

CITY OF CROCKETT, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2010

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AXLEY & RODE, LLP

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
City Council
City of Crockett
Crockett, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, fiduciary funds, each major fund, and the aggregate remaining fund information of the City of Crockett, as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Crockett's management. 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 *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, fiduciary funds, each major fund, and the aggregate remaining fund information of the City of Crockett, as of September 30, 2010, 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.

The management discussion and analysis, General fund budget comparison, and schedule of funding progress on pages 5 through 9 and page 30 through 31, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2011 on our consideration of City of Crockett, Texas' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Crockett, Texas' basic financial statements. The information presented in the supplemental information of the table of contents labeled as combining financial statements, other budgetary schedules and component unit are presented for purpose of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is also not a required part of the basic financial statements. The schedules and other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
April 25, 2011

**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, 2009. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

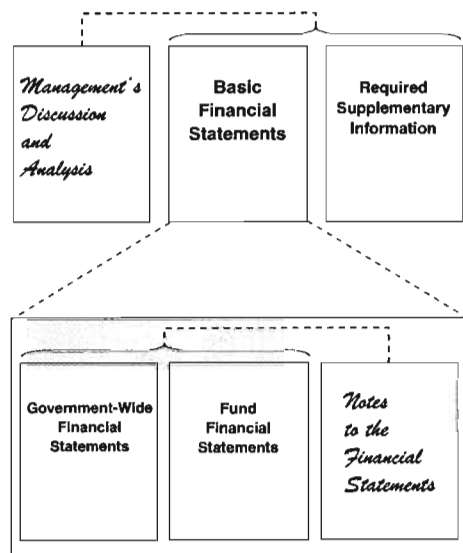
- The City's total combined net assets were \$3,290,180 at September 30, 2010.
- During the year, the City's expenses were \$477,349 less than the \$4,248,302 generated in taxes and other revenues for governmental activities.

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.

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 district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures & changes in fund balances	* Statement of net assets * 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

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 assets 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 assets and how they have changed. Net assets - 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 assets 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 assets. The City's combined net assets were \$3,290,180 (See Table A-1).

Table A-1
City's Net Assets

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2010	2009	2010	2009	2010	2009
Current Assets:						
Cash and cash equivalents	\$ 209 164	\$ 403 780	\$ 266 347	\$ 257 842	\$ 475 511	\$ 661 622
Receivables	615 253	47 813	265 558	348 543	880 811	396 356
Due to other funds	-	-	436 817	103 518	436 817	103 518
Inventory	1 755	5 529	-	-	1 755	5 529
TOTAL CURRENT ASSETS	826 172	457 122	968 722	709 903	1 794 894	1 167 025
Noncurrent Assets:						
Cash and cash equivalents	-	-	250 563	450 863	250 563	450 863
Capital assets (net)	2 133 759	2 336 674	5 567 345	5 785 659	7 701 104	8 122 333
TOTAL NONCURRENT ASSETS	2 133 759	2 336 674	5 817 908	6 236 522	7 951 667	8 573 196
TOTAL ASSETS	2 959 931	2 793 796	6 786 630	6 946 425	9 746 561	9 740 221
Current Liabilities:						
Accounts payable and accrued liabilities	101 349	177 189	46 913	46 017	148 262	223 206
Deferred revenue	565 056	-	-	-	565 056	-
Due to other funds	436 817	103 518	-	-	436 817	103 518
Customer deposits	-	-	248 522	250 114	248 522	250 114
TOTAL CURRENT LIABILITIES	1 103 222	280 707	295 435	296 131	1 398 657	576 838
Noncurrent Liabilities:						
Due within one year	181 798	269 670	445 000	430 000	626 798	699 670
Due in more than one year	1 455 469	1 546 628	2 975 457	3 405 000	4 430 926	4 951 628
TOTAL LIABILITIES	2 740 489	2 097 005	3 715 892	4 131 131	6 456 381	6 228 136
Net Assets:						
Invested in capital assets	588 123	481 853	2 162 345	1 950 659	2 750 468	2 432 512
Restricted	-	-	250 563	450 863	250 563	450 863
Unrestricted	(368 681)	214 938	657 830	413 772	289 149	628 710
TOTAL NET ASSETS	\$ 219 442	\$ 696 791	\$ 3 070 738	\$ 2 815 294	\$ 3 290 180	\$ 3 512 085

The \$289,149 of unrestricted net asset represents resources available to fund the programs of the City next year.

Changes in net assets. The City's total revenues were \$6,703,269. 40% of the City's revenue comes from taxes. 55% relates to charges for services.

The total cost of all programs and services was \$6,925,174; of these costs 34% were for business-type activities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2010, the City had invested \$7,701,104 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 \$5,057,724 in debt outstanding as shown in Table A-5. More detailed information about the City's debt is presented in the notes to the financial statements.

