

CITY OF CROCKETT, TEXAS  
ANNUAL FINANCIAL REPORT  
For the Year Ended September 30, 2020

## 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 Assets.....	18
Notes to Financial Statements .....	19
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual - General Fund.....	31
Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Contributions.....	32
Schedule of Changes in Net OPEB Liability and Related Ratios and Schedule of Contributions .....	33
Other Budgetary Schedules:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual - Water and Sewer Fund.....	35
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual - Debt Service Fund.....	36
Component Unit - Crockett Economic and Industrial Development Corporation:	
Governmental Fund Balance Sheet / Statement of Net Position .....	38
Governmental Fund Revenues, Expenses, and Changes in Fund Balance/Statement of Activities .....	39
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> .....	41
Independent Auditors' Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance .....	42
Schedule of Expenditures of Federal Awards .....	44
Notes to Schedule of Expenditures of Federal Awards.....	46
Schedule of Findings, Questioned Costs and Corrective Action .....	47
Summary Schedule of Prior Audit Findings .....	48

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council  
City of Crockett  
Crockett, Texas

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Crockett, as of and for the year ended September 30, 2020, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Crockett, as of September 30, 2020, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of changes in net pension and OPEB liabilities and related ratios be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The component unit financial statements and other budgetary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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.

The component unit financial statements, budgetary schedules, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, other budgetary schedules, component unit, and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

  
CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas  
April 19, 2021

**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, 2020. 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 \$10,674,766 at September 30, 2020.
- During the year, the City's expenses were \$883,959 less than the \$10,067,091 generated in revenues for the primary government.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

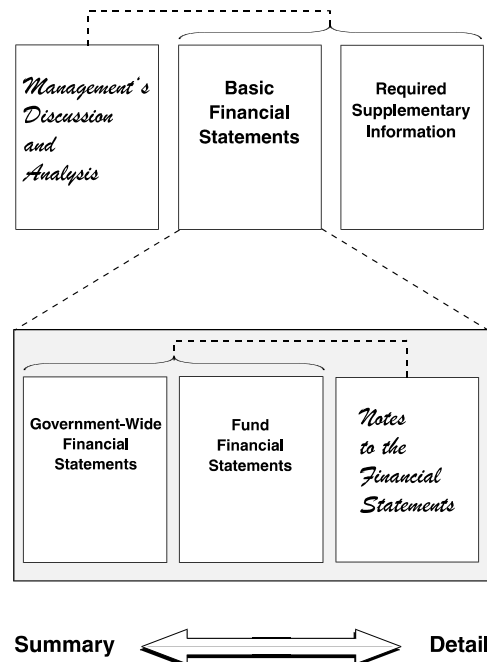


Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of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

## Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, deferred inflows/outflows, and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how it has changed. Net position - the difference between the City's assets, liabilities and deferred inflows/outflows - is one way to measure the City's financial health or *position*.

- 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 \$10,679,067 (See Table A-1).

**Table A-1**  
City's Net Position

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2020	2019	2020	2019	2020	2019
<b>Current Assets:</b>						
Cash and cash equivalents	\$ 2 300 928	\$ 2 179 931	\$ 363 137	\$ 1 006 749	\$ 2 664 065	\$ 3 186 680
Other assets	537 292	657 316	548 798	511 725	1 086 090	1 169 041
<b>TOTAL CURRENT ASSETS</b>	<b>2 838 220</b>	<b>2 837 247</b>	<b>911 935</b>	<b>1 518 474</b>	<b>3 750 155</b>	<b>4 355 721</b>
<b>Noncurrent Assets:</b>						
Cash and cash equivalents	-	-	2 138 057	1 905 992	2 138 057	1 905 992
Capital assets (net)	3 357 306	2 910 958	9 853 318	4 825 487	11 072 567	7 736 445
<b>TOTAL NONCURRENT ASSETS</b>	<b>3 357 306</b>	<b>2 910 958</b>	<b>9 853 318</b>	<b>6 731 479</b>	<b>13 210 624</b>	<b>9 642 437</b>
<b>TOTAL ASSETS</b>	<b>6 195 526</b>	<b>5 748 205</b>	<b>10 765 253</b>	<b>7 996 125</b>	<b>16 960 779</b>	<b>13 744 330</b>
<b>Deferred Outflows:</b>						
Pension	710 421	879 120	204 810	247 084	915 231	1 126 204
OPEB	43 091	25 851	12 423	7 266	55 514	33 117
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>6 949 038</b>	<b>6 653 176</b>	<b>10 982 486</b>	<b>8 250 475</b>	<b>17 931 524</b>	<b>14 903 651</b>
<b>Current Liabilities:</b>						
Accounts payable and accrued liabilities	108 658	91 106	148 238	60 815	256 896	151 921
Customer deposits	-	-	304 110	293 054	304 110	293 054
<b>TOTAL CURRENT LIABILITIES</b>	<b>108 658</b>	<b>91 106</b>	<b>452 348</b>	<b>353 869</b>	<b>501 006</b>	<b>444 975</b>
<b>Noncurrent Liabilities:</b>						
Due within one year	391 454	435 894	84 791	36 665	476 245	472 559
Due in more than one year	1 811 969	2 694 059	3 677 499	1 014 827	5 489 468	3 708 886
<b>TOTAL LIABILITIES</b>	<b>2 350 156</b>	<b>3 221 059</b>	<b>3 901 473</b>	<b>1 405 361</b>	<b>6 251 629</b>	<b>4 626 420</b>
Deferred inflows	780 202	379 705	224 927	106 719	1 005 129	486 424
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<b>3 130 358</b>	<b>3 600 764</b>	<b>4 126 400</b>	<b>1 512 080</b>	<b>7 256 758</b>	<b>5 112 844</b>
<b>Net Position:</b>						
Invested in capital assets	1 719 624	811 128	4 423 168	4 067 729	6 142 792	4 878 857
Restricted	748 364	725 191	2 138 057	1 905 992	2 886 421	2 631 183
Unrestricted	1 363 115	1 516 093	294 861	764 674	1 645 553	2 280 767
<b>TOTAL NET POSITION</b>	<b>\$ 3 831 103</b>	<b>\$ 3 052 412</b>	<b>\$ 6 856 086</b>	<b>\$ 6 738 395</b>	<b>\$ 10 674 766</b>	<b>\$ 9 790 807</b>

**Changes in Net Position.** The City's total revenues were \$10,067,091. 15%, of the City's revenue comes from taxes, 50%, relates to charges for services.

