

CITY OF CROCKETT, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2022

C O N T E N T S

Independent Auditors' Report.....	3
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statements of Net Position	9
Statements of Activities	10
Fund Financial Statements:	
Combining Balance Sheet - Governmental Funds.....	12
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Net Position - Proprietary Funds.....	15
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds.....	16
Statement of Cash Flows - Proprietary Funds.....	17
Statement of Fiduciary Net Position.....	18
Statement of Changes in Fiduciary Net Position	19
Notes to Financial Statements	20
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual - General Fund.....	32
Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Contributions	33
Schedule of Changes in Net OPEB Liability and Related Ratios and Schedule of Contributions	34
Other Budgetary Schedules:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual - Water and Sewer Fund.....	36
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual - Debt Service Fund.....	37
Federal Awards Section:	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	39
Independent Auditors' Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	40
Schedule of Expenditures of Federal Awards	42
Notes to Schedule of Expenditures of Federal Awards.....	43
Schedule of Findings, Questioned Costs and Corrective Action	44
Summary Schedule of Prior Audit Findings	45

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Crockett
Crockett, Texas

Qualified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Crockett, as of and for the year ended September 30, 2022, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion Section of our report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Crockett, as of September 30, 2022, 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.

Basis for Qualified Opinions

As described in Note 4H, we were unable to obtain sufficient appropriate audit evidence for the financial statements supporting the City's component unit, the Crockett Economic and Industrial Development Corporation, due to an ongoing investigation. Accounting principles generally accepted in the United States of America require the corporation to be included in the City's financial audit as a discretely presented component unit. Consequently, we were unable to determine whether these financial statements are presented fairly.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained, excluding the component unit, is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 other budgetary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2, U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements for Federal Awards, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2023, 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 that report is 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Lufkin, Texas
May 1, 2023

Axley & Rode LLP
CERTIFIED PUBLIC ACCOUNTANTS

**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, 2022. 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 \$11,074,254 at September 30, 2022.
- During the year, the City's expenses were \$1,651,439 more than the \$4,429,313 generated in revenues for the governmental activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

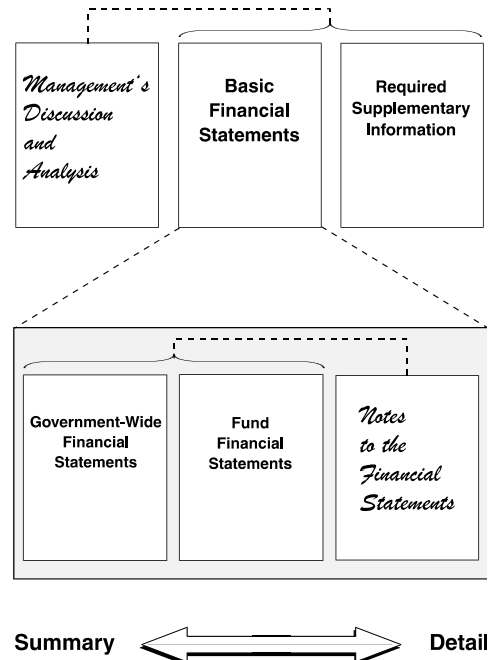


Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of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

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's property tax base, sales tax collection, and franchise tax fees.

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

Fund Financial Statements

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

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

The City has the following kinds of funds:

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

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

Type of Statements	Fund Statements		
	Government-wide	Governmental Funds	Proprietary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the city that are not proprietary or fiduciary	Activities the city operates similar to private businesses: self insurance
Required financial statements	♦ Statement of net position	♦ Balance sheet	♦ Statement of net position
	♦ Statement of activities	♦ Statement of revenues, expenditures & changes in fund balances	♦ Statement of revenues, expenses and changes in fund net 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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was \$11,064,434 (See Table A-1).

Table A-1
City's Net Position

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2022	2021	2022	2021	2022	2021
Current Assets:						
Cash and cash equivalents	\$ 2 909 552	\$ 3 015 256	\$ 178 252	\$ 3 160 587	\$ 3 087 804	\$ 6 175 843
Other assets	525 178	571 257	495 387	566 259	1 020 565	1 137 516
TOTAL CURRENT ASSETS	3 434 730	3 586 513	673 639	3 726 846	4 108 369	7 313 359
Noncurrent Assets:						
Cash and cash equivalents	-	-	3 822 751	780 417	3 822 751	780 417
Capital assets (net)	2 670 329	3 345 092	10 121 456	7 917 767	12 791 785	11 262 859
TOTAL NONCURRENT ASSETS	2 670 329	3 345 092	13 944 207	8 698 184	16 614 536	12 043 276
TOTAL ASSETS	6 105 059	6 931 605	14 617 846	12 425 030	20 772 905	19 356 635
Deferred Outflows:						
Pension	489 584	503 812	146 546	147 620	636 130	651 432
OPEB	38 580	49 179	11 548	18 957	50 128	68 136
TOTAL ASSETS AND DEFERRED OUTFLOWS	6 633 223	7 484 596	14 775 940	12 591 607	21 409 163	20 076 203
Current Liabilities:						
Accounts payable and accrued liabilities	1 593 170	75 099	1 241 332	135 693	2 834 502	210 792
Customer deposits	-	-	317 380	317 380	317 380	317 380
TOTAL CURRENT LIABILITIES	1 593 170	75 099	1 558 712	453 073	3 151 882	528 172
Noncurrent Liabilities:						
Due within one year	554 304	515 326	96 226	85 995	650 530	601 321
Due in more than one year	1 811 717	2 737 884	3 553 640	3 790 562	5 365 357	6 845 826
TOTAL LIABILITIES	3 969 191	3 366 384	5 208 578	4 329 630	9 167 769	7 696 014
Deferred inflows	920 467	723 208	246 673	1 006 304	1 167 140	1 729 512
TOTAL LIABILITIES AND DEFERRED INFLOWS	4 879 685	4 089 592	5 455 251	5 335 934	10 334 909	9 425 526
Net Position:						
Invested in capital assets	251 316	2 098 864	6 703 149	4 823 767	6 954 465	6 922 631
Restricted	630 976	765 337	3 822 751	780 417	4 453 727	1 544 649
Unrestricted	871 273	530 803	(1 205 211)	1 651 489	(333 938)	2 182 292
TOTAL NET POSITION	\$ 1 753 565	\$ 3 395 004	\$ 9 320 689	\$ 7 255 673	\$ 11 074 254	\$ 10 650 677

Changes in Net Position. The City's total revenues were \$10,337,509. 17%, of the City's revenue comes from taxes, 53%, relates to charges for services.