Table A-5

City's Long Term Debt

	Governmental		Business-type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Leases payable	\$ 226 740	\$ 304 298	\$ -	\$ -	\$ 226 740	\$ 304 298
Bonds payable	1 319 000	1 512 000	3 405 000	3 835 000	4 724 000	5 317 000
Accrued vacation	91 527	-	15 457	-	106 984	-
TOTAL BONDS AND NOTES PAYABLE	\$ 1 637 267	\$ 1 816 298	\$ 3 420 457	\$ 3 835 000	\$ 5 057 724	\$ 5 621 298

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
STATEMENT OF NET ASSETS
September 30, 2010

	GOVERN- MENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL	ECONOMIC DEVELOPMENT CORPORATION
ASSETS				
Current Assets:				
Cash and investments	\$ 209 164	\$ 266 347	\$ 475 511	\$ 455 703
Receivables Net of Allowance for Uncollectibles:				
Taxes	51 660	-	51 660	-
Customer accounts	-	263 132	263 132	-
Other	563 593	2 426	566 019	-
Due from other funds	-	436 817	436 817	-
Inventories	1 755	-	1 755	-
TOTAL CURRENT ASSETS	826 172	968 722	1 794 894	455 703
Noncurrent Assets:				
Restricted cash	-	250 563	250 563	-
Capital Assets:				
Land	134 517	161 390	295 907	369 094
Streets and infrastructure	-	-	-	1 389 908
Buildings and improvements	4 299 408	-	4 299 408	77 575
Furniture and equipment	4 237 824	876 904	5 114 728	31 432
Utility systems	-	11 843 368	11 843 368	-
Construction in progress	-	-	-	955 444
Less: Accumulated depreciation	(6 537 990)	(7 314 317)	(13 852 307)	(337 081)
TOTAL CAPITAL ASSETS	2 133 759	5 567 345	7 701 104	2 486 372
TOTAL NONCURRENT ASSETS	2 133 759	5 817 908	7 951 667	2 486 372
TOTAL ASSETS	2 959 931	6 786 630	9 746 561	2 942 075
LIABILITIES				
Current Liabilities:				
Accounts payable	37 332	30 436	67 768	276 623
Accrued liabilities	25 598	5 864	31 462	-
Due to other funds	436 817	-	436 817	-
Deferred revenue	565 056	-	565 056	-
Accrued interest payable	38 419	10 613	49 032	99 569
Current Portion of Long-Term Debt Liabilities:				
Leases payable	79 798	-	79 798	-
Revenue bonds	102 000	445 000	547 000	-
TOTAL CURRENT LIABILITIES	1 285 020	491 913	1 776 933	376 192
Noncurrent Liabilities:				
Bonds payable	1 217 000	2 960 000	4 177 000	-
Capitalized lease obligations	146 942	-	146 942	-
Notes payable	-	-	-	635 000
Accrued comp absence	91 527	15 457	106 984	-
Customer deposits	-	248 522	248 522	-
TOTAL NONCURRENT LIABILITIES	1 455 469	3 223 979	4 679 448	635 000
TOTAL LIABILITIES	2 740 489	3 715 892	6 456 381	1 011 192
NET ASSETS				
Invested in capital assets, net of related debt	588 123	2 162 345	2 750 468	1 851 372
Restricted for:				
Debt service	-	250 563	250 563	-
Unrestricted	(368 681)	657 830	289 149	79 511
TOTAL NET ASSETS	\$ 219 442	\$ 3 070 738	\$ 3 290 180	\$ 1 930 883

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

CITY OF CROCKETT, TEXAS
STATEMENT OF ACTIVITIES
September 30, 2010

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS			COMPONENT UNITS	
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT -TYPE ACTIVITIES			ECONOMIC DEVELOPMENT CORPORATION
					GOVERNMENTAL ACTIVITIES	TOTAL		
Primary Government:								
Governmental Activities:								
General government	\$ 490 427	\$ 64 032	\$ 135 526	\$ -	\$ (290 869)	\$ (290 869)	\$ -	
Fire department	284 295	-	-	-	(284 295)	(284 295)	-	
Police and courts department	1 338 526	141 094	89 950	-	(1 107 482)	(1 107 482)	-	
Street department	550 528	-	-	-	(550 528)	(550 528)	-	
Parks department	153 631	5 572	-	-	(148 059)	(148 059)	-	
Sanitation department	1 037 684	1 068 257	-	-	30 573	30 573	-	
Economic development department	-	-	-	-	-	-	-	
Library department	171 716	-	6 335	-	(165 381)	(165 381)	-	
Fleet maintenance department	119 940	-	-	-	(119 940)	(119 940)	-	
Civic center department	316 354	21 107	-	-	(295 247)	(295 247)	-	
Emergency management department	18 801	-	-	-	(18 801)	(18 801)	-	
Interest expense	89 161	-	-	-	(89 161)	(89 161)	-	
TOTAL GOVERNMENTAL ACTIVITIES	4 571 063	1 300 062	231 811	-	(3 039 190)	(3 039 190)	-	
Business-Type Activities:								
Water and sewer	2 354 111	2 419 810	-	-	65 699	65 699	-	
TOTAL BUSINESS-TYPE ACTIVITIES	2 354 111	2 419 810	-	-	65 699	65 699	-	
TOTAL PRIMARY GOVERNMENT	\$ 6 925 174	\$ 3 719 872	\$ 231 811	\$ -	\$ (3 039 190)	\$ (2 973 491)	\$ -	
Component Units:								
Economic development corporation	\$ 335 194	\$ -	\$ -	\$ -	\$ -	\$ -	(335 194)	
TOTAL COMPONENT UNITS	\$ 335 194	\$ -	\$ -	\$ -	\$ -	\$ -	(335 194)	
General Revenues:								
Taxes:								
Property taxes - General				\$ 868 634	\$ -	\$ 868 634	\$ -	
Property taxes - Debt service				291 300	-	291 300	-	
Sales taxes				887 571	-	887 571	443 785	
Other tax revenue				601 634	-	601 634	-	
Unrestricted investment earnings				1 419	5 878	7 297	-	
Other unrestricted revenue				65 871	29 279	95 150	300	
Transfers				(154 588)	154 588	-	-	
TOTAL GENERAL REVENUES				2 561 841	189 745	2 751 586	444 085	
CHANGE IN NET ASSETS				(477 349)	255 444	(221 905)	108 891	
Net assets - Beginning				696 791	2 815 294	3 512 085	1 821 992	
NET ASSETS - ENDING				\$ 219 442	\$ 3 070 738	\$ 3 290 180	1 930 883	

