

CITY OF CROCKETT, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2016

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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, 2016, 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, 2016, 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 and other budgetary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements and other budgetary schedules 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 and component unit 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 May 15, 2017, 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 43-44 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
May 15, 2017

**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, 2016. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

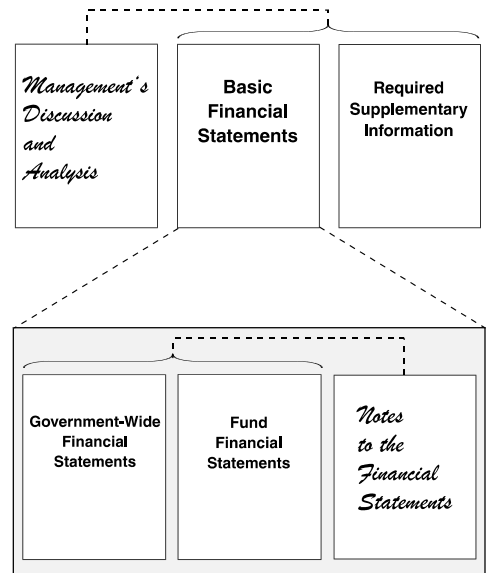
- The City's total combined net position was \$11,130,166 at September 30, 2016.
- During the year, the City's expenses were \$793,077 less than the \$5,879,468 generated in revenues for governmental activities.

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, liabilities and deferred inflows/outflows - is one way to measure the City's financial health or *position*.

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 position • 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 deferred inflows/outflows 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

- 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.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was \$11,130,166 (See Table A-1).

Table A-1
City's Net Position

	GOVERNMENTAL		BUSINESS-TYPE		TOTAL	
	ACTIVITIES		ACTIVITIES			
	2016	2015	2016	2015	2016	2015
Current Assets:						
Cash and cash equivalents	\$ 1 606 413	\$ 1 188 366	\$ 641 155	\$ 538 386	\$ 2 247 568	\$ 1 726 752
Receivables	500 676	490 575	402 777	275 823	903 453	766 398
TOTAL CURRENT ASSETS	2 107 089	1 678 941	1 043 932	814 209	3 151 021	2 493 150
Noncurrent Assets:						
Cash and cash equivalents	-	-	780 374	458 830	780 374	458 830
Capital assets (net)	6 091 952	6 349 181	4 687 632	4 866 751	10 779 584	11 215 932
TOTAL NONCURRENT ASSETS	6 091 952	6 349 181	5 468 006	5 325 581	11 559 958	11 674 762
TOTAL ASSETS	8 199 041	8 028 122	6 511 938	6 139 790	14 710 979	14 167 912
Deferred Outflows:						
Pension	500 990	-	118 254	-	619 244	-
Subsequent contributions	103 471	-	22 294	-	125 765	-
Bond issue cost	-	200 351	-	44 046	-	244 397
TOTAL ASSETS AND DEFERRED OUTFLOWS	8 803 502	8 228 473	6 652 486	6 183 836	15 455 988	14 412 309
Current Liabilities:						
Accounts payable and accrued liabilities	178 339	95 377	46 626	43 429	224 965	138 806
Customer deposits	-	-	284 132	276 965	284 132	276 965
TOTAL CURRENT LIABILITIES	178 339	95 377	330 758	320 394	509 097	415 771
Noncurrent Liabilities:						
Due within one year	361 111	578 276	10 803	10 421	371 914	588 697
Due in more than one year	3 084 850	2 921 250	196 156	119 856	3 281 006	3 041 106
TOTAL LIABILITIES	3 624 300	3 594 903	537 717	450 671	4 162 017	4 045 574
Deferred inflows	132 314	379 759	31 491	1 255	163 805	381 014
TOTAL LIABILITIES AND DEFERRED INFLOWS	3 756 614	3 974 662	569 208	451 926	4 325 822	4 426 588
Net Position:						
Invested in capital assets	3 372 292	3 231 552	4 641 990	4 810 688	8 014 282	8 042 240
Restricted	546 023	434 711	780 374	458 830	1 326 397	893 541
Unrestricted	1 128 573	587 548	660 914	462 392	1 789 487	1 049 940
TOTAL NET POSITION	\$ 5 046 888	\$ 4 253 811	\$ 6 083 278	\$ 5 731 910	\$ 11 130 166	\$ 9 985 721

Changes in Net Position. The City's total revenues were \$8,975,617. 41%, of the City's revenue comes from taxes. 51% relates to charges for services.

The total cost of all programs and services was \$7,831,172; of these costs 35% were for business-type activities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016, the City had invested \$10,779,584 (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 \$2,860,972 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			
	2016	2015	2016	2015	2016	2015
Leases payable	\$ 504 660	\$ 637 629	\$ 45 642	\$ 56 063	\$ 550 302	\$ 693 692
Bonds payable	2 215 000	2 480 000	-	-	2 215 000	2 480 000
Accrued vacation	82 593	87 565	13 077	9 405	95 670	96 970
TOTAL	<u>\$ 2 802 253</u>	<u>\$ 3 205 194</u>	<u>\$ 58 719</u>	<u>\$ 65 468</u>	<u>\$ 2 860 972</u>	<u>\$ 3 270 662</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 5th Street, Crockett, Texas.

