

CITY OF CROCKETT, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2017

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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, 2017, 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, 2017, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of changes in net pension liabilities and related ratios on pages 5-8 and 33-34 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 May 14, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports on page 42-43 are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
May 14, 2018

**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, 2017. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

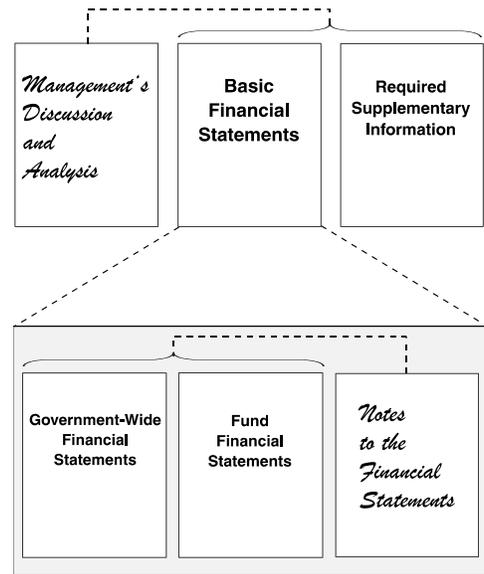
- The City's total combined net position was \$11,256,234 at September 30, 2017.
- During the year, the City's expenses were \$126,068 less than the \$8,085,619 generated in revenues for the primary government.

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*.

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



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

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

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, 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 \$11,257,684 (See Table A-1).

Table A-1
City's Net Position

	GOVERNMENTAL		BUSINESS-TYPE		TOTAL	
	ACTIVITIES		ACTIVITIES			
	2017	2016	2017	2016	2017	2016
Current Assets:						
Cash and cash equivalents	\$ 1 899 872	\$ 1 606 413	\$ 458 827	\$ 641 155	\$ 2 358 699	\$ 2 247 568
Receivables	520 320	500 676	472 529	402 777	992 849	903 453
TOTAL CURRENT ASSETS	2 420 192	2 107 089	931 356	1 043 932	3 351 548	3 151 021
Noncurrent Assets:						
Cash and cash equivalents	-	-	965 548	780 374	965 548	780 374
Capital assets (net)	5 784 080	6 091 952	4 612 515	4 687 632	10 396 595	10 779 584
TOTAL NONCURRENT ASSETS	5 784 080	6 091 952	5 578 063	5 468 006	11 362 143	11 559 958
TOTAL ASSETS	8 204 272	8 199 041	6 509 419	6 511 938	14 713 691	14 710 979
Deferred Outflows:						
Pension	374 873	500 990	87 066	118 254	461 939	619 244
Subsequent contributions	106 404	103 471	23 019	22 294	129 423	125 765
TOTAL ASSETS AND DEFERRED OUTFLOWS	8 685 549	8 803 502	6 619 504	6 652 486	15 305 053	15 455 988
Current Liabilities:						
Accounts payable and accrued liabilities	177 550	178 339	44 406	46 626	221 956	224 965
Customer deposits	-	-	286 238	284 132	286 238	284 132
TOTAL CURRENT LIABILITIES	177 550	178 339	330 644	330 758	508 194	509 097
Noncurrent Liabilities:						
Due within one year	372 947	361 111	11 197	10 803	384 144	371 914
Due in more than one year	2 874 889	3 084 850	183 947	196 156	3 058 836	3 281 006
TOTAL LIABILITIES	3 425 386	3 624 300	525 788	537 717	3 951 174	4 162 017
Deferred inflows	78 109	132 314	18 086	31 491	96 195	163 805
TOTAL LIABILITIES AND DEFERRED INFLOWS	3 503 495	3 756 614	543 874	569 208	4 047 369	4 325 822
Net Position:						
Invested in capital assets	3 305 391	3 372 292	4 577 676	4 641 990	7 883 067	8 014 282
Restricted	680 729	546 023	965 548	780 374	1 646 277	1 326 397
Unrestricted	1 195 934	1 128 573	532 406	660 914	1 728 340	1 789 487
TOTAL NET POSITION	\$ 5 182 054	\$ 5 046 888	\$ 6 075 630	\$ 6 083 278	\$ 11 257 684	\$ 11 130 166

Changes in Net Position. The City's total revenues were \$8,085,619. 17% of the City's revenue comes from taxes, 56% relates to charges for services.