The total cost of all programs and services was \$9,913,932; of these costs 38% were for business-type activities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2022, the City had invested \$12,791,785 (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 \$5,181,459 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 Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Notes payable	\$ 630 000	\$ 775 000	\$ -	\$ -	\$ 630 000	\$ 775 000
Leases payable	400 209	376 228	388 307	415 302	788 516	791 530
Bonds payable	585 000	870 000	3 030 000	3 094 000	3 615 000	3 964 000
Accrued vacation	108 612	79 760	39 331	17 052	147 943	96 812
TOTAL	\$ 1 723 821	\$ 2 100 988	\$ 3 457 638	\$ 3 526 354	\$ 5 181 459	\$ 5 627 342

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, 2022

	GOVERN- MENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
ASSETS			
Current Assets:			
Cash and investments	\$ 2 909 552	\$ 178 252	\$ 3 087 804
Receivables Net of Allowance for Uncollectibles:			
Taxes	59 145	-	59 145
Customer accounts	-	484 658	484 658
Leases	96 373	-	96 373
Other	367 848	10 729	378 577
Inventory	1 812	-	1 812
TOTAL CURRENT ASSETS	3 434 730	673 639	4 108 369
Noncurrent Assets:			
Restricted cash	-	3 822 751	3 822 751
Capital Assets:			
Land	175 872	190 440	366 312
Buildings and improvements	5 953 663	-	5 953 663
Furniture and equipment	4 627 477	1 685 687	6 313 164
Utility systems	-	12 900 856	12 900 856
Construction in progress	168 923	5 812 422	5 981 345
Less: Accumulated depreciation	(8 255 606)	(10 467 949)	(18 723 555)
TOTAL CAPITAL ASSETS	2 670 329	10 121 456	12 791 785
TOTAL NONCURRENT ASSETS	2 670 329	13 944 207	16 614 536
TOTAL ASSETS	6 105 059	14 617 846	20 722 905
DEFERRED OUTFLOWS			
Deferred outflow - Pension	489 584	146 546	636 130
Deferred outflow - OPEB	38 580	11 548	50 128
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 6 633 223	\$ 14 775 940	\$ 21 409 163
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 4 117	\$ 1 310	\$ 5 427
Accrued liabilities	102 904	18 962	121 866
Accrued interest payable	2 628	-	2 628
Current Portion of Long-Term Debt Liabilities:			
Notes payable	150 000	-	150 000
Leases payable	109 304	29 226	138 530
Bonds payable	295 000	67 000	362 000
TOTAL CURRENT LIABILITIES	679 487	116 498	795 985
Noncurrent Liabilities:			
Bonds payable	290 000	2 963 000	3 253 000
Leases payable	290 905	359 081	649 986
Notes payable	480 000	-	480 000
Accrued comp absence	108 612	39 331	147 943
Customer deposits	-	317 380	317 380
Unearned revenue	1 467 987	1 221 060	2 689 047
Net pension liability	379 249	113 520	492 769
Net OPEB liability	262 951	78 708	341 659
TOTAL NONCURRENT LIABILITIES	3 279 704	5 092 080	8 371 784
TOTAL LIABILITIES	3 969 191	5 208 578	9 167 769
DEFERRED INFLOWS			
Deferred inflows - Leases	96 373	-	96 373
Deferred inflows - Pension	801 242	239 833	1 041 075
Deferred inflows - OPEB	22 852	6 840	29 692
TOTAL LIABILITIES AND DEFERRED INFLOWS	\$ 4 879 658	\$ 5 455 251	\$ 10 334 909
NET POSITION			
Net investment in capital assets	\$ 251 316	\$ 6 703 149	\$ 6 944 645
Restricted for:			
Debt service	629 870	3 822 751	4 452 621
Grants	1 106	-	1 106
Unrestricted	871 273	(1 205 211)	(333 938)
TOTAL NET POSITION	\$ 1 753 565	\$ 9 320 689	\$ 11 074 254

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, 2022

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Primary Government:				
Governmental Activities:				
General government	\$ 673 972	\$ 507 945	\$ 48 572	\$ -
Fire department	512 589	-	70 000	-
Police and courts department	1 289 606	214 201	-	-
Street department	1 121 267	-	-	-
Parks department	201 126	-	5 000	-
Sanitation department	907 197	1 142 846	186 173	-
Economic development department	178 898	-	-	-
Library department	140 063	-	-	-
Fleet maintenance department	142 006	-	-	-
Civic center department	172 815	11 147	-	-
Emergency management department	64 660	-	-	-
Interest expense	315 954	-	-	-
Grant expense	465 790	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>6 185 943</u>	<u>1 876 139</u>	<u>194 554</u>	<u>-</u>
Business-Type Activities:				
Water and sewer	<u>3 727 989</u>	<u>3 571 997</u>	<u>639 180</u>	<u>-</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>3 727 989</u>	<u>3 571 997</u>	<u>639 180</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 9 913 932</u>	<u>\$ 5 448 136</u>	<u>\$ 948 925</u>	<u>\$ -</u>

General Revenues:

 Taxes:

 Property taxes - General
 Property taxes - Debt service
 Sales taxes
 Other tax revenue