BASIC FINANCIAL STATEMENTS

CITY OF CROCKETT, TEXAS
STATEMENTS OF NET POSITION
September 30, 2016

	GOVERN- MENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL	ECONOMIC DEVELOPMENT CORPORATION
ASSETS				
Current Assets:				
Cash and investments	\$ 1 606 413	\$ 641 155	\$ 2 247 568	\$ 340 171
Receivables Net of Allowance for Uncollectibles:				
Taxes	49 495	-	49 495	-
Customer accounts	-	393 431	393 431	-
Other	451 181	9 346	460 527	21 486
TOTAL CURRENT ASSETS	2 107 089	1 043 932	3 151 021	361 657
Noncurrent Assets:				
Restricted cash	-	780 374	780 374	-
Capital Assets:				
Land	1 384 487	161 390	1 545 877	345 440
Streets and infrastructure	-	-	-	1 409 408
Buildings and improvements	7 171 743	-	7 171 743	2 765 815
Furniture and equipment	5 305 603	992 282	6 297 885	44 328
Utility systems	-	12 379 688	12 379 688	-
Less: Accumulated depreciation	(7 769 881)	(8 845 728)	(16 615 609)	(1 023 614)
TOTAL CAPITAL ASSETS	6 091 952	4 687 632	10 779 584	3 541 377
TOTAL NONCURRENT ASSETS	6 091 952	5 468 006	11 559 958	3 541 377
TOTAL ASSETS	8 199 041	6 511 938	14 710 979	3 903 034
DEFERRED OUTFLOWS				
Deferred outflow - Pension	500 990	118 254	619 244	-
Deferred outflow - Subsequent contributions	103 471	22 294	125 765	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 8 803 502	\$ 6 652 486	\$ 15 455 988	\$ 3 903 034
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 107 871	\$ 22 293	\$ 130 164	\$ -
Accrued liabilities	65 346	24 333	89 679	39 164
Accrued interest payable	5 122	-	5 122	22 007
Current Portion of Long-Term Debt Liabilities:				
Notes payable	-	-	-	284 248
Leases payable	101 111	10 803	111 914	-
Revenue bonds	260 000	-	260 000	-
TOTAL CURRENT LIABILITIES	539 450	57 429	596 879	345 419
Noncurrent Liabilities:				
Bonds payable	1 955 000	-	1 955 000	-
Capitalized lease obligations	403 549	34 839	438 388	-
Notes payable	-	-	-	3 072 680
Accrued comp absence	82 593	13 077	95 670	-
Customer deposits	-	284 132	284 132	-
Net pension liability	643 708	148 240	791 948	-
TOTAL NONCURRENT LIABILITIES	3 084 850	480 288	3 565 138	3 072 680
TOTAL LIABILITIES	3 624 300	537 717	4 162 017	3 418 099
DEFERRED INFLOWS				
Deferred inflows - Pension	132 314	31 491	163 805	-
TOTAL LIABILITIES AND DEFERRED INFLOWS	\$ 3 756 614	\$ 569 208	\$ 4 325 822	\$ 3 418 099
NET POSITION				
Invested in capital assets, net of related debt	\$ 3 372 292	\$ 4 641 990	\$ 8 014 282	\$ 886 594
Restricted for:				
Debt service	544 926	780 374	1 325 300	-
Grants	1 097	-	1 097	-
Unrestricted	1 128 573	660 914	1 789 487	(401 659)
TOTAL NET POSITION	\$ 5 046 888	\$ 6 083 278	\$ 11 130 166	\$ 484 935

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

CITY OF CROCKETT, TEXAS
STATEMENTS OF ACTIVITIES
For the Year Ended September 30, 2016