The total cost of all programs and services was \$9,183,132; of these costs 36% were for business-type activities.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2020, the City had invested \$11,072,567 (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 \$5,031,191 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	
	2020	2019	2020	2019	2020	2019
Leases payable	\$ 492 682	\$ 679 830	\$ 441 093	\$ 477 758	\$ 933 775	\$ 1 157 588
Bonds payable	1 145 000	1 420 000	2 851 000	280 000	3 996 000	1 700 000
Accrued vacation	83 431	63 271	17 985	21 993	101 416	85 264
<b>TOTAL</b>	<b>\$ 1 721 113</b>	<b>\$ 2 163 101</b>	<b>\$ 3 310 078</b>	<b>\$ 779 751</b>	<b>\$ 5 031 191</b>	<b>\$ 2 942 852</b>

## 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 5<sup>th</sup> Street, Crockett, Texas.

## BASIC FINANCIAL STATEMENTS



CITY OF CROCKETT, TEXAS  
STATEMENTS OF NET POSITION  
September 30, 2020

	GOVERN- MENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL	ECONOMIC DEVELOPMENT CORPORATION
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and investments	\$ 2 300 928	\$ 363 137	\$ 2 664 065	\$ 861 487
Receivables Net of Allowance for Uncollectibles:				
Taxes	64 239	-	62 239	-
Customer accounts	-	538 059	538 059	-
Other	472 547	10 739	483 286	-
Inventory	506	-	506	-
<b>TOTAL CURRENT ASSETS</b>	<b>2 838 220</b>	<b>911 935</b>	<b>3 750 155</b>	<b>861 487</b>
<b>Noncurrent Assets:</b>				
Restricted cash	-	2 138 057	2 138 057	-
<b>Capital Assets:</b>				
Land	133 767	159 440	293 207	386 309
Streets and infrastructure	-	-	-	1 409 408
Buildings and improvements	5 379 075	-	5 379 075	2 765 815
Furniture and equipment	4 555 948	1 057 341	5 613 289	60 573
Utility systems	-	12 783 364	12 783 364	-
Construction in progress	836 606	3 465 307	4 301 913	-
Less: Accumulated depreciation	(7 548 090)	(9 750 191)	(17 298 281)	(1 551 426)
<b>TOTAL CAPITAL ASSETS</b>	<b>3 357 306</b>	<b>7 715 261</b>	<b>11 072 567</b>	<b>3 070 679</b>
<b>TOTAL NONCURRENT ASSETS</b>	<b>3 357 306</b>	<b>9 853 318</b>	<b>13 210 624</b>	<b>3 070 679</b>
<b>TOTAL ASSETS</b>	<b>6 195 526</b>	<b>10 765 253</b>	<b>16 960 779</b>	<b>3 932 166</b>
<b>DEFERRED OUTFLOWS</b>				
Deferred outflow - Pension	710 421	204 810	915 231	-
Deferred outflow - OPEB	43 091	12 423	55 514	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>\$ 6 949 038</b>	<b>\$ 10 982 486</b>	<b>\$ 17 931 524</b>	<b>\$ 3 932 166</b>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts payable	\$ 39 590	\$ 124 371	\$ 163 961	\$ -
Accrued liabilities	95 858	23 867	119 725	-
Accrued interest payable	11 285	-	11 285	4 869
<b>Current Portion of Long-Term Debt Liabilities:</b>				
Notes payable	-	-	-	115 040
Leases payable	116 454	25 791	142 245	-
Revenue bonds	275 000	59 000	334 000	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>538 187</b>	<b>233 029</b>	<b>771 216</b>	<b>119 936</b>
<b>Noncurrent Liabilities:</b>				
Bonds payable	870 000	2 792 000	4 077 302	-
Capitalized lease obligations	376 228	415 302	376 228	-
Notes payable	-	-	-	2 826 457
Accrued comp absence	83 431	17 985	101 416	-
Customer deposits	-	304 110	304 110	-
Net pension liability	252 955	72 925	325 880	-
Net OPEB liability	229 355	66 122	295 477	-
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>1 811 969</b>	<b>3 668 444</b>	<b>5 480 413</b>	<b>2 826 457</b>
<b>TOTAL LIABILITIES</b>	<b>2 350 156</b>	<b>3 901 473</b>	<b>6 251 629</b>	<b>2 946 393</b>
<b>DEFERRED INFLOWS</b>				
Deferred inflows - Pension	753 911	217 348	971 259	-
Deferred inflows - OPEB	26 291	7 579	33 870	-
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<b>\$ 3 130 358</b>	<b>\$ 4 126 400</b>	<b>\$ 7 256 758</b>	<b>\$ 2 946 393</b>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 1 719 624	\$ 4 423 168	\$ 6 142 792	\$ 583 007
<b>Restricted for:</b>				
Debt service	747 260	2 138 057	2 885 317	-
Unrestricted	1 351 796	294 861	1 646 657	402 766
<b>TOTAL NET POSITION</b>	<b>\$ 3 818 680</b>	<b>\$ 6 856 086</b>	<b>\$ 10 674 766</b>	<b>\$ 985 773</b>

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, 2020

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
<b>Primary Government:</b>				
Governmental Activities:				
General government	\$ 709 036	\$ 306 122	\$ 79 698	\$ -
Fire department	419 259	-	50 000	-
Police and courts department	1 424 931	129 045	-	-
Street department	901 349	-	-	-
Parks department	297 608	-	12 525	-
Sanitation department	1 089 745	1 277 464	119 873	-
Economic development department	183 441	-	-	-
Library department	153 656	-	-	-
Fleet maintenance department	153 819	-	-	-
Civic center department	248 716	11 745	-	-
Emergency management department	72 383	-	-	-
Interest expense	26 132	-	-	-
Grant expense	208 898	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>5 888 973</u>	<u>1 724 376</u>	<u>262 096</u>	<u>-</u>
Business-Type Activities:				
Water and sewer	<u>3 294 159</u>	<u>3 356 178</u>	<u>-</u>	<u>-</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>3 294 159</u>	<u>3 356 178</u>	<u>-</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 9 183 132</u>	<u>\$ 5 080 554</u>	<u>\$ 262 096</u>	<u>\$ -</u>
<b>Component Units:</b>				
Economic development corporation	<u>\$ 619 900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL COMPONENT UNITS	<u>\$ 619 900</u>	<u>\$ -</u>	<u>\$ -</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