 Unrestricted investment earnings

 Other unrestricted revenue

 Loss on sale of assets

 Transfers

 TOTAL GENERAL REVENUES

 CHANGE IN NET POSITION

Net position - Beginning

NET POSITION - ENDING

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

NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION

PRIMARY GOVERNMENT		
GOVERN- MENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
\$ (117 455)	\$ -	\$ (117 455)
(442 589)	-	(442 589)
(1 075 403)	-	(1 075 403)
(1 121 267)	-	(1 121 267)
(196 126)	-	(196 126)
421 822	-	421 822
(178 898)	-	(178 898)
(140 063)	-	(140 063)
(142 006)	-	(142 006)
(161 668)	-	(161 668)
(64 660)	-	(64 660)
(315 954)	-	(315 954)
<u>(465 790)</u>	<u>-</u>	<u>(465 790)</u>
<u>(4 000 059)</u>	<u>-</u>	<u>(4 000 059)</u>
<u>-</u>	<u>483 188</u>	<u>483 368</u>
<u>-</u>	<u>483 188</u>	<u>483 368</u>
<u>(4 000 059)</u>	<u>483 188</u>	<u>(3 516 871)</u>
1 403 163	-	1 403 163
315 207	-	315 207
1 319 029	-	1 319 029
556 063	-	556 063
3 969	2 019	5 988
342 574	6 208	348 782
(7 784)	-	(7 784)
<u>(1 573 601)</u>	<u>1 573 601</u>	<u>-</u>
<u>2 358 620</u>	<u>1 581 828</u>	<u>3 940 448</u>
<u>(1 641 439)</u>	<u>2 065 016</u>	<u>413 577</u>
<u>3 395 004</u>	<u>7 255 673</u>	<u>10 650 677</u>
<u>\$ 1 753 565</u>	<u>\$ 9 320 689</u>	<u>\$ 11 074 254</u>

CITY OF CROCKETT, TEXAS
 COMBINING BALANCE SHEET
 GOVERNMENTAL FUNDS
 September 30, 2022

	GENERAL	NON-MAJOR GOVERNMENTAL	TOTAL
ASSETS			
Cash and investments	\$ 2 278 576	\$ 630 976	\$ 2 909 552
Property tax receivable	-	59 145	59 145
Lease receivable	96 373	-	96 373
Other receivables	367 848	-	367 848
Inventory	1 812	-	1 812
TOTAL ASSETS	\$ 2 744 609	\$ 690 121	\$ 3 434 730
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 4 117	\$ 15 534	\$ 4 117
Accrued liabilities	102 904	-	102 904
TOTAL LIABILITIES	107 021	15 534	122 555
Deferred Inflows:			
Deferred revenue - taxes	370 927	59 145	430 072
Deferred revenue - leases	96 373	-	96 373
TOTAL DEFERRED INFLOWS	467 300	59 145	526 445
Fund Balance:			
Nonspendable	1 812	-	1 812
Restricted:			
Debt service	-	629 870	629 870
Grant fund	-	(14 428)	(1 428)
Unassigned	2 168 476	-	2 168 476
TOTAL FUND BALANCE	\$ 2 170 288	\$ 615 442	2 785 730
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.			2 670 329
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.			(1 037 915)
Deferred inflows and outflows, net, used in governmental activity, not recorded in funds.			(311 658)
Net pension liability used in governmental activities not recorded in funds.			(379 249)
Net OPEB liability and related deferrals used in governmental activities not recorded in funds.			(247 223)
Debt principal and compensated absences used in governmental activity, not recorded in funds.			(1 726 449)
NET POSITION OF GOVERNMENTAL ACTIVITIES			\$ 1 753 565

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, 2022

	GENERAL	NONMAJOR FUNDS	TOTAL
Revenues:			
Property taxes	\$ 1 417 237	\$ 315 207	\$ 1 732 444
Sales tax	1 319 029	-	1 319 029
Other taxes	666 981	-	666 981
Fines and fees	137 979	-	137 979
Municipal court fines	87 369	-	87 369
Sanitation charges	1 142 846	-	1 142 846
Grant and donations	191 148	1 680 236	1 871 384
Miscellaneous	774 109	-	774 109
TOTAL REVENUES	5 736 698	1 995 443	7 732 141
Expenditures:			
General administration	736 452	-	736 452
Fire department	597 416	-	597 416
Police department	1 474 474	-	1 474 474
Street department	1 061 624	-	1 061 624
Park department	371 329	-	371 329
Sanitation department	868 070	-	868 070
Economic development department	195 600	-	195 600
Library department	159 203	-	159 203
Fleet maintenance department	154 483	-	154 483
Civic center department	106 008	-	106 008
Emergency management department	74 582	-	74 582
Debt service	-	451 478	451 478
Grant expense	-	70 419	70 419
TOTAL EXPENDITURES	5 799 241	521 897	6 321 138
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(62 543)	1 473 546	1 411 003
Other Financing Sources (Uses):			
Interest	2 059	1 910	3 969
Gain on sale of assets	34 734	-	34 734
Transfers in (out)	13 675	(1 587 276)	(1 573 601)
TOTAL OTHER FINANCING SOURCES (USES)	50 468	(1 585 366)	(1 534 898)
NET CHANGE IN FUND BALANCES	(12 075)	(111 820)	(123 895)
Fund balances, beginning	2 182 363	727 262	2 909 625
FUND BALANCE, ENDING	\$ 2 170 288	\$ 615 442	\$ 2 785 730

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, 2022

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

Net change in fund balances - Total governmental funds.	\$	(123 895)
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.		(674 763)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds		411 983
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>(1 254 764)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>(1 641 439)</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, 2022

ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 178 252
Accounts receivable (net of allowance for uncollectibles)	484 658
Other receivables	10 729
TOTAL CURRENT ASSETS	<u>673 639</u>
Noncurrent Assets:	
Restricted cash	<u>3 822 751</u>
Capital Assets:	
Land	190 440
Furniture and equipment	1 685 687
Utility systems	12 900 856
Construction in progress	5 812 422
Accumulated depreciation	<u>(10 467 949)</u>
NET CAPITAL ASSETS	<u>10 121 456</u>
TOTAL NONCURRENT ASSETS	<u>13 944 207</u>
TOTAL ASSETS	<u>14 617 846</u>
Deferred Outflows:	
Deferred outflows - Pension	146 546
Deferred outflows - OPEB	<u>11 548</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 14 775 940</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 1 310
Accrued liabilities	18 962
Leases	29 226
Revenue bonds	<u>67 000</u>
TOTAL CURRENT LIABILITIES	<u>116 498</u>
Noncurrent Liabilities:	
Revenue bond payable	2 963 000
Leases	359 081
Accrued compensated absences	39 331
Customer deposits	317 380
Unearned revenue	1 221 060
Net pension liability	113 520
Net OPEB liability	<u>78 708</u>
TOTAL NONCURRENT LIABILITIES	<u>5 092 080</u>
TOTAL LIABILITIES	<u>5 208 578</u>
Deferred Inflows:	
Deferred inflows - Pension	239 833
Deferred inflows - OPEB	<u>6 840</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>5 455 251</u>
NET POSITION	
Net investment in capital assets	6 703 149
Restricted for debt service	3 822 751
Unrestricted	<u>(1 205 211)</u>
TOTAL NET POSITION	<u>\$ 9 320 689</u>

