificates of obligation range from 1.65% to 4.7%. The following is a summary of the debt transactions of the City for the year ended September 30:

	BALANCE 10/01	ADDITIONS	RETIREMENTS	BALANCE 09/30	CURRENT
General Long-Term Debt:					
Lease payable	\$ 679 741	\$ 89 052	\$ (131 164)	\$ 637 629	\$ 123 276
Refunding bonds	2 925 000	-	(445 000)	2 480 000	455 000
Accrued compensated absences	80 962	6 603	-	87 565	-
	<u>\$ 3 685 703</u>	<u>\$ 95 655</u>	<u>\$ (576 164)</u>	<u>\$ 3 205 194</u>	<u>\$ 578 276</u>
Enterprise:					
Accrued leases payable	\$ 10 129	-	\$ (10 053)	\$ 56 063	\$ 10 421
Accrued compensated absences	66 116	-	(725)	9 404	-
	<u>\$ 76 245</u>	<u>\$ -</u>	<u>\$ (10 778)</u>	<u>\$ 65 467</u>	<u>\$ 10 421</u>

Economic Development:

USDA loan for construction of Voc Tech Bldg in Crockett, Texas for \$2,809,900 at 4.25% interest for 40 years.

Loan from Prosperity Bank of \$1,500,000 at 3.95% for ten years, with monthly payments of \$15,191 through 2024, for the renovation and assistance to Cornerstone facility.

OUTSTANDING 10/01	DRAWS	REPAYMENT	OUTSTANDING 09/30
\$ 4 163 662	\$ 31 850	\$ 133 815	\$ 4 061 697

The annual debt service requirements for the next five years and thereafter, including interest payments, for the refunding bonds and leases payable as of September 30 are as follows:

	GENERAL LONG-TERM DEBT	ENTERPRISE	ECONOMIC DEVELOP- MENT
YEAR ENDING SEPTEMBER 30,	REFUND BOND	LEASES PAYABLE	LEASES PAYABLE
2016	\$ 455 000	\$ 123 276	\$ 10 421
2017	465 000	127 625	10 803
2018	480 000	112 772	11 197
2019	495 000	42 364	11 609
2020	485 000	43 630	12 033
Thereafter	100 000	187 962	-
TOTAL	<u>\$ 2 480 000</u>	<u>\$ 637 629</u>	<u>\$ 56 063</u>

CITY OF CROCKETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2015

**NOTE 4 - OTHER INFORMATION**

**A. Plan Description**

The City of Crockett participates as one of 860 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](http://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 payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

***Employees Covered by Benefit Terms:***

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

Inactive employees or beneficiaries currently receiving benefits	43
Inactive employees entitled to but not yet receiving benefits	29
Active employees	<u>71</u>
	<u>143</u>

**C. Contributions**

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

CITY OF CROCKETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2015

NOTE 4 - OTHER INFORMATION - CONTINUED

Employees for the City of Crockett were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Crockett were 8.11% and 8.49% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015 were \$208,668, and were equal to the required contribution.

**D. Net Pension Liability**

The city's Net Pension Liability (NPL) was measured as of December 31, 2014, 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, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. 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.

CITY OF CROCKETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2015

**NOTE 4 - OTHER INFORMATION - CONTINUED**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ASSET CLASS	TARGET ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN (ARITHMETIC)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
TOTAL	100.0%	

***Discount Rate***

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

***Changes in the Net Pension Liability***

	INCREASE (DECREASE)		
	TOTAL PENSION LIABILITY (A)	PLAN FIDUCIARY NET POSITION (B)	NET PENSION LIABILITY (A) - (B)
Balance at December 31, 2013	\$ 9 326 013	\$ 8 965 358	\$ 360 655
Changes for the Year:			
Service cost	240 012	-	240 012
Interest	645 247	-	645 247
Change of benefit terms	-	-	-
Difference between expected and actual experience	(9 488)	-	(9 488)
Changes of assumptions	-	-	-
Contributions - Employer	-	245 493	(245 493)
Contributions - Employee	-	124 743	(124 743)
Net investment income	-	512 844	(512 844)
Benefit payments, including refunds of employee	(456 396)	(456 396)	-
Administrative expense	-	(5 355)	5 355
Other changes	-	(440)	440
NET CHANGES	419 375	420 889	(1 514)
Balance at December 31, 2014	\$ 9 745 388	\$ 9 386 247	\$ 359 141