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

CITY OF CROCKETT, TEXAS
 COMBINING BALANCE SHEET
 GOVERNMENTAL FUNDS
 September 30, 2010

	GENERAL	NONMAJOR GOVERN- MENTAL	TOTAL
ASSETS			
Cash and investments	\$ 122 776	\$ 86 388	\$ 209 164
Property tax receivable	-	51 660	51 660
Other receivables	563 593	-	563 593
Inventory	1 755	-	1 755
Due from other funds	-	142 522	142 522
TOTAL ASSETS	\$ 688 124	\$ 280 570	\$ 968 694

LIABILITIES AND FUND BALANCE

Liabilities:			
Accounts payable	\$ 37 332	\$ -	\$ 37 332
Accrued liabilities	25 598	-	25 598
Due to other funds	308 273	271 066	579 339
Deferred revenue	565 056	51 660	616 716
TOTAL LIABILITIES	936 259	322 726	1 258 985
Fund Balance:			
Reserved fund balance	-	(42 156)	(42 156)
Unreserved Reported in:			
General fund	(248 135)	-	(248 135)
TOTAL FUND BALANCE	(248 135)	(42 156)	(290 291)
TOTAL LIABILITIES AND FUND BALANCE	\$ 688 124	\$ 280 570	

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.

2 133 759

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

13 137

Debt principal and compensated absences used in governmental activity, not recorded in funds.

(1 637 163)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 219 442

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, 2010

	GENERAL	NONMAJOR FUNDS	TOTAL
Revenues:			
Property taxes	\$ 864 787	\$ 291 300	\$ 1 156 087
Sales tax	887 571	-	887 571
Other taxes	601 634	-	601 634
Fines and fees	90 711	-	90 711
Interest	487	932	1 419
Municipal court fines	141 094	-	141 094
Sanitation charges	1 013 924	-	1 013 924
Grant and donations	101 366	184 778	286 144
Miscellaneous	247 749	-	247 749
TOTAL REVENUES	3 949 323	477 010	4 426 333
Expenditures:			
General administration	436 600	-	436 600
Fire department	249 946	-	249 946
Police department	1 238 702	-	1 238 702
Street department	539 441	-	539 441
Park department	145 176	-	145 176
Sanitation department	1 057 667	-	1 057 667
Economic development department	126 500	-	126 500
Library department	144 917	-	144 917
Fleet maintenance department	119 700	-	119 700
Civic center department	100 396	-	100 396
Emergency management department	18 801	-	18 801
Debt service	-	270 951	270 951
Grant expense	-	280 366	280 366
TOTAL EXPENDITURES	4 177 846	551 317	4 729 163
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(228 523)	(74 307)	(302 830)
Other Financing Sources (Uses):			
Transfers in (out)	(21 475)	(133 113)	(154 588)
TOTAL OTHER FINANCING SOURCES (USES)	(21 475)	(133 113)	(154 588)
NET CHANGE IN FUND BALANCES	(249 998)	(207 420)	(457 418)
Fund balances at beginning of year	1 863	165 264	167 127
FUND BALANCE AT END OF YEAR	\$ (248 135)	\$ (42 156)	\$ (290 291)

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, 2010

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

Net change in fund balances - Total governmental funds.	\$ (457 418)
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.	(202 915)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	3 847
Governmental funds report debt payments and compensated absences as expenses, however, in the statement of net assets these are reduction of the liability.	179 135
Rounding	<u>2</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>(477 349)</u>

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

CITY OF CROCKETT, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2010

ASSETS

Current Assets:

Cash and cash equivalents	\$	266 347
Accounts receivable (net of allowance for uncollectibles)		263 132
Due from other funds		436 817
Other receivables		2 426
TOTAL CURRENT ASSETS		968 722

Noncurrent Assets:

Restricted cash		250 563
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Capital Assets:

Land		161 390
Furniture and equipment		876 904
Utility systems		11 843 368
Accumulated depreciation		(7 314 317)
NET CAPITAL ASSETS		5 567 345
TOTAL NONCURRENT ASSETS		5 817 908
TOTAL ASSETS		6 786 630

LIABILITIES

Current Liabilities:

Accounts payable		30 436
Accrued liabilities		5 864
Accrued interest payable		10 613
Current portion of long-term liabilities		445 000
TOTAL CURRENT LIABILITIES		491 913

Noncurrent Liabilities:

Revenue bonds		2 960 000
Accrued compensated absences		15 457
Customer deposits		248 522
TOTAL NONCURRENT LIABILITIES		3 223 979
TOTAL LIABILITIES		3 715 892

NET ASSETS

Unrestricted		3 070 738
TOTAL NET ASSETS	\$	3 070 738

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

CITY OF CROCKETT, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
For the Year Ended September 30, 2010