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

CITY OF CROCKETT, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - PROPRIETARY FUNDS
For the Year Ended September 30, 2022

Operating Revenues:		
Charges for service		\$ 3 571 997
Miscellaneous		<u>6 208</u>
TOTAL OPERATING REVENUES		<u>3 578 205</u>
Operating Expenses:		
Purchase of utilities		150 732
Payroll costs		831 310
Supplies and materials		142 389
Repairs and maintenance		216 470
Purchased and contracted services		843 552
Miscellaneous		707 562
Depreciation		<u>393 285</u>
TOTAL OPERATING EXPENSES		<u>3 285 300</u>
OPERATING INCOME		<u>292 905</u>
Nonoperating Revenues (Expenses):		
Interest income		2 019
Interest expense		(78 329)
Grant revenue		639 180
Grant expense		(364 180)
Transfer in (out)		<u>1 573 601</u>
TOTAL NONOPERATING REVENUES (EXPENSES)		<u>1 772 111</u>
CHANGE IN NET POSITION		2 065 016
Net position - Beginning		<u>7 255 673</u>
NET POSITION - ENDING		<u>\$ 9 320 689</u>

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

CITY OF CROCKETT, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2022

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 292 905
Depreciation	393 285
Adjustments to Reconcile Operating Income to Net Provided by Operating Activities:	
Decrease (increase) in accounts receivable	70 935
Decrease (increase) in other receivables	(63)
Increase (decrease) in accounts payable	(129 975)
Increase (decrease) in accrued expenses payable	14 554
Increase (decrease) in compensated absences	22 279
Increase (decrease) in customer deposits	-
Increase (decrease) in unearned revenue	430 003
Decrease (increase) in deferred outflows	8 483
Increase (decrease) in deferred inflows	31 426
Increase (decrease) in net pension liability	(150 522)
Increase (decrease) in net OPEB liability	(7 453)
TOTAL ADJUSTMENTS	<u>289 667</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>975 857</u>
Cash Flows from Noncapital Financing Activities:	
Operating transfers in (out)	1 573 601
Grant proceeds	275 000
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>1 848 601</u>
Cash Flows from Capital and Related Activities:	
Purchase of capital assets	(2 596 974)
Principal paid on capital debt	(91 175)
Interest paid on capital debt	(78 329)
NET CASH (USED) BY CAPITAL AND RELATED ACTIVITIES	<u>(2 766 478)</u>
Cash Flows from Investing Activities:	
Interest on investments	2 019
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>2 019</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	59 999
Cash and cash equivalents, beginning	<u>3 941 004</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 4 001 003</u>
Cash and cash equivalents - Unrestricted	\$ 178 252
Cash and cash equivalents - Restricted	<u>3 822 751</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 4 001 003</u>

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

CITY OF CROCKETT, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
September 30, 2022

	<u>TRUST FUNDS</u>
ASSETS	
Cash and cash equivalents	\$ <u>692 337</u>
TOTAL ASSETS	\$ <u>692 337</u>
NET POSITION	
Net position held in trust	\$ <u>692 337</u>
TOTAL NET POSITION	\$ <u>692 337</u>

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

CITY OF CROCKETT, TEXAS
 STATEMENT CHANGES IN FIDUCIARY NET POSITION
 September 30, 2022

	<u>TRUST FUNDS</u>
Additions:	
Contributions	\$ <u>717</u>
TOTAL Additions	<u>717</u>
Deductions:	
Payments to others	<u>(213 167)</u>
TOTAL DEDUCTIONS	<u>(213 167)</u>
NET CHANGE IN NET POSITION	(212 450)
Net position - beginning	<u>904 787</u>
NET POSITION - ENDING	\$ <u>692 337</u>

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

CITY OF CROCKETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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:

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

D. Assets, Liabilities, and Net Position or Fund Balance

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, 2022

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.

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.

CITY OF CROCKETT, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- 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).

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. Subsequent Events:

Management has considered the effect of subsequent events through May 1, 2023, 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
Water and Sewer Fund	\$ See budget
General Fund	See budget
Debt Service Fund	See budget

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 \$6,910,555 and the bank balances were \$7,256,415. At year end, total deposits were covered by federal depository insurance or by securities held by the pledging financial institution in the City's name.

B. Restricted Assets:

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

Water and sewer fund	\$ 3 822 751
General fund	630 976
Trust funds	692 337
TOTAL	\$ 4 453 727

CITY OF CROCKETT, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2022

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Property Taxes:

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

D. Capital Assets:

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

	BEGINNING BALANCE	ADDITIONS	DELETIONS	ENDING BALANCE
Governmental Fund:				
Land	\$ 133 767	\$ 42 105	\$ -	\$ 175 872
Construction in progress	1 258 869	244 630	(1 334 576)	168 923
Buildings and improvements	5 250 131	703 532	-	5 953 663
Furniture and equipment	4 546 585	80 892	-	4 627 477
TOTAL COST	<u>11 189 352</u>	<u>1 071 159</u>	<u>(1 334 576)</u>	<u>10 925 935</u>
Less Accumulated Depreciation:				
Buildings and improvements	(3 860 479)	(165 910)	-	(4 026 389)
Furniture and equipment	(3 983 781)	(245 436)	-	(4 229 217)
TOTAL ACCUMULATED DEPRECIATION	<u>(7 844 260)</u>	<u>(411 346)</u>	<u>-</u>	<u>(8 255 606)</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 3 345 092</u>	<u>\$ 659 813</u>	<u>\$ (1 334 576)</u>	<u>\$ 2 670 329</u>
Water and Sewer Fund:				
Land	\$ 159 440	\$ 31 000	\$ -	\$ 190 440
Construction in progress	3 951 632	1 987 282	(126 492)	5 812 422
Furniture and equipment	1 106 995	578 692	-	1 685 687
Utility systems	12 774 364	126 492	-	12 900 856
TOTAL COST	<u>17 992 431</u>	<u>2 723 466</u>	<u>(126 492)</u>	<u>20 589 405</u>
Less Accumulated Depreciation:				
Furniture and equipment	(834 923)	(106 457)	-	(941 380)
Utility systems	(9 239 740)	(286 829)	-	(9 526 569)
TOTAL ACCUMULATED DEPRECIATION	<u>(10 074 663)</u>	<u>(393 286)</u>	<u>-</u>	<u>(10 467 949)</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 7 917 768</u>	<u>\$ 2 330 180</u>	<u>\$ (126 492)</u>	<u>\$ 10 121 456</u>

Depreciation expense was charged to the governmental functions as follows:

General government	\$ 57 993
Fire department	47 473
Police department	74 167
Street department	111 381
Sanitation department	45 618
Parks department	6 304
Civic center department	68 410
	<u>\$ 411 346</u>

E. Changes In Long-Term Liabilities:

Interest rates range on note payable from 0.35% to 1%, refunding bond at 1.85%, revenue bonds from 2% to 2.5%, 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:					
Note payable	\$ 775 000	\$ -	\$ (145 000)	\$ 630 000	\$ 150 000
Lease payable	376 228	155 440	(131 459)	400 209	109 304
Refunding bonds	870 000	-	(285 000)	585 000	295 000
Accrued compensated absences	79 760	28 852	-	108 612	-
	<u>\$ 1 325 988</u>	<u>\$ 184 292</u>	<u>\$ 561 459</u>	<u>\$ 1 723 821</u>	<u>\$ 554 304</u>
Proprietary Fund type:					
Leases payable	\$ 415 302	\$ -	\$ (26 995)	\$ 388 307	\$ 29 226
Revenue bonds	3 094 000	-	(64 000)	3 030 000	67 000
Accrued compensated absences	17 052	22 279	-	39 331	-
	<u>\$ 3 526 354</u>	<u>\$ 22 279</u>	<u>\$ 90 995</u>	<u>\$ 3 457 638</u>	<u>\$ 116 839</u>

CITY OF CROCKETT, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2022

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

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	
	REFUND BOND	NOTE PAYABLE	LEASES PAYABLE	LEASES PAYABLE	REVENUE BOND
2023	\$ 290 000	\$ 150 000	\$ 109 304	\$ 29 226	\$ 67 000
2024	295 000	155 000	112 867	31 584	57 000
2025	-	160 000	31 328	34 076	58 000
2026	-	165 000	18 354	36 709	59 000
2027	-	-	19 745	39 489	60 000
Thereafter	-	-	108 611	217 223	2 729 000
TOTAL	\$ 585 000	\$ 630 000	\$ 400 209	\$ 388 307	\$ 3 030 000

The City issued \$1,745,000 Combination Tax and Surplus Certificates of Obligations, Series 2022 and \$1,705,905 Principal Forgiveness funds from Texas Water Development Board. These amounts are sitting in escrow and have not been drawn on as of yearend.

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, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	52
Active employees	51
	<u>170</u>

C. Contributions

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

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 81% in calendar years 2021 and 2020. The City's contributions to TMRS for the year ended September 30, 2022 were \$367,784 and were equal to the required contribution.

NOTE 4 - OTHER INFORMATION - CONTINUED

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2021, 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, 2021 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, 2021, 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:

<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>	

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.

CITY OF CROCKETT, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2022

NOTE 4 - OTHER INFORMATION - CONTINUED

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, 2020	\$ 12 479 278	\$ 11 314 091	\$ 1 165 187
Changes for the Year:			
Service cost	380 292	-	380 292
Interest	830 324	-	830 324
Change of benefit terms	-	-	-
Difference between expected and actual experience	103 679	-	103 679
Changes of assumptions	-	-	-
Contributions - Employer	-	353 604	(353 604)
Contributions - Employee	-	166 795	(166 795)
Net investment income	-	1 473 092	(1 473 092)
Benefit payments, including refunds of employee	(736 668)	(436 668)	-
Administrative expense	-	(6 825)	6 825
Other changes	-	47	(47)
NET CHANGES	<u>577 627</u>	<u>1 250 045</u>	<u>(672 418)</u>
Balance at December 31, 2021	<u>\$ 13 056 905</u>	<u>\$ 12 564 136</u>	<u>\$ 492 769</u>

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 (asset)	\$ 2 233 806	\$ 492 769	\$ (931 741)

Pension Plan Fiduciary Net Position

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

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

For the Year Ended September 30, 2022, the City recognized pension expense of \$3,353.

At September 30, 2022, 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	\$ 65 232	\$ 80 655
Changes in actuarial assumptions	(2)	-
Difference between projected and actual investment earnings	203 116	960 420
Contributions subsequent to the measurement date	367 784	-
TOTAL	<u>\$ 636 130</u>	<u>\$ 1 041 075</u>

The \$367,784 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, 2022. 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
2023	\$ (163 348)
2024	(307 604)
2025	(59 900)
2026	(141 877)
2027	-
Thereafter	-
TOTAL	<u>\$ (772 729)</u>

NOTE 4 - OTHER INFORMATION - CONTINUED

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.

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	41	
Inactive employees entitled to but not yet receiving benefits	6	
Active employees	<u>51</u>	
TOTAL	<u><u>105</u></u>	

Contributions

PLAN/ CALENDAR YEAR	TOTAL SDB CONTRIBUTION (RATE)	RETIREE PORTION OF SDB CONTRIBUTION (RATE)
2020	0.32%	0.11%
2021	0.47%	0.34%
2022	0.52%	0.37%

The City's contributions to the SDBF for the year ended September 30, 2022 were \$12,973, 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*	1.84%
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, 2019.