CITY OF CROCKETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2015

**NOTE 4 - OTHER INFORMATION - CONTINUED**

***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 7.0%, 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 (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% DECREASE IN DISCOUNT RATE (6.0%)	DISCOUNT RATE (7.0%)	1% INCREASE IN DISCOUNT RATE (8.0%)
Net pension liability	\$ 1 600 050	\$ 359 141	\$ (671 528)

***Pension Plan Fiduciary Net Position***

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

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

For the year ended September 30, 2015, the city recognized pension expense of \$159,149.

At September 30, 2015, 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	\$ -	\$ 6 955
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	91 785	-
Contributions subsequent to the measurement date	152 681	-
TOTAL	\$ 244 466	\$ 6 955

The \$237,511 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 September 30, 2015. 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,	PENSION EXPENSE AMOUNT
2015	\$ 20 413
2016	20 413
2017	21 057
2018	22 947
2019	-
Thereafter	-
Total	\$ 84 830

CITY OF CROCKETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2015

NOTE 4 - OTHER INFORMATION - CONTINUED

Supplemental Death Benefits:

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit" or OPEB.

The City Offers Supplemental Death to:	<u>PLAN YEAR 2014</u>	<u>PLAN YEAR 2015</u>
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

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

The City's contributions to the TMRS SDBF for the years ended 2015, 2014 and 2013 were \$1,322, \$1,156 and \$1,070, respectively, which equaled the required contributions each year.

SCHEDULE OF CONTRIBUTION RATES  
(RETIREE-ONLY PORTION OF THE RATE)

<u>PLAN/ CALENDAR YEAR</u>	<u>ANNUAL REQUIRED CONTRIBUTION (RATE)</u>	<u>ACTUAL CONTRIBUTION MADE (RATE)</u>	<u>PERCENTAGE OF ARC CONTRIBUTED</u>
2013	0.05%	0.05%	100.0%
2014	0.05%	0.05%	100.0%
2015	0.05%	0.05%	100.0%

B. Risk Management:

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains workers' compensation and other risks of loss coverage through the Texas Municipal League Intergovernmental Risk Pool, which is a public entity risk pool. The pool is to be self-sustaining through member premiums and obtains reinsurance through commercial insurance companies for claims in excess of dollar amount. City management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims did not exceed the commercial coverage during the current fiscal year.

CITY OF CROCKETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2015

NOTE 4 - OTHER INFORMATION - CONTINUED

C. Commitments and Contingencies:

Intergovernmental Grants

Intergovernmental awards received by the City are subject to audit and adjustment by the funding agency or its representatives. If grant revenues are received for expenditures which are subsequently disallowed, the City may be required to repay the revenues to the funding agency. In the opinion of management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements at September 30.

D. Concentrations:

During 2015, the water and sewer fund spent \$789,264, for water from Houston County Water Control and Improvement District #1, to supply approximately 92% of water for the City.

E. Prior Period Adjustment:

Accounting Changes - Restatement

Change in Accounting Principles - As the result of implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the City has restated the beginning net position in the Statement of Net Position, effectively decreasing net position as of September 30, 2015 by \$94,380 and \$20,782 for the Governmental Activities and Business-Type Activities, respectfully. The decrease results from recognizing the long-term obligation for pension benefits.