<u>PRIMARY GOVERNMENT</u>			<u>COMPONENT UNIT</u>
<u>GOVERN- MENTAL ACTIVITIES</u>	<u>BUSINESS- TYPE ACTIVITIES</u>	<u>TOTAL</u>	<u>ECONOMIC DEVELOPMENT CORPORATION</u>
\$ (323 216)	\$ -	\$ (323 216)	\$ -
(369 259)	-	(369 259)	-
(1 295 886)	-	(1 295 886)	-
(901 349)	-	(901 349)	-
(285 083)	-	(285 083)	-
307 592	-	307 592	-
(183 441)	-	(183 441)	-
(153 656)	-	(153 656)	-
(153 819)	-	(153 819)	-
(236 971)	-	(236 971)	-
(72 383)	-	(72 383)	-
(26 132)	-	(26 132)	-
(208 898)	-	(208 898)	-
<u>(3 902 501)</u>	<u>-</u>	<u>(3 902 501)</u>	<u>-</u>
<u>-</u>	<u>62 019</u>	<u>62 019</u>	<u>-</u>
<u>-</u>	<u>62 019</u>	<u>62 019</u>	<u>-</u>
<u>(3 902 501)</u>	<u>62 019</u>	<u>(3 840 482)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(619 900)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(619 900)</u>
1 204 925	-	1 204 925	-
319 380	-	319 380	-
1 136 529	-	1 136 529	568 264
550 235	-	550 235	-
11 231	3 020	14 251	-
1 421 826	915	1 422 741	31 562
76 380	-	76 380	-
<u>(51 737)</u>	<u>51 737</u>	<u>-</u>	<u>-</u>
<u>4 668 769</u>	<u>55 672</u>	<u>4 724 441</u>	<u>599 826</u>
766 268	117 691	883 959	(20 074)
3 052 412	6 738 395	9 790 807	1 005 847
<u>\$ 3 818 680</u>	<u>\$ 6 856 086</u>	<u>\$ 10 674 766</u>	<u>\$ 985 773</u>

CITY OF CROCKETT, TEXAS  
 COMBINING BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 September 30, 2020

	GENERAL	NON-MAJOR GOVERNMENTAL	TOTAL
<b>ASSETS</b>			
Cash and investments	\$ 1 552 564	\$ 748 364	\$ 2 300 928
Property tax receivable	-	64 239	64 239
Other receivables	472 547	-	472 547
Inventory	506	-	506
<b>TOTAL ASSETS</b>	<b>\$ 2 025 617</b>	<b>\$ 812 603</b>	<b>\$ 2 838 220</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 1 515	\$ 38 075	\$ 39 590
Accrued liabilities	95 858	-	95 858
<b>TOTAL LIABILITIES</b>	<b>97 373</b>	<b>38 075</b>	<b>135 448</b>
<b>Deferred Inflows:</b>			
Deferred revenue	473 729	64 239	537 968
<b>TOTAL DEFERRED INFLOWS</b>	<b>473 729</b>	<b>64 239</b>	<b>537 968</b>
<b>Fund Balance:</b>			
Nonspendable	506	-	506
Restricted			
Debt service	-	747 260	747 260
Unassigned	1 454 009	(36 791)	1 417 038
<b>TOTAL FUND BALANCE</b>	<b>\$ 1 454 515</b>	<b>\$ 710 289</b>	<b>2 164 804</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Activities are Different Because:</b>			
Capital assets used in governmental activities are financial resources and, therefore, are not reported in the funds.			3 357 306
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.			537 968
Deferred inflows and outflows, net, used in governmental activity, not recorded in funds.			(43 490)
Net pension liability used in governmental activities not recorded in funds.			(252 955)
Net OPEB liability used in governmental activities not recorded in funds.			(212 555)
Debt principal and compensated absences used in governmental activity, not recorded in funds.			(1 732 398)
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>			<b>\$ 3 818 680</b>

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, 2020

	<u>GENERAL</u>	<u>NONMAJOR FUNDS</u>	<u>TOTAL</u>
Revenues:			
Property taxes	\$ 1 323 947	\$ 319 380	\$ 1 643 327
Sales tax	1 136 529	-	1 136 529
Other taxes	664 212	-	664 212
Fines and fees	54 076	-	54 076
Municipal court fines	86 714	-	86 714
Sanitation charges	1 284 138	-	1 284 138
Grant and donations	55 927	1 125 624	1 181 551
Miscellaneous	687 842	-	687 842
TOTAL REVENUES	<u>5 293 385</u>	<u>1 445 004</u>	<u>6 738 389</u>
Expenditures:			
General administration	654 991	-	654 991
Fire department	410 089	-	410 089
Police department	1 496 337	-	1 496 337
Street department	837 041	-	837 041
Park department	284 926	-	284 926
Sanitation department	1 021 850	-	1 021 850
Economic development department	178 098	-	178 098
Library department	149 581	-	149 581
Fleet maintenance department	150 199	-	150 199
Civic center department	135 718	-	135 718
Emergency management department	70 347	-	70 347
Debt service	-	301 132	301 132
Grant expense	-	1 022 678	1 022 678
TOTAL EXPENDITURES	<u>5 389 177</u>	<u>1 323 810</u>	<u>6 712 987</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(95 792)</u>	<u>121 194</u>	<u>25 402</u>
Other Financing Sources (Uses):			
Interest	6 306	4 925	11 231
Gain on sale of assets	76 380	-	76 380
Transfers in (out)	89 284	(141 021)	(51 737)
TOTAL OTHER FINANCING SOURCES (USES)	<u>171 970</u>	<u>(136 096)</u>	<u>35 874</u>
NET CHANGE IN FUND BALANCES	76 178	(14 902)	61 276
Fund balances, beginning	<u>1 378 337</u>	<u>725 191</u>	<u>2 103 528</u>
FUND BALANCE, ENDING	<u>\$ 1 454 515</u>	<u>\$ 710 289</u>	<u>\$ 2 164 804</u>

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, 2020

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

Net change in fund balances - Total governmental funds.	\$	61 276
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.		446 348
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds		465 240
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>(206 596)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>766 268</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, 2020

ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 363 137
Accounts receivable (net of allowance for uncollectibles)	538 059
Other receivables	10 739
TOTAL CURRENT ASSETS	<u>911 935</u>
Noncurrent Assets:	
Restricted cash	<u>2 138 057</u>
Capital Assets:	
Land	159 440
Furniture and equipment	1 057 341
Utility systems	12 783 364
Construction in progress	3 465 307
Accumulated depreciation	<u>(9 750 191)</u>
NET CAPITAL ASSETS	<u>7 715 261</u>
TOTAL NONCURRENT ASSETS	<u>9 853 318</u>
TOTAL ASSETS	<u>10 765 253</u>
Deferred Outflows:	
Deferred outflows - Pension	204 810
Deferred outflows - OPEB	12 423
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 10 982 486</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 124 371
Accrued liabilities	23 867
Current portion of long-term liabilities	84 791
TOTAL CURRENT LIABILITIES	<u>233 029</u>
Noncurrent Liabilities:	
Long-term liabilities	3 207 302
Accrued compensated absences	17 985
Customer deposits	304 110
Net pension liability	72 925
Net OPEB liability	66 122
TOTAL NONCURRENT LIABILITIES	<u>3 668 444</u>
TOTAL LIABILITIES	<u>3 901 473</u>
Deferred Inflows:	
Deferred inflows - Pension	217 348
Deferred inflows - OPEB	7 579
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>4 126 400</u>
NET POSITION	
Net investment in capital assets	2 098 311
Restricted for debt service	2 138 057
Unrestricted	<u>2 619 718</u>
TOTAL NET POSITION	<u>\$ 6 856 086</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, 2020