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION			
		CHARGES FOR SERVICES	OPERATING AND CONTRI- BUTIONS	CAPITAL AND CONTRI- BUTIONS	PRIMARY GOVERNMENT			COMPONENT UNIT ECONOMIC DEVELOPMENT CORPORATION
					GOVERN- MENTAL ACTIVITIES	BUSINESS -TYPE ACTIVITIES	TOTAL	
Primary Government:								
Governmental Activities:								
General government	\$ 628 917	\$ 227 363	\$ 18 408	\$ -	\$ (383 146)	\$ -	\$ (383 146)	\$ -
Fire department	412 094	14 920	50 000	-	(347 174)	-	(347 174)	-
Police and courts department	1 445 866	119 411	-	-	(1 326 455)	-	(1 326 455)	-
Street department	378 879	-	-	-	(378 879)	-	(378 879)	-
Parks department	153 624	10 241	-	-	(143 383)	-	(143 383)	-
Sanitation department	1 237 281	1 199 248	96 013	-	57 980	-	57 980	-
Economic development department	132 436	-	-	-	(132 436)	-	(132 436)	-
Library department	162 863	-	-	-	(162 863)	-	(162 863)	-
Fleet maintenance department	124 879	-	-	-	(124 879)	-	(124 879)	-
Civic center department	212 833	10 929	-	-	(201 904)	-	(201 904)	-
Emergency management department	90 325	-	-	-	(90 325)	-	(90 325)	-
Interest expense	106 394	-	-	-	(106 394)	-	(106 394)	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>5 086 391</u>	<u>1 582 112</u>	<u>164 421</u>	<u>-</u>	<u>(3 339 858)</u>	<u>-</u>	<u>(3 339 858)</u>	<u>-</u>
Business-Type Activities:								
Water and sewer	2 744 781	3 017 654	-	-	-	272 873	272 873	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>2 744 781</u>	<u>3 017 654</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>272 873</u>	<u>272 873</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 7 831 172</u>	<u>\$ 4 599 766</u>	<u>\$ 164 421</u>	<u>\$ -</u>	<u>(3 339 858)</u>	<u>272 873</u>	<u>(3 066 985)</u>	<u>-</u>
Component Units:								
Economic development corporation	\$ 952 500	\$ -	\$ -	\$ -	-	-	-	(952 500)
TOTAL COMPONENT UNITS	<u>\$ 952 500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(952 500)</u>
General Revenues:								
Taxes:								
Property taxes - General					1 415 912	-	1 415 912	-
Property taxes - Debt service					388 007	-	388 007	-
Sales taxes					1 307 123	-	1 307 123	653 562
Other tax revenue					590 507	-	590 507	-
Unrestricted investment earnings					9 520	870	10 390	-
Other unrestricted revenue					144 090	48 595	192 685	28 441
Gain on sale of assets					306 806	-	306 806	-
Transfers					(29 030)	29 030	-	-
TOTAL GENERAL REVENUES					<u>4 132 935</u>	<u>78 495</u>	<u>4 211 430</u>	<u>682 003</u>
CHANGE IN NET POSITION					<u>793 077</u>	<u>351 368</u>	<u>1 144 445</u>	<u>(270 497)</u>
Net position - Beginning					4 253 811	5 731 910	9 985 721	518 401
Prior period adjustment					-	-	-	237 031
NET POSITION - BEGINNING (RESTATED)					<u>4 253 811</u>	<u>5 731 910</u>	<u>9 985 721</u>	<u>755 432</u>
NET POSITION - ENDING					<u>\$ 5 046 888</u>	<u>\$ 6 083 278</u>	<u>\$ 11 130 166</u>	<u>\$ 484 935</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, 2016

	GENERAL	DEBT SERVICE	GRANT FUND	TOTAL
ASSETS				
Cash and investments	\$ 1 060 390	\$ 544 926	\$ 1 097	\$ 1 606 413
Property tax receivable	-	49 495	-	49 495
Other receivables	451 181	-	-	451 181
TOTAL ASSETS	\$ 1 511 571	\$ 594 421	\$ 1 097	\$ 2 107 089
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 107 871	\$ -	\$ -	\$ 107 871
Accrued liabilities	65 346	-	-	65 346
TOTAL LIABILITIES	173 217	-	-	173 217
Deferred Inflows:				
Unearned revenue	451 599	49 495	-	501 094
TOTAL DEFERRED INFLOWS	451 599	49 495	-	501 094
Fund Balance:				
Unassigned Reported in:				
General fund	886 755	544 926	1 097	1 432 778
TOTAL FUND BALANCE	\$ 886 755	\$ 544 926	\$ 1 097	
Amounts Reported for Governmental Activities in the Statement of Net Activities are Different Because:				
Capital assets used in governmental activities are financial resources and, therefore, are not reported in the funds.				6 091 952
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.				604 565
Deferred inflows and outflows, net, used in governmental activity, not recorded in funds.				368 676
Net pension liability used in governmental activities not recorded in funds.				(643 708)
Debt principal and compensated absences used in governmental activity, not recorded in funds.				(2 807 375)
NET POSITION OF GOVERNMENTAL ACTIVITIES				\$ 5 046 888