Correction of an Error - Restatement

During 2015, it was determined that several capital leases were not recorded due to a timing issue. The City has restated the beginning net position in the Statement of Net Position, effectively increasing net position as of September 30, 2015 by \$146,529 and \$1,129 for the Governmental Activities and Business-Type Activities, respectfully. The change results from recognizing the assets and the capital lease obligations.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CROCKETT, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND  
For the Year Ended September 30, 2015

	ORIGINAL AND FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE FINAL BUDGET POSITIVE (NEGATIVE)
Revenues:			
Property taxes	\$ 1 004 802	\$ 1 038 283	\$ 33 481
Sales tax	995 000	1 110 254	115 254
Other taxes	517 328	679 952	162 624
Fines and fees	165 300	96 199	(69 101)
Interest	450	1 121	671
Municipal court fines	140 000	120 916	(19 084)
Sanitation charges	1 097 722	1 116 968	19 246
Grants and donations	50 000	55 921	5 921
Miscellaneous	399 126	408 688	9 562
TOTAL REVENUES	<u>4 369 728</u>	<u>4 628 302</u>	<u>258 574</u>
Expenditures:			
General administration	543 058	567 217	(24 159)
Fire department	408 620	424 001	(15 381)
Police department	1 293 453	1 377 597	(84 144)
Street department	533 593	444 681	88 912
Park department	162 047	151 203	10 844
Sanitation department	1 102 403	956 391	146 012
Economic development department	156 448	152 587	3 861
Library department	149 158	138 305	10 853
Fleet maintenance department	154 621	149 492	5 129
Civic center department	111 685	120 724	(9 039)
Emergency management department	22 551	22 551	-
TOTAL EXPENDITURES	<u>4 637 637</u>	<u>4 504 749</u>	<u>132 888</u>
EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES	<u>(267 909)</u>	<u>123 553</u>	<u>391 462</u>
Other Financing Sources (Uses):			
Proceeds from capital lease	-	89 052	89 052
Sale of assets	5 000	8 471	3 471
Transfers in (out)	262 909	65 698	(197 211)
TOTAL OTHER FINANCING SOURCES (USES)	<u>267 909</u>	<u>163 221</u>	<u>(104 688)</u>
NET CHANGE IN FUND BALANCES	-	286 774	286 774
Fund balances, beginning	<u>375 702</u>	<u>375 702</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 375 702</u>	<u>\$ 662 476</u>	<u>\$ 286 774</u>

See independent auditors' report.

CITY OF CROCKETT, TEXAS  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

	2014	2015	2016	2017
Total Pension Liability:				
Service cost	\$ 240 012	\$ -	\$ -	\$ -
Interest (on the total pension liability)	645 247	-	-	-
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(9 488)	-	-	-
Change of assumptions	-	-	-	-
Benefit payments, including refunds of employee contributions	(456 396)	-	-	-
NET CHANGE IN TOTAL PENSION LIABILITY	419 375	-	-	-
Total pension liability - Beginning	9 326 013	-	-	-
TOTAL PENSION LIABILITY - ENDING	9 745 388	-	-	-
Plan Fiduciary Net Position:				
Contributions - Employer	245 493	-	-	-
Contributions - Employee	124 743	-	-	-
Net investment income	512 844	-	-	-
Benefit payments, including refunds of employee contributions	(456 396)	-	-	-
Administrative	(5 355)	-	-	-
Other	(440)	-	-	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	420 889	-	-	-
Plan fiduciary net position - Beginning	8 965 358	-	-	-
PLAN FIDUCIARY NET POSITION - ENDING	9 386 247	-	-	-
NET PENSION LIABILITY - ENDING	\$ 359 141	\$ -	\$ -	\$ -
Plan fiduciary net position as a percentage of total pension liability	96.31%	- %	- %	- %
Covered employee payroll	\$ 2 494 853	\$ -	\$ -	\$ -
Net pension liability as a percentage of covered employee payroll	14.40%	- %	- %	- %

See independent auditors' report.