Note: The actuarial assumptions used in the December 31, 2019 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, 2022

NOTE 4 - OTHER INFORMATION - CONTINUED

Changes in OPEB Liability

Total OPEB liability - Beginning of year	\$ <u>337 236</u>
Changes for the Year:	
Service cost	13 582
Interest on total OPEB liability	6 800
Changes of benefit terms	-
Differences	(16 591)
Changes in assumptions or other inputs	8 733
Benefit payments	<u>(8 101)</u>
NET CHANGES	<u>4 423</u>
TOTAL OPEB LIABILITY - END OF YEAR	\$ <u>341 659</u>

Total OPEB Liability as a Percentage of Covered Payroll 15.17%

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 1.84%, 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 (0.84%) or 1-percentage point higher (2.84%) than the current rate.

	1% Decrease (0.84%)	Current Discount Rate (1.84%)	1% Increase (2.84%)
Total OPEB Liability	\$ <u>405 079</u>	\$ <u>341 659</u>	\$ <u>291 513</u>

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

For the Year Ended September 30, 2022, the City recognized OPEB expense of \$30,206.

As of September 30, 2022, 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	\$ <u>2 355</u>	\$ <u>28 216</u>
Changes in actuarial assumptions	38 073	1 476
Difference between projected and actual earnings	-	-
Subsequent contributions	<u>9 700</u>	<u>-</u>
TOTAL	\$ <u>50 128</u>	\$ <u>29 692</u>

\$9,700 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, 2022. 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
2023	\$ 6 980
2024	4 736
2025	(943)
2026	(37)
2027	-
Thereafter	-
TOTAL	\$ <u>10 736</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.

CITY OF CROCKETT, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2022

NOTE 4 - OTHER INFORMATION - CONTINUED

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.

Crockett Economic & Industrial Development Corporation

After presentation of a forensic audit of the Crockett Economic and Industrial Development Corporation, the council approved the suspension of all activities from the corporation as well as placed the executive director and office staff on paid administrative leave until a full investigation has been completed. During the audit, the auditor was unable to obtain any audit evidence supporting the financial statements due to the pending investigation with the State.

I. Concentrations

During 2022, the water and sewer fund spent \$843,552 for water from Houston County Water Control and Improvement District #1 to supply approximately 99% of water for the City.

J. Tax Abatements

The City individually negotiates property tax abatement agreements with local businesses under the authority of Chapter 312 of the Texas Tax Code and the City's local guidelines and criteria for tax abatement for reinvestment zones.

For the fiscal year ended September 30, 2022, the City abated property taxes totaling \$60,667 under this program, the amount of property valuation abated in the current and future years is as follows:

2022	\$	60 667
2023		43 331
2024		35 825
2025		28 923
2026		22 620
TOTAL	\$	<u>191 366</u>

A provision exists within each of these agreements that, should the recipient entities violate the conditions of the agreement or become delinquent in the payment of their property taxes, the City is entitled to recapture any property tax that has been abated as a result of the agreements within 60 days of the agreement's termination. Compliance with the agreements is monitored by the City.

K. Subsequent Event

On December 5, 2022 the City approved a state infrastructure bank loan for \$6,000,000 for roadway projects. The loan is payable over 20 years beginning August 15, 2023. Interest is payable semiannually at 2.56%.

L. Leases Receivable

	BALANCE 10/01	ADDITIONS	RETIREMENTS	BALANCE 09/30
General Fund lease receivables:				
South Pines Animal Hospital	\$ -	\$ 55 459	\$ (1 000)	\$ 54 459
Pineywoods Sanitation	-	26 009	(2 774)	23 235
Verizon	28 849	-	(10 171)	18 679
	\$ 28 849	\$ 81 469	\$ (13 945)	\$ 96 373

South Pines Animal Hospital building lease term is month to month at monthly installments of \$1,000 over five years with effective interest rate 3.25%. Pineywoods Sanitation building lease term is month to month at monthly installments of \$500 to \$1,000 over three years with effective interest rate of 2.2%. Verizon land lease term is five years at monthly installments of \$850 with effective interest rate of 0.12%.

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, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE FINAL BUDGET POSITIVE (NEGATIVE)
Revenues:				
Property taxes	\$ 1 505 294	\$ 1 411 298	\$ 1 417 237	\$ 5 939
Sales tax	1 169 700	1 350 000	1 319 029	(30 971)
Other taxes	660 181	694 935	666 981	(27 954)
Fines and fees	59 833	147 423	137 979	(9 444)
Municipal court fines	96 090	96 090	87 369	(8 721)
Sanitation charges	1 134 264	1 134 264	1 142 846	8 582
Grants and donations	42 140	47 140	191 148	144 008
Miscellaneous	767 770	771 820	774 109	2 289
TOTAL REVENUES	<u>5 435 272</u>	<u>5 652 970</u>	<u>5 736 698</u>	<u>83 728</u>
Expenditures:				
General administration	652 869	727 612	736 452	(8 840)
Fire department	480 091	596 130	597 416	(1 286)
Police department	1 540 308	1 539 308	1 474 474	64 834
Street department	964 125	1 060 125	1 061 624	(1 499)
Park department	293 054	293 054	371 329	(78 278)
Sanitation department	809 440	868 200	868 070	130
Economic development department	195 499	195 499	195 600	(101)
Library department	157 651	157 651	159 203	(1 552)
Fleet maintenance department	171 943	176 512	154 483	22 029
Civic center department	98 601	116 956	106 008	10 948
Emergency management department	78 990	78 990	74 582	4 408
TOTAL EXPENDITURES	<u>5 442 571</u>	<u>5 810 037</u>	<u>5 799 241</u>	<u>10 796</u>
EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES	<u>(7 299)</u>	<u>(157 067)</u>	<u>(62 543)</u>	<u>94 524</u>
Other Financing Sources (Uses):				
Interest income	7 299	7 299	2 059	(5 240)
Sale of assets	-	34 734	34 734	-
Transfers in (out)	-	-	13 675	13 675
TOTAL OTHER FINANCING SOURCES (USES)	<u>7 299</u>	<u>42 033</u>	<u>50 468</u>	<u>8 435</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>(115 034)</u>	<u>(12 075)</u>	<u>102 959</u>
Fund balances, beginning	<u>2 182 363</u>	<u>2 182 363</u>	<u>2 182 363</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 2 182 363</u>	<u>\$ 2 067 329</u>	<u>\$ 2 170 288</u>	<u>\$ 102 959</u>

See independent auditors' report.