The total cost of all programs and services was \$7,856,112; of these costs 37% were for business-type activities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the City had invested \$10,396,595 (net of depreciation) in a broad range of capital assets, including land, equipment, buildings, and vehicles.

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

Long Term Debt

At year-end the City had \$2,616,547 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			
	2017	2016	2017	2016	2017	2016
Leases payable	\$ 523 689	\$ 504 660	\$ 34 839	\$ 45 642	\$ 558 528	\$ 550 302
Bonds payable	1 955 000	2 215 000	-	-	1 955 000	2 215 000
Accrued vacation	97 791	82 593	5 228	13 077	103 019	95 670
TOTAL	\$ 2 576 480	\$ 2 802 253	\$ 40 067	\$ 58 719	\$ 2 616 547	\$ 2 860 972

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, 2017

	GOVERN- MENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL	ECONOMIC DEVELOPMENT CORPORATION
ASSETS				
Current Assets:				
Cash and investments	\$ 1 899 872	\$ 458 827	\$ 2 358 699	\$ 512 896
Receivables Net of Allowance for Uncollectibles:				
Taxes	59 243	-	59 243	-
Customer accounts	-	464 450	464 450	-
Other	461 077	8 079	469 156	-
TOTAL CURRENT ASSETS	2 420 192	931 356	3 351 548	512 896
Noncurrent Assets:				
Restricted cash	-	965 548	965 548	-
Capital Assets:				
Land	1 384 487	159 440	1 543 927	310 879
Streets and infrastructure	-	-	-	1 409 408
Buildings and improvements	7 171 743	-	7 171 743	2 765 815
Furniture and equipment	4 411 002	898 753	5 309 755	44 328
Utility systems	-	12 498 887	12 498 887	-
Less: Accumulated depreciation	(7 183 152)	(8 944 565)	(16 127 717)	(1 154 473)
TOTAL CAPITAL ASSETS	5 784 080	4 612 515	10 396 595	3 375 957
TOTAL NONCURRENT ASSETS	5 784 080	5 578 063	11 362 143	3 375 957
TOTAL ASSETS	8 204 272	6 509 419	14 713 691	3 888 853
DEFERRED OUTFLOWS				
Deferred outflow - Pension	374 873	87 066	461 939	-
Deferred outflow - Subsequent contributions	106 404	23 019	129 423	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 8 685 549	\$ 6 619 504	\$ 15 305 053	\$ 3 888 853
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 89 538	\$ 33 908	\$ 123 446	\$ -
Accrued liabilities	71 102	10 498	81 600	8 873
Accrued interest payable	16 910	-	16 910	11 255
Current Portion of Long-Term Debt Liabilities:				
Notes payable	-	-	-	101 836
Leases payable	107 947	11 197	119 144	-
Revenue bonds	265 000	-	265 000	-
TOTAL CURRENT LIABILITIES	550 497	55 603	606 100	121 964
Noncurrent Liabilities:				
Bonds payable	1 690 000	-	1 690 000	-
Capitalized lease obligations	415 742	23 642	439 384	-
Notes payable	-	-	-	3 157 738
Accrued comp absence	97 791	5 228	103 019	-
Customer deposits	-	286 238	286 238	-
Net pension liability	671 356	155 077	826 433	-
TOTAL NONCURRENT LIABILITIES	2 874 889	470 185	3 345 074	3 157 738
TOTAL LIABILITIES	3 425 386	525 788	3 951 174	3 279 702
DEFERRED INFLOWS				
Deferred inflows - Pension	78 109	18 086	96 195	-
TOTAL LIABILITIES AND DEFERRED INFLOWS	\$ 3 503 495	\$ 543 874	\$ 4 047 369	\$ 3 279 702
NET POSITION				
Net investment in capital assets	\$ 3 305 391	\$ 4 577 676	\$ 7 883 067	\$ 760 410
Restricted for:				
Debt service	679 629	965 548	1 645 177	-
Grants	1 100	-	1 100	-
Unrestricted	1 195 934	532 406	1 728 340	(151 259)
TOTAL NET POSITION	\$ 5 182 054	\$ 6 075 630	\$ 11 257 684	\$ 609 151