Operating Revenues:	
Charges for service	\$ 3 356 178
Miscellaneous	<u>915</u>
TOTAL OPERATING REVENUES	<u>3 357 093</u>
Operating Expenses:	
Purchase of utilities	133 350
Payroll costs	708 109
Supplies and materials	291 276
Repairs and maintenance	180 551
Purchased and contracted services	843 552
Miscellaneous	724 145
Depreciation	<u>361 034</u>
TOTAL OPERATING EXPENSES	<u>3 242 017</u>
OPERATING INCOME	<u>115 076</u>
Nonoperating Revenues (Expenses):	
Interest income	3 020
Interest expense	(52 142)
Transfer in (out)	<u>51 737</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>2 615</u>
CHANGE IN NET POSITION	117 691
Net position - Beginning	<u>6 738 395</u>
NET POSITION - ENDING	<u>\$ 6 856 086</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, 2020

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 115 076
Depreciation	361 034
Adjustments to Reconcile Operating Income to Net Provided by Operating Activities:	
Decrease (increase) in accounts receivable	(38 714)
Decrease (increase) in other receivables	1 641
Increase (decrease) in accounts payable	88 683
Increase (decrease) in accrued expenses payable	(1 260)
Increase (decrease) in compensated absences	(4 008)
Increase (decrease) in customer deposits	11 056
Decrease (increase) in deferred outflows	37 117
Increase (decrease) in deferred inflows	118 208
Increase (decrease) in net pension liability	(138 821)
Increase (decrease) in net OPEB liability	6 127
TOTAL ADJUSTMENTS	<u>80 029</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>556 139</u>
Cash Flows from Noncapital Financing Activities:	
Operating transfers in (out)	<u>51 737</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>51 737</u>
Cash Flows from Capital and Related Activities:	
Purchase of capital assets	(3 250 808)
Principal paid on capital debt	(41 665)
Interest paid on capital debt	(52 142)
Draw on revenue bond	<u>2 576 000</u>
NET CASH (USED) BY CAPITAL AND RELATED ACTIVITIES	<u>(768 615)</u>
Cash Flows from Investing Activities:	
Interest on investments	<u>3 020</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>3 020</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(157 719)
Cash and cash equivalents, beginning	<u>2 658 913</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 2 501 194</u>

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

CITY OF CROCKETT, TEXAS  
STATEMENT OF FIDUCIARY NET ASSETS  
September 30, 2020

	<u>TRUST FUNDS</u>
ASSETS	
Cash and cash equivalents	\$ <u>751 842</u>
TOTAL ASSETS	\$ <u>751 842</u>
LIABILITIES	
Due to others	\$ <u>751 842</u>
TOTAL LIABILITIES	\$ <u>751 842</u>

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

CITY OF CROCKETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2020

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.

CITY OF CROCKETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2020

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:

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

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City's investment policies are governed by state statutes and city ordinances. Permissible investments include direct obligations of the U. S. Government, certificates of deposit and savings accounts.

Investments for the government, are reported at fair value. Collateral is required for demand deposits and certificates of deposits of all amounts not covered by federal deposit insurance.

2. Receivables and Payables:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown net of allowance for uncollectible. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Property taxes are levied on October 1, attach as an enforceable lien on property on January 1, and become delinquent on June 30 of every fiscal year.

CITY OF CROCKETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2020

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, 2020

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. Discretely Present Component Unit:

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

Crockett Economic and Industrial Development Corporation

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

11. Subsequent Events:

Management has considered the effect of subsequent events through April 19, 2021, the date the financial statements were available for release.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting:

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) The City Administrator submits to the City Council a proposed operating budget for the fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted to obtain taxpayer comments.
- (3) The budget is legally enacted through passage of an ordinance.

Finance-Related Legal and Contractual Provisions:

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below:

EXPENDITURES EXCEED BUDGET	
DEPARTMENT	AMOUNT
Police Department - General Fund	\$ 2 199
Fleet Maintenance - General Fund	\$ 637

CITY OF CROCKETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2020

**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments:**

Bank Deposits - At year end, the carrying amount of the City's deposits (demand and certificates) were \$4,802,122 and the bank balances were \$4,798,658. 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	\$	2 138 057	
Trust funds		751 842	
TOTAL	\$	<u>2 889 899</u>	

**C. Property Taxes:**

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

**D. Capital Assets:**

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

	BEGINNING BALANCE	ADDITIONS	DELETIONS	ENDING BALANCE
<b>Governmental Activities:</b>				
Land	\$ 133 767	\$ -	\$ -	\$ 133 767
Construction in progress	39 826	796 780	-	836 606
Buildings and improvements	5 379 075	-	-	5 379 075
Furniture and equipment	4 564 111	117 937	(126 100)	4 555 948
TOTAL COST	<u>10 116 779</u>	<u>914 717</u>	<u>(126 100)</u>	<u>10 905 396</u>
Less Accumulated Depreciation:				
Buildings and improvements	(3 688 237)	(134 590)	-	(3 822 827)
Furniture and equipment	(3 517 584)	(333 779)	126 100	(3 725 263)
TOTAL ACCUMULATED DEPRECIATION	<u>(7 205 821)</u>	<u>(468 369)</u>	<u>126 100</u>	<u>(7 548 090)</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 2 910 958</u>	<u>\$ 446 348</u>	<u>\$ -</u>	<u>\$ 3 357 306</u>
<b>Proprietary Fund Activities:</b>				
Land	\$ 159 440	\$ -	\$ -	\$ 159 440
Construction in progress	339 957	3 125 350	-	3 465 307
Furniture and equipment	931 883	125 457	-	1 057 340
Utility systems	12 783 364	-	-	12 783 364
TOTAL COST	<u>14 214 644</u>	<u>3 250 807</u>	<u>-</u>	<u>17 465 451</u>
Less Accumulated Depreciation:				
Furniture and equipment	(704 392)	(79 046)	-	(783 438)
Utility systems	(8 684 765)	(281 988)	-	(8 966 752)
TOTAL ACCUMULATED DEPRECIATION	<u>(9 389 157)</u>	<u>(361 034)</u>	<u>-</u>	<u>(9 750 190)</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 4 825 487</u>	<u>\$ 2 889 773</u>	<u>\$ -</u>	<u>\$ 7 715 261</u>
<b>Component Unit:</b>				
Land	\$ 284 708	\$ 101 601	\$ -	\$ 386 309
Furniture and equipment	57 328	3 245	-	60 573
Building and improvements	2 765 815	-	-	2 765 815
Streets	969 387	-	-	969 387
Infrastructure - W/S lines	440 021	-	-	440 021
TOTAL COST	<u>4 517 259</u>	<u>104 846</u>	<u>-</u>	<u>4 622 105</u>
Less accumulated depreciation	(1 418 190)	(133 236)	-	(1 551 426)
TOTAL CAPITAL ASSETS, NET	<u>\$ 3 099 069</u>	<u>\$ (28 390)</u>	<u>\$ -</u>	<u>\$ 3 070 679</u>