## COMBINING STATEMENTS

CITY OF CROCKETT, TEXAS  
COMBINING BALANCE SHEETS  
NON-MAJOR GOVERNMENTAL FUNDS  
September 30, 2015

	DEBT SERVICE	GRANT FUND	TOTAL
ASSETS			
Cash and investments	\$ 433 616	\$ 1 095	\$ 434 711
Property tax receivable	43 614	-	43 614
TOTAL ASSETS	<u>\$ 477 230</u>	<u>\$ 1 095</u>	<u>\$ 478 325</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Deferred revenue	\$ 43 614	\$ -	\$ 43 614
TOTAL LIABILITIES	<u>43 614</u>	<u>-</u>	<u>43 614</u>
Fund Balances:			
Restricted fund balance	433 616	1 095	434 711
TOTAL FUND BALANCES	<u>433 616</u>	<u>1 095</u>	<u>434 711</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 477 230</u>	<u>\$ 1 095</u>	<u>\$ 478 325</u>

See independent auditors' report.

CITY OF CROCKETT, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS  
 For Year Ending September 30, 2015

	DEBT SERVICE	GRANT FUND	TOTAL
Revenues:			
Property taxes	\$ 404 775	\$ -	\$ 404 775
Interest	925	3	928
Grant income	-	1 655 061	1 655 061
TOTAL REVENUES	<u>405 700</u>	<u>1 655 064</u>	<u>2 060 764</u>
Expenditures:			
Debt service	551 095	-	551 095
Grant expense	-	1 655 061	1 655 061
TOTAL EXPENDITURES	<u>551 095</u>	<u>1 655 061</u>	<u>2 206 156</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(145 395)</u>	<u>3</u>	<u>(145 392)</u>
Other Financing Sources (Uses):			
Transfers in (out)	243 458	(26 304)	217 154
TOTAL OTHER FINANCING SOURCES (USES)	<u>243 458</u>	<u>(26 304)</u>	<u>217 154</u>
NET CHANGE IN FUND BALANCES	98 063	(26 301)	71 762
Fund balances, beginning	<u>335 553</u>	<u>27 396</u>	<u>362 949</u>
FUND BALANCES, ENDING	<u>\$ 433 616</u>	<u>\$ 1 095</u>	<u>\$ 434 711</u>

See independent auditors' report.

OTHER BUDGETARY SCHEDULES

CITY OF CROCKETT, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL - WATER AND SEWER FUND  
For the Year Ended September 30, 2015

	ORIGINAL AND FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)
Operating Revenues:			
Charges for services	\$ 2 751 786	\$ 2 804 568	\$ 52 782
Miscellaneous	33 989	19 397	(14 592)
TOTAL REVENUES	<u>2 785 775</u>	<u>2 823 965</u>	<u>38 190</u>
Operating Expenses:			
Purchase of utilities	245 070	257 678	(12 608)
Payroll cost	695 104	634 870	60 234
Supplies and materials	202 350	147 928	54 422
Repairs and maintenance	121 859	123 969	(2 110)
Purchased and contracted services	790 820	789 264	1 556
Miscellaneous	469 678	304 581	165 097
Depreciation	257 000	249 847	7 153
TOTAL EXPENSES	<u>2 781 881</u>	<u>2 508 137</u>	<u>273 744</u>
OPERATING INCOME	<u>3 894</u>	<u>315 828</u>	<u>311 934</u>
Non-Operating Revenues (Expense):			
Interest income	2 015	615	(1 400)
Interest expense	-	(825)	(825)
Transfers in (out)	(262 909)	(282 852)	(19 943)
TOTAL NON-OPERATING INCOME	<u>(260 894)</u>	<u>(283 062)</u>	<u>(22 168)</u>
NET CHANGE IN NET POSITION	(257 000)	32 766	289 766
Net position, beginning	5 718 797	5 718 797	-
Prior period adjustment	-	(19 653)	-
NET POSITION, ENDING	<u>\$ 5 461 797</u>	<u>\$ 5 731 910</u>	<u>\$ 289 766</u>

See independent auditors' report.