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, 2017

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	\$ 631 245	\$ 302 201	\$ 5 921	\$ -	\$ (323 123)	\$ -	\$ (323 123)	\$ -
Fire department	453 413	2 520	50 000	-	(400 893)	-	(400 893)	-
Police and courts department	1 442 426	177 356	-	-	(1 265 070)	-	(1 265 070)	-
Street department	518 844	-	-	-	(518 844)	-	(518 844)	-
Parks department	162 644	-	25 500	-	(137 144)	-	(137 144)	-
Sanitation department	987 307	1 207 772	107 218	-	327 683	-	327 683	-
Economic development department	109 612	-	-	-	(109 612)	-	(109 612)	-
Library department	167 271	-	-	-	(167 271)	-	(167 271)	-
Fleet maintenance department	109 706	-	-	-	(109 706)	-	(109 706)	-
Civic center department	208 853	11 475	-	-	(197 378)	-	(197 378)	-
Emergency management department	72 788	-	-	-	(72 788)	-	(72 788)	-
Interest expense	71 594	-	-	-	(71 594)	-	(71 594)	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>4 935 703</u>	<u>1 701 324</u>	<u>188 639</u>	<u>-</u>	<u>(3 045 740)</u>	<u>-</u>	<u>(3 045 740)</u>	<u>-</u>
Business-Type Activities:								
Water and sewer	2 920 409	2 793 032	-	-	-	(127 377)	(127 377)	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>2 920 409</u>	<u>2 793 032</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(127 377)</u>	<u>(127 377)</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 7 856 112</u>	<u>\$ 4 494 356</u>	<u>\$ 188 639</u>	<u>\$ -</u>	<u>(3 045 740)</u>	<u>(127 377)</u>	<u>(3 173 117)</u>	<u>-</u>
Component Units:								
Economic development corporation	\$ 427 409	\$ -	\$ -	\$ -	-	-	-	(427 409)
TOTAL COMPONENT UNITS	<u>\$ 427 409</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(427 409)</u>
General Revenues:								
Taxes:								
Property taxes - General					1 029 835	-	1 029 835	-
Property taxes - Debt service					362 400	-	362 400	-
Sales taxes					1 107 587	-	1 107 587	553 794
Other tax revenue					553 153	-	553 153	-
Unrestricted investment earnings					4 844	1 545	6 389	-
Other unrestricted revenue					182 898	160 362	343 260	3 066
Gain on sale of assets					(101 989)	-	(101 989)	(5 235)
Transfers					42 178	(42 178)	-	-
TOTAL GENERAL REVENUES					<u>3 180 906</u>	<u>119 729</u>	<u>3 300 635</u>	<u>551 625</u>
CHANGE IN NET POSITION					<u>135 166</u>	<u>(7 648)</u>	<u>127 518</u>	<u>124 216</u>
Net position - Beginning					<u>5 046 888</u>	<u>6 083 278</u>	<u>11 130 166</u>	<u>484 935</u>
NET POSITION - ENDING					<u>\$ 5 182 054</u>	<u>\$ 6 075 630</u>	<u>\$ 11 257 684</u>	<u>\$ 609 151</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, 2017

	GENERAL	NON-MAJOR GOVERNMENTAL	TOTAL
ASSETS			
Cash and investments	\$ 1 219 143	\$ 680 729	\$ 1 899 872
Property tax receivable	-	59 243	59 243
Other receivables	461 077	-	461 077
TOTAL ASSETS	\$ 1 680 220	\$ 739 972	\$ 2 420 192
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 89 538	\$ -	\$ 89 538
Accrued liabilities	71 102	-	71 102
TOTAL LIABILITIES	160 640	-	160 640
Deferred Inflows:			
Deferred revenue	462 523	59 243	521 766
TOTAL DEFERRED INFLOWS	462 523	59 243	521 766
Fund Balance:			
Restricted:			
Debt service	-	679 629	679 629
Grant fund	-	1 100	1 100
Unassigned Reported in:			
General fund	1 057 057	-	1 057 057
TOTAL FUND BALANCE	\$ 1 057 057	\$ 680 729	1 737 786

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.	5 784 080
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	628 170
Deferred inflows and outflows, net, used in governmental activity, not recorded in funds.	296 764
Net pension liability used in governmental activities not recorded in funds.	(671 356)
Debt principal and compensated absences used in governmental activity, not recorded in funds.	(2 593 390)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 5 182 054