Depreciation expense was charged to the governmental functions as follows:

General government	\$	57 575	
Fire department		45 851	
Police department		80 223	
Street department		100 895	
Sanitation department		64 072	
Parks department		7 263	
Civic center department		112 490	
	\$	<u>468 369</u>	

CITY OF CROCKETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2020

**NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED**

**E. Changes In Long-Term Liabilities:**

Interest rates on note payable and certificates of obligation range from 1.65% to 4.7%. The following is a summary of the debt transactions of the City for the year ended September 30:

	BALANCE 10/01	ADDITIONS	RETIREMENTS	BALANCE 09/30	CURRENT
General Long-Term Debt:					
Lease payable	\$ 679 830	\$ -	\$ (187 148)	\$ 492 682	\$ 116 454
Refunding bonds	1 420 000	-	(275 000)	1 145 000	275 000
Accrued compensated absences	63 271	20 160	-	83 431	-
	<u>\$ 2 163 101</u>	<u>\$ 20 160</u>	<u>\$ (462 148)</u>	<u>\$ 1 721 113</u>	<u>\$ 391 454</u>
Proprietary Fund type:					
Leases payable	\$ 477 758	-	\$ (36 665)	\$ 441 093	\$ 25 791
Revenue bonds	280 000	2 576 000	(5 000)	2 851 000	59 000
Accrued compensated absences	21 993	-	(4 008)	17 985	-
	<u>\$ 779 751</u>	<u>\$ 2 576 000</u>	<u>\$ (45 673)</u>	<u>\$ 3 310 078</u>	<u>\$ 84 791</u>

**Economic Development:**

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

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

OUTSTANDING 10/01	DRAWS	REPAYMENT	OUTSTANDING 09/30
\$ 3 051 956	\$ -	\$ (110 459)	\$ 2 941 497

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

YEAR ENDING SEPTEMBER 30,	GENERAL LONG-TERM DEBT		PROPRIETARY		ECONOMIC DEVELOPMENT
	REFUND BOND	LEASES PAYABLE	LEASES PAYABLE	REVENUE BOND	NOTE PAYABLE
2021	\$ 275 000	\$ 116 454	\$ 25 791	\$ 59 000	\$ 115 040
2022	285 000	85 326	26 995	54 000	119 812
2023	290 000	62 275	29 226	56 000	124 781
2024	295 000	64 879	31 584	57 000	129 958
2025	-	17 038	34 076	58 000	135 349
Thereafter	-	146 256	293 421	2 567 000	2 316 557
TOTAL	<u>\$ 1 145 000</u>	<u>\$ 492 682</u>	<u>\$ 441 093</u>	<u>\$ 2 851 000</u>	<u>\$ 2 941 497</u>

**NOTE 4 - OTHER INFORMATION**

**A. Plan Description**

The City of Crockett participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://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.



CITY OF CROCKETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2020

**NOTE 4 - OTHER INFORMATION - CONTINUED**

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, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	63
Inactive employees entitled to but not yet receiving benefits	50
Active employees	56
	169

**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 2020 and 2019. The City's contributions to TMRS for the year ended September 30, 2020 were \$187,564 and were equal to the required contribution.

**D. Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, 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, 2019 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, 2019, 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.

CITY OF CROCKETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2020

**NOTE 4 - OTHER INFORMATION - CONTINUED**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ASSET CLASS	TARGET ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN (ARITHMETIC)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
TOTAL	<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.

**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, 2018	\$ 10 705 416	\$ 9 740 279	\$ 965 138
Changes for the Year:			
Service cost	259 924	-	259 924
Interest	707 808	-	707 808
Change of benefit terms	-	-	-
Difference between expected and actual experience	143 534	-	143 534
Changes of assumptions	40 363	-	40 363
Contributions - Employer	(698 657)	182 442	(881 099)
Contributions - Employee	-	112 619	(112 619)
Net investment income	-	1 504 590	(1 504 590)
Benefit payments, including refunds of employee	-	(698 657)	698 657
Administrative expense	-	(8 509)	8 509
Other changes	-	(256)	256
NET CHANGES	<u>452 972</u>	<u>1 092 229</u>	<u>(639 257)</u>
Balance at December 31, 2019	<u>\$ 11 158 388</u>	<u>\$ 10 832 508</u>	<u>\$ 325 880</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)	\$ 1 729 625	\$ 325 880	\$ (830 855)

**Pension Plan Fiduciary Net Position**

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

CITY OF CROCKETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2020

**NOTE 4 - OTHER INFORMATION - CONTINUED**

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

For the Year Ended September 30, 2020, the City recognized pension expense of \$255,763.

At September 30, 2020, 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	\$ 92 906	\$ 21 493
Changes in actuarial assumptions	25 413	-
Difference between projected and actual investment earnings	609 348	949 766
Contributions subsequent to the measurement date	187 564	-
TOTAL	\$ 915 231	\$ 971 259

The \$187,564 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, 2020. 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
2021	\$	(53 262)
2022		(54 596)
2023		33 692
2024		(169 426)
2025		-
Thereafter		-
TOTAL	\$	(243 592)

**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	48
Inactive employees entitled to but not yet receiving benefits	6
Active employees	56
TOTAL	110

CITY OF CROCKETT, TEXAS  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 September 30, 2020

**NOTE 4 - OTHER INFORMATION - CONTINUED**

**Contributions**

PLAN/ CALENDAR YEAR	TOTAL SDB CONTRIBUTION (RATE)	RETIREE PORTION OF SDB CONTRIBUTION (RATE)
2019	0.30%	0.11%
2020	0.32%	0.11%

The City's contributions to the SDBF for the year ended September 30, 2020 were \$6,804, and were equal to the required contribution.