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, 2016

	GENERAL	DEBT SERVICE	GRANT FUND	TOTAL
Revenues:				
Property taxes	\$ 1 031 050	\$ 388 007	\$ -	\$ 1 419 057
Sales tax	1 307 123	-	-	1 307 123
Other taxes	590 507	-	-	590 507
Fines and fees	60 935	-	-	60 935
Municipal court fines	94 566	-	-	94 566
Sanitation charges	1 199 248	-	-	1 199 248
Grant and donations	143 925	-	4 940	148 865
Miscellaneous	387 009	-	-	387 009
TOTAL REVENUES	4 814 363	388 007	4 940	5 207 310
Expenditures:				
General administration	535 258	-	-	535 258
Fire department	377 626	-	-	377 626
Police department	1 415 208	-	-	1 415 208
Street department	476 482	-	-	476 482
Park department	143 995	-	-	143 995
Sanitation department	1 385 397	-	-	1 385 397
Economic development department	128 481	-	-	128 481
Library department	147 938	-	-	147 938
Fleet maintenance department	121 654	-	-	121 654
Civic center department	106 385	-	-	106 385
Emergency management department	88 551	-	-	88 551
Debt service	-	421 355	-	421 355
Grant expense	-	-	4 940	4 940
TOTAL EXPENDITURES	4 926 975	421 355	4 940	5 353 270
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(112 612)	(33 348)	-	(145 960)
Other Financing Sources (Uses):				
Proceeds from debt	108 964	2 563 173	-	2 672 137
Interest	1 644	7 874	2	9 520
Payments to escrow	-	(2 512 003)	-	(2 512 003)
Gain on sale of assets	340 927	-	-	340 927
Transfers in (out)	(114 644)	85 614	-	(29 030)
TOTAL OTHER FINANCING SOURCES (USES)	336 891	144 658	2	481 551
NET CHANGE IN FUND BALANCES	224 279	111 310	2	335 591
Fund balances, beginning	662 476	433 616	1 095	1 097 187
FUND BALANCE, ENDING	\$ 886 755	\$ 544 926	\$ 1 097	\$ 1 432 778

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, 2016

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

Net change in fund balances - Total governmental funds.	\$ 335 591
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.	(257 229)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	384 862
Governmental funds report debt payments, compensated absences and pension amounts as expenses, however, in the statement of net position they are included in the liability. The amount is the net effect of these differences in the treatment of long-term debt and related items.	3 001 990
Governmental funds report debt proceeds as revenues, however, in the statement of net assets these are recorded as the liability.	(2 672 137)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 793 077

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

CITY OF CROCKETT, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2016

ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 641 155
Accounts receivable (net of allowance for uncollectibles)	393 431
Other receivables	9 346
TOTAL CURRENT ASSETS	1 043 932
Noncurrent Assets:	
Restricted cash	780 374
Capital Assets:	
Land	161 390
Furniture and equipment	992 282
Utility systems	12 379 688
Accumulated depreciation	(8 845 728)
NET CAPITAL ASSETS	4 687 632
TOTAL NONCURRENT ASSETS	5 468 006
TOTAL ASSETS	6 511 938
Deferred Outflows:	
Pension	118 254
Subsequent contributions	22 294
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 6 652 486
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 22 293
Accrued liabilities	24 333
Current portion of long-term liabilities	10 803
TOTAL CURRENT LIABILITIES	57 429
Noncurrent Liabilities:	
Leases payable	34 839
Accrued compensated absences	13 077
Customer deposits	284 132
Net pension liability	148 240
TOTAL NONCURRENT LIABILITIES	480 288
TOTAL LIABILITIES	537 717
Deferred Inflows:	
Pension	31 491
TOTAL LIABILITIES AND DEFERRED INFLOWS	569 208
NET POSITION	
Restricted for debt service	780 374
Unrestricted	5 302 904
TOTAL NET POSITION	\$ 6 083 278

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, 2016

Operating Revenues:	
Charges for service	\$ 3 017 654
Miscellaneous	48 595
TOTAL OPERATING REVENUES	3 066 249
Operating Expenses:	
Purchase of utilities	256 282
Payroll costs	729 679
Supplies and materials	213 378
Repairs and maintenance	122 279
Purchased and contracted services	782 881
Miscellaneous	347 861
Depreciation	252 054
TOTAL OPERATING EXPENSES	2 704 414
OPERATING INCOME	361 835
Nonoperating Revenues (Expenses):	
Interest income	870
Interest expense	(40 367)
Transfer in (out)	29 030
TOTAL NONOPERATING REVENUES (EXPENSES)	(10 467)
CHANGE IN NET POSITION	351 368
Net position - Beginning	5 731 910
NET POSITION - ENDING	\$ 6 083 278

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, 2016

Reconciliation of Operating Income to Net Cash Provided	
by Operating Activities:	
Operating income	\$ 361 835
Depreciation	252 054
Adjustments to Reconcile Operating Income to Net	
Provided by Operating Activities:	
Decrease (increase) in accounts receivable	(125 206)
Decrease (increase) in other receivables	(1 748)
Increase (decrease) in accounts payable	(14 554)
Increase (decrease) in accrued expenses payable	17 751
Increase (decrease) in compensated absences	3 672
Increase (decrease) in customer deposits	7 167
Decrease (increase) in deferred outflows	(96 502)
Increase (decrease) in deferred inflows	30 236
Increase (decrease) in net pension liability	83 431
TOTAL ADJUSTMENTS	<u>(95 753)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>518 136</u>
Cash Flows from Noncapital Financing Activities:	
Operating transfers in (out)	<u>29 030</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>29 030</u>
Cash Flows from Capital and Related Activities:	
Purchase of capital assets	(72 935)
Principal paid on capital debt	(10 421)
Interest paid on capital debt	(40 367)
NET CASH (USED) BY CAPITAL AND RELATED ACTIVITIES	<u>(123 723)</u>
Cash Flows from Investing Activities:	
Interest on investments	<u>870</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>870</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	424 313
Cash and cash equivalents, beginning	<u>997 216</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 1 421 529</u>