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, 2017

	GENERAL	NONMAJOR FUNDS	TOTAL
Revenues:			
Property taxes	\$ 1 009 163	\$ 362 400	\$ 1 371 563
Sales tax	1 107 587	-	1 107 587
Other taxes	654 807	-	654 807
Fines and fees	46 916	-	46 916
Municipal court fines	144 435	-	144 435
Sanitation charges	1 205 355	-	1 205 355
Grant and donations	55 921	-	55 921
Miscellaneous	518 580	-	518 580
TOTAL REVENUES	4 742 764	362 400	5 105 164
Expenditures:			
General administration	586 253	-	586 253
Fire department	375 737	-	375 737
Police department	1 359 563	-	1 359 563
Street department	476 954	-	476 954
Park department	152 168	-	152 168
Sanitation department	1 151 974	-	1 151 974
Economic development department	104 559	-	104 559
Library department	150 394	-	150 394
Fleet maintenance department	105 647	-	105 647
Civic center department	101 809	-	101 809
Emergency management department	69 864	-	69 864
Debt service	-	300 777	300 777
TOTAL EXPENDITURES	4 634 922	300 777	4 935 699
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	107 842	61 623	169 465
Other Financing Sources (Uses):			
Interest	3 116	1 728	4 844
Gain on sale of assets	88 521	-	88 521
Transfers in (out)	(29 177)	71 355	42 178
TOTAL OTHER FINANCING SOURCES (USES)	62 460	73 083	135 543
NET CHANGE IN FUND BALANCES	170 302	134 706	305 008
Fund balances, beginning	886 755	546 023	1 432 778
FUND BALANCE, ENDING	\$ 1 057 057	\$ 680 729	\$ 1 737 786

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, 2017

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

Net change in fund balances - Total governmental funds.	\$ 305 008
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.	(307 872)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	20 672
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>117 358</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 135 166</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, 2017

ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 458 827
Accounts receivable (net of allowance for uncollectibles)	464 450
Other receivables	8 079
TOTAL CURRENT ASSETS	931 356
Noncurrent Assets:	
Restricted cash	965 548
Capital Assets:	
Land	159 440
Furniture and equipment	898 753
Utility systems	12 498 887
Accumulated depreciation	(8 944 565)
NET CAPITAL ASSETS	4 612 515
TOTAL NONCURRENT ASSETS	5 578 063
TOTAL ASSETS	6 509 419
Deferred Outflows:	
Pension	87 066
Subsequent contributions	23 019
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 6 619 504
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 33 908
Accrued liabilities	10 498
Current portion of long-term liabilities	11 197
TOTAL CURRENT LIABILITIES	55 603
Noncurrent Liabilities:	
Leases payable	23 642
Accrued compensated absences	5 228
Customer deposits	286 238
Net pension liability	155 077
TOTAL NONCURRENT LIABILITIES	470 185
TOTAL LIABILITIES	525 788
Deferred Inflows:	
Pension	18 086
TOTAL LIABILITIES AND DEFERRED INFLOWS	543 874
NET POSITION	
Restricted for debt service	965 548
Unrestricted	5 110 082
TOTAL NET POSITION	\$ 6 075 630

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, 2017

Operating Revenues:	
Charges for service	\$ 2 793 032
Miscellaneous	160 362
TOTAL OPERATING REVENUES	2 953 394
Operating Expenses:	
Purchase of utilities	250 690
Payroll costs	738 105
Supplies and materials	194 615
Repairs and maintenance	90 075
Purchased and contracted services	814 320
Miscellaneous	565 413
Depreciation	267 191
TOTAL OPERATING EXPENSES	2 920 409
OPERATING INCOME	32 985
Nonoperating Revenues (Expenses):	
Interest income	1 545
Transfer in (out)	(42 178)
TOTAL NONOPERATING REVENUES (EXPENSES)	(40 633)
CHANGE IN NET POSITION	(7 648)
Net position - Beginning	6 083 278
NET POSITION - ENDING	\$ 6 075 630

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, 2017

Reconciliation of Operating Income to Net Cash Provided	
by Operating Activities:	
Operating income	\$ 32 985
Depreciation	267 191
Gain/loss on disposal	7 766
Adjustments to Reconcile Operating Income to Net	
Provided by Operating Activities:	
Decrease (increase) in accounts receivable	(71 019)
Decrease (increase) in other receivables	1 267
Increase (decrease) in accounts payable	11 615
Increase (decrease) in accrued expenses payable	(13 835)
Increase (decrease) in compensated absences	(7 849)
Increase (decrease) in customer deposits	2 106
Decrease (increase) in deferred outflows	30 463
Increase (decrease) in deferred inflows	(13 405)
Increase (decrease) in net pension liability	6 837
TOTAL ADJUSTMENTS	<u>(53 820)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>254 122</u>
Cash Flows from Noncapital Financing Activities:	
Operating transfers in (out)	<u>(42 178)</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(42 178)</u>
Cash Flows from Capital and Related Activities:	
Purchase of capital assets	(199 840)
Principal paid on capital debt	(10 803)
NET CASH (USED) BY CAPITAL AND RELATED ACTIVITIES	<u>(210 643)</u>
Cash Flows from Investing Activities:	
Interest on investments	<u>1 545</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1 545</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2 846
Cash and cash equivalents, beginning	<u>1 421 529</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 1 424 375</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, 2017

	<u>TRUST FUNDS</u>
ASSETS	
Cash and cash equivalents	\$ 777 221
TOTAL ASSETS	<u>\$ 777 221</u>
LIABILITIES	
Due to others	\$ 777 221
TOTAL LIABILITIES	<u>\$ 777 221</u>

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

CITY OF CROCKETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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, 2017

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.

CITY OF CROCKETT, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2017

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, 2017

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, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Use of Estimates:

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

10. Discretely Present Component Unit:

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

Crockett Economic and Industrial Development Corporation

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

11. Subsequent Events:

Management has considered the effect of subsequent events through May 14, 2018, 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	\$ 28 433

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 \$4,101,468 and the bank balances were \$4,190,910. 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, 2017

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

B. Restricted Assets:

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

Water and sewer fund	\$	965 548
Trust funds		<u>777 221</u>
TOTAL	\$	<u><u>1 742 769</u></u>

C. Property Taxes:

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

D. Capital Assets:

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

	<u>BEGINNING</u> <u>BALANCE</u>		<u>ADDITIONS</u>		<u>DELETIONS</u>		<u>ENDING</u> <u>BALANCE</u>
Governmental Activities:							
Land	\$ 1 384 487	\$	-	\$	-	\$	1 384 487
Construction in Progress:							
Buildings and improvements	7 171 743		-		-		7 171 743
Furniture and equipment	<u>5 305 603</u>		<u>278 128</u>		<u>(1 172 729)</u>		<u>4 411 002</u>
TOTAL COST	<u>13 861 833</u>		<u>278 128</u>		<u>(1 172 729)</u>		<u>12 967 232</u>
Less Accumulated Depreciation:							
Buildings and improvements	(3 508 424)		(167 086)		-		(3 675 510)
Furniture and equipment	<u>(4 261 457)</u>		<u>(228 404)</u>		<u>982 219</u>		<u>(3 507 642)</u>
TOTAL ACCUMULATED DEPRECIATION	<u>(7 769 881)</u>		<u>(395 490)</u>		<u>982 219</u>		<u>(7 183 152)</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 6 091 952</u>	\$	<u>(117 362)</u>	\$	<u>(190 510)</u>	\$	<u>5 784 080</u>
Proprietary Fund Activities:							
Land	\$ 161 390	\$	-	\$	(1 950)	\$	159 440
Furniture and equipment	992 282		56 574		(150 103)		898 753
Utility systems	<u>12 379 688</u>		<u>143 266</u>		<u>(24 067)</u>		<u>12 498 887</u>
TOTAL COST	<u>13 533 360</u>		<u>199 840</u>		<u>(176 120)</u>		<u>13 557 080</u>
Less Accumulated Depreciation:							
Furniture and equipment	(925 883)		(19 666)		150 103		(795 446)
Utility systems	<u>(7 919 845)</u>		<u>(247 525)</u>		<u>18 251</u>		<u>(8 149 119)</u>
TOTAL ACCUMULATED DEPRECIATION	<u>(8 845 728)</u>		<u>(267 191)</u>		<u>168 353</u>		<u>(8 944 565)</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 4 687 632</u>	\$	<u>(67 351)</u>	\$	<u>(7 766)</u>	\$	<u>4 612 515</u>
Component Unit:							
Land	\$ 345 440	\$	-	\$	(34 561)	\$	310 879
Furniture and equipment	44 328		-		-		44 328
Building and improvements	2 765 815		-		-		2 765 815
Streets	969 387		-		-		969 387
Infrastructure - W/S lines	<u>440 021</u>		-		-		<u>440 021</u>
TOTAL COST	<u>4 564 991</u>		-		<u>(34 561)</u>		<u>4 530 430</u>
Less accumulated depreciation	<u>(1 023 614)</u>		<u>(130 859)</u>		-		<u>(1 154 473)</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 3 541 377</u>	\$	<u>(130 859)</u>	\$	<u>(34 561)</u>	\$	<u>3 375 957</u>

CITY OF CROCKETT, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2017

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Depreciation expense was charged to the governmental functions as follows:

General government	\$ 91 163
Fire department	65 875
Police department	36 631
Street department	33 456
Sanitation department	44 721
Parks department	6 215
Library department	11 250
Civic center department	106 179
	\$ 395 490

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	\$ 504 660	\$ 170 140	\$ (151 111)	\$ 523 689	\$ 107 947
Refunding bonds	2 215 000	-	(260 000)	1 955 000	265 000
Accrued compensated absences	82 593	15 198	-	97 791	-
	\$ 2 802 253	\$ 185 338	\$ (411 111)	\$ 2 576 480	\$ 372 947
Proprietary Fund type:					
Accrued leases payable	\$ 45 642	\$ -	\$ (10 803)	\$ 34 839	\$ 11 197
Accrued compensated absences	13 077	-	(7 849)	5 228	-
	\$ 58 719	\$ -	\$ (18 652)	\$ 40 067	\$ 11 197

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
\$ 3 356 928	\$ -	\$ (97 354)	\$ 3 259 574

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
2018	\$ 265 000	\$ 107 947	\$ 11 197	\$ 101 836
2019	270 000	87 184	11 609	106 060
2020	275 000	90 095	12 033	110 459
2021	275 000	69 720	-	115 040
2022	285 000	71 994	-	119 812
Thereafter	585 000	96 749	-	2 706 367
TOTAL	\$ 1 955 000	\$ 523 689	\$ 34 839	\$ 3 259 574

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, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	57
Inactive employees entitled to but not yet receiving benefits	43
Active employees	49
	149

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 2016 and 2017. The City's contributions to TMRS for the year ended September 30, 2017 were \$129,423 and were equal to the required contribution.

CITY OF CROCKETT, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2017

NOTE 4 - OTHER INFORMATION - CONTINUED

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, 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, 2016 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, 2016, 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 2016 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:

<u>ASSET CLASS</u>	<u>TARGET ALLOCATION</u>	<u>LONG-TERM EXPECTED REAL RATE OF RETURN (ARITHMETIC)</u>
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	<u>100.0%</u>	

CITY OF CROCKETT, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2017

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, 2015	\$ 9 961 637	\$ 9 169 689	\$ 791 948
Changes for the Year:			
Service cost	251 537	-	251 537
Interest	663 966	-	663 966
Change of benefit terms	-	-	-
Difference between expected and actual experience	12 618	-	12 618
Changes of assumptions	-	-	-
Contributions - Employer	-	174 058	(174 058)
Contributions - Employee	-	107 311	(107 311)
Net investment income	-	619 643	(619 643)
Benefit payments, including refunds of employee	(501 737)	(501 737)	-
Administrative expense	-	(6 999)	6 999
Other changes	-	(377)	377
NET CHANGES	426 384	391 899	34 485
Balance at December 31, 2016	\$ 10 388 021	\$ 9 561 588	\$ 826 433

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	\$ 2 114 355	\$ 826 433	\$ (243 030)

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, 2017

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, 2017, the city recognized pension expense of \$298,239.

At September 30, 2017, 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	\$ 10 754	\$ 95 644
Changes in actuarial assumptions	19 380	-
Difference between projected and actual investment earnings	431 805	551
Contributions subsequent to the measurement date	129 423	-
TOTAL	\$ 591 362	\$ 96 195

The \$129,423 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, 2017. 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
2018	\$ 102 269
2019	135 113
2020	128 500
2021	(136)
2022	-
Thereafter	-
TOTAL	\$ 365 744

Supplemental Death Benefits:

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

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

	PLAN YEAR 2016	PLAN YEAR 2017
The City Offers Supplemental Death to:		
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

CITY OF CROCKETT, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2017

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 2017, 2016 and 2015 were \$1,565, \$1,085 and \$1,259, 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
2015	0.07%	0.07%	100.00%
2016	0.07%	0.07%	100.00%
2017	0.10%	0.10%	100.00%

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.

D. Concentrations:

During 2017, the water and sewer fund spent \$814,320 for water from Houston County Water Control and Improvement District #1 to supply approximately 90% of water for the City.

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, 2017

	ORIGINAL AND FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE FINAL BUDGET POSITIVE (NEGATIVE)
Revenues:			
Property taxes	\$ 1 204 379	\$ 1 009 163	\$ (195 216)
Sales tax	1 035 000	1 107 587	72 587
Other taxes	659 243	654 807	(4 436)
Fines and fees	46 077	46 916	839
Municipal court fines	113 629	144 435	30 806
Sanitation charges	1 164 372	1 205 355	40 983
Grants and donations	54 890	55 921	1 031
Miscellaneous	<u>627 800</u>	<u>518 580</u>	<u>(109 220)</u>
TOTAL REVENUES	<u>4 905 390</u>	<u>4 742 764</u>	<u>(162 626)</u>
Expenditures:			
General administration	686 232	586 253	99 979
Fire department	415 987	375 737	40 250
Police department	1 331 130	1 359 563	(28 433)
Street department	524 914	476 954	47 960
Park department	166 795	152 168	14 627
Sanitation department	1 164 448	1 151 974	12 474
Economic development department	134 298	104 559	29 739
Library department	156 518	150 394	6 124
Fleet maintenance department	132 867	105 647	27 220
Civic center department	116 108	101 809	14 299
Emergency management department	<u>80 179</u>	<u>69 864</u>	<u>10 315</u>
TOTAL EXPENDITURES	<u>4 909 476</u>	<u>4 634 922</u>	<u>274 554</u>
EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES	<u>(4 086)</u>	<u>107 842</u>	<u>111 928</u>
Other Financing Sources (Uses):			
Interest income	450	3 116	2 666
Sale of assets	5 000	88 521	83 521
Transfers in (out)	<u>-</u>	<u>(29 177)</u>	<u>(29 177)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>5 450</u>	<u>62 460</u>	<u>57 010</u>
NET CHANGE IN FUND BALANCES	1 364	170 302	168 938
Fund balances, beginning	<u>886 755</u>	<u>886 755</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 888 119</u>	<u>\$ 1 057 057</u>	<u>\$ 168 938</u>

See independent auditors' report.

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

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

SCHEDULE OF CONTRIBUTIONS

	2014	2015	2016
Actuarially determine contribution			
Contributions in relation to the actuarially determined contribution	\$ 245 493	\$ 211 642	\$ 174 058
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -	\$ -	\$ -
 Covered employee payroll	\$ 2 494 853	\$ 2 492 845	\$ 2 146 221
Contributions as a percentage of covered employee payroll	9.00%	8.00%	8.00%

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

See independent auditors' report.

OTHER BUDGETARY SCHEDULES

CITY OF CROCKETT, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL - WATER AND SEWER FUND
For the Year Ended September 30, 2017

	ORIGINAL AND FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)
Operating Revenues:			
Charges for services	\$ 2 855 859	\$ 2 793 032	\$ (62 827)
Miscellaneous	21 640	160 362	138 722
TOTAL REVENUES	<u>2 877 499</u>	<u>2 953 394</u>	<u>75 895</u>
Operating Expenses:			
Purchase of utilities	234 455	250 690	(16 235)
Payroll cost	646 184	739 555	(93 371)
Supplies and materials	272 280	194 615	77 665
Repairs and maintenance	133 069	90 075	42 994
Purchased and contracted services	812 942	814 320	(1 378)
Miscellaneous	467 384	565 413	(98 029)
Depreciation	185 380	267 191	(81 811)
TOTAL EXPENSES	<u>2 751 694</u>	<u>2 921 859</u>	<u>(170 165)</u>
OPERATING INCOME	<u>125 805</u>	<u>31 535</u>	<u>(94 270)</u>
Non-Operating Revenues (Expense):			
Interest income	446	1 545	1 099
Interest expense	(127 614)	-	127 614
Transfers in (out)	-	(42 178)	(42 178)
TOTAL NON-OPERATING INCOME	<u>(127 168)</u>	<u>(40 633)</u>	<u>86 535</u>
NET CHANGE IN NET POSITION	(1 363)	(9 098)	(7 735)
Net position, beginning	<u>6 083 278</u>	<u>6 083 278</u>	-
NET POSITION, ENDING	<u>\$ 6 081 915</u>	<u>\$ 6 074 180</u>	<u>\$ (7 735)</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, 2017

	ORIGINAL AND FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)
Revenues:			
Property taxes	\$ 269 495	\$ 362 400	\$ 92 905
TOTAL REVENUES	<u>269 495</u>	<u>362 400</u>	<u>92 905</u>
Expenditures:			
Debt service expense	<u>302 175</u>	<u>300 777</u>	<u>1 398</u>
TOTAL EXPENDITURES	<u>302 175</u>	<u>300 777</u>	<u>1 398</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(32 680)</u>	<u>61 623</u>	<u>94 303</u>
Other Financing Sources (Uses):			
Interest income	500	1 725	1 225
Transfers in (out)	<u>32 180</u>	<u>71 355</u>	<u>39 175</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>32 680</u>	<u>73 080</u>	<u>40 400</u>
NET CHANGE IN NET BALANCES	-	134 703	134 703
Fund balances, beginning	<u>544 926</u>	<u>544 926</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 544 926</u>	<u>\$ 679 629</u>	<u>\$ 134 703</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, 2017

	<u>GENERAL FUND</u>	<u>ADJUSTMENTS</u>	<u>STATEMENT OF NET POSITION</u>
ASSETS			
Cash	\$ 512 896	\$ -	\$ 512 896
Capital assets, net of accumulated depreciation	-	3 375 957	3 375 957
TOTAL ASSETS	<u>\$ 512 896</u>	<u>3 375 957</u>	<u>3 888 853</u>
LIABILITIES			
Accrued severance	\$ 8 873	-	8 873
Current portion of notes payable	-	101 836	101 836
Accrued interest	-	11 255	11 255
Long-term portion of notes payable	-	3 157 738	3 157 738
TOTAL LIABILITIES	<u>8 873</u>	<u>3 270 829</u>	<u>3 279 702</u>
FUND BALANCE/NET POSITION			
Fund Balance:			
Unrestricted	504 023	(504 023)	-
TOTAL FUND BALANCE	<u>504 023</u>	<u>(504 023)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 512 896</u>		
NET POSITION			
Net investment in capital assets		760 410	760 410
Unrestricted		(151 259)	(151 259)
TOTAL NET POSITION		<u>\$ 609 151</u>	<u>\$ 609 151</u>

See independent auditors' report.

CROCKETT ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE / STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2017

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF ACTIVITIES
Revenues:			
Sales tax	\$ 553 794	\$ -	\$ 553 794
Donations	-	-	-
Miscellaneous	3 066	-	3 066
TOTAL REVENUES	556 860	-	556 860
Expenditures:			
Advertising expense	897	-	897
Supplies expense	1 167	-	1 167
Incentive expense	-	-	-
Audit expense	4 600	-	4 600
Dues and subscriptions	14 990	-	14 990
Professional services	10 338	-	10 338
Telephone	1 994	-	1 994
Travel	8 222	-	8 222
Payroll	88 625	-	88 625
Taxes and benefits	20 709	-	20 709
Meals and entertainment	1 459	-	1 459
Utilities	1 347	-	1 347
Industrial park	933	-	933
Equipment	2 204	-	2 204
Consultants	6 221	-	6 221
Miscellaneous	4 421	-	4 421
Debt service	236 529	(108 106)	128 423
Depreciation	-	130 859	130 859
TOTAL EXPENDITURES	404 656	22 753	427 409
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	152 204	(22 753)	129 451
Other Sources and Uses:			
Proceeds from sale	29 326	(29 326)	-
Gain (loss) on sale of equipment	-	(5 235)	(5 235)
TOTAL OTHER SOURCES AND USES	29 326	(34 561)	(5 235)
CHANGE IN FUND BALANCE/ NET POSITION	181 530	(57 314)	124 216
Fund Balance/Net Position:			
Beginning of year	322 493		484 935
END OF YEAR	\$ 504 023		\$ 609 151

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, 2017, and the related notes to the financial statements, which collectively comprise the City of Crockett, Texas' basic financial statements, and have issued our report thereon dated May 14, 2018.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Lufkin, Texas
May 14, 2018


CERTIFIED PUBLIC ACCOUNTANTS