Operating Revenues:	
Charges for service	\$ 2 419 810
Miscellaneous	29 281
TOTAL OPERATING REVENUES	2 449 091
Operating Expenses:	
Purchase of utilities	275 318
Payroll costs	648 766
Supplies and materials	145 088
Repairs and maintenance	139 769
Purchased and contracted services	622 120
Miscellaneous	88 967
Depreciation	247 529
TOTAL OPERATING EXPENSES	2 167 557
OPERATING INCOME	281 534
Nonoperating Revenues (Expenses):	
Interest income	5 878
Interest expense	(186 554)
Transfer in (out)	154 588
TOTAL NONOPERATING REVENUES (EXPENSES)	(26 088)
CHANGE IN NET ASSETS	255 446
Total net assets - Beginning	2 815 292
TOTAL NET ASSETS - ENDING	\$ 3 070 738

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, 2010

Reconciliation of Operating Income to Net Cash Provided	
by Operating Activities:	
Operating income	\$ 281 534
Depreciation	247 529
Adjustments to Reconcile Operating Income to Net	
Provided by Operating Activities:	
Decrease (increase) in accounts receivable	81 922
Decrease (increase) in other receivables	1 063
Increase (decrease) in accounts payable	4 787
Increase (decrease) in accrued expenses payable	(14 504)
Increase (decrease) in comp abs	15 457
Increase (decrease) in customer deposits	(1 592)
TOTAL ADJUSTMENTS	<u>87 133</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>616 196</u>
Cash Flows from Noncapital Financing Activities:	
Operating transfers in (out)	154 588
Borrowing from (to) other funds	<u>(333 299)</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(178 711)</u>
Cash Flows from Capital and Related Activities:	
Purchase of capital assets	(29 217)
Principal paid on capital debt	(430 000)
Interest paid on capital debt	<u>(175 941)</u>
NET CASH (USED) BY CAPITAL AND RELATED ACTIVITIES	<u>(635 158)</u>
Cash Flows from Investing Activities:	
Interest on investments	5 878
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>5 878</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(191 795)
Cash and cash equivalents, beginning	<u>708 705</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 516 910</u>
Supplemental Disclosures of Cash Flow Information:	
Cash paid during the year for interest	<u>\$ 186 554</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, 2010

	<u>TRUST FUNDS</u>
ASSETS	
Cash and cash equivalents	\$ <u>65 351</u>
TOTAL ASSETS	\$ <u>65 351</u>
LIABILITIES	
Due to others	\$ <u>65 351</u>
TOTAL LIABILITIES	\$ <u>65 351</u>

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

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 generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. 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 assets 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.

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.

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 and the gas enterprise fund are charges to customers for sales and services. The funds also recognize 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 Assets 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.

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 or 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. 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 assets. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

8. 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.

9. 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.

10. Subsequent Events:

Management has considered the effect of subsequent events through _____, 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.

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 \$791,425 and the bank balances were \$912,607. 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.

B. Restricted Assets:

At September 30, 2010, the City's restricted assets consisted of the following:

Water and sewer fund	\$	250 563
Trust funds		65 351
TOTAL	\$	<u>315 914</u>

CITY OF CROCKETT, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2010

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

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, 2010 is as follows:

	BEGINNING BALANCE	ADDITIONS	DELETIONS	ENDING BALANCE
Governmental Activities:				
Land	\$ 134 517	\$ -	\$ -	\$ 134 517
Building and improvements	4 275 237	24 171	-	4 299 408
Furniture and equipment	4 215 469	22 355	-	4 237 824
TOTAL COST	<u>8 625 223</u>	<u>46 526</u>	<u>-</u>	<u>8 671 749</u>
Less Accumulated Depreciation:				
Building and improvements	(2 666 018)	(103 755)	-	(2 769 773)
Furniture and equipment	(3 622 531)	(145 686)	-	(3 768 217)
TOTAL ACCUMULATED DEPRECIATION	<u>(6 288 549)</u>	<u>(249 441)</u>	<u>-</u>	<u>(6 537 990)</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 2 336 674</u>	<u>\$ (202 915)</u>	<u>\$ -</u>	<u>\$ 2 133 759</u>
Proprietary Fund Activities:				
Land	\$ 161 390	\$ -	\$ -	\$ 161 390
Furniture and equipment	878 049	5 155	(6 300)	876 904
Utility systems	11 819 304	24 067	-	11 843 371
TOTAL COST	<u>12 858 743</u>	<u>29 222</u>	<u>(6 300)</u>	<u>12 881 665</u>
Less Accumulated Depreciation:				
Furniture and equipment	(756 755)	(28 462)	6 300	(778 917)
Utility systems	(6 316 329)	(219 067)	-	(6 535 396)
TOTAL ACCUMULATED DEPRECIATION	<u>(7 073 084)</u>	<u>(247 529)</u>	<u>6 300</u>	<u>(7 314 313)</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 5 785 659</u>	<u>\$ (218 307)</u>	<u>\$ -</u>	<u>\$ 5 567 352</u>
Component Unit:				
Land	\$ 369 094	\$ -	\$ -	\$ 369 094
Construction in progress	950	954 494	-	955 444
Furniture and equipment	31 432	-	-	31 432
Streets and infrastructure	1 389 908	-	-	1 389 908
Building and improvements	74 220	3 355	-	77 575
TOTAL COST	<u>1 865 604</u>	<u>957 849</u>	<u>-</u>	<u>2 823 453</u>
Less accumulated depreciation	(296 300)	(40 781)	-	(337 081)
TOTAL CAPITAL ASSETS, NET	<u>\$ 1 569 304</u>	<u>\$ 917 068</u>	<u>\$ -</u>	<u>\$ 2 486 372</u>