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

CITY OF CROCKETT, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
September 30, 2016

	<u>TRUST FUNDS</u>
ASSETS	
Cash and cash equivalents	\$ 774 789
TOTAL ASSETS	<u>\$ 774 789</u>
 LIABILITIES	
Due to others	\$ 774 789
TOTAL LIABILITIES	<u>\$ 774 789</u>

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

CITY OF CROCKETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

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, 2016

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 (Major) - 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, 2016

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, 2016

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, 2016

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, 2016

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 May 15, 2017, 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
Police department – General Fund	\$ 112 021
Sanitation department – General Fund	\$ 130 682

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 \$3,802,731 and the bank balances were \$3,081,185. 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, 2016

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	\$	780 374
Trust funds		<u>774 789</u>
TOTAL	\$	<u><u>1 555 163</u></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 <u>BALANCE</u>	ADDITIONS	DELETIONS	ENDING <u>BALANCE</u>
Governmental Activities:				
Land	\$ 1 384 487	\$ -	\$ -	\$ 1 384 487
Construction in Progress:				
Buildings and improvements	7 171 743	-	-	7 171 743
Furniture and equipment	<u>5 775 819</u>	<u>158 046</u>	<u>(628 262)</u>	<u>5 305 603</u>
TOTAL COST	<u>14 332 049</u>	<u>158 046</u>	<u>(628 262)</u>	<u>13 861 833</u>
Less Accumulated Depreciation:				
Buildings and improvements	(3 341 340)	(167 084)	-	(3 508 424)
Furniture and equipment	<u>(4 641 528)</u>	<u>(214 070)</u>	<u>594 141</u>	<u>(4 261 457)</u>
TOTAL ACCUMULATED DEPRECIATION	<u>(7 982 868)</u>	<u>(381 154)</u>	<u>594 141</u>	<u>(7 769 881)</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 6 349 181</u>	<u>\$ (223 108)</u>	<u>\$ (34 121)</u>	<u>\$ 6 091 952</u>
Proprietary Fund Activities:				
Land	\$ 161 390	\$ -	\$ -	\$ 161 390
Furniture and equipment	992 282	-	-	992 282
Utility systems	<u>12 306 753</u>	<u>72 935</u>	<u>-</u>	<u>12 379 688</u>
TOTAL COST	<u>13 460 425</u>	<u>72 935</u>	<u>-</u>	<u>13 533 360</u>
Less Accumulated Depreciation:				
Furniture and equipment	(909 400)	(16 483)	-	(925 883)
Utility systems	<u>(7 684 274)</u>	<u>(235 571)</u>	<u>-</u>	<u>(7 919 845)</u>
TOTAL ACCUMULATED DEPRECIATION	<u>(8 593 674)</u>	<u>(252 054)</u>	<u>-</u>	<u>(8 845 728)</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 4 866 751</u>	<u>\$ (179 119)</u>	<u>\$ -</u>	<u>\$ 4 687 632</u>
Component Unit:				
Land	\$ 369 094	\$ -	\$ (23 654)	\$ 345 440
Furniture and equipment	42 853	3 071	(1 596)	44 328
Building and improvements	2 756 655	9 160	-	2 765 815
Streets	969 387	-	-	969 387
Infrastructure - W/S lines	<u>420 521</u>	<u>19 500</u>	<u>-</u>	<u>440 021</u>
TOTAL COST	<u>4 558 510</u>	<u>31 731</u>	<u>(25 250)</u>	<u>4 564 991</u>
Less accumulated depreciation	<u>(894 351)</u>	<u>(130 859)</u>	<u>1 596</u>	<u>(1 023 614)</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 3 664 159</u>	<u>\$ (99 128)</u>	<u>\$ (23 654)</u>	<u>\$ 3 541 377</u>

CITY OF CROCKETT, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Depreciation expense was charged to the governmental functions as follows:

General government	\$	84 219
Fire department		65 875
Police department		41 694
Street department		25 062
Sanitation department		40 063
Parks department		6 812
Library department		11 250
Civic center department		106 179
	\$	<u>381 154</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	\$ 637 629	\$ 108 964	\$ (241 934)	\$ 504 660	\$ 101 111
Refunding bonds	2 480 000	2 570 000	(2 835 000)	2 215 000	260 000
Accrued compensated absences	87 565	-	(4 972)	82 593	-
	<u>\$ 3 205 194</u>	<u>\$ 2 678 964</u>	<u>\$ (3 081 906)</u>	<u>\$ 2 802 253</u>	<u>\$ 361 111</u>
Enterprise:					
Accrued leases payable	\$ 56 063	\$ -	\$ (10 421)	\$ 45 642	\$ 10 803
Accrued compensated absences	9 404	3 673	-	13 077	-
	<u>\$ 65 467</u>	<u>\$ 3 673</u>	<u>\$ (10 421)</u>	<u>\$ 58 719</u>	<u>\$ 10 803</u>

Advanced Refunding:

The City issued \$2,570,000 of general obligation refunding bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payment on the refunded bonds. The net proceeds of \$2,512,003 (after issuance costs of \$51,170) were used to advance refund a portion of the Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation Series 2004 bond with a total principal amount of \$825,000 and interest ranging from 3.9 % to 4.7% and General Obligation Refunding Bonds Series 2011 with a total principal amount of \$3,390,000 and interest ranging from 1.65% to 4.2%. As a result, the refunded portion of the bonds are considered to be defeased and the liability has been removed from the government-wide financial statements.