**Summary of Actuarial Assumptions**

Inflation	2.5%
Salary increases	3.50% to 10.5% including inflation
Discount rate*	3.71%
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.

**Changes in OPEB Liability**

Total OPEB liability - Beginning of year	\$ 273 455
Changes for the Year:	
Service cost	6 982
Interest on total OPEB liability	10 229
Changes of benefit terms	-
Differences	(33 478)
Changes in assumptions or other inputs	40 767
Benefit payments	(2 478)
NET CHANGES	22 022
TOTAL OPEB LIABILITY - END OF YEAR	\$ 295 477

**Total OPEB Liability as a Percentage of Covered Payroll**

12%

**Sensitivity of OPEB Liability to Changes in the Discount Rate**

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

	1% Decrease (2.71%)	Current Discount Rate (3.71%)	1% Increase (4.71%)
Total OPEB Liability	\$ 348 593	\$ 295 477	\$ 253 306

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

For the Year Ended September 30, 2020, the City recognized OPEB expense of \$24,893.

CITY OF CROCKETT, TEXAS  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 September 30, 2020

**NOTE 4 - OTHER INFORMATION - CONTINUED**

As of September 30, 2020, 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	\$ 13 303	\$ 25 526
Changes in actuarial assumptions	36 667	8 344
Difference between projected and actual earnings	-	-
Subsequent contributions	5 535	-
TOTAL	\$ 55 514	\$ 33 870

\$5,535 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, 2020. 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
2021	\$ 7 682
2022	5 453
2023	2 609
2024	365
2025	-
Thereafter	-
TOTAL	\$ 16 110

**G. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains workers' compensation and other risks of loss coverage through the Texas Municipal League Intergovernmental Risk Pool, which is a public entity risk pool. The pool is to be self-sustaining through member premiums and obtains reinsurance through commercial insurance companies for claims in excess of dollar amount. City management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims did not exceed the commercial coverage during the current fiscal year.

**H. Commitments and Contingencies**

Intergovernmental Grants

Intergovernmental awards received by the City are subject to audit and adjustment by the funding agency or its representatives. If grant revenues are received for expenditures which are subsequently disallowed, the City may be required to repay the revenues to the funding agency. In the opinion of management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements at September 30.

**I. Concentrations**

During 2020, 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. COVID-19 Pandemic Impact**

A novel strain of coronavirus (COVID-19) was spread to the United States of America in January and February 2020. The World Health Organization declared the outbreak to constitute a pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our students, employees and vendors all of which are uncertain and cannot be predicted. As of the date these financial statements are issued, COVID-19 had not materially affected results of operations in 2020. However, the impact of response efforts on future operations cannot be predicted.

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, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE FINAL BUDGET POSITIVE (NEGATIVE)
Revenues:				
Property taxes	\$ 1 365 119	\$ 1 298 262	\$ 1 323 947	\$ 25 685
Sales tax	1 067 987	1 136 527	1 136 529	2
Other taxes	696 816	696 816	664 212	(32 604)
Fines and fees	47 957	61 304	54 076	(7 228)
Municipal court fines	123 701	123 701	86 714	(36 987)
Sanitation charges	1 273 401	1 303 301	1 284 138	(19 163)
Grants and donations	20 000	20 000	55 927	35 927
Miscellaneous	675 591	849 708	687 842	(161 866)
TOTAL REVENUES	<u>5 270 572</u>	<u>5 489 619</u>	<u>5 293 385</u>	<u>(196 234)</u>
Expenditures:				
General administration	652 034	725 811	654 991	70 820
Fire department	416 534	416 534	411 089	6 445
Police department	1 382 799	1 494 138	1 496 337	(2 199)
Street department	866 960	907 255	837 041	70 214
Park department	288 696	288 696	284 926	3 770
Sanitation department	1 010 280	1 040 180	1 021 850	18 330
Economic development department	178 404	178 404	178 098	306
Library department	152 103	152 103	149 581	2 522
Fleet maintenance department	148 253	149 562	150 199	(637)
Civic center department	111 154	149 154	135 718	13 436
Emergency management department	73 355	73 355	70 347	3 008
TOTAL EXPENDITURES	<u>5 280 572</u>	<u>5 575 192</u>	<u>5 389 177</u>	<u>186 015</u>
EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES	<u>(10 000)</u>	<u>(85 573)</u>	<u>(95 792)</u>	<u>(10 219)</u>
Other Financing Sources (Uses):				
Interest income	10 000	10 000	6 306	(3 694)
Sale of assets	-	-	76 380	76 380
Transfers in (out)	-	-	89 284	89 284
TOTAL OTHER FINANCING SOURCES (USES)	<u>10 000</u>	<u>10 000</u>	<u>171 970</u>	<u>161 970</u>
NET CHANGE IN FUND BALANCES	-	(75 573)	76 178	151 751
Fund balances, beginning	<u>1 378 337</u>	<u>1 378 337</u>	<u>1 378 337</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 1 378 337</u>	<u>\$ 1 302 764</u>	<u>\$ 1 454 515</u>	<u>\$ 151 751</u>

See independent auditors' report.

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

	2019	2018	2017	2016	2015	2014
Total Pension Liability:						
Service cost	\$ 259 924	\$ 251 163	\$ 249 956	\$ 251 537	\$ 276 955	\$ 240 012
Interest (on the total pension liability)	707 808	693 636	684 516	663 966	672 346	645 247
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	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	(698 657)	(659 433)	(744 045)	(501 737)	(557 839)	(456 396)
NET CHANGE IN TOTAL PENSION LIABILITY	452 972	225 188	92 207	426 384	216 249	419 375
Total pension liability - Beginning	10 705 416	10 480 228	10 388 021	9 961 637	9 745 388	9 326 013
TOTAL PENSION LIABILITY - ENDING	11 158 388	10 705 416	10 480 228	10 388 021	9 961 637	9 745 388
Plan Fiduciary Net Position:						
Contributions - Employer	182 442	187 179	178 818	174 058	211 642	245 493
Contributions - Employee	112 619	108 447	108 113	107 311	124 642	124 743
Net investment income	1 504 590	(312 063)	1 325 241	619 643	13 850	512 844
Benefit payments, including refunds of employee contributions	(698 657)	(659 433)	(744 046)	(501 737)	(557 839)	(456 396)
Administrative	(8 509)	(6 034)	(6 868)	(6 999)	(8 436)	(5 355)
Other	(256)	(315)	(347)	(377)	(417)	(440)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	1 092 229	(682 219)	860 910	391 899	(216 558)	420 889
Plan fiduciary net position - Beginning	9 740 279	10 422 498	9 561 588	9 169 689	9 386 247	8 965 358
PLAN FIDUCIARY NET POSITION - ENDING	10 832 508	9 740 279	10 422 498	9 561 588	9 169 689	9 386 247
NET PENSION LIABILITY - ENDING	\$ 325 880	\$ 965 138	\$ 57 730	\$ 826 433	\$ 791 948	\$ 359 141
Plan fiduciary net position as a percentage of total pension liability	97.08%	90.98%	99.45%	92.04%	92.05%	96.31%
Covered employee payroll	\$ 2 214 507	\$ 2 168 934	\$ 2 162 253	\$ 2 146 221	\$ 2 492 845	2 494 853
Net pension liability as a percentage of covered employee payroll	14.47%	44.50%	2.67%	38.51%	31.77%	14.40%