CITY OF CROCKETT, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL - DEBT SERVICE FUND  
For the Year Ended September 30, 2015

	ORIGINAL AND FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)
Revenues:			
Property taxes	\$ 379 758	\$ 404 775	\$ 25 017
Interest	-	925	925
TOTAL REVENUES	<u>379 758</u>	<u>405 700</u>	<u>25 942</u>
Expenditures:			
Debt service expense	<u>411 938</u>	<u>551 095</u>	<u>(139 157)</u>
TOTAL EXPENDITURES	<u>411 938</u>	<u>551 095</u>	<u>(139 157)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(32 180)</u>	<u>(145 395)</u>	<u>(113 215)</u>
Other Financing Sources (Uses):			
Transfers in (out)	<u>-</u>	<u>243 458</u>	<u>243 458</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>243 458</u>	<u>243 458</u>
NET CHANGE IN NET BALANCES	(32 180)	98 063	130 243
Fund balances, beginning	<u>335 553</u>	<u>335 553</u>	<u>-</u>
FUND BALANCES, ENDING	\$ <u>303 373</u>	\$ <u>433 616</u>	\$ <u>130 243</u>

See independent auditors' report.

COMPONENT UNIT  
CROCKETT ECONOMIC AND INDUSTRIAL  
DEVELOPMENT CORPORATION

CROCKETT ECONOMIC AND INDUSTRIAL DEVELOPMENT CORPORATION  
GOVERNMENTAL FUND BALANCE SHEET /  
STATEMENT OF NET POSITION  
September 30, 2015

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF NET POSITION
<b>ASSETS</b>			
Cash	\$ 934 922	\$ -	\$ 934 922
Capital assets, net of accumulated depreciation	-	3 664 159	3 664 159
<b>TOTAL ASSETS</b>	<u>\$ 934 922</u>	<u>3 664 159</u>	<u>4 599 081</u>
<b>LIABILITIES</b>			
Current portion of notes payable	\$ -	168 833	168 833
Accrued interest	-	18 983	18 983
Long-term portion of notes payable	-	3 892 864	3 892 864
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>4 080 680</u>	<u>4 080 680</u>
<b>FUND BALANCE/NET POSITION</b>			
Fund Balance:			
Unrestricted	934 922	(934 922)	-
<b>TOTAL FUND BALANCE</b>	<u>934 922</u>	<u>(934 922)</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 934 922</u>		
<b>NET POSITION</b>			
Invested in capital assets, net of related debt		891 376	891 376
Unrestricted		(372 975)	(372 975)
<b>TOTAL NET POSITION</b>		<u>\$ 518 401</u>	<u>\$ 518 401</u>

See independent auditors' report.

CROCKETT ECONOMIC AND INDUSTRIAL DEVELOPMENT CORPORATION  
GOVERNMENTAL INCOME STATEMENT  
For the Year Ended September 30, 2015

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF NET POSITION
Revenues	\$ 556 227	\$ -	\$ 556 227
TOTAL REVENUES	<u>556 227</u>	<u>-</u>	<u>556 227</u>
Expenditures:			
Advertising expense	7 667	-	7 667
Supplies expense	846	-	846
Incentive expense	95 735	-	95 735
Audit expense	4 500	-	4 500
Dues and subscriptions	3 093	-	3 093
Professional services	612	-	612
Telephone	4 410	-	4 410
Travel	12 170	-	12 170
Payroll	128 446	-	128 446
Taxes and benefits	36 501	-	36 501
Meals and entertainment	2 022	-	2 022
Utilities	3 000	-	3 000
Industrial park	9 244	(4 420)	4 824
Equipment	1 860	(1 275)	585
Consultants	3 035	-	3 035
Miscellaneous	208	-	208
Debt service	182 289	(133 781)	48 508
Depreciation		129 301	129 301
TOTAL EXPENDITURES/EXPENSES	<u>495 638</u>	<u>(10 175)</u>	<u>485 463</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>60 589</u>	<u>10 175</u>	<u>70 764</u>
Other Financing Sources (Uses):			
Loan proceeds, net	<u>31 930</u>	<u>(31 930)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>31 930</u>	<u>(31 930)</u>	<u>-</u>
CHANGE IN FUND BALANCE/ NET POSITION	92 519	(21 755)	70 764
Fund Balance/Net Position:			
Beginning of year	<u>842 403</u>	<u>-</u>	<u>447 637</u>
END OF YEAR	<u>\$ 934 922</u>		<u>\$ 518 401</u>

See independent auditors' report.