This advance refunding was undertaken to restructure total debt service payments over the next eight years which resulted in additional payments of \$13,511 and an economic gain of \$68,154.

EXCERPT FROM GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Other Financing Sources (Uses):

Proceeds of refunding bonds	\$	2 563 173
Bond issuance costs		(51 170)
Payment to refunded bond escrow agent		(2 512 003)

CITY OF CROCKETT, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

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	PRIOR PERIOD ADJUSTMENT	DRAWS	REPAYMENT	OUTSTANDING 09/30
\$ 4 061 697	\$ 60 291	\$ 150 000	\$ (794 478)	\$ 3 356 928

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:

YEAR ENDING SEPTEMBER 30,	GENERAL LONG-TERM DEBT		ENTERPRISE	ECONOMIC DEVELOP- MENT
	REFUND BOND	LEASES PAYABLE	LEASES PAYABLE	NOTE PAYABLE
2017	\$ 260 000	\$ 101 111	\$ 10 803	\$ 284 248
2018	265 000	85 223	11 197	206 636
2019	270 000	64 158	11 609	215 045
2020	275 000	66 206	12 033	223 796
2021	275 000	44 935	-	82 230
Thereafter	870 000	143 027	-	2 344 973
TOTAL	\$ 2 215 000	\$ 504 660	\$ 45 642	\$ 3 356 928

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.tmrs.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.

CITY OF CROCKETT, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2016

NOTE 4 - OTHER INFORMATION - CONTINUED

Employees Covered by Benefit Terms:

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	52
Inactive employees entitled to but not yet receiving benefits	40
Active employees	55
	147

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.

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 8.49% in calendar years 2015 and 2016. The City's contributions to TMRS for the year ended September 30, 2016 were \$125,765, and were equal to the required contribution.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, 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, 2015 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, 2015, 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 2015 valuation.

CITY OF CROCKETT, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2016

NOTE 4 - OTHER INFORMATION - CONTINUED

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.

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, 2014	\$ 9 745 388	\$ 9 386 247	\$ 359 141
Changes for the Year:			
Service cost	276 955	-	276 955
Interest	672 346	-	672 346
Change of benefit terms	-	-	-
Difference between expected and actual experience	(222 477)	-	(222 477)
Changes of assumptions	47 264	-	47 264
Contributions - Employer	-	211 642	(211 642)
Contributions - Employee	-	124 642	(124 642)
Net investment income	-	13 850	(13 850)
Benefit payments, including refunds of employee	(557 839)	(557 839)	-
Administrative expense	-	(8 436)	8 436
Other changes	-	(417)	417
NET CHANGES	216 249	(216 558)	432 807
Balance at December 31, 2015	\$ 9 961 637	\$ 9 169 689	\$ 791 948

CITY OF CROCKETT, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2016

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 (5.75%)	DISCOUNT RATE (6.75%)	1% INCREASE IN DISCOUNT RATE (7.75%)
Net pension liability	\$ 2 021 107	\$ 791 948	\$ 230 073

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2016, the city recognized pension expense of \$300,757.

At September 30, 2016, 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	\$ 2 533	\$ 163 805
Changes in actuarial assumptions	33 322	-
Difference between projected and actual investment earnings	583 389	-
Contributions subsequent to the measurement date	125 765	-
TOTAL	\$ 745 009	\$ 163 805

The \$125,765 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, 2016. 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
2017	\$ 97 365
2018	98 010
2019	131 427
2020	128 637
2021	-
Thereafter	-
TOTAL	\$ 455 439

CITY OF CROCKETT, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2016

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:	PLAN YEAR 2015	PLAN YEAR 2016
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 2016, 2015 and 2014 were \$1,176, \$1,322 and \$1,156, respectively, which equaled the required contributions each year.

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

PLAN/ CALENDAR YEAR	ANNUAL REQUIRED CONTRIBUTION (RATE)	ACTUAL CONTRIBUTION MADE (RATE)	PERCENTAGE OF ARC CONTRIBUTED
2014	0.05%	0.05%	100.0%
2015	0.05%	0.05%	100.0%
2016	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, 2016

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 2016, the water and sewer fund spent \$782,881 for water from Houston County Water Control and Improvement District #1 to supply approximately 93% of water for the City.

NOTE 5 - PRIOR PERIOD ADJUSTMENT

The City has determined that amounts in the component unit expenses were recorded in the incorrect period. In the general fund statements, expenses were understated. In the government-wide statements, expenses were overstated. An adjustment occurred and, as a result, fund balance decreased by \$19,445 and net position increased by \$60,291.