SCHEDULE OF CONTRIBUTIONS

	2020	2019	2018	2017	2016	2015
Actuarially determine contribution	\$ 182 569	\$ 182 569	\$ 183 614	\$ 177 716	\$ 184 727	\$ 217 127
Contributions in relation to the actuarially determined contribution	(182 569)	(182 569)	(183 614)	(177 716)	(184 727)	(217 127)
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 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	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**

	2019	2018	2017
Total OPEB Liability:			
Service cost	\$ 6 982	\$ 8 025	\$ 6 919
Interest on total OPEB liability	10 229	8 381	8 403
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(33 478)	24 251	-
Change of assumptions	40 767	(15 212)	17 326
Benefit payments, including refunds of employee contributions	(2 478)	(2 386)	(2 162)
NET CHANGE IN TOTAL OPEB LIABILITY	22 022	23 059	30 486
Total OPEB liability, beginning	273 455	250 396	219 910
TOTAL PENSION LIABILITY, ENDING (a)	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)	\$ 295 477	\$ 273 455	\$ 250 396
Plan fiduciary net position as a % of total OPEB liability	0.00%	0.00%	0.00%
Covered employee payroll	\$ 2 214 507	\$ 2 163 617	\$ 2 162 253
Net OPEB liability as a % of covered employee payroll	13.12%	12.61%	11.58%

**SCHEDULE OF CONTRIBUTIONS**

	2020	2019	2018
Actuarially determined contribution	\$ 6 764	\$ 6 764	\$ 6 804
Contributions in relation to the actuarially determined contribution	(6 764)	(6 764)	(6 804)
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 2 214 507	\$ 2 214 507	\$ 2 163 617
Contributions as a percentage of covered employee payroll	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, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)
Operating Revenues:				
Charges for services	\$ 3 311 116	\$ 3 311 116	\$ 3 356 178	\$ 45 062
Miscellaneous	135 876	2 963 775	915	(2 962 860)
TOTAL REVENUES	<u>3 446 992</u>	<u>6 274 891</u>	<u>3 357 093</u>	<u>(2 917 798)</u>
Operating Expenses:				
Purchase of utilities	119 600	119 600	133 350	(13 750)
Payroll cost	830 529	830 529	716 231	114 298
Supplies and materials	300 918	300 918	291 276	9 642
Repairs and maintenance	192 000	192 000	180 551	11 449
Purchased and contracted services	1 245 282	1 245 282	843 552	401 730
Miscellaneous	70 609	2 898 508	724 145	2 174 363
Depreciation	200 000	200 000	361 034	(161 034)
TOTAL EXPENSES	<u>2 958 938</u>	<u>5 786 837</u>	<u>3 250 139</u>	<u>2 536 698</u>
OPERATING INCOME	<u>488 054</u>	<u>488 054</u>	<u>106 954</u>	<u>(381 100)</u>
Non-Operating Revenues (Expense):				
Interest income	5 645	5 645	3 020	(2 625)
Interest expense	(93 698)	(93 698)	(52 142)	41 556
Transfers in (out)	-	-	51 737	51 737
TOTAL NON-OPERATING INCOME	<u>(88 053)</u>	<u>(88 053)</u>	<u>2 615</u>	<u>90 668</u>
NET CHANGE IN NET POSITION	400 001	400 001	109 569	(290 432)
Net position, beginning	<u>6 738 395</u>	<u>6 738 395</u>	<u>6 738 395</u>	<u>-</u>
NET POSITION, ENDING	<u>\$ 7 138 396</u>	<u>\$ 7 138 396</u>	<u>\$ 6 847 964</u>	<u>\$ (290 432)</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, 2020

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)</u>
Revenues:			
Property taxes	\$ 292 343	\$ 319 380	\$ 27 037
TOTAL REVENUES	<u>292 343</u>	<u>319 380</u>	<u>27 037</u>
Expenditures:			
Debt service expense	<u>301 270</u>	<u>301 132</u>	<u>138</u>
TOTAL EXPENDITURES	<u>301 270</u>	<u>301 132</u>	<u>138</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(8 927)</u>	<u>18 248</u>	<u>27 175</u>
Other Financing Sources (Uses):			
Interest income	<u>8 927</u>	<u>4 924</u>	<u>(4 003)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>8 927</u>	<u>4 924</u>	<u>(4 003)</u>
NET CHANGE IN NET BALANCES	-	23 172	23 172
Fund balances, beginning	<u>724 088</u>	<u>724 088</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 724 088</u>	<u>\$ 747 260</u>	<u>\$ 23 172</u>

See independent auditors' report.

COMPONENT UNIT  
CROCKETT ECONOMIC AND INDUSTRIAL DEVELOPMENT CORPORATION

CROCKETT ECONOMIC AND INDUSTRIAL DEVELOPMENT CORPORATION  
 GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION  
 September 30, 2020

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF NET POSITION
<b>ASSETS</b>			
Cash	\$ 861 487	\$ -	\$ 861 487
Capital assets, net of accumulated depreciation	-	3 070 679	3 070 679
<b>TOTAL ASSETS</b>	<b>\$ 861 487</b>	<b>3 070 679</b>	<b>3 932 166</b>
<b>LIABILITIES</b>			
Current portion of notes payable	\$ -	115 040	115 040
Accrued interest	-	4 896	4 896
Long-term portion of notes payable	-	2 826 457	2 826 457
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>2 946 393</b>	<b>2 946 393</b>
<b>FUND BALANCE/NET POSITION</b>			
Fund Balance:			
Committed for County airport project match	26 500	(26 500)	-
Committed for City USDA grant match	133 000	(133 000)	-
Unrestricted	701 987	(701 987)	-
<b>TOTAL FUND BALANCE</b>	<b>861 487</b>	<b>(861 487)</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 861 487</b>		
<b>NET POSITION</b>			
Net investment in capital assets		583 007	583 007
Unrestricted		402 766	402 766
<b>TOTAL NET POSITION</b>		<b>\$ 985 773</b>	<b>\$ 985 773</b>