Depreciation expense was charged to the governmental functions as follows:

General government	\$ 19 461
Fire department	35 422
Police department	31 057
Street department	32 432
Sanitation department	42 985
Parks department	8 084
Library department	15 100
Civic center department	64 900
	<u>\$ 249 441</u>

CITY OF CROCKETT, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2010

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Changes In Long-Term Liabilities:

Interest rates on note payable and certificates of obligation range from 2.35% to 5.75%. The following is a summary of the debt transactions of the City for the year ended September 30, 2010:

	BALANCE 10/01/09	ADDITIONS	RETIREMENTS	BALANCE 09/30/10	CURRENT
General Long-Term Debt:					
Lease payable	\$ 303 410	\$ -	\$ (76 670)	\$ 226 740	\$ 79 798
Certificates of obligation	807 000	-	(53 000)	753 000	57 000
Refunding bonds	705 000	-	(140 000)	565 000	45 000
Accrued vacation	-	91 527	-	91 527	-
	<u>\$ 1 815 410</u>	<u>\$ 91 527</u>	<u>\$ (269 670)</u>	<u>\$ 1 636 267</u>	<u>\$ 181 798</u>
Enterprise:					
Certificates of obligation payable	\$ 3 835 000	\$ -	\$ (430 000)	\$ 3 405 000	\$ 445 000
Accrued vacation	-	15 457	-	15 457	-
TOTAL ENTERPRISE FUND	<u>\$ 3 835 000</u>	<u>\$ 15 457</u>	<u>\$ (430 000)</u>	<u>\$ 3 420 457</u>	<u>\$ 445 000</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.

ORIGINAL NOTE AMOUNT	OUTSTANDING 09/30/2009	DRAWS	REPAYMENT	OUTSTANDING 09/30/2010
\$ <u>2 809 900</u>	\$ <u>-</u>	\$ <u>635 000</u>	\$ <u>-</u>	\$ <u>635 000</u>

The annual debt service requirements for the next five years and thereafter, including interest payments, for the certificates of obligation and refunding bonds as of September 30, 2010 are as follows:

YEAR ENDING SEPTEMBER 30,	ENTERPRISE FUND	GENERAL LONG-TERM DEBT			ECONOMIC DEVELOP- MENT	TOTAL
	CERTIFICATES OF OBLIGATION	CERTIFICATES OF OBLIGATION	REFUND BOND	LEASES PAYABLE	NOTE PAYABLE	
2011	\$ 445 000	\$ 57 000	\$ 45 000	\$ 79 798	\$ -	\$ 626 798
2012	450 000	60 000	45 000	83 056	-	638 056
2013	480 000	64 000	50 000	63 886	30 937	688 825
2014	520 000	68 000	50 000	-	32 252	670 252
2015	540 000	72 000	50 000	-	33 623	695 623
Thereafter	970 000	432 000	325 000	-	2 712 088	4 439 088
TOTAL	<u>\$ 3 405 000</u>	<u>\$ 753 000</u>	<u>\$ 565 000</u>	<u>\$ 226 740</u>	<u>\$ 2 809 000</u>	<u>\$ 7 758 740</u>

Enterprise Fund interest expense for the year ended September 30, 2010, amounted to \$186,554.

The ordinances governing the Enterprise fund certificates of obligation and refunding bonds require the creation and maintaining of certain funds in the City's official depository bank or depository banks as specifically stated in the ordinance so long as any of the bonds are outstanding and unpaid. Deposits are to be made to the funds until sufficient balances are available as stipulated in the ordinances.

NOTE 4 - OTHER INFORMATION

A. Pension:

Plan Description:

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City were within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P. O. Box 149153, Austin, Texas 78714-9153 or by calling 800.924.8677; in addition, the report is available on TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	PLAN YEAR 2010	PLAN YEAR 2009
Employee deposit rate	5.0%	5.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5,0/25	60/5,0/25
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions:

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll form year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that services as the basis for the rate and the calendar year when the rate goes into effect.

However, beginning in 2008, member cities were allowed to make additional contributions into their TMRS MAF. In addition, beginning in 2009, certain eligible member cities may elect to contribute a minimum amount equal to their ARC less a "Phase-In" of the increase from the change to the Projected Unit Credit cost method in the 2007 valuation. Both of these instances will cause a city to have an actual contribution different than the actuarially determined Annual Required Contribution (ARC), and therefore, accrue a net pension obligation (asset) on its balance sheet. In subsequent years, this Net Pension Obligation (Asset) will be amortized using the same amortization factor used to determine the ARC for a given year. We have included the amortization factor used to determine the prior service rate applicable to the time period indicated in the "Three-Year Trend Information" chart shown on the following page. This is a step required to determine the Adjustment to the ARC and ultimately the Annual Pension Cost as described in GASB Statement 27.

CITY OF CROCKETT, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2010

NOTE 4 - OTHER INFORMATION - CONTINUED

FISCAL YEAR ENDING	ANNUAL PENSION COST (APC)	ACTUAL CONTRIBUTION MADE	PERCENTAGE OF APC CONTRIBUTED	NET PENSION OBLIGATION/ (ASSET)	AMORTIZATION FACTOR*	ANNUAL REQUIRED CONTRIBUTION RATE*
2008	\$ 197 490	\$ 197 490	100%	\$ -	N/A	9.21%
2009	\$ 179 876	\$ 179 876	100%	\$ -	17.329	11.39%
2010	\$ 211 461	\$ 211 461	100%	\$ -	16.377	12.10%

The required contribution rates for fiscal year 2009 were determined as part of the December 31, 2006 and 2007 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2008, also follows:

Valuation Date	12/31/2007	12/31/2008	12/31/2009
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	30 years; closed period	29 years; closed period	28 years; closed period
Asset Valuation Method	Amortized Cost	Amortized Cost	Amortized Cost
Actuarial Assumptions:			
Investment Rate of Return*	7.0%	7.5%	7.5%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
*Includes Inflation at Cost-of-Living Adjustments	3.00%	3.00%	3.00%
	2.1%	2.1%	2.1%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of 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.

Your City Offers Supplemental Death to:	PLAN YEAR 2009	PLAN YEAR 2008
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

NOTE 4 - OTHER INFORMATION - CONTINUED

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 2010, 2009 and 2008 were \$699, \$1,680 and \$1,266, 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
2008	0.06%	\$ 1 266	100.0%
2009	0.07%	\$ 1 680	100.0%
2010	0.04%	\$ 699	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.

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, 2010.

D. Concentrations:

During 2010, the water and sewer fund spent \$622,120, for water from Houston County Water Control and Improvement District #1, to supply approximately 99% of water for the City.

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, 2010

	ORIGINAL AND FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE FINAL BUDGET POSITIVE (NEGATIVE)
Revenues:			
Property taxes	\$ 786 779	\$ 864 787	\$ 78 008
Sales tax	1 000 000	887 571	(112 429)
Other taxes	745 218	601 634	(143 584)
Fines and fees	122 340	90 711	(31 629)
Interest	1 660	487	(1 173)
Municipal court fines	155 000	141 094	(13 906)
Sanitation charges	1 088 684	1 013 924	(74 760)
Grants and donations	112 443	101 366	(11 077)
Miscellaneous	108 198	121 249	13 051
TOTAL REVENUES	<u>4 120 322</u>	<u>3 822 823</u>	<u>(297 499)</u>
Expenditures:			
General administration	527 782	436 600	91 182
Fire department	288 507	249 946	38 561
Police department	1 185 531	1 238 702	(53 171)
Street department	551 824	539 441	12 383
Park department	128 384	145 176	(16 792)
Sanitation department	1 050 588	1 057 667	(7 079)
Library department	145 726	144 917	809
Fleet maintenance department	128 005	119 700	8 305
Civic center department	100 174	100 396	(222)
Emergency management department	18 801	18 801	-
TOTAL EXPENDITURES	<u>4 125 322</u>	<u>4 051 346</u>	<u>73 976</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(5 000)</u>	<u>(228 523)</u>	<u>(223 523)</u>
Other Financing Sources (Uses):			
Sale of assets	5 000	-	(5 000)
Transfers in (out)	-	(21 475)	(21 475)
TOTAL OTHER FINANCING SOURCES (USES)	<u>5 000</u>	<u>(21 475)</u>	<u>(26 475)</u>
NET CHANGE IN FUND BALANCES	-	(249 998)	(249 998)
Fund balances, beginning	<u>1 863</u>	<u>1 863</u>	-
FUND BALANCES, ENDING	<u>\$ 1 863</u>	<u>\$ (248 135)</u>	<u>\$ (249 998)</u>

See independent auditors' report.

CITY OF CROCKETT, TEXAS
 SCHEDULE OF PENSION FUNDING PROGRESS
 September 30, 2010
 (Unaudited)

Schedule of Funding Progress:

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL)	FUNDED RATIO	UNFUNDED AAL (UAAL)	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
12/31/2007	\$ 4 173 133	\$ 5 351 829	78.0%	\$ 1 178 696	\$ 1 842 163	64.0%
12/31/2008	\$ 4 132 599	\$ 5 496 694	75.2%	\$ 1 364 095	\$ 2 109 994	64.6%
12/31/2009	\$ 4 439 061	\$ 5 970 922	74.3%	\$ 1 531 861	\$ 2 220 739	69.0%

See independent auditors' report.

CITY OF CROCKETT, TEXAS
 COMBINING STATEMENT OF NET ASSETS
 NON-MAJOR - GOVERNMENTAL FUNDS
 September 30, 2010

	DEBT SERVICE	GRANT FUND	TOTAL
ASSETS			
Cash and investments	\$ 86 355	\$ 33	\$ 86 388
Property tax receivable	51 660	-	51 660
Due from others	-	142 522	142 522
TOTAL ASSETS	\$ 138 015	\$ 142 555	\$ 280 570
 LIABILITIES AND FUND EQUITY			
Liabilities:			
Due to other funds	\$ 164 877	\$ 106 189	\$ 271 066
Deferred revenue	51 660	-	51 660
TOTAL LIABILITIES	216 537	106 189	322 726
 Fund Balances:			
Reserved fund balance	(78 522)	36 366	(42 156)
TOTAL FUND BALANCES	(78 522)	36 366	(42 156)
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 138 015	 \$ 142 555	 \$ 280 570

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, 2010

	DEBT SERVICE	GRANT FUND	TOTAL
Revenues:			
Property taxes	\$ 291 300	\$ -	\$ 291 300
Interest	923	9	932
Grant income	-	184 778	184 778
TOTAL REVENUES	292 223	184 787	477 010
Expenditures:			
Debt service	270 951	-	270 951
Grant expense	-	280 366	280 366
TOTAL EXPENDITURES	270 951	280 366	551 317
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	21 272	(95 579)	(74 307)
Other Financing Sources (Uses):			
Transfers in (out)	(133 113)	-	(133 113)
TOTAL OTHER FINANCING SOURCES (USES)	(133 113)	-	(133 113)
NET CHANGE IN FUND BALANCES	(111 841)	(95 579)	(207 420)
Fund balances, beginning	33 319	131 945	165 264
FUND BALANCES, ENDING	\$ (78 522)	\$ 36 366	\$ (42 156)

See independent auditors' report.

CITY OF CROCKETT, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WATER AND SEWER FUND
For the Year Ended September 30, 2010

	ORIGINAL AND AND FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Operating Revenues:			
Charges for services	\$ 2 589 439	\$ 2 419 810	\$ (169 629)
Miscellaneous	20 585	29 281	8 696
TOTAL REVENUES	<u>2 610 024</u>	<u>2 449 091</u>	<u>(160 933)</u>
Operating Expenses:			
Purchase of utilities	252 800	275 318	(22 518)
Payroll cost	586 269	648 766	(62 497)
Supplies and materials	151 550	145 088	6 462
Repairs and maintenance	68 500	139 769	(71 269)
Purchased and contracted services	693 313	622 120	71 193
Miscellaneous	90 444	88 967	1 477
Depreciation	325 000	247 529	77 471
TOTAL EXPENSES	<u>2 167 876</u>	<u>2 167 557</u>	<u>319</u>
OPERATING INCOME	<u>442 148</u>	<u>281 534</u>	<u>(160 614)</u>
Non-Operating Revenues (Expense):			
Interest income	8 157	5 878	(2 279)
Interest expense	(120 305)	(186 554)	(66 249)
Transfers in (out)	-	154 588	154 588
TOTAL NON-OPERATING INCOME (EXPENSE)	<u>(112 148)</u>	<u>(26 088)</u>	<u>86 060</u>
NET CHANGE IN NET ASSETS	<u>330 000</u>	<u>255 446</u>	<u>(74 554)</u>
Net assets, beginning	<u>2 815 292</u>	<u>2 815 292</u>	<u>-</u>
NET ASSETS, ENDING	<u>\$ 3 145 292</u>	<u>\$ 3 070 738</u>	<u>\$ (74 554)</u>

See independent auditors' report.

CITY OF CROCKETT, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - DEBT SERVICE FUND
For the Year Ended September 30, 2010

	ORIGINAL AND AND FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:			
Property taxes	\$ 351 597	\$ 291 300	\$ (60 297)
Interest	2 615	923	(1 692)
TOTAL REVENUES	<u>354 212</u>	<u>292 223</u>	<u>(61 989)</u>
Expenditures:			
Debt service expense	406 063	270 951	135 112
TOTAL EXPENDITURES	<u>406 063</u>	<u>270 951</u>	<u>135 112</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 <u>(51 851)</u>	 <u>21 272</u>	 <u>73 123</u>
Other Financing Sources (Uses):			
Transfers in (out)	51 851	(133 113)	(184 964)
TOTAL OTHER FINANCING SOURCES (USES)	<u>51 851</u>	<u>(133 113)</u>	<u>(184 964)</u>
 NET CHANGE IN NET BALANCES	 -	 (111 841)	 (111 841)
 Fund balances, beginning	 <u>33 319</u>	 <u>33 319</u>	 <u>-</u>
 FUND BALANCES, ENDING	 <u>\$ 33 319</u>	 <u>\$ (78 522)</u>	 <u>\$ (111 841)</u>

See independent auditors' report.

COMPONENT UNIT
CROCKETT ECONOMIC DEVELOPMENT CORPORATION

CROCKETT ECONOMIC AND INDUSTRIAL DEVELOPMENT CORPORATION
 GOVERNMENTAL FUND BALANCE SHEET /
 STATEMENT OF NET ASSETS
 September 30, 2010

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF NET ASSETS
ASSETS			
Cash	\$ 455 703	\$ -	\$ 455 703
Capital assets, net of accumulated depreciation	-	2 486 372	2 486 372
TOTAL ASSETS	\$ 455 703	2 486 372	2 942 075
LIABILITIES			
Accounts payable	\$ -	276 623	276 623
Accrued interest	-	99 569	99 569
Long-term debt	-	635 000	635 000
TOTAL LIABILITIES	-	1 011 192	1 011 192
FUND BALANCE/NET ASSETS			
Fund Balance:			
Unrestricted as restated	455 703	(455 703)	-
TOTAL FUND BALANCE	455 703	(455 703)	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 455 703		
NET ASSETS			
Invested in capital assets, net of related debt		1 851 372	1 851 372
Unrestricted		79 511	79 511
TOTAL NET ASSETS		\$ 1 930 883	\$ 1 930 883

See independent auditors' report.