The City has determined that cash amounts of the component unit were closed in the incorrect period. In the general fund statements, cash was understated. An adjustment occurred and, as a result, fund balance increase by \$196,185.

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, 2016

	ORIGINAL AND FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE FINAL BUDGET POSITIVE (NEGATIVE)
Revenues:			
Property taxes	\$ 1 085 299	\$ 1 031 050	\$ (54 249)
Sales tax	1 035 000	1 307 123	272 123
Other taxes	697 725	590 507	(107 218)
Fines and fees	31 000	60 935	29 935
Municipal court fines	125 343	94 566	(30 777)
Sanitation charges	1 119 589	1 199 248	76 659
Grants and donations	135 000	143 925	8 925
Miscellaneous	590 221	387 009	(203 212)
TOTAL REVENUES	<u>4 819 177</u>	<u>4 814 363</u>	<u>(4 814)</u>
Expenditures:			
General administration	550 920	535 258	15 662
Fire department	382 593	377 626	4 967
Police department	1 303 187	1 415 208	(112 021)
Street department	513 107	476 482	36 625
Park department	147 705	143 995	3 710
Sanitation department	1 254 715	1 385 397	(130 682)
Economic development department	157 221	128 481	28 740
Library department	125 895	147 938	4 957
Fleet maintenance department	155 587	121 654	33 933
Civic center department	113 240	106 385	6 855
Emergency management department	93 457	88 551	4 906
TOTAL EXPENDITURES	<u>4 824 627</u>	<u>4 926 975</u>	<u>(102 348)</u>
EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES	<u>(5 450)</u>	<u>(112 612)</u>	<u>(107 162)</u>
Other Financing Sources (Uses):			
Proceeds from capital lease	-	108 964	108 964
Interest income	450	1 644	1 194
Sale of assets	5 000	340 927	335 927
Transfers in (out)	-	(114 644)	(114 644)
TOTAL OTHER FINANCING SOURCES (USES)	<u>5 450</u>	<u>336 891</u>	<u>331 441</u>
NET CHANGE IN FUND BALANCES	-	224 279	224 279
Fund balances, beginning	<u>662 476</u>	<u>662 476</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 662 476</u>	<u>\$ 886 755</u>	<u>\$ 224 279</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	\$ 276 955	\$ -	\$ -
Interest (on the total pension liability)	645 247	672 346	-	-
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(9 488)	(222 477)	-	-
Change of assumptions	-	47 264	-	-
Benefit payments, including refunds of employee contributions	(456 396)	(557 839)	-	-
NET CHANGE IN TOTAL PENSION LIABILITY	419 375	216 249	-	-
Total pension liability - Beginning	9 326 013	9 745 388	-	-
TOTAL PENSION LIABILITY - ENDING	9 745 388	9 961 637	-	-
Plan Fiduciary Net Position:				
Contributions - Employer	245 493	211 642	-	-
Contributions - Employee	124 743	124 642	-	-
Net investment income	512 844	13 850	-	-
Benefit payments, including refunds of employee contributions	(456 396)	(557 839)	-	-
Administrative	(5 355)	(8 436)	-	-
Other	(440)	(417)	-	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	420 889	(216 558)	-	-
Plan fiduciary net position - Beginning	8 965 358	9 386 247	-	-
PLAN FIDUCIARY NET POSITION - ENDING	9 386 247	9 169 689	-	-
NET PENSION LIABILITY - ENDING	\$ 359 141	\$ 791 948	\$ -	\$ -
Plan fiduciary net position as a percentage of total pension liability	96.31%	92.05%	- %	- %
Covered employee payroll	\$ 2 494 853	\$ 2 492 845	\$ -	\$ -
Net pension liability as a percentage of covered employee payroll	14.40%	31.77%	- %	- %

*This schedule illustrates the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

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, 2016

	ORIGINAL AND FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)
Operating Revenues:			
Charges for services	\$ 2 697 952	\$ 3 017 654	\$ 319 702
Miscellaneous	97 640	48 595	(49 045)
TOTAL REVENUES	<u>2 795 592</u>	<u>3 066 249</u>	<u>270 657</u>
Operating Expenses:			
Purchase of utilities	245 070	256 282	(11 212)
Payroll cost	643 094	729 679	(86 585)
Supplies and materials	203 984	213 378	(9 394)
Repairs and maintenance	118 803	122 279	(3 476)
Purchased and contracted services	753 553	782 881	(29 328)
Miscellaneous	445 772	347 861	97 911
Depreciation	257 000	252 054	4 946
TOTAL EXPENSES	<u>2 667 276</u>	<u>2 704 414</u>	<u>(37 138)</u>
OPERATING INCOME	<u>128 316</u>	<u>361 835</u>	<u>233 519</u>
Non-Operating Revenues (Expense):			
Interest income	500	870	370
Interest expense	(128 816)	(40 367)	88 449
Transfers in (out)	-	29 030	29 030
TOTAL NON-OPERATING INCOME	<u>(128 316)</u>	<u>(10 467)</u>	<u>117 849</u>
NET CHANGE IN NET POSITION	-	351 368	351 368
Net position, beginning	<u>5 731 910</u>	<u>5 731 910</u>	<u>-</u>
NET POSITION, ENDING	<u>\$ 5 731 910</u>	<u>\$ 6 083 278</u>	<u>\$ 351 368</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, 2016