CROCKETT ECONOMIC DEVELOPMENT CORPORATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BALANCE SHEET/STATEMENT OF NET POSITION  
For the Year Ended September 30, 2020

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF NET POSITION
Revenues:			
Sales tax	\$ 568 264	\$ -	\$ 568 264
Miscellaneous	31 562	-	31 562
TOTAL REVENUES	599 826	-	599 826
Expenditures:			
Advertising expense	22 430	-	22 430
Supplies expense	2 044	-	2 044
Incentive expense	100 831	-	100 831
Dues and subscriptions	24 972	-	24 972
Professional services	10 246	-	10 246
Telephone	2 690	-	2 690
Travel	19 366	-	19 366
Payroll	111 994	-	111 994
Taxes and benefits	36 259	-	36 259
Meals and entertainment	6 398	-	6 398
Utilities	1 103	-	1 103
Industrial park	3 289	-	3 289
Equipment	104 999	(104 846)	153
Consultants	7 385	-	7 385
Miscellaneous	7 401	-	7 401
Debt service	240 562	(110 459)	130 103
Depreciation	-	133 236	133 236
TOTAL EXPENDITURES	701 969	(82 069)	619 900
CHANGE IN FUND BALANCE/NET POSITION	(102 143)		(20 074)
Fund balance - Beginning of year	963 630		1 005 847
FUND BALANCE - END OF YEAR	\$ 861 487		\$ 985 773

See independent auditors' report.

COMPLIANCE AND INTERNAL CONTROL SECTION



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Crockett, Texas, as of and For the Year Ended September 30, 2020, 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 April 19, 2021.

**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. However, as described in the accompanying schedule of findings and questioned costs, we identified deficiencies noted as findings 2020-1 through 2020-4 in internal control that we consider to be material weaknesses.

**Compliance and Other Matters**

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

**Purpose of this Report**

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

Lufkin, Texas  
April 19, 2021

  
CERTIFIED PUBLIC ACCOUNTANTS

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

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, 2020. 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.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, contracts, and the terms and conditions applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 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). These standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence and the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Crockett's compliance.

Opinion on Each Major Federal Program

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, 2020.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Crockett's 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.

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  
April 19, 2021

  
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF CROCKETT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SEPTEMBER 30, 2020

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: UNMODIFIED

Internal control over financial reporting:

Material weakness(es) identified?        Yes   X   No

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

Noncompliance material to financial statements noted?        Yes   X   No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?        Yes   X   No

Significant deficiencies identified that are not considered to be material weaknesses?        Yes   X   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   X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster*</u>
10.760	Water and Waste Disposal Systems for Rural Communities

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

Auditee qualified as low-risk auditee?        Yes   X   No

B. Financial Statements Findings

**City**

Finding 2020-1

Condition - The City has one employee performing the bookkeeping and one employee performing the collections function in the water and sewer department.

Criteria - The bookkeeping function should have a separation of duties to allow adequate control of financial information and reporting. The collection function should have separation of duties to allow adequate control of collection procedures.

Effect - There is a risk of material misstatement in the financial records due to the lack of segregation of controls related to financial activity and collections.

Recommendation - We recommend that the City Administrator and Council actively monitor and review all financial reporting and activity.

Client Response - The City is aware of the risk related to the lack of segregation of bookkeeping duties, but has determined it is not economically feasible to employ additional accounting staff. Therefore, the City Administrator and Council will continue to actively monitor the bookkeeping function.

Responsible Party - City Administrator and City Council

CITY OF CROCKETT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SEPTEMBER 30, 2020

B. Financial Statements Findings - Continued

**Crockett Economic and Industrial Development Corp**

Finding 2020-2

Condition - The Corporation has one employee performing the bookkeeping function.

Criteria - The bookkeeping function should have a separation of duties to allow adequate control of financial information and reporting.

Effect - There is a risk of material misstatement in the financial records due to the lack of segregation of controls related to financial activity.

Recommendation - We recommend that the Executive Director and Board actively monitor and review all financial reporting and activity.

Client Response - The Corporation is aware of the risk related to the lack of segregation of bookkeeping duties, but has determined it is not economically feasible to employ additional accounting staff. Therefore, the Executive Director and Board will continue to actively monitor the bookkeeping function.

Responsible Party - Executive Director and Board of Directors

Finding 2020-3

Condition - Signed blank checks are received in advance of check processing.

Criteria - Checks should be signed after processing to ensure appropriate authorization.

Effect - There is a risk disbursements are not properly authorized and the board is not fulfilling their fiduciary responsibility.

Recommendation - We recommend checks be prepared prior to signature. The Corporation should have multiple check signers to ensure availability of signators.

Client Response - The Corporation is aware of the risk related to signing blank checks, but has determined signing blank checks in advance is the most efficient policy.

Responsible Party - Executive Director and Board of Directors

Finding 2020-4

Condition - There was no written authorization for the Executive Director's incentive. In addition, this payment did not go through normal payroll process. As a result, no retirement or payroll taxes were paid on the incentive, nor was a 1099 prepared by the Corporation.

Criteria - Authorization should be documented for all pay increases or incentives. The IRS has specific requirements for employee and contract pay.

Effect - There is a risk pay is not properly authorized and federal guidelines are not met.

Recommendation - We recommend authorization for rate increases and incentives be formally documented and all pay be processed through payroll.

Client Response - The Corporation is aware of the risk and plans to prepare 1099's for the incentive pay.

Responsible Party - Executive Director and Board of Directors

C. Findings and Questioned Costs for Federal Awards

None

D. Corrective Action Plan

As noted in the client response section above.

CITY OF CROCKETT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended September 30, 2020

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
U.S. Department of Treasury:		
Direct Programs:		
Coronavirus Relief Fund	21.019	\$ <u>73 777</u>
TOTAL U.S. DEPARTMENT OF TREASURY		<u>73 777</u>
U.S. Department of Homeland Security:		
Department of Housing and Urban Development:		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	<u>106 029</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY		<u>106 029</u>
U.S. Department of Housing and Urban Development:		
Community Development Block Grant	14.228	552 918
Home Investment Partnerships Program	14.239	<u>452 103</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		1 005 021
U.S. Department of Agriculture:		
Water and Waste Disposal Systems for Rural Communities	10.760	<u>2 576 000</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>2 576 000</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS		 \$ <u><u>3 760 827</u></u>

See independent auditors' report.

CITY OF CROCKETT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
September 30, 2020

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, 2020. 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, 2020

Same as Finding 2020-1