COMPLIANCE AND INTERNAL CONTROL SECTION

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

Honorable Mayor and  
Members of the City Council  
City of Crockett, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Crockett, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Crockett, Texas' basic financial statements, and have issued our report thereon dated March 21, 2016.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We noted one instance described in the accompanying schedule of findings and questioned costs as item 2015-01.

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Crockett, Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

Lufkin, Texas  
March 21, 2016

  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133

Honorable Mayor and  
Members of the City Council  
City of Crockett, Texas

**Report on Compliance for Each Major Federal Program**

We have audited the City of Crockett, Texas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Crockett, Texas' major federal programs for the year ended September 30, 2015. The City of Crockett, Texas' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Crockett, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Crockett, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, the City of Crockett, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

## Report on Internal Control Over Compliance

Management of the City of Crockett, Texas, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Crockett, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Crockett, Texas' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Lufkin, Texas  
March 21, 2016

  
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF CROCKETT, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2015

A. Summary of the Auditor's Results

1. Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

X Yes    \_\_\_ No

Deficiency(s) identified that are not  
considered to be material weaknesses?

\_\_\_ Yes    X None reported

Noncompliance material to financial statements noted?

\_\_\_ Yes    X No

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified?

\_\_\_ Yes    X No

Deficiency(s) identified that are not  
considered to be material weaknesses?

\_\_\_ Yes    X None reported

Type of auditor's report issued on compliance for  
major programs:

Unmodified

Any audit findings disclosed that are required  
to be reported in accordance with section 510(a)  
of Circular A-133?

\_\_\_ Yes    X No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

97.039

Hazard Mitigation Grant

14.228

Community Block Development Grant

Dollar threshold used to distinguish between  
type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

X Yes    \_\_\_ No

B. Financial Statement Findings

Finding 2015-1

Condition - The Economic Development Corporation has one employee performing the bookkeeping function.

Criteria - The bookkeeping function should have a separation of duties to allow adequate control of financial information and reporting.

Effect - There is a risk of material misstatement in the financial records due to the lack of segregation of controls related to financial activity.

Question Cost - None

Recommendation - We recommend that the Executive Director and Board actively monitor and review all financial reporting and activity.

Client Response - The Corporation is aware of the risk related to the lack of segregation of bookkeeping duties, but has determined it is not economically feasible to employ additional accounting staff. Therefore, the Executive Director and Board will continue to actively monitor the bookkeeping function.

C. Federal Award Findings and Questioned Costs

NONE

CITY OF CROCKETT, TEXAS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended September 30, 2015

<u>Findings/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation if Not Implemented</u>
Same as current finding.		

CITY OF CROCKETT, TEXAS  
CORRECTIVE ACTION PLAN  
For the Year Ended September 30, 2015

Same as client response in finding.

CITY OF CROCKETT, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended September 30, 2015

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	(2) FEDERAL CFDA NUMBER	(2A) PASS-THROUGH ENTITY IDENTIFYING NUMBER	(3) FEDERAL EXPENDITURES
U.S. Department of Homeland Security:			
Hazard Mitigation Grant	97.039	DR1791	\$ 329 278
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>329 278</u>
U.S. Department of Housing and Urban Development:			
Community Development Block Program, Disaster Recovery	14.218	DRS220033	<u>1 325 783</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>1 325 783</u>
TOTAL FEDERAL EXPENDITURES			\$ <u>1 655 061</u>

See independent auditors' report and the accompanying notes to this schedule.

CITY OF CROCKETT, TEXAS  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended September 30, 2015

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Crockett, Texas and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in the preparation of, the general purpose financial statements.