	ORIGINAL AND FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)
Revenues:			
Property taxes	\$ 388 575	\$ 388 007	\$ (568)
TOTAL REVENUES	<u>388 575</u>	<u>388 007</u>	<u>(568)</u>
Expenditures:			
Debt service expense	<u>421 255</u>	<u>421 355</u>	<u>(100)</u>
TOTAL EXPENDITURES	<u>421 255</u>	<u>421 355</u>	<u>(100)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(32 680)</u>	<u>(33 348)</u>	<u>(668)</u>
Other Financing Sources (Uses):			
Bond proceeds	-	2 563 173	2 563 173
Payments to escrow	-	(2 512 003)	(2 512 003)
Interest income	500	7 874	7 374
Transfers in (out)	<u>32 180</u>	<u>85 614</u>	<u>53 434</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>32 680</u>	<u>144 658</u>	<u>111 978</u>
NET CHANGE IN NET BALANCES	-	111 310	111 310
Fund balances, beginning	<u>433 616</u>	<u>433 616</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 433 616</u>	<u>\$ 544 926</u>	<u>\$ 111 310</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, 2016

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF NET POSITION
ASSETS			
Cash	\$ 340 171	\$ -	\$ 340 171
Contributions receivable	21 486	-	21 486
Capital assets, net of accumulated depreciation	-	3 541 377	3 541 377
TOTAL ASSETS	\$ 361 657	3 541 377	3 903 034
LIABILITIES			
Accrued severance	\$ 39 164	-	39 164
Current portion of notes payable	-	284 248	284 248
Accrued interest	-	22 007	22 007
Long-term portion of notes payable	-	3 072 680	3 072 680
TOTAL LIABILITIES	39 164	3 378 935	3 418 099
FUND BALANCE/NET POSITION			
Fund Balance:			
Unrestricted	322 493	(322 493)	-
TOTAL FUND BALANCE	322 493	(322 493)	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 361 657		
NET POSITION			
Invested in capital assets, net of related debt		886 594	886 594
Unrestricted		(401 659)	(401 659)
TOTAL NET POSITION		\$ 484 935	\$ 484 935

See independent auditors' report.

CROCKETT ECONOMIC AND INDUSTRIAL DEVELOPMENT CORPORATION
 GOVERNMENTAL FUND REVENUES, EXPENSES, AND CHANGES
 IN FUND BALANCE/STATEMENT OF ACTIVITIES
 For the Year Ended September 30, 2016

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF NET POSITION
Revenues:			
Sales taxes	\$ 653 562	\$ -	\$ 653 562
Donations	21 486	-	21 486
Miscellaneous	13 955	(7 000)	6 955
TOTAL REVENUES	689 003	(7 000)	682 003
Expenditures:			
Advertising expense	3 624	-	3 624
Supplies expense	716	-	716
Incentive expense	359 599	(12 006)	347 593
Audit expense	4 600	-	4 600
Dues and subscriptions	10 057	-	10 057
Professional services	2 331	-	2 331
Telephone	3 799	-	3 799
Travel	7 131	-	7 131
Payroll	146 405	-	143 405
Taxes and benefits	39 184	-	39 184
Meals and entertainment	3 751	-	3 751
Utilities	3 250	-	3 250
Industrial park	20 735	-	20 735
Equipment	3 481	(3 071)	410
Consultants	74	-	74
Miscellaneous	670	-	670
Debt service	1 018 765	(791 454)	227 311
Depreciation	-	130 859	130 859
TOTAL EXPENDITURES/EXPENSES	1 628 172	(675 672)	952 500
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(928 169)	668 672	(270 497)
Other Financing Sources (Uses):			
Proceeds of debt, net	150 000	(150 000)	-
TOTAL OTHER FINANCING SOURCES (USES)	150 000	(150 000)	-
CHANGE IN FUND BALANCE/ NET POSITION	(789 169)	518 672	(270 497)
Fund Balance/Net Position:			
Beginning of year	934 922	-	518 401
Prior period adjustment	176 740	60 291	237 031
BEGINNING OF YEAR RESTATED	1 111 662		755 432
END OF YEAR	\$ 322 493		\$ 484 935

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, 2016, 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 May 15, 2017.

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 below.

Due to the limited number of personnel, a total segregation of certain accounting functions is not possible. As a result, the City Council should continue to monitor the internal accounting control procedures in use to assure that compensating controls are being utilized to provide assurance that assets are safeguarded and transactions are proper and recorded in a timely manner.

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
May 15, 2017


CERTIFIED PUBLIC ACCOUNTANTS