

CITY OF CROWLEY, TEXAS

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2019



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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Crowley, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Crowley, Texas, (the "City") as of and for the year ended September 30, 2019, and the related notes to the financial statements, 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 disclosure 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 auditor considers 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 account 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, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance 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 management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, schedule of contributions and schedule of changes in total OPEB liability on pages 4 - 14 and pages 52 - 58 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 combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards general accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the financial statements as a whole.

The other supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. Such additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2020, on our consideration of the City of Crowley, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Crowley, Texas' internal control over financial reporting and compliance.

George Morgan Jones, P.C.

Weatherford, Texas
February 12, 2020

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of The City of Crowley, Texas, we offer readers of The City of Crowley's financial statements this narrative overview and analysis of the financial activities of The City of Crowley for the fiscal year ended September 30, 2019.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Crowley exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$41,424,784 (*net position*) compared to \$37,772,295 for the prior year. Of this amount, \$12,534,161 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$3,652,489. The City's governmental activities net position increased by \$2,413,429 and the business-type activities net position increased by \$1,239,060.
- As of the close of the current year, the City of Crowley's governmental funds reported combined ending fund balances of \$27,337,130 compared to \$25,919,719 for the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$9,007,334, or 80% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's annual financial report consists of three components (1) management's discussion and analysis, (2) the basic financial statements (government –wide financial statements, fund financial statements and notes to the financial statements) and (3) supplementary information.

Government-wide financial statements.

The government-wide financial 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, liabilities, and deferred inflows of resources, with the difference reported as net position. 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 they have changed. Net position – the difference between the City's assets, liabilities and deferred inflows of resources – are 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 tax base.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). All of the City's services are included here, such as general government, public works and safety, and community services in the governmental activities and stormwater utility and water and sewer services in the business-type or proprietary activities.

The government-wide financial statements can be found on Exhibits A-1 and B-1 of this report.

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 used by the City 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 City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Most of the City's basic services are included in governmental funds, which focus on (1) short-term inflows and outflows of spendable resources 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 a reconciliation that explains the relationship (or differences) between them.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, economic development corporation and capital projects fund which are considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for the general fund, debt service fund, crime control and prevention district, economic development corporation and water and sewer fund. A budgetary comparison schedule has been provided for the general fund and economic development corporation to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on Exhibits C-1 through C-4 of this report.

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. The City maintains two types of proprietary funds. The City uses enterprise funds to account for its water and sewer and stormwater utility operations.

The basic proprietary fund financial statements can be found on Exhibits D-1 through D-3 of this report.

Notes to the financial statements provide additional information that is necessary for a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 - 51 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$41,424,784 as of September 30, 2019. Below is a summary of the City's Statement of Net Position.

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 30,236,332	\$ 28,390,931	\$ 10,134,549	\$ 9,485,014	\$ 40,370,881	\$ 37,875,945
Capital assets	30,518,699	30,852,663	12,093,008	12,070,243	42,611,707	42,922,906
Total Assets	<u>60,755,031</u>	<u>59,243,594</u>	<u>22,227,557</u>	<u>21,555,257</u>	<u>82,982,588</u>	<u>80,798,851</u>
Deferred outflows of resources	<u>2,323,212</u>	<u>1,191,787</u>	<u>222,846</u>	<u>158,323</u>	<u>2,546,058</u>	<u>1,350,110</u>
Current liabilities	2,146,117	1,637,226	1,488,512	1,454,453	3,634,629	3,091,679
Noncurrent liabilities	32,179,454	32,207,003	7,560,562	8,067,026	39,740,016	40,274,029
Total liabilities	<u>34,325,571</u>	<u>33,844,229</u>	<u>9,049,074</u>	<u>9,521,479</u>	<u>43,374,645</u>	<u>43,365,708</u>
Deferred inflows resources	<u>678,172</u>	<u>930,081</u>	<u>51,045</u>	<u>80,877</u>	<u>729,217</u>	<u>1,010,958</u>
Net position						
Net investment in capital assets	13,249,609	12,427,405	7,284,775	8,185,825	20,534,384	20,613,230
Restricted	7,493,962	6,852,350	862,277	440,131	8,356,239	7,292,481
Unrestricted	<u>7,330,929</u>	<u>6,381,316</u>	<u>5,203,232</u>	<u>3,485,268</u>	<u>12,534,161</u>	<u>9,866,584</u>
Total net position	<u>\$ 28,074,500</u>	<u>\$ 25,661,071</u>	<u>\$ 13,350,284</u>	<u>\$ 12,111,224</u>	<u>\$ 41,424,784</u>	<u>\$ 37,772,295</u>

The largest portion of the City's net position (50%) reflects its investment in capital assets (e.g. land, buildings and improvements, infrastructure/utility systems and equipment and furniture); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (20%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$12,534,161 may be used to meet the government's ongoing obligations to citizens and creditors.

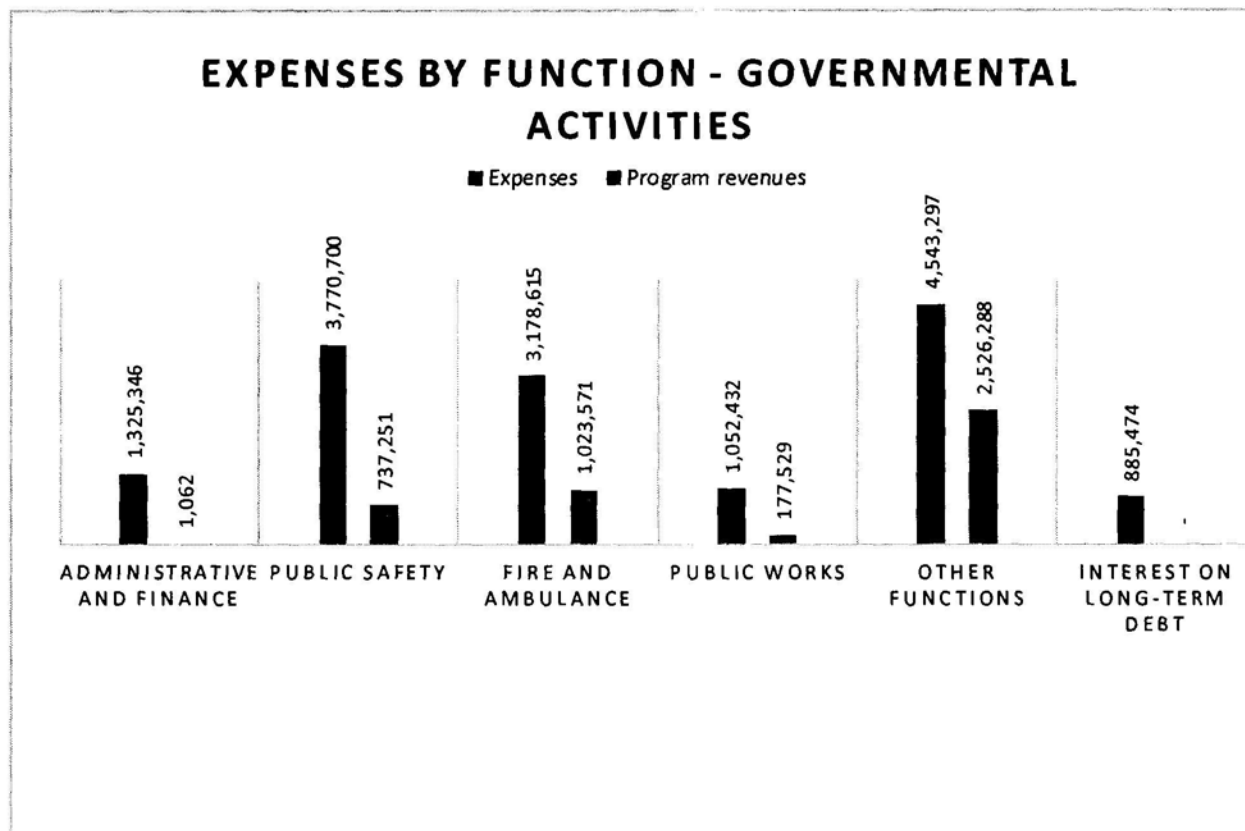
At the end of the current year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

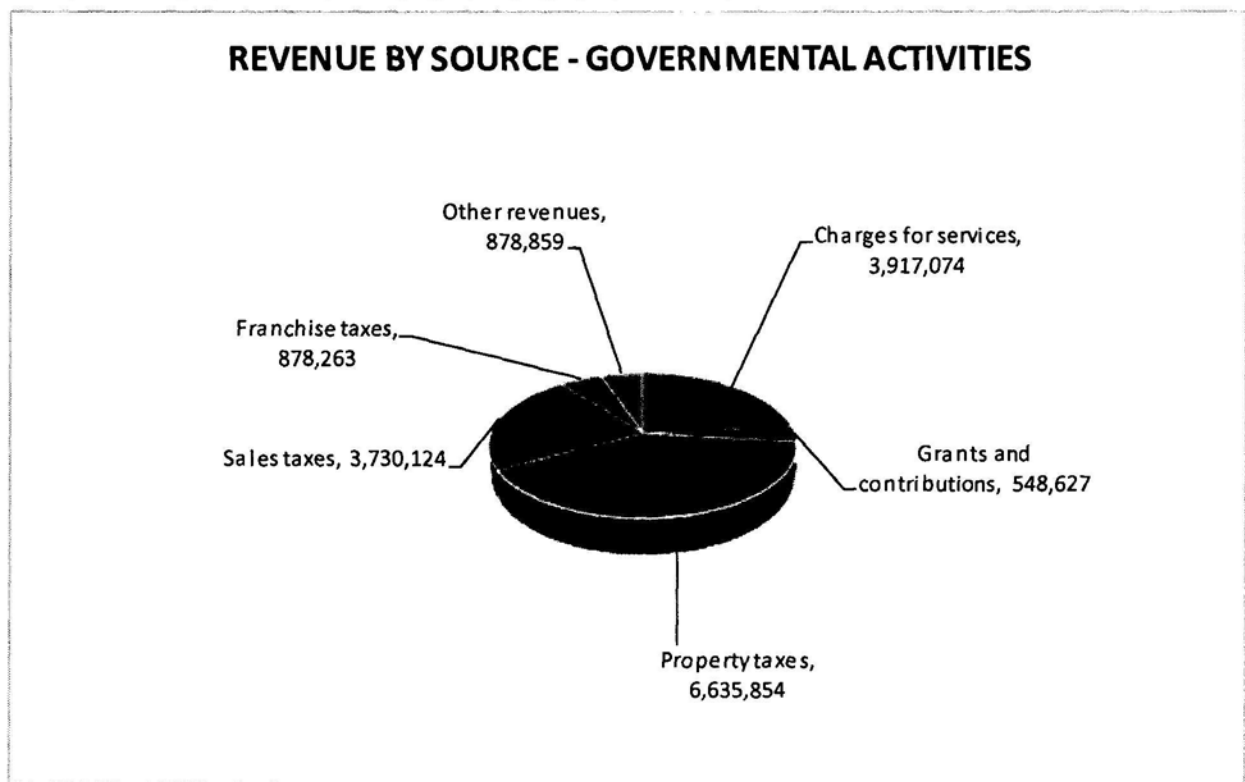
Below is a summary of the City's Statement of Activities.

Changes in Net Position

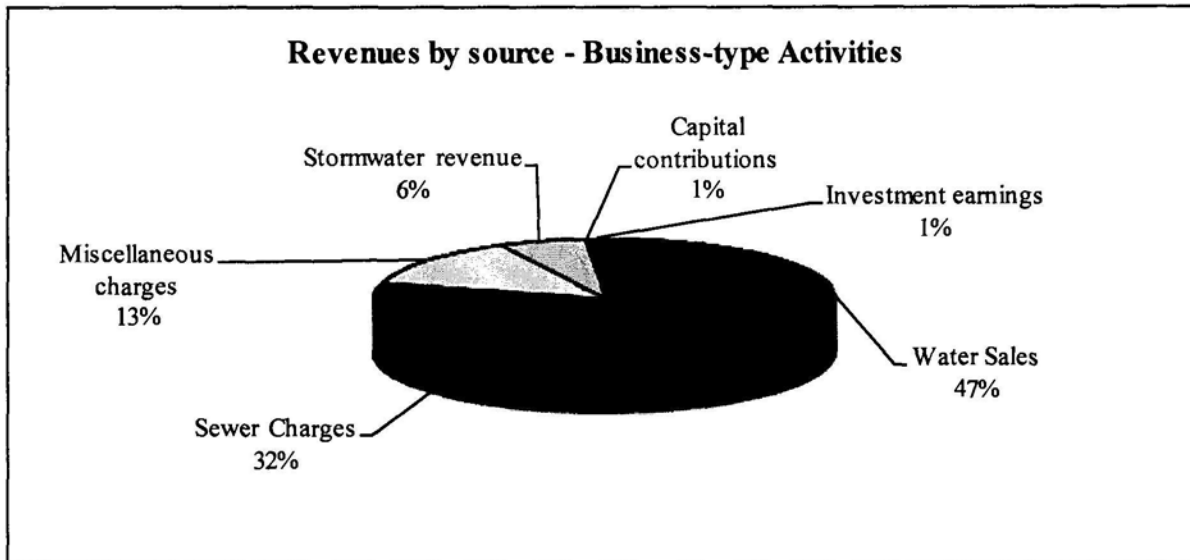
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 3,917,074	\$ 3,679,261	\$ 7,798,225	\$ 7,353,719	\$ 11,715,299	\$ 11,032,980
Operating grants and contributions	371,098	360,439	-	-	371,098	360,439
Capital grants and contributions	177,529	-	47,000	33,369	224,529	33,369
General revenues:						
Property taxes	6,635,854	6,422,281	-	-	6,635,854	6,422,281
Sales taxes	3,730,124	3,253,481	-	-	3,730,124	3,253,481
Franchise taxes	878,263	732,203	-	-	878,263	732,203
Oil & gas royalties	112,458	175,705	-	-	112,458	175,705
Investment earnings	715,288	295,900	68,067	49,369	783,355	345,269
Other revenue	46,868	51,180	-	-	46,868	51,180
Insurance recoveries	4,245	26,515	-	-	4,245	26,515
Total revenues	16,588,801	14,996,965	7,913,292	7,436,457	24,502,093	22,433,422
Expenses						
Administration and finance	1,325,346	1,203,941			1,325,346	1,203,941
Municipal court	256,117	230,149			256,117	230,149
Library	596,896	542,595			596,896	542,595
Senior citizens	39,663	30,132			39,663	30,132
Public safety	3,770,700	3,499,148			3,770,700	3,499,148
Fire and ambulance	3,178,615	3,123,446			3,178,615	3,123,446
Public works	1,052,432	938,378			1,052,432	938,378
Parks	558,221	467,024			558,221	467,024
Recreation center	804,249	773,823			804,249	773,823
Animal control	313,895	288,769			313,895	288,769
Code enforcement	65,768	52,501			65,768	52,501
Community development	508,391	396,153			508,391	396,153
Sanitation	798,908	737,996			798,908	737,996
Economic development	69,115	91,607			69,115	91,607
Nondepartmental	532,074	477,057			532,074	477,057
Interest and fiscal charges	885,474	711,339			885,474	711,339
Stormwater utility			34,345	22,344	34,345	22,344
Water and Sewer			6,059,395	5,255,756	6,059,395	5,255,756
Total expenses	14,755,864	13,564,058	6,093,740	5,278,100	20,849,604	18,842,158
Increase (decrease) in net position before transfers	1,832,937	1,432,907	1,819,552	2,158,357	3,652,489	3,591,264
Transfers	580,492	580,466	(580,492)	(580,466)	-	-
Increase (decrease) in net position	2,413,429	2,013,373	1,239,060	1,577,891	3,652,489	3,591,264
Net position-beginning	25,661,071	23,816,329	12,111,224	10,552,070	37,772,295	34,368,399
Prior period adjustment	-	(168,631)		(18,737)	-	(187,368)
Net position-ending	\$ 28,074,500	\$ 25,661,071	\$ 13,350,284	\$ 12,111,224	\$ 41,424,784	\$ 37,772,295

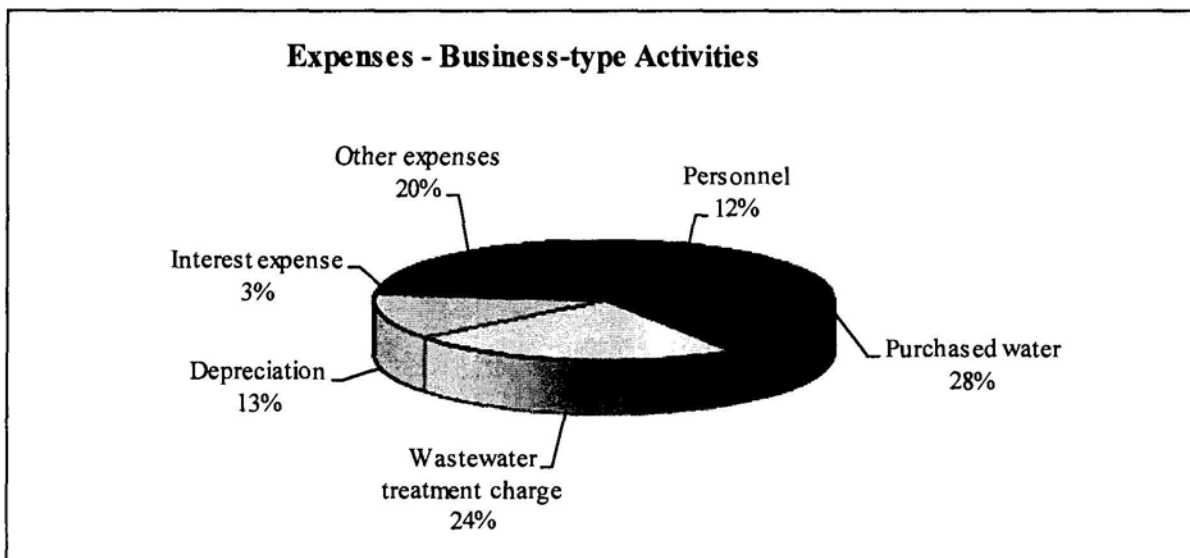
Below are two graphs summarizing governmental revenues and expenses:





Below are two graphs summarizing business-type activities revenues and expenses:





Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

At year end, the City's governmental funds reported combined ending fund balances of \$27,337,130. \$9,007,334 (33%) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted and nonspendable.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$9,007,334. The fund balance of the general fund increased \$1,513,800. Revenues increased \$1,031,227 (9%) to \$12,341,013 and expenditures decreased \$62,403 (1%). Key factors in these changes are as follows:

- Property taxes revenue increased \$264,860 primarily due to increase in property tax values approximately \$79 million. Property tax rate however decreased by \$.01.
- Sales tax revenue increased \$245,985 due to an improved economy.
- Charges for services increased \$184,976 primarily due to increase in EMS revenues (\$112,000), refuse collection (\$62,884) and police officer resource revenue (\$24,558). Facility rentals decreased (\$11,982) and recreation center dues decreased (\$4,746).
- Licenses and permits increased \$232,456 primarily due to increase in subdivision development.
- Investment earnings increased \$314,240 primarily due to increase in interest rates.
- Fees and fines decreased \$165,531 primarily due to decrease in development fees (\$182,743). Municipal court fines increased \$20,868.
- See schedule below for increase (decrease) in general fund departmental/functional expenditures.

Below is a comparison of the general fund's net change in fund balance for 2019 and 2018.

			Increase	Percent
	9/30/2019	9/30/2018	(Decrease)	Increase
REVENUES				(Decrease)
Taxes:				
Property	\$ 4,758,016	\$ 4,493,156	\$ 264,860	6%
Sales	1,911,651	1,665,666	245,985	15%
Franchise	793,131	753,342	39,789	5%
Charges for service	2,096,010	1,911,034	184,976	10%
Fees and Fines	461,043	626,574	(165,531)	-26%
Licenses and permits	1,264,566	1,032,110	232,456	23%
Grants and contributions	319,312	314,963	4,349	1%
Oil & Gas Revenue	112,458	175,705	(63,247)	-36%
Investment Earnings	573,782	259,542	314,240	121%
Other revenue	51,044	77,694	(26,650)	-34%
Total revenues	<u>12,341,013</u>	<u>11,309,786</u>	<u>1,031,227</u>	<u>9%</u>
EXPENDITURES				
Administrative and finance	867,029	828,253	38,776	5%
Municipal court	225,763	206,057	19,706	10%
Library	530,863	480,255	50,608	11%
Senior citizens	39,663	30,132	9,531	32%
Public safety	2,967,646	2,848,188	119,458	4%
Fire and ambulance	2,966,046	2,846,520	119,526	4%
Public works	610,378	411,935	198,443	48%
Parks	371,825	370,375	1,450	0%
Recreation Center	542,330	543,698	(1,368)	0%
Animal Control	249,591	264,355	(14,764)	-6%
Code enforcement	62,607	52,230	10,377	0%
Community development	498,908	395,611	103,297	26%
Sanitation	798,908	737,996	60,912	8%
Nondepartmental	532,074	1,374,589	(842,515)	-61%
Capital outlay	64,160	-	64,160	0%
Total expenditures	<u>11,327,791</u>	<u>11,390,194</u>	<u>(62,403)</u>	<u>-1%</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	580,466	580,466	-	
Transfers out	(79,887)	-	(79,887)	
NET CHANGE IN FUND BALANCE	<u>\$ 1,513,801</u>	<u>\$ 500,058</u>	<u>\$ 1,013,743</u>	

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the proprietary funds at the end of the year amounted to \$5,203,232. Total net position increased \$1,239,060. Total revenues increased \$476,835 (6%) and total expenses increased \$815,640 (15%). Key factors of these changes are as follows:

- Charges for services increased \$444,506. Water revenues increased \$121,148 due to increase in number of customers and increase in base and tier 1 rates. Water consumption however decreased by 22 million gallons. Sewer revenues increased \$100,262 because of increase in water rates and miscellaneous water revenues increased \$170,157 primarily due to increase in water and sewer impact fees revenue. Stormwater revenues increased \$52,938 because of increase in stormwater rates.
- Purchased water decreased \$254,383 primarily due to decrease in purchased gallons by 143 million gallons.
- Wastewater treatment charge increased \$336,440 primarily due to increase wastewater treatment rate by \$.2265 per 1,000 gallons and increase in volume by 156 million gallons.
- Administrative expenses increased \$541,426 primarily due to settlement of a lawsuit.

General Fund Budgetary Highlights

The City made amendments to the general fund original appropriations approved by the City Council. Overall these changes resulted in an increase in expenditures from the original budget of 6% or \$673,311.

Overall, general fund actual expenditures were under budget by \$797,817.

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of September 30, 2019, amounts to \$42,611,707 (net of accumulated depreciation).

Major capital asset events during the current year included the following:

Governmental Activities:

- \$500,071 was spent on the new community center during the year.
- \$281,978 was spent on six (6) vehicles for police and public works.
- \$183,886 was spent on firefighter equipment.
- \$58,879 was spent on police equipment.
- \$73,087 was spent on bobcat loader and accessories and yard mixing trailer.

Business-type activities:

- \$446,877 was spent on W. Maini water tower during the year.
- \$57,516 was spent on SCADA software updates and badger beacon system.
- \$83,510 was spent on water lane road reconstruction..

**The City of Crowley's Capital Assets
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 4,060,595	4,762,002	121,751	34,751	4,182,346	4,796,753
Construction in progress	1,376,390	1,335,254	45,598	342,248	1,421,988	1,677,502
Buildings and improvements	15,701,676	15,125,216	1,545,565	1,600,352	17,247,241	16,725,568
Infrastructure/utility system	7,478,153	7,785,001	10,004,068	9,610,115	17,482,221	17,395,116
Equipment and furniture	1,901,885	1,845,190	376,026	482,777	2,277,911	2,327,967
Total	<u>30,518,699</u>	<u>30,852,663</u>	<u>12,093,008</u>	<u>12,070,243</u>	<u>42,611,707</u>	<u>42,922,906</u>

Additional information on the City's capital assets can be found in the notes to the financial statements.

Debt Administration

At the end of the year, the City had a total bonded debt of \$35,366,905. Of this amount, \$11,154,924 are bonded debt backed by the full faith and credit of the government, \$22,205,309 are certificates of obligation secured by ad valorem taxes and surplus revenues and \$2,006,672 are revenue bonds secured by sale tax revenue. Outstanding at year-end are as follows:

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	\$ 8,362,000	\$ 9,166,452	\$ 2,792,924	\$ 3,031,212	\$ 11,154,924	\$ 12,197,664
Certificates of Obligation	17,746,479	18,679,724	4,458,830	4,859,287	22,205,309	23,539,011
Revenue Bonds	2,006,672	2,141,811	-	-	2,006,672	2,141,811
Total	<u>\$ 28,115,151</u>	<u>\$ 29,987,987</u>	<u>\$ 7,251,754</u>	<u>\$ 7,890,499</u>	<u>\$ 35,366,905</u>	<u>\$ 37,878,486</u>

The City's bond ratings are listed below:

	Standard & Poor's
General obligation bonds	AA-
Certificate of obligation bonds	AA-

No direct funded debt limitation is imposed on the City under current state law or the City's Home Rule Charter.

Additional information on the City's long-term debt can be found in Notes 8 through 9 to the financial statements.

Economic factors and the Next Year's Budgets and Rates

General fund revenues are budgeted to increase 5% (\$567,472) in fiscal year 2019-2020 when compared to the 2018-2019 amended budget to \$12,542,481. The adopted tax rate is \$.681992 per \$100 assessed value. The largest increases in the revenue budget are on property tax revenue (\$437,544), franchise tax revenue (\$48,062) and charges for services (\$139,040). The largest decrease is on permit fees (\$61,285).

General fund expenditures are budgeted to increase 3% (\$398,797) when compared to the prior year amended appropriations to \$12,524,407. The largest increases are \$402,039 in police appropriations, \$81,095 in community development appropriations, \$62,348 in animal control appropriations, \$68,513 in administration and finance appropriations, \$40,247 in nondepartmental appropriations, \$22,311 in library appropriations and \$20,596 in public works appropriations. The largest decreases are \$157,236 in fire and ambulance appropriations, and \$147,509 in parks appropriations.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers and all 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, you may contact the City Offices at 201 E Main St or by telephone at 817-297-2201.

BASIC FINANCIAL STATEMENTS

CITY OF CROWLEY, TEXAS

Statement of Net Position

September 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 886,016	\$ 3,198,589	\$ 4,084,605
Investments	27,568,584	3,062,002	30,630,586
Receivables (net of allowance for uncollectibles)			
Property taxes	76,189	-	76,189
Other taxes	951,809	-	951,809
Accounts	542,260	1,023,636	1,565,896
Miscellaneous	200,368	31,549	231,917
Inventory	11,106	5,776	16,882
Restricted assets			
Investments	-	2,812,997	2,812,997
Capital assets			
Nondepreciable	5,436,985	167,349	5,604,334
Depreciable, net of accumulated depreciation	25,081,714	11,925,659	37,007,373
Total Assets	60,755,031	22,227,557	82,982,588
Deferred Outflows of Resources			
Deferred outflow related to pension	2,134,531	160,664	2,295,195
Deferred outflow related to OPEB	13,143	989	14,132
Deferred charges on refunding	175,538	61,193	236,731
Total Deferred Outflows of Resources	2,323,212	222,846	2,546,058
LIABILITIES			
Accounts payable	1,077,014	846,067	1,923,081
Accrued payroll liabilities	374,838	33,945	408,783
Due to other governments	31,218	-	31,218
Unearned revenue	515,858	-	515,858
Interest payable	147,189	21,429	168,618
Customer deposits payable	-	587,071	587,071
Noncurrent liabilities:			
Due within one year	2,411,657	675,811	3,087,468
Due in more than one year	29,767,797	6,884,751	36,652,548
Total liabilities	34,325,571	9,049,074	43,374,645
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow related to TMRS pension	656,249	49,395	705,644
Deferred inflow related to OPEB	21,923	1,650	23,573
Total deferred inflows of resources	678,172	51,045	729,217
NET POSITION			
Net investment in capital assets	13,249,609	7,284,775	20,534,384
Restricted for:			
Capital improvements	-	862,277	862,277
Debt service	303,255	-	303,255
Public safety	918,639	-	918,639
Economic development	5,996,243	-	5,996,243
Grant program	54,243	-	54,243
Community program	221,582	-	221,582
Unrestricted	7,330,929	5,203,232	12,534,161
Total net position	\$ 28,074,500	\$ 13,350,284	\$ 41,424,784

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

CITY OF CROWLEY, TEXAS
Statement of Activities
For the Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Administration and finance	\$ 1,325,346	\$ 1,062	\$ -	\$ -
Municipal court	256,117	17,112	-	-
Library	596,896	11,935	10,007	-
Senior citizens	39,663	-	-	-
Public safety	3,770,700	714,140	23,111	-
Fire and ambulance	3,178,615	705,488	318,083	-
Public works	1,052,432	-	-	177,529
Parks	558,221	87,468	800	-
Recreation Center	804,249	135,209	-	-
Animal control	313,895	19,370	12,147	-
Code enforcement	65,768	-	-	-
Community development	508,391	1,330,815	-	-
Sanitation	798,908	856,814	-	-
Economic development	69,115	37,661	-	-
Nondepartmental	532,074	-	6,950	-
Interest and fiscal charges	885,474	-	-	-
Total governmental activities	14,755,864	3,917,074	371,098	177,529
Business-type activities:				
Water and sewer	6,059,395	7,319,923	-	47,000
Stormwater utility	34,345	478,302	-	-
Total business-type activities	6,093,740	7,798,225	-	47,000
Total primary government	\$ 20,849,604	\$ 11,715,299	\$ 371,098	\$ 224,529

General Revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Property taxes, levied for TIRZ #1

Sales taxes

Franchise

Oil and gas royalties

Investment earnings

Other revenue

Transfers

Insurance recoveries

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

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

Exhibit B-1

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,324,284)	\$ -	\$ (1,324,284)
(239,005)	-	(239,005)
(574,954)	-	(574,954)
(39,663)	-	(39,663)
(3,033,449)	-	(3,033,449)
(2,155,044)	-	(2,155,044)
(874,903)	-	(874,903)
(469,953)	-	(469,953)
(669,040)	-	(669,040)
(282,378)	-	(282,378)
(65,768)	-	(65,768)
822,424	-	822,424
57,906	-	57,906
(31,454)	-	(31,454)
(525,124)	-	(525,124)
(885,474)	-	(885,474)
(10,290,163)	-	(10,290,163)
-	1,307,528	1,307,528
-	443,957	443,957
-	1,751,485	1,751,485
\$ (10,290,163)	\$ 1,751,485	\$ (8,538,678)
\$ 4,657,182	-	4,657,182
1,807,944	-	1,807,944
170,728	-	170,728
3,730,124	-	3,730,124
878,263	-	878,263
112,458	-	112,458
715,288	68,067	783,355
46,868	-	46,868
580,492	(580,492)	-
4,245	-	4,245
12,703,592	(512,425)	12,191,167
2,413,429	1,239,060	3,652,489
25,661,071	12,111,224	37,772,295
\$ 28,074,500	\$ 13,350,284	\$ 41,424,784

CITY OF CROWLEY, TEXAS
Balance Sheet
Governmental Funds
September 30, 2019

	General	Debt Service	Capital Projects	Economic Development Corporation	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 430,295	\$ 687	\$ 4,889	\$ -	\$ 450,145	\$ 886,016
Investments	9,621,952	281,235	11,218,885	5,400,851	1,045,661	27,568,584
Receivables (Net of allowances for uncollectibles)						
Property taxes	54,856	21,333	-	-	-	76,189
Other taxes	625,907	-	-	169,334	156,568	951,809
Accounts	542,260	-	-	-	-	542,260
Miscellaneous	200,324	-	-	-	44	200,368
Inventory	11,106	-	-	-	-	11,106
Total assets	<u>11,486,700</u>	<u>303,255</u>	<u>11,223,774</u>	<u>5,570,185</u>	<u>1,652,418</u>	<u>30,236,332</u>
LIABILITIES						
Accounts payable	669,440	-	377,713	4,619	25,242	1,077,014
Accrued payroll liabilities	374,838	-	-	-	-	374,838
Interest payable	-	-	-	-	-	-
Unearned revenue	513,823	-	-	-	2,035	515,858
Due to other governments	31,218	-	-	-	-	31,218
Total liabilities	<u>1,589,319</u>	<u>-</u>	<u>377,713</u>	<u>4,619</u>	<u>27,277</u>	<u>1,998,928</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	878,941	21,333	-	-	-	900,274
Total deferred inflows of resources	<u>878,941</u>	<u>21,333</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>900,274</u>
FUND BALANCES						
Nonspendable						
Inventory	11,106	-	-	-	-	11,106
Restricted	-	281,922	10,846,061	5,565,566	1,625,141	18,318,690
Unassigned	9,007,334	-	-	-	-	9,007,334
Total fund balances	<u>9,018,440</u>	<u>281,922</u>	<u>10,846,061</u>	<u>5,565,566</u>	<u>1,625,141</u>	<u>27,337,130</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$11,486,700</u>	<u>\$ 303,255</u>	<u>\$11,223,774</u>	<u>\$ 5,570,185</u>	<u>\$ 1,652,418</u>	<u>\$ 30,236,332</u>

CITY OF CROWLEY, TEXAS
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
September 30, 2019

Total fund balances - governmental funds	\$	27,337,130
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Capital assets used in governmental activities are not financial resources and therefore are reported in the governmental funds. The cost of these assets was \$59,975,171 and the accumulated depreciation was \$29,456,472. The net effect of including the ending balances of capital assets (net of depreciation) in the governmental activities is to increase net position.

		30,518,699
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Deferred charges on refunding related to governmental activity debt are not financial resources and, therefore, are not reported in the governmental funds.

		175,538
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Long-term liabilities, including \$28,115,151 bonds and \$562,687 compensated absences payable are not due and payable in the current period, and, therefore are not reported as liabilities in the fund financial statements.

		(28,677,838)
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Net pension liability and related deferred outflows and inflows of resources are reported in the Statement of Net Position of the governmental activities but are not reported in the governmental funds.

Net pension liability	\$	(3,298,981)	
Deferred outflow related to pension		2,134,531	
Deferred inflow related to pension		(656,249)	
		(1,820,699)	(1,820,699)

Net OPEB liability and related deferred outflows of resources are reported in the Statement of Net Position of the governmental activities but are not reported in the governmental funds.

Total OPEB liability	\$	(202,635)	
Deferred inflow related to OPEB		(21,923)	
Deferred outflow related to OPEB		13,143	
		(211,415)	(211,415)

Interest payable is not expected to be liquidated with available financial resources and is not reported as a liability in the fund financial statements.

		(147,189)
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Property taxes, franchise taxes, ems charges and municipal court fines and fees are not available soon enough to pay for the current period's expenditures and therefore are deferred revenue in the fund financial statements.

		900,274
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Net position of governmental activities	\$	28,074,500
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CITY OF CROWLEY, TEXAS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2019

	General	Debt Service	Capital Projects	Economic Development Corporation	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes						
Property	\$ 4,758,016	\$ 1,847,087	\$ -	\$ -	\$ 170,728	\$ 6,775,831
Sales	1,911,651	-	-	952,787	865,686	3,730,124
Franchise taxes	793,131	-	-	-	21,674	814,805
Charges for service	2,096,010	-	-	-	-	2,096,010
Fees and fines	461,043	-	-	-	13,943	474,986
Licenses and permits	1,264,566	-	-	-	-	1,264,566
Grants and contributions	319,312	-	-	-	51,785	371,097
Oil and gas revenue	112,458	-	-	-	-	112,458
Investment earnings	573,782	-	-	123,839	17,667	715,288
Other revenue	51,044	-	-	37,661	3,719	92,424
Total revenues	<u>12,341,013</u>	<u>1,847,087</u>	<u>-</u>	<u>1,114,287</u>	<u>1,145,202</u>	<u>16,447,589</u>
EXPENDITURES						
Current:						
Administrative and finance	867,029	-	-	167,421	12,516	1,046,966
Municipal court	225,763	-	-	-	22,901	248,664
Library	530,863	-	-	-	-	530,863
Senior citizens center	39,663	-	-	-	-	39,663
Public safety	2,967,647	-	-	-	503,612	3,471,259
Fire and ambulance	2,966,046	-	-	-	32,763	2,998,809
Public works	610,378	-	-	-	-	610,378
Parks	371,825	-	-	-	-	371,825
Recreation center	542,330	-	-	-	-	542,330
Animal control	249,591	-	-	-	-	249,591
Code enforcement	62,607	-	-	-	-	62,607
Community development	498,908	-	-	-	-	498,908
Sanitation	798,908	-	-	-	-	798,908
Economic development	-	-	-	146,706	-	146,706
Nondepartmental	532,074	-	-	-	-	532,074
Capital outlay	64,160	-	716,668	-	-	780,828
Debt service:						
Principal	-	1,260,000	-	260,000	235,000	1,755,000
Interest and fiscal charges	-	639,594	-	252,573	33,124	925,291
Total expenditures	<u>11,327,792</u>	<u>1,899,594</u>	<u>716,668</u>	<u>826,700</u>	<u>839,916</u>	<u>15,610,670</u>
Excess (deficiency) of revenues over expenditures	<u>1,013,221</u>	<u>(52,507)</u>	<u>(716,668)</u>	<u>287,587</u>	<u>305,286</u>	<u>836,919</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	580,466	-	-	12,227	76,131	668,824
Transfers out	(79,887)	-	-	-	(8,445)	(88,332)
Total other financing sources (uses)	<u>500,579</u>	<u>-</u>	<u>-</u>	<u>12,227</u>	<u>67,686</u>	<u>580,492</u>
Net change in fund balances	1,513,800	(52,507)	(716,668)	299,814	372,972	1,417,411
Fund balances - beginning	<u>7,504,640</u>	<u>334,429</u>	<u>11,562,729</u>	<u>5,265,752</u>	<u>1,252,169</u>	<u>25,919,719</u>
Fund balances - ending	<u>\$ 9,018,440</u>	<u>\$ 281,922</u>	<u>\$10,846,061</u>	<u>\$ 5,565,566</u>	<u>\$ 1,625,141</u>	<u>\$27,337,130</u>

CITY OF CROWLEY, TEXAS
Reconciliation of Statement of Revenues,
Expenditures and Changes in Fund Balances of
The Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2019

Total net change in fund balances - governmental funds	\$ 1,417,411
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including \$1,433,047 of capital outlays and \$1,755,000 of debt principal payments is to increase net position.	3,188,047
The net effect of various miscellaneous transaction involving capital assets (i.e. donations and disposal) is to increase net position.	177,529
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(1,944,540)
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(36,317)
GASB 68 required the City to recognize their net pension liability, deferred resource inflow related to pension, and deferred resource outflow related to pension. The changes in these balances decreased net position.	(295,819)
GASB 75 required the City to recognize their total OPEB liability and deferred resource inflow related to OPEB. The changes in these balances decreased net position.	(20,259)
Current year interest payable and compensated absences of the governmental funds are not due and payable in the current period, and, therefore are not reported as liabilities or assets in the funds. The \$44,584 increase in interest payable and \$112,440 increase in compensated absences and \$84,401 (net) amortization of deferred charges and premiums decreased net position.	(72,623)
Change in net position of governmental activities	<u><u>\$ 2,413,429</u></u>

CITY OF CROWLEY, TEXAS
Statement of Net Position
Proprietary Funds
September 30, 2019

	Water and Sewer Fund	Stormwater Utility	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 942,170	\$ 2,256,419	\$ 3,198,589
Investments	3,062,002	-	3,062,002
Receivables (Net of allowance for uncollectibles):			
Accounts	965,692	57,944	1,023,636
Miscellaneous	31,549	-	31,549
Inventory	5,776	-	5,776
Restricted Assets			
Investments	2,812,997	-	2,812,997
Total current assets	<u>7,820,186</u>	<u>2,314,363</u>	<u>10,134,549</u>
Noncurrent Assets:			
Capital assets, at cost			
Non-depreciable assets	167,349	-	167,349
Depreciable assets, net of accumulated depreciation	11,834,632	91,027	11,925,659
Total noncurrent assets	<u>12,001,981</u>	<u>91,027</u>	<u>12,093,008</u>
Total assets	<u>19,822,167</u>	<u>2,405,390</u>	<u>22,227,557</u>
Deferred Outflows of Resources			
Deferred outflows related to pension	160,664	-	160,664
Deferred outflows related to OPEB	989	-	989
Deferred charges on refunding	61,193	-	61,193
Total Deferred Outflows of Resources	<u>\$ 222,846</u>	<u>\$ -</u>	<u>\$ 222,846</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 845,895	\$ 172	\$ 846,067
Accrued payroll liabilities	33,945	-	33,945
Compensated absences	19,433	-	19,433
Current portion of long-term liabilities	656,378	-	656,378
Interest payable	21,429	-	21,429
Current Liabilities Payable from Restricted Assets			
Customer deposits payable	587,071	-	587,071
Total current liabilities	<u>2,164,151</u>	<u>172</u>	<u>2,164,323</u>
Noncurrent Liabilities			
Compensated absences	7,557	-	7,557
Net pension liability	266,566	-	266,566
Total OPEB liability	15,252	-	15,252
Bonds payable	6,595,376	-	6,595,376
Total noncurrent liabilities	<u>6,884,751</u>	<u>-</u>	<u>6,884,751</u>
Total liabilities	<u>9,048,902</u>	<u>172</u>	<u>9,049,074</u>
Deferred Inflows of Resources			
Deferred inflow related to pension	49,395	-	49,395
Deferred inflow related to OPEB	1,650	-	1,650
Total Deferred Inflows of Resources	<u>51,045</u>	<u>-</u>	<u>51,045</u>
NET POSITION			
Net investment in capital assets	7,193,748	91,027	7,284,775
Restricted for impact fees for capital improvements (Expendable)	862,277	-	862,277
Unrestricted	2,889,041	2,314,191	5,203,232
Total net position	<u>\$ 10,945,066</u>	<u>\$ 2,405,218</u>	<u>\$ 13,350,284</u>

CITY OF CROWLEY, TEXAS
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2019

	Water and Sewer Fund	Stormwater Utility	Totals
Operating revenues			
Charges for services:			
Water Sales	\$ 3,726,140	\$ -	\$ 3,726,140
Sewer charges	2,550,412	-	2,550,412
Stormwater revenue	-	478,302	478,302
Miscellaneous water charges	1,043,371	-	1,043,371
Total operating revenue	<u>7,319,923</u>	<u>478,302</u>	<u>7,798,225</u>
Operating expenses			
Personnel services	754,696	-	754,696
Professional services	77,713	-	77,713
Purchased water	1,732,240	-	1,732,240
Wastewater treatment charge	1,432,717	-	1,432,717
Contractual services	227,217	-	227,217
Insurance	52,258	-	52,258
Administrative	569,366	14,116	583,482
Repairs and maintenance	213,297	-	213,297
Utilities	59,756	-	59,756
Depreciation	742,725	20,229	762,954
Total operating expenses	<u>5,861,985</u>	<u>34,345</u>	<u>5,896,330</u>
Operating income (loss)	<u>1,457,938</u>	<u>443,957</u>	<u>1,901,895</u>
Nonoperating revenues (expenses):			
Investment earnings	68,067	-	68,067
Interest expense	(197,410)	-	(197,410)
Total nonoperating revenues (expenses)	<u>(129,343)</u>	<u>-</u>	<u>(129,343)</u>
Income (loss) before capital contributions and transfers	1,328,595	443,957	1,772,552
Capital contributions	47,000	-	47,000
Transfers out	<u>(580,492)</u>	<u>-</u>	<u>(580,492)</u>
Change in net position	795,103	443,957	1,239,060
Net position - beginning	10,149,963	1,961,261	12,111,224
Net position - ending	<u>\$ 10,945,066</u>	<u>\$ 2,405,218</u>	<u>\$ 13,350,284</u>

CITY OF CROWLEY, TEXAS
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2019

	Water and Sewer Fund	Stormwater Utility	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 7,163,409	\$ 473,292	\$ 7,636,701
Cash paid to suppliers	(4,330,765)	(13,944)	(4,344,709)
Cash paid to employees	(746,543)	-	(746,543)
Net cash provided by operating activities	<u>2,086,101</u>	<u>459,348</u>	<u>2,545,449</u>
Cash flow from noncapital financing activities:			
Transfers to other funds	(580,492)	-	(580,492)
Net cash provided (used) by noncapital financing activities	<u>(580,492)</u>	<u>-</u>	<u>(580,492)</u>
Cash flow from capital and related financing activities:			
Principal payments on long-term debt	(605,000)	-	(605,000)
Capital outlay	(748,930)	-	(748,930)
Interest paid on capital debt	(221,693)	-	(221,693)
Net cash used by capital and related financing activities	<u>(1,575,623)</u>	<u>-</u>	<u>(1,575,623)</u>
Cash flow from investing activities:			
Purchