

CITY OF CROCKETT, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2018

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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, 2018, 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, 2018, 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 and OPEB liabilities and related ratios 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 component unit 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 component unit 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, 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 June 3, 2019, 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 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
June 3, 2019

**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, 2018. 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 \$8,925,048 at September 30, 2018.
- During the year, the City's expenses were \$2,112,726 more than the \$6,966,480 generated in revenues for the primary government.

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*.

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

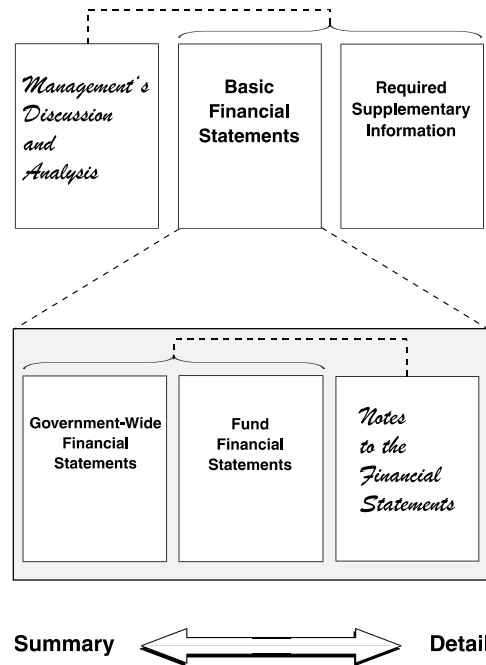


Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of 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, deferred inflows/outflows, 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 \$8,926,076 (See Table A-1).

Table A-1
City's Net Position

	GOVERNMENTAL		BUSINESS-TYPE		TOTAL	
	ACTIVITIES		ACTIVITIES			
	2018	2017	2018	2017	2018	2017
Current Assets:						
Cash and cash equivalents	\$ 1 952 068	\$ 1 899 872	\$ 777 980	\$ 458 827	\$ 2 730 048	\$ 2 358 699
Receivables	672 788	520 320	515 730	472 529	1 188 518	992 849
TOTAL CURRENT ASSETS	2 624 856	2 420 192	1 293 710	931 356	3 918 566	3 351 548
Noncurrent Assets:						
Cash and cash equivalents	-	-	1 300 580	965 548	1 300 508	965 548
Capital assets (net)	2 932 765	5 784 080	4 775 650	4 612 515	7 708 415	10 396 595
TOTAL NONCURRENT ASSETS	2 932 765	5 784 080	6 076 158	5 578 063	9 008 923	11 362 143
TOTAL ASSETS	5 557 621	8 204 272	7 369 868	6 509 419	12 927 489	14 713 691
Deferred Outflows:						
Pension	378 869	481 277	96 761	110 085	475 630	591 362
OPEB	14 679	-	3 749	-	18 428	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	5 951 169	8 685 549	7 470 378	6 619 504	13 421 547	15 305 053
Current Liabilities:						
Accounts payable and accrued liabilities	102 528	177 550	98 105	44 406	200 633	221 956
Customer deposits	-	-	289 895	286 238	289 895	286 238
TOTAL CURRENT LIABILITIES	102 528	177 550	388 000	330 644	490 528	508 194
Noncurrent Liabilities:						
Due within one year	413 172	372 947	11 609	11 197	424 781	384 144
Due in more than one year	2 841 344	2 874 889	100 188	183 947	2 941 532	3 058 836
TOTAL LIABILITIES	3 361 972	3 425 386	499 797	525 788	3 861 769	3 951 174
Deferred inflows	504 784	78 109	128 918	18 086	633 702	96 195
TOTAL LIABILITIES AND DEFERRED INFLOWS	3 866 756	3 503 495	628 715	543 874	4 495 471	4 047 369
Net Position:						
Invested in capital assets	36 690	3 305 391	4 752 009	4 577 676	4 788 699	7 883 067
Restricted	710 509	680 729	1 300 508	965 548	2 011 017	1 646 277
Unrestricted	1 337 214	1 195 934	789 146	532 406	2 126 360	1 728 340
TOTAL NET POSITION	\$ 2 084 413	\$ 5 182 054	\$ 6 841 663	\$ 6 075 630	\$ 8 926 076	\$ 11 257 684

Changes in Net Position. The City's total revenues were \$6,966,480. 18% of the City's revenue comes from taxes, 72% relates to charges for services.

The total cost of all programs and services was \$7,829,236; of these costs 36% were for business-type activities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the City had invested \$7,708,415 (net of depreciation) in a broad range of capital assets, including land, equipment, buildings, and vehicles.

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

Long Term Debt

At year-end the City had \$3,022,267 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			
	2018	2017	2018	2017	2018	2017
Leases payable	\$ 1 206 075	\$ 523 689	\$ 23 641	\$ 34 839	\$ 1 229 716	\$ 558 528
Bonds payable	1 690 000	1 955 000	-	-	1 690 000	1 955 000
Accrued vacation	77 079	97 791	25 472	5 228	102 551	103 019
TOTAL	\$ 2 973 154	\$ 2 576 480	\$ 49 113	\$ 40 067	\$ 3 022 267	\$ 2 616 547

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, 2018

	GOVERN- MENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL	ECONOMIC DEVELOPMENT CORPORATION
ASSETS				
Current Assets:				
Cash and investments	\$ 1 952 068	\$ 777 980	\$ 2 730 048	\$ 633 054
Receivables Net of Allowance for Uncollectibles:				
Taxes	59 243	-	59 243	-
Customer accounts	-	504 751	504 751	-
Other	613 545	10 979	624 524	-
TOTAL CURRENT ASSETS	<u>2 624 856</u>	<u>1 293 710</u>	<u>3 918 566</u>	<u>633 054</u>
Noncurrent Assets:				
Restricted cash	-	1 300 508	1 300 508	-
Capital Assets:				
Land	134 517	159 440	293 957	310 879
Streets and infrastructure	-	-	-	1 409 408
Buildings and improvements	5 248 956	-	5 248 956	2 765 815
Furniture and equipment	4 871 699	1 020 116	5 891 815	57 328
Utility systems	-	12 654 728	12 654 728	-
Construction in progress	24 600	180 275	204 875	-
Less: Accumulated depreciation	<u>(7 347 007)</u>	<u>(9 238 909)</u>	<u>(16 585 916)</u>	<u>(1 285 158)</u>
TOTAL CAPITAL ASSETS	<u>2 932 765</u>	<u>4 775 650</u>	<u>7 708 415</u>	<u>3 258 272</u>
TOTAL NONCURRENT ASSETS	<u>2 932 765</u>	<u>6 076 158</u>	<u>9 008 923</u>	<u>3 258 272</u>
TOTAL ASSETS	<u>5 557 621</u>	<u>7 369 868</u>	<u>12 927 489</u>	<u>3 891 326</u>
DEFERRED OUTFLOWS				
Deferred outflow - Pension	378 869	96 761	475 630	-
Deferred outflow - OPEB	14 679	3 749	18 428	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 5 951 169</u>	<u>\$ 7 470 378</u>	<u>\$ 13 421 547</u>	<u>\$ 3 891 326</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 9 132	\$ 77 791	\$ 86 923	\$ -
Accrued liabilities	77 044	20 314	97 358	9 788
Accrued interest payable	16 352	-	16 352	3 051 958
Current Portion of Long-Term Debt Liabilities:				
Notes payable	-	-	-	106 060
Leases payable	143 172	11 609	154 781	-
Revenue bonds	270 000	-	270 000	-
TOTAL CURRENT LIABILITIES	<u>520 638</u>	<u>109 714</u>	<u>630 352</u>	<u>3 167 806</u>
Noncurrent Liabilities:				
Bonds payable	1 420 000	-	1 420 000	-
Capitalized lease obligations	1 062 903	12 032	1 074 935	-
Notes payable	-	-	-	9 551
Accrued comp absence	112 989	25 472	138 461	-
Customer deposits	-	289 895	289 895	-
Net pension liability	45 986	11 744	57 730	-
Net OPEB liability	199 456	50 940	250 396	-
TOTAL NONCURRENT LIABILITIES	<u>2 841 334</u>	<u>390 083</u>	<u>3 231 417</u>	<u>9 551</u>
TOTAL LIABILITIES	<u>3 361 972</u>	<u>499 797</u>	<u>3 861 769</u>	<u>3 177 357</u>
DEFERRED INFLOWS				
Deferred inflows - Pension	504 784	128 918	633 702	-
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>\$ 3 866 756</u>	<u>\$ 628 715</u>	<u>\$ 4 495 471</u>	<u>\$ 3 177 357</u>
NET POSITION				
Net investment in capital assets	\$ 36 690	\$ 4 752 009	\$ 4 788 699	\$ 683 558
Restricted for:				
Debt service	709 408	1 300 508	2 009 916	-
Grants	1 101	-	1 101	-
Unrestricted	1 337 214	789 146	2 126 360	30 411
TOTAL NET POSITION	<u>\$ 2 084 413</u>	<u>\$ 6 841 663</u>	<u>\$ 8 926 076</u>	<u>\$ 713 969</u>

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, 2018

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION			
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRI- BUTIONS	CAPITAL GRANTS AND CONTRI- BUTIONS	PRIMARY GOVERNMENT			COMPONENT UNIT
					GOVERN- MENTAL ACTIVITIES	BUSINESS -TYPE ACTIVITIES	TOTAL	ECONOMIC DEVELOPMENT CORPORATION
Primary Government:								
Governmental Activities:								
General government	\$ 662 706	\$ 285 585	\$ 5 921	\$ -	\$ (371 111)	\$ -	\$ (371 111)	\$ -
Fire department	599 101	4 300	50 000	-	(544 764)	-	(544 764)	-
Police and courts department	1 225 149	152 147	-	-	(1 072 916)	-	(1 072 916)	-
Street department	547 769	-	-	-	(547 718)	-	(547 718)	-
Parks department	155 278	-	23 951	-	(131 316)	-	(131 316)	-
Sanitation department	1 250 654	1 201 349	134 923	-	85 618	-	85 618	-
Economic development department	98 657	-	-	-	(98 657)	-	(98 657)	-
Library department	164 574	-	-	-	(164 564)	-	(164 564)	-
Fleet maintenance department	101 126	-	-	-	(101 126)	-	(101 126)	-
Civic center department	206 021	10 179	-	-	(195 842)	-	(195 842)	-
Emergency management department	65 584	-	-	-	(65 584)	-	(65 584)	-
Interest expense	65 315	-	-	-	(65 315)	-	(65 315)	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>5 141 650</u>	<u>1 653 560</u>	<u>214 795</u>	<u>-</u>	<u>(3 273 295)</u>	<u>-</u>	<u>(3 273 295)</u>	<u>-</u>
Business-Type Activities:								
Water and sewer	2 842 815	3 388 960	-	-	-	546 145	546 145	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>2 842 815</u>	<u>3 388 960</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>546 145</u>	<u>546 145</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 7 984 465</u>	<u>\$ 5 042 520</u>	<u>\$ 214 795</u>	<u>\$ -</u>	<u>(3 273 295)</u>	<u>546 145</u>	<u>(2 727 150)</u>	<u>-</u>
Component Units:								
Economic development corporation	\$ 438 269	\$ -	\$ -	\$ -	-	-	-	(438 269)
TOTAL COMPONENT UNITS	<u>\$ 438 269</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(438 269)</u>
General Revenues:								
Taxes:								
Property taxes - General					1 286 402	-	1 286 402	-
Property taxes - Debt service					317 418	-	317 418	-
Sales taxes					1 086 174	-	1 086 174	543 087
Other tax revenue					526 420	-	526 420	-
Unrestricted investment earnings					11 812	3 017	14 829	-
Other unrestricted revenue					212 757	267 849	480 606	-
Loss on sale of assets					(3 096 397)	-	(3 096 397)	-
Transfers					4 797	(4 797)	-	-
TOTAL GENERAL REVENUES					<u>349 383</u>	<u>266 069</u>	<u>615 452</u>	<u>543 087</u>
CHANGE IN NET POSITION					<u>(2 923 912)</u>	<u>812 214</u>	<u>(2 111 698)</u>	<u>104 818</u>
Net position - Beginning					5 182 054	6 075 630	11 257 684	609 151
Prior period adjustment					(173 729)	(46 181)	(219 910)	-
NET POSITION - ENDING					<u>\$ 2 084 413</u>	<u>\$ 6 841 663</u>	<u>\$ 8 926 076</u>	<u>\$ 713 969</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, 2018

	GENERAL	NON-MAJOR GOVERNMENTAL	TOTAL
ASSETS			
Cash and investments	\$ 1 241 559	\$ 710 509	\$ 1 952 068
Property tax receivable	-	59 243	59 243
Other receivables	613 545	-	613 545
TOTAL ASSETS	\$ 1 855 104	\$ 769 752	\$ 2 624 856
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 9 132	\$ 4 938	\$ 14 070
Accrued liabilities	77 044	-	77 044
TOTAL LIABILITIES	86 176	4 938	86 176
Deferred Inflows:			
Deferred revenue	614 549	59 243	673 792
TOTAL DEFERRED INFLOWS	614 549	59 243	673 792
Fund Balance:			
Restricted:			
Debt service	-	709 408	709 408
Grant fund	-	(3 837)	(3 837)
Unassigned Reported in:			
General fund	1 154 379	-	1 154 379
TOTAL FUND BALANCE	\$ 1 154 379	\$ 705 571	\$ 1 859 950

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.	2 932 765
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	673 792
Deferred inflows and outflows, net, used in governmental activity, not recorded in funds.	(125 915)
Net pension liability used in governmental activities not recorded in funds.	(45 986)
Net OPEB liability used in governmental activities not recorded in funds.	(184 777)
Debt principal and compensated absences used in governmental activity, not recorded in funds.	(3 025 416)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 2 084 413

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, 2018

	GENERAL	NONMAJOR FUNDS	TOTAL
Revenues:			
Property taxes	\$ 1 134 376	\$ 317 418	\$ 1 451 794
Sales tax	1 086 174	-	1 086 174
Other taxes	631 292	-	631 292
Fines and fees	41 609	-	41 609
Municipal court fines	125 017	-	125 017
Sanitation charges	1 201 349	-	1 201 349
Grant and donations	85 923	42 630	128 553
Miscellaneous	479 712	-	479 712
TOTAL REVENUES	4 785 452	360 048	5 145 500
Expenditures:			
General administration	1 409 868	-	1 409 868
Fire department	582 937	-	582 937
Police department	1 377 223	-	1 377 223
Street department	807 461	-	807 461
Park department	176 926	-	176 926
Sanitation department	1 241 719	-	1 241 719
Economic development department	102 327	-	102 327
Library department	157 350	-	157 350
Fleet maintenance department	103 811	-	103 811
Civic center department	197 359	-	197 359
Emergency management department	67 702	-	67 702
Debt service	-	301 115	301 115
Grant expense	-	23 151	23 151
TOTAL EXPENDITURES	6 224 683	324 266	6 548 949
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1 439 231)	35 782	(1 403 449)
Other Financing Sources (Uses):			
Proceeds from capital lease	855 766	-	855 766
Interest	7 341	4 471	11 812
Gain on sale of assets	653 238	-	653 238
Transfers in (out)	20 208	(15 411)	4 797
TOTAL OTHER FINANCING SOURCES (USES)	1 536 553	(10 940)	1 525 613
NET CHANGE IN FUND BALANCES	97 322	24 842	122 164
Fund balances, beginning	1 057 057	680 729	1 737 786
FUND BALANCE, ENDING	\$ 1 154 379	\$ 705 571	\$ 1 859 950

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, 2018

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

Net change in fund balances - Total governmental funds.	\$ 122 164
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.	(2 851 315)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	(416 828)
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.	<u>222 067</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (2 923 912)</u>

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

CITY OF CROCKETT, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2018

ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 777 980
Accounts receivable (net of allowance for uncollectibles)	504 751
Other receivables	10 979
TOTAL CURRENT ASSETS	1 293 710
Noncurrent Assets:	
Restricted cash	1 300 508
Capital Assets:	
Land	159 440
Furniture and equipment	1 020 116
Utility systems	12 654 728
Construction in progress	180 275
Accumulated depreciation	(9 238 909)
NET CAPITAL ASSETS	4 775 650
TOTAL NONCURRENT ASSETS	6 076 158
TOTAL ASSETS	7 369 868
Deferred Outflows:	
Deferred outflows - Pension	96 761
Deferred outflows - OPEB	3 749
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 7 470 378
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 77 791
Accrued liabilities	20 314
Current portion of long-term liabilities	11 609
TOTAL CURRENT LIABILITIES	109 714
Noncurrent Liabilities:	
Leases payable	12 032
Accrued compensated absences	25 472
Customer deposits	289 895
Net pension liability	11 744
Net OPEB liability	50 940
TOTAL NONCURRENT LIABILITIES	390 083
TOTAL LIABILITIES	499 797
Deferred Inflows:	
Deferred inflows - Pension	128 918
TOTAL LIABILITIES AND DEFERRED INFLOWS	628 715
NET POSITION	
Restricted for replacement reserves	1 300 508
Unrestricted	5 541 155
TOTAL NET POSITION	\$ 6 841 663

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, 2018

Operating Revenues:	
Charges for service	\$ 3 388 960
Miscellaneous	267 849
TOTAL OPERATING REVENUES	3 656 809
Operating Expenses:	
Purchase of utilities	192 671
Payroll costs	748 653
Supplies and materials	211 408
Repairs and maintenance	140 313
Purchased and contracted services	831 024
Miscellaneous	424 402
Depreciation	294 344
TOTAL OPERATING EXPENSES	2 842 815
OPERATING INCOME	813 994
Nonoperating Revenues (Expenses):	
Interest income	3 017
Transfer in (out)	(4 797)
TOTAL NONOPERATING REVENUES (EXPENSES)	(1 780)
CHANGE IN NET POSITION	812 214
Net position - Beginning	6 075 630
Prior period adjustment	(46 181)
NET POSITION - ENDING	\$ 6 841 663

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, 2018

Reconciliation of Operating Income to Net Cash Provided	
by Operating Activities:	
Operating income	\$ 813 994
Depreciation	294 344
Adjustments to Reconcile Operating Income to Net	
Provided by Operating Activities:	
Decrease (increase) in accounts receivable	(40 301)
Decrease (increase) in other receivables	(2 900)
Increase (decrease) in accounts payable	43 883
Increase (decrease) in accrued expenses payable	9 816
Increase (decrease) in compensated absences	20 244
Increase (decrease) in customer deposits	3 657
Decrease (increase) in deferred outflows	9 575
Increase (decrease) in deferred inflows	110 832
Increase (decrease) in net pension liability	(143 333)
Increase (decrease) in net OPEB liability	5 869
TOTAL ADJUSTMENTS	<u>16 232</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1 124 570</u>
Cash Flows from Noncapital Financing Activities:	
Operating transfers in (out)	<u>(4 797)</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(4 797)</u>
Cash Flows from Capital and Related Activities:	
Purchase of capital assets	(457 479)
Principal paid on capital debt	(11 198)
NET CASH (USED) BY CAPITAL AND RELATED ACTIVITIES	<u>(468 677)</u>
Cash Flows from Investing Activities:	
Interest on investments	<u>3 017</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>3 017</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	654 113
Cash and cash equivalents, beginning	<u>1 424 375</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 2 078 488</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, 2018

	<u>TRUST FUNDS</u>
ASSETS	
Cash and cash equivalents	\$ 731 032
TOTAL ASSETS	<u>\$ 731 032</u>
 LIABILITIES	
Due to others	\$ 731 032
TOTAL LIABILITIES	<u>\$ 731 032</u>

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

CITY OF CROCKETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

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 home rule 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, 2018

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 (Nonmajor) - 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 (Nonmajor) - 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 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, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Prepaid Items:

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.

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, 2018

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 June 3, 2019, 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	\$ 5 127
Library - General Fund	\$ 2 632

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 \$4,030,556 and the bank balances were \$4,597,646. 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, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

B. Restricted Assets:

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

Debt service	\$	710 509
Water and sewer fund		1 300 508
Trust funds		731 032
TOTAL	\$	<u>2 742 049</u>

C. Property Taxes:

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

D. Capital Assets:

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

	BEGINNING BALANCE	ADDITIONS	DELETIONS	ENDING BALANCE
Governmental Activities:				
Land	\$ 1 384 487	\$ -	\$ (1 249 970)	\$ 134 517
Construction in progress	-	24 600	-	24 600
Buildings and improvements	7 171 743	859 863	(2 782 650)	5 248 956
Furniture and equipment	4 411 002	460 697	-	4 871 699
TOTAL COST	<u>12 967 232</u>	<u>1 345 160</u>	<u>(4 032 620)</u>	<u>10 279 772</u>
Less Accumulated Depreciation:				
Buildings and improvements	(3 675 510)	(167 086)	282 985	(3 559 611)
Furniture and equipment	(3 507 642)	(279 754)	-	(3 787 396)
TOTAL ACCUMULATED DEPRECIATION	<u>(7 183 152)</u>	<u>(466 840)</u>	<u>282 985</u>	<u>(7 347 007)</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 5 784 080</u>	<u>\$ 898 320</u>	<u>\$ (3 749 635)</u>	<u>\$ 2 932 765</u>
Proprietary Fund Activities:				
Land	\$ 159 440	\$ -	\$ -	\$ 159 440
Construction in progress	-	180 275	-	180 275
Furniture and equipment	898 753	121 363	-	1 020 116
Utility systems	12 498 887	155 841	-	12 654 728
TOTAL COST	<u>13 557 080</u>	<u>457 479</u>	<u>-</u>	<u>14 014 559</u>
Less Accumulated Depreciation:				
Furniture and equipment	(795 446)	(32 674)	-	(828 120)
Utility systems	(8 149 119)	(261 670)	-	(8 410 788)
TOTAL ACCUMULATED DEPRECIATION	<u>(8 944 565)</u>	<u>(294 344)</u>	<u>-</u>	<u>(9 238 909)</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 4 612 515</u>	<u>\$ 163 135</u>	<u>\$ -</u>	<u>\$ 4 775 650</u>
Component Unit:				
Land	\$ 310 879	\$ -	\$ -	\$ 310 879
Furniture and equipment	44 328	13 000	-	57 328
Building and improvements	2 765 815	-	-	2 765 815
Streets	969 387	-	-	969 387
Infrastructure - W/S lines	440 021	-	-	440 021
TOTAL COST	<u>4 530 430</u>	<u>13 000</u>	<u>-</u>	<u>4 543 430</u>
Less accumulated depreciation	(1 154 473)	(130 685)	-	(1 285 158)
TOTAL CAPITAL ASSETS, NET	<u>\$ 3 375 957</u>	<u>\$ (117 685)</u>	<u>\$ -</u>	<u>\$ 3 258 272</u>

CITY OF CROCKETT, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Depreciation expense was charged to the governmental functions as follows:

General government	\$ 96 999
Fire department	63 266
Police department	51 583
Street department	36 877
Sanitation department	75 856
Parks department	3 464
Library department	11 250
Civic center department	107 545
	<u>\$ 446 840</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	\$ 523 689	\$ 855 766	\$ 173 380	\$ 1 206 075	\$ 143 172
Refunding bonds	1 955 000	-	265 000	1 690 000	270 000
Accrued compensated absences	97 791	-	20 712	77 079	-
	<u>\$ 2 576 480</u>	<u>\$ 855 766</u>	<u>\$ 459 092</u>	<u>\$ 2 973 154</u>	<u>\$ 413 172</u>
Proprietary Fund type:					
Accrued leases payable	\$ 34 839	\$ -	\$ (11 198)	\$ 23 641	\$ 11 0609
Accrued compensated absences	5 228	20 244	-	25 472	-
	<u>\$ 40 067</u>	<u>\$ 20 244</u>	<u>\$ (11 198)</u>	<u>\$ 49 113</u>	<u>\$ 11 609</u>

Economic Development:

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

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

OUTSTANDING 10/01	DRAWS	REPAYMENT	OUTSTANDING 09/30
\$ 3 259 574	\$ -	\$ 101 556	\$ 3 158 018

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		PROPRIETARY	ECONOMIC DEVELOPMENT
	REFUND BOND	LEASES PAYABLE	LEASES PAYABLE	NOTE PAYABLE
2019	\$ 270 000	\$ 143 172	\$ 11 609	\$ 106 060
2020	275 000	148 234	12 032	110 459
2021	275 000	130 091	-	115 040
2022	285 000	112 487	-	119 812
2023	290 000	91 501	-	124 781
Thereafter	295 000	580 590	-	2 581 866
TOTAL	<u>\$ 1 690 000</u>	<u>\$ 1 206 075</u>	<u>\$ 23 641</u>	<u>\$ 3 158 018</u>

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.

Employees Covered by Benefit Terms:

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	59
Inactive employees entitled to but not yet receiving benefits	45
Active employees	54
	158

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 2018 and 2017. The City's contributions to TMRS for the year ended September 30, 2018 were \$183,614 and were equal to the required contribution.

CITY OF CROCKETT, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2018

NOTE 4 - OTHER INFORMATION - CONTINUED

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, 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, 2017 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, 2017, 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 2017 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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%	

CITY OF CROCKETT, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2018

NOTE 4 - OTHER INFORMATION - CONTINUED

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. 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, 2016	\$ 10 388 021	\$ 9 561 588	\$ 826 433
Changes for the Year:			
Service cost	249 956	-	249 956
Interest	684 516	-	684 516
Change of benefit terms	-	-	-
Difference between expected and actual experience	(98 220)	-	(98 220)
Changes of assumptions	-	-	-
Contributions - Employer	-	178 818	(178 818)
Contributions - Employee	-	108 113	(108 113)
Net investment income	-	1 325 241	(1 325 241)
Benefit payments, including refunds of employee	(744 045)	(744 045)	-
Administrative expense	-	(6 868)	6 868
Other changes	-	(349)	349
NET CHANGES	92 207	860 910	(768 703)
Balance at December 31, 2017	\$ 10 480 228	10 422 498	57 730

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1% DECREASE IN DISCOUNT RATE (5.75%)	DISCOUNT RATE (6.75%)	1% INCREASE IN DISCOUNT RATE (7.75%)
Net pension liability	\$ 1 374 272	\$ 57 730	\$ (1 031 770)

Pension Plan Fiduciary Net Position

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

CITY OF CROCKETT, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2018

NOTE 4 - OTHER INFORMATION - CONTINUED

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

For the year ended September 30, 2018, the City recognized pension expense of \$117,545.

At September 30, 2018, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual economic experience	\$ 6 357	\$ 89 423
Changes in actuarial assumptions	5 438	-
Difference between projected and actual investment earnings	280 221	544 279
Contributions subsequent to the measurement date	183 614	-
TOTAL	\$ 475 630	\$ 633 702

The \$475,630 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, 2018. 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
2019	\$ (37 779)
2020	(31 837)
2021	(136 104)
2022	(135 966)
2023	-
Thereafter	-
TOTAL	\$ (341 686)

F. Other Postemployment Benefit (OPEB)

Plan Description

Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

The City of Center contributes to the SDBF at a contractually required rate as 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.

CITY OF CROCKETT, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2018

NOTE 4 - OTHER INFORMATION - CONTINUED

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

Benefits Provided

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). The death benefit for retirees is considered and other postemployment benefit ("OPEB") and is a fixed amount of \$7,500.

Employees Covered by Benefit Terms

Membership:

Number of:	
Inactive employees currently receiving benefits	44
Inactive employees entitled to but not yet receiving benefits	6
Active employees	54
TOTAL	104

Covered Payroll	\$ <u>2 162 253</u>
------------------------	----------------------------

Contributions

PLAN/ CALENDAR YEAR	TOTAL SDB CONTRIBUTION (RATE)	RETIREE PORTION OF SDB CONTRIBUTION (RATE)
2017	0.19%	0.07%
2018	0.18%	0.05%

The City's contributions to the SDBF for the year ended September 30, 2018 were \$6,804, and were equal to the required contribution.

Summary of Actuarial Assumptions

Inflation	2.5%
Salary increases	3.50% to 10.5% including inflation
Discount rate*	3.31%
Retirees' share of benefit-related costs	\$-0-
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - Service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates - Disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

Note: The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

CITY OF CROCKETT, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2018

NOTE 4 - OTHER INFORMATION - CONTINUED

Changes in OPEB Liability

Total OPEB liability - Beginning of year	\$ 219 910
Changes for the Year:	
Service cost	6 919
Interest on total OPEB liability	8 403
Changes of benefit terms	-
Differences	-
Changes in assumptions or other inputs	17 326
Benefit payments	<u>(2 162)</u>
NET CHANGES	<u>30 486</u>
TOTAL OPEB LIABILITY - END OF YEAR	<u>\$ 250 396</u>

Total OPEB Liability as a Percentage of Covered Payroll 11.58%

Sensitivity of OPEB Liability to Changes in the Discount Rate

The following presents the OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what the City's OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.31%) or 1-percentage point higher (4.31%) than the current rate.

	1% Decrease (2.31%)	Current Discount Rate (3.31%)	1% Increase (4.31%)
Total OPEB Liability	\$ 294 235	\$ 250 396	\$ 215 479

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of \$19,233.

As of September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual	\$ -	\$ -
Changes in actuarial assumptions	13 415	-
Difference between projected and actual earnings	-	-
Subsequent contributions	5 012	-
TOTAL	<u>\$ 18 427</u>	<u>\$ -</u>

CITY OF CROCKETT, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2018

NOTE 4 - OTHER INFORMATION - CONTINUED

\$1,113 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as OPEB expense as follows:

YEAR ENDED AUGUST 31,	AMORTIZATION
2019	\$ 3 911
2020	3 911
2021	3 911
2022	1 682
2023	-
Thereafter	-
TOTAL	\$ <u>13 415</u>

G. 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.

H. 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.

I. Concentrations:

During 2018, the water and sewer fund spent \$831,024 for water from Houston County Water Control and Improvement District #1 to supply approximately 90% of water for the City.

NOTE 5 - PRIOR PERIOD ADJUSTMENT

During the current year, the City implemented GASB 75 related to the recognition of Other Post-Employment Benefits. This implementation required the liability be recognized at the beginning of the prior year resulting in an adjustment of \$219,910.

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, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE FINAL BUDGET POSITIVE (NEGATIVE)
Revenues:				
Property taxes	\$ 1 171 361	\$ 1 171 361	\$ 1 134 376	\$ (36 985)
Sales tax	1 155 822	1 155 822	1 086 174	(69 648)
Other taxes	628 238	628 238	631 292	3 054
Fines and fees	34 467	34 467	41 609	7 142
Municipal court fines	112 974	112 974	125 017	12 043
Sanitation charges	1 202 173	1 202 173	1 201 349	(824)
Grants and donations	252 281	277 796	85 923	(191 873)
Miscellaneous	496 563	834 751	479 712	(355 039)
TOTAL REVENUES	<u>5 053 879</u>	<u>5 417 582</u>	<u>4 785 452</u>	<u>(632 130)</u>
Expenditures:				
General administration	744 567	1 510 333	1 409 868	100 465
Fire department	426 655	582 937	582 937	-
Police department	1 369 552	1 372 096	1 377 223	(5 127)
Street department	562 113	815 962	807 461	8 501
Park department	162 779	188 769	176 926	11 843
Sanitation department	1 186 173	1 331 148	1 241 719	89 429
Economic development department	140 317	140 317	102 327	37 990
Library department	154 718	154 718	157 350	(2 632)
Fleet maintenance department	131 339	131 339	103 811	27 528
Civic center department	106 394	223 287	197 359	25 928
Emergency management department	75 272	75 272	67 702	7 570
TOTAL EXPENDITURES	<u>5 059 879</u>	<u>6 526 178</u>	<u>6 224 683</u>	<u>301 495</u>
EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES	<u>(6 000)</u>	<u>(1 108 596)</u>	<u>(1 439 231)</u>	<u>(330 635)</u>
Other Financing Sources (Uses):				
Proceeds from capital lease	-	-	855 766	855 766
Interest income	1 000	1 000	7 341	6 341
Sale of assets	5 000	510 000	653 238	(143 238)
Transfers in (out)	-	-	20 208	20 208
TOTAL OTHER FINANCING SOURCES (USES)	<u>6 000</u>	<u>511 000</u>	<u>1 536 553</u>	<u>1 025 553</u>
NET CHANGE IN FUND BALANCES	-	(597 596)	97 322	694 918
Fund balances, beginning	<u>1 057 057</u>	<u>1 057 057</u>	<u>1 057 057</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 1 057 057</u>	<u>\$ 459 461</u>	<u>\$ 1 154 379</u>	<u>\$ 694 918</u>

See independent auditors' report.

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

	2017	2016	2015	2014
Total Pension Liability:				
Service cost	\$ 249 956	\$ 251 537	\$ 276 955	\$ 240 012
Interest (on the total pension liability)	684 516	663 966	672 346	645 247
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(98 220)	12 618	(222 477)	(9 488)
Change of assumptions	-	-	47 264	-
Benefit payments, including refunds of employee contributions	(744 045)	(501 737)	(557 839)	(456 396)
NET CHANGE IN TOTAL PENSION LIABILITY	92 207	426 384	216 249	419 375
Total pension liability - Beginning	10 388 021	9 961 637	9 745 388	9 326 013
TOTAL PENSION LIABILITY - ENDING	10 480 228	10 388 021	9 961 637	9 745 388
Plan Fiduciary Net Position:				
Contributions - Employer	178 818	174 058	211 642	245 493
Contributions - Employee	108 113	107 311	124 642	124 743
Net investment income	1 325 241	619 643	13 850	512 844
Benefit payments, including refunds of employee contributions	(744 045)	(501 737)	(557 839)	(456 396)
Administrative	(6 868)	(6 999)	(8 436)	(5 355)
Other	(347)	(377)	(417)	(440)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	860 911	391 899	(216 558)	420 889
Plan fiduciary net position - Beginning	9 561 588	9 169 689	9 386 247	8 965 358
PLAN FIDUCIARY NET POSITION - ENDING	10 422 499	9 561 588	9 169 689	9 386 247
NET PENSION LIABILITY - ENDING	\$ 57 730	\$ 826 433	\$ 791 948	\$ 359 141
Plan fiduciary net position as a percentage of total pension liability	99.45%	92.04%	92.05%	96.31%
Covered employee payroll	\$ 2 162 253	\$ 2 146 221	\$ 2 492 845	\$ 2 494 853
Net pension liability as a percentage of covered employee payroll	2.67%	38.51%	31.77%	14.40%

SCHEDULE OF CONTRIBUTIONS

	2018	2017	2016	2015
Actuarially determine contribution				
Contributions in relation to the actuarially determined contribution	\$ 183 614	\$ 177 716	\$ 184 727	\$ 217 127
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 2 163 617	\$ 2 160 442	\$ 2 245 227	\$ 2 453 301
Contributions as a percentage of covered employee payroll	8.49%	8.23%	8.23%	8.85%

*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.

CITY OF CROCKETT, TEXAS
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
AND SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS*

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	2017
Total OPEB Liability:	
Service cost	\$ 6 919
Interest on total OPEB liability	8 403
Changes of benefit terms	-
Difference between expected and actual experience	-
Change of assumptions	17 326
Benefit payments, including refunds of employee contributions	<u>(2 162)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	30 486
Total OPEB liability, beginning	<u>219 910</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>250 396</u>
 Plan Fiduciary Net Position:	
Contributions - Employer	-
Contributions - Employee	-
Net investment income	-
Benefit payments, including refunds of employee contributions	-
Administrative expense	-
Other	<u>-</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	-
Plan fiduciary net position, beginning	<u>-</u>
FIDUCIARY NET POSITION, ENDING (b)	<u>-</u>
 NET OPEB LIABILITY ENDING (a) - (b)	<u>\$ 250 396</u>
Plan fiduciary net position as a % of total OPEB liability	0.00%
Covered employee payroll	\$ 2 162 253
Net OPEB liability as a % of covered employee payroll	11.58%

SCHEDULE OF CONTRIBUTIONS

	2018
Actuarially determined contribution	\$ 6 804
Contributions in relation to the actuarially determined contribution	<u>(6 804)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u>\$ -</u>
 Covered employee payroll	\$ 2 163 617
Contributions as a percentage of covered employee payroll	0.31%

Other Information:

* This schedule is illustrate 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.