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

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:								
Service cost	\$ 380 292	\$ 373 422	\$ 259 924	\$ 251 163	\$ 249 956	\$ 251 537	\$ 276 955	\$ 240 012
Interest (on the total pension liability)	830 324	816 337	707 808	693 636	684 516	663 966	672 346	645 247
Changes of benefit terms	-	1 068 239	-	-	-	-	-	-
Difference between expected and actual experience	103 679	(298 184)	143 534	(60 178)	(98 220)	12 618	(222 477)	(9 488)
Change of assumptions	-	-	40 363	-	-	-	47 264	-
Benefit payments, including refunds of employee contributions	(736 669)	(638 923)	(698 657)	(659 433)	(744 045)	(501 737)	(557 839)	(456 396)
NET CHANGE IN TOTAL PENSION LIABILITY	577 626	1 320 891	452 972	225 188	92 207	426 384	216 249	419 375
Total pension liability - Beginning	12 479 279	11 158 388	10 705 416	10 480 228	10 388 021	9 961 637	9 745 388	9 326 013
TOTAL PENSION LIABILITY - ENDING	13 056 905	12 479 279	11 158 388	10 705 416	10 480 228	10 388 021	9 961 637	9 745 388
Plan Fiduciary Net Position:								
Contributions - Employer	353 604	188 340	182 442	187 178	178 818	174 058	211 642	245 493
Contributions - Employee	166 795	116 403	112 619	108 447	108 113	107 311	124 642	124 743
Net investment income	1 473 092	821 291	1 504 590	(312 062)	1 325 241	619 643	13 850	512 844
Benefit payments, including refunds of employee contributions	(736 668)	(638 923)	(698 657)	(659 433)	(744 045)	(501 737)	(557 839)	(456 396)
Administrative	(6 825)	(5 321)	(8 509)	(6 034)	(6 868)	(6 999)	(8 436)	(5 355)
Other	48	(208)	(256)	(315)	(349)	(377)	(417)	(440)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	1 250 046	481 582	1 092 229	(682 219)	860 910	391 899	(216 558)	420 889
Plan fiduciary net position - Beginning	11 314 090	10 832 508	9 740 279	10 422 498	9 561 588	9 169 689	9 386 247	8 965 358
PLAN FIDUCIARY NET POSITION - ENDING	12 564 136	11 314 090	10 832 508	9 740 279	10 422 498	9 561 588	9 169 689	9 386 247
NET PENSION LIABILITY - ENDING	\$ 492 769	\$ 1 165 189	\$ 325 880	\$ 965 137	\$ 57 730	\$ 826 433	\$ 791 948	\$ 359 141
Plan fiduciary net position as a percentage of total pension liability	96.23%	90.66%	97.08%	90.98%	99.45%	92.04%	92.05%	96.31%
Covered employee payroll	\$ 2 409 485	\$ 2 252 375	\$ 2 214 507	2 163 617	2 160 442	\$ 2 245 227	2 453 301	2 494 853
Net pension liability as a percentage of covered employee payroll	20.68%	50.05%	14.47%	44.50%	2.67%	38.51%	31.77%	14.40%

SCHEDULE OF CONTRIBUTIONS

	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determine contribution	\$ 367 784	\$ 194 992	\$ 182 569	\$ 182 569	\$ 183 614	\$ 177 716	\$ 184 727	\$ 217 127
Contributions in relation to the actuarially determined contribution	(367 784)	(194 992)	(182 569)	(182 569)	(183 614)	(177 716)	(184 727)	(217 127)
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 2 382 783	\$ 2 409 485	\$ 2 252 375	\$ 2 214 507	\$ 2 163 617	\$ 2 160 442	2 245 227	2 453 301
Contributions as a percentage of covered employee payroll	15.26%	8.09%	8.24%	8.24%	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

	2021	2020	2019	2018	2017
Total OPEB Liability:					
Service cost	\$ 13 582	\$ 10 244	\$ 6 982	\$ 8 025	\$ 6 919
Interest on total OPEB liability	6 800	8 225	10 229	8 381	8 403
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(16 591)	(11 807)	(33 478)	24 251	-
Change of assumptions	8 733	38 123	40 767	(15 212)	17 326
Benefit payments, including refunds of employee contributions	(8 101)	(3 026)	(2 478)	(2 386)	(2 162)
NET CHANGE IN TOTAL OPEB LIABILITY	4 423	41 759	22 022	23 059	30 486
Total OPEB liability, beginning	337 236	295 477	273 455	250 396	219 910
TOTAL PENSION LIABILITY, ENDING (a)	341 659	337 236	295 477	273 455	250 396
Plan Fiduciary Net Position:					
Contributions - Employer	-	-	-	-	-
Contributions - Employee	-	-	-	-	-
Net investment income	-	-	-	-	-
Benefit payments, including refunds of employee contributions	-	-	-	-	-
Administrative expense	-	-	-	-	-
Other	-	-	-	-	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	-	-	-	-	-
Plan fiduciary net position, beginning	-	-	-	-	-
FIDUCIARY NET POSITION, ENDING (b)	-	-	-	-	-
NET OPEB LIABILITY ENDING (a) - (b)	\$ 341 659	\$ 337 236	\$ 295 477	\$ 273 455	\$ 250 396
Plan fiduciary net position as a % of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered employee payroll	\$ 2 409 485	\$ 2 214 507	\$ 2 214 507	\$ 2 163 617	\$ 2 162 253
Net OPEB liability as a % of covered employee payroll	13.94%	14.49%	13.12%	12.61%	11.58%

SCHEDULE OF CONTRIBUTIONS

	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 12 454	\$ 8 266	\$ 6 764	\$ 6 764	\$ 6 804
Contributions in relation to the actuarially determined contribution	(12 454)	(8 266)	(6 764)	(6 764)	(6 804)
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 2 451 244	\$ 2 409 485	\$ 2 214 507	\$ 2 214 507	\$ 2 163 617
Contributions as a percentage of covered employee payroll	0.51%	0.34%	0.31%	0.31%	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.