CROCKETT ECONOMIC AND INDUSTRIAL DEVELOPMENT CORPORATION
 GOVERNMENTAL INCOME STATEMENT
 For the Year Ended September 30, 2010

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF NET ASSETS
Revenues:			
Sales taxes	\$ 443 785	\$ -	\$ 443 785
Other	300	-	300
TOTAL REVENUES	444 085	-	444 085
Expenditures:			
Advertising expense	3 612	-	3 612
Supplies expense	5 762	-	5 762
Incentive expense	9 206	-	9 206
Audit expense	7 000	-	7 000
Dues and subscriptions	4 653	-	4 653
Professional services	3 630	-	3 630
Telephone	3 521	-	3 521
Travel	9 270	-	9 270
Payroll	103 636	-	103 636
Taxes and benefits	30 243	-	30 243
Meals and entertainment	2 545	-	2 545
Utilities	3 000	-	3 000
Industrial park	10 851	(3 355)	7 496
Rail spur	1 270	-	1 270
Vo/tech construction	677 871	(677 871)	-
Interest	-	99 569	99 569
Depreciation	-	40 781	40 781
TOTAL EXPENDITURES/EXPENSES	876 070	(540 876)	335 194
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(431 985)	540 876	108 891
Other Financing Sources:			
Loan proceeds	635 000	(635 000)	-
TOTAL OTHER FINANCING SOURCES	635 000	(635 000)	-
CHANGE IN NET ASSETS	203 015	(94 124)	108 891
Fund Balance/Net Assets:			
Beginning of year	252 688	1 569 304	1 821 992
END OF YEAR	\$ 455 703	\$ 1 475 180	\$ 1 930 883

See independent auditors' report.

CROCKETT ECONOMIC AND INDUSTRIAL DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2010

	<u>BUDGET ORIGINAL AND FINAL</u>	<u>ACTUAL AMOUNT</u>	<u>VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)</u>
Revenues:			
Sales taxes	\$ 465 000	\$ 443 785	\$ (21 215)
Other	3 600	300	(3 300)
TOTAL REVENUES	<u>468 600</u>	<u>444 085</u>	<u>(24 515)</u>
Expenditures:			
Advertising expense	20 000	3 612	16 388
Supplies expense	11 000	5 762	5 238
Incentive expense	-	9 206	(9 206)
Audit expense	7 500	7 000	500
Dues and subscriptions	7 000	4 653	2 347
Professional services	10 750	3 630	7 120
Telephone	5 000	3 521	1 479
Travel	10 400	9 270	1 130
Payroll	117 000	103 636	13 364
Taxes and benefits	37 000	30 243	6 757
Meals and entertainment	3 750	2 545	1 205
Utilities	3 000	3 000	-
Industrial park	16 000	10 851	5 149
Rail spur	10 000	1 270	8 730
Vo/tech construction	2 809 900	677 871	2 132 029
Debt service	288 000	-	288 000
TOTAL EXPENDITURES	<u>3 356 300</u>	<u>876 070</u>	<u>2 480 230</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2 887 700)</u>	<u>(431 985)</u>	<u>2 455 715</u>
Other Financing Sources:			
Loan proceeds	2 809 900	635 000	(2 174 900)
TOTAL OTHER FINANCING SOURCES	<u>2 809 900</u>	<u>635 000</u>	<u>(2 174 900)</u>
CHANGE IN NET ASSETS	<u>(77 800)</u>	<u>203 015</u>	<u>280 815</u>
Fund balance beginning of year	<u>252 688</u>	<u>252 688</u>	<u>-</u>
FUND BALANCE END OF YEAR	<u>\$ 174 888</u>	<u>\$ 455 703</u>	<u>\$ 280 815</u>

See independent auditors' report.



AXLEY & RODE, LLP

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CROCKETT - JASPER - LIVINGSTON - LUFKIN - NACOGDOCHES

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
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

Honorable Mayor and Members of the City Council:

We have audited the financial statements of the City of Crockett, Texas, as of and for the year ended September 30, 2010 and have issued our report thereon dated _____. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Crockett, Texas' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We noted certain matters that we reported to management in a separate letter with recommendations to improve internal controls.

This report is intended for the information of the Mayor and Members of the City Council, City management and is not intended to be used by anyone other than these specified parties.

Lufkin, Texas
April 25, 2011


CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Crockett with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2010. The Cities major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Cities management. Our responsibility is to express an opinion on the Cities compliance based on our audit.

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 Cities 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. Our audit does not provide a legal determination on the Cities compliance with those requirements.

In our opinion, the City of Crockett complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2010.

Internal Control Over Compliance

The administration of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Cities internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Cities internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and should not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the organization, the City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lufkin, Texas
April 25, 2011


CERTIFIED PUBLIC ACCOUNTANTS

CITY OF CROCKETT, TEXAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended September 30, 2010

A. Summary of the Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

Significant 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

Significant 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: Unqualified

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
10.766	Community Facilities Loan Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes X No

B. Financial Statement Findings

Finding 2010-1

Condition - The 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, 2010

Findings/Recommendation

Current Status

Management's Explanation
if Not Implemented

There were no prior audit findings.

CITY OF CROCKETT, TEXAS
CORRECTIVE ACTION PLAN
For the Year Ended September 30, 2010

Same as client response in finding.

CITY OF CROCKETT, TEXAS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended September 30, 2010

(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 Agriculture:			
Community Facilities Loan Program	10.766	N/A	\$ 635 000
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>\$ 635 000</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, 2010

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Center, 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.