Details of the plan are included in the notes.

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, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)
Operating Revenues:				
Charges for services	\$ 3 632 898	\$ 3 632 898	\$ 3 388 960	\$ (243 938)
Miscellaneous	106 000	306 000	267 849	(38 151)
TOTAL REVENUES	<u>3 738 898</u>	<u>3 938 898</u>	<u>3 656 809</u>	<u>(282 089)</u>
Operating Expenses:				
Purchase of utilities	181 514	181 514	192 671	(11 157)
Payroll cost	769 249	769 249	749 681	19 568
Supplies and materials	252 513	252 513	211 408	41 105
Repairs and maintenance	180 100	180 100	140 313	39 787
Purchased and contracted services	870 523	1 047 039	831 024	216 015
Miscellaneous	501 787	501 787	424 402	77 385
Depreciation	325 000	325 000	294 344	30 656
TOTAL EXPENSES	<u>3 080 686</u>	<u>3 257 202</u>	<u>2 843 843</u>	<u>413 359</u>
OPERATING INCOME	<u>658 212</u>	<u>681 696</u>	<u>812 966</u>	<u>131 270</u>
Non-Operating Revenues (Expense):				
Interest income	346	346	3 017	2 671
Interest expense	(116 262)	(116 262)	-	116 262
Transfers in (out)	-	-	(4 797)	(4 797)
TOTAL NON-OPERATING INCOME	<u>(115 916)</u>	<u>(115 916)</u>	<u>(1 780)</u>	<u>114 136</u>
NET CHANGE IN NET POSITION	542 296	565 780	811 186	245 406
Net position, beginning	6 075 630	6 075 630	6 075 630	-
Prior period adjustment	-	-	(46 181)	-
NET POSITION, ENDING	<u>\$ 6 617 926</u>	<u>\$ 6 641 410</u>	<u>\$ 6 840 635</u>	<u>\$ 245 406</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, 2018

	ORIGINAL AND FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)
Revenues:			
Property taxes	\$ 300 668	\$ 317 418	\$ 16 750
TOTAL REVENUES	<u>300 668</u>	<u>317 418</u>	<u>16 750</u>
Expenditures:			
Debt service expense	<u>301 168</u>	<u>301 115</u>	<u>53</u>
TOTAL EXPENDITURES	<u>301 168</u>	<u>301 115</u>	<u>53</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	<u>(500)</u>	<u>16 303</u>	<u>16 803</u>
Other Financing Sources (Uses):			
Interest income	500	4 470	3 970
Transfers in (out)	<u>-</u>	<u>9 006</u>	<u>9 006</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>500</u>	<u>13 476</u>	<u>12 976</u>
NET CHANGE IN NET BALANCES	-	29 779	29 779
Fund balances, beginning	<u>679 629</u>	<u>679 629</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 679 629</u>	<u>\$ 709 408</u>	<u>\$ 29 779</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, 2018

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF NET POSITION
ASSETS			
Cash	\$ 633 054	\$ -	\$ 633 054
Capital assets, net of accumulated depreciation	-	3 258 272	3 258 272
TOTAL ASSETS	\$ 633 054	3 258 272	3 891 326
LIABILITIES			
Accrued severance	\$ 9 788	-	9 788
Current portion of notes payable	-	106 060	106 060
Accrued interest	-	9 551	9 551
Long-term portion of notes payable	-	3 051 958	3 051 958
TOTAL LIABILITIES	9 788	3 167 569	3 177 357
FUND BALANCE/NET POSITION			
Fund Balance:			
Unrestricted	623 266	(623 266)	-
TOTAL FUND BALANCE	623 266	(623 266)	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 633 054		
NET POSITION			
Net investment in capital assets		683 558	683 558
Unrestricted		30 411	30 411
TOTAL NET POSITION		\$ 713 969	\$ 713 969

See independent auditors' report.

CROCKETT ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BALANCE SHEET/STATEMENT OF NET POSITION
For the Year Ended September 30, 2018

	GENERAL FUND	ADJUSTMENT	STATEMENT OF NET POSITION
Revenues:			
Sales tax	\$ 543 087	\$ -	\$ 543 087
TOTAL REVENUES	543 087	-	543 087
Expenditures:			
Supplies expense	2 563	-	2 563
Audit expense	5 118	-	5 118
Dues and subscriptions	14 549	-	14 549
Professional services	17 314	-	17 314
Telephone	944	-	944
Travel	11 263	(3 000)	8 263
Payroll	84 371	-	84 371
Taxes and benefits	23 006	-	23 006
Meals and entertainment	9 197	-	9 197
Utilities	2 923	-	2 923
Industrial park	14 800	(10 000)	4 800
Equipment	105	-	105
Miscellaneous	1 160	-	1 160
Debt service	236 531	(103 262)	133 269
Depreciation	-	130 685	130 685
TOTAL EXPENDITURES	423 844	14 423	438 269
CHANGE IN FUND BALANCE/ NET POSITION	119 243	(14 423)	104 818
Fund balance - Beginning of year	504 023		609 151
FUND BALANCE - END OF YEAR	\$ 623 266		\$ 713 969

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, 2018, 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 June 3, 2019.

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
June 3, 2019


CERTIFIED PUBLIC ACCOUNTANTS