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, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)
Operating Revenues:				
Charges for services	\$ 2 956 200	\$ 3 311 448	\$ 3 571 997	\$ 260 549
Miscellaneous	95 304	95 304	6 208	(89 096)
TOTAL REVENUES	<u>3 051 504</u>	<u>3 406 752</u>	<u>3 578 205</u>	<u>171 453</u>
Operating Expenses:				
Purchase of utilities	132 281	162 281	150 732	11 549
Payroll cost	1 006 513	1 006 513	831 310	175 203
Supplies and materials	218 500	258 500	142 389	116 111
Repairs and maintenance	192 274	263 097	216 470	46 627
Purchased and contracted services	843 552	843 552	843 552	-
Miscellaneous	669 181	866 024	707 562	158 462
Depreciation	-	-	393 285	(393 285)
TOTAL EXPENSES	<u>3 062 301</u>	<u>3 399 967</u>	<u>3 285 300</u>	<u>114 667</u>
OPERATING INCOME	<u>(10 797)</u>	<u>6 785</u>	<u>292 905</u>	<u>286 120</u>
Non-Operating Revenues (Expense):				
Interest income	3 439	3 439	2 019	(1 420)
Interest expense	(181 218)	(181 218)	(78 509)	102 709
Grant revenue	-	-	639 180	639 180
Grant expense	-	-	(364 180)	(364 180)
Transfers in (out)	-	-	1 573 601	1 573 601
TOTAL NON-OPERATING INCOME	<u>(177 799)</u>	<u>(177 779)</u>	<u>1 772 111</u>	<u>1 949 890</u>
NET CHANGE IN NET POSITION	<u>(188 576)</u>	<u>(170 994)</u>	<u>2 065 016</u>	<u>2 236 010</u>
Net position, beginning	<u>7 255 673</u>	<u>7 255 673</u>	<u>7 255 673</u>	<u>-</u>
NET POSITION, ENDING	<u>\$ 7 067 097</u>	<u>\$ 7 084 679</u>	<u>\$ 9 320 689</u>	<u>\$ 2 236 010</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, 2022

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)</u>
Revenues:			
Property taxes	\$ 301 095	\$ 315 207	\$ 14 112
TOTAL REVENUES	<u>301 095</u>	<u>315 207</u>	<u>14 112</u>
Expenditures:			
Debt service expense	<u>301 095</u>	<u>451 478</u>	<u>(150 383)</u>
TOTAL EXPENDITURES	<u>301 095</u>	<u>451 478</u>	<u>(150 383)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(136 271)</u>	<u>(136 271)</u>
Other Financing Sources (Uses):			
Interest income	<u>9 134</u>	<u>1 909</u>	<u>(7 225)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>9 134</u>	<u>1 909</u>	<u>(7 225)</u>
NET CHANGE IN NET BALANCES	9 134	(134 362)	(143 496)
Fund balances, beginning	<u>764 232</u>	<u>764 232</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 773 366</u>	<u>\$ 629 870</u>	<u>\$ (143 496)</u>

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, 2022, 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 1, 2023.

Report on 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.

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.

Report on 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.


CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
May 1, 2023

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Honorable Mayor and Members of the City Council:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Crockett's compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, which could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Crockett and to meet our other ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Crockett's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Crockett's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Alto Independent School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Alto Independent School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Obtain an understanding of the City of Crockett's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Crockett's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Conclusion

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

Lufkin, Texas
May 1, 2023


CERTIFIED PUBLIC ACCOUNTANTS

CITY OF CROCKETT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 September 30, 2022

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: QUALIFIED

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) Uniform Guidance? Yes No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster*
11.307	EDA Disaster

Dollar threshold used to distinguish between Type A and Type B Federal programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

B. Financial Statements Findings

None

C. Findings and Questioned Costs for Federal Awards

None

D. Corrective Action Plan

None

CITY OF CROCKETT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended September 30, 2022

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	CONTRACT	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
U.S. Department of Treasury			
Direct Programs:			
Coronavirus Relief Fund		21.019	\$ 794 183
Passed through Texas Division of Emergency Management:			
CLFRF		21.027	<u>275 000</u>
TOTAL U.S. DEPARTMENT OF TREASURY			<u>1 069 183</u>
U.S. Department of Commerce			
EDA Disaster Supplemental	08.79.05379	11.307	<u>1 599 577</u>
TOTAL U.S. DEPARTMENT OF COMMERCE			<u>1 599 577</u>
U.S. Department of Housing and Urban Development			
Passed through Texas Department of Agriculture:			
Community Development Block Grant	7219132	14.228	<u>52 277</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>52 277</u>
U.S. Department of Emergency Management			
Passed through Texas Division of Emergency Management:			
Hazard Mitigation Grant Program		94.039	<u>65 573</u>
TOTAL U.S. DEPARTMENT OF EMERGENCY MANAGEMENT			<u>65 573</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2 786 610</u>

CITY OF CROCKETT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
September 30, 2022

1. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City Of Crockett under programs of the federal government for the year ended September 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Crockett, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Crockett.
2. For all federal programs, the City uses the fund types specified in Governmental Accounting Standards. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
3. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund types are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in a Special Revenue Fund which is a governmental fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net fund balance.

The modified accrual basis of accounting is used for the governmental fund types, and agency funds. The basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.
4. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3 Uniform Guidance Compliance Statement - Provisional 6/97.
5. City of Crockett has not elected to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

CITY OF CROCKETT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
September 30, 2022

Crockett Economic and Industrial Development Corp

Finding 2021-3

Status: Unknown

See Note H - Due to the Crockett Economic and Industrial Development Corporation being under investigation, auditor could not determine the status of this prior year comment. To be determined in the future once the records are released.

Client Response Update: The accounting records will continue to be monitored by the board of directors. A third-party accountant was hired to perform bank reconciliation procedures to create a more separation of duties in the accounting function, however, due to timing of the prior year finding and through the year ending September 2021, checks were still presigned in advance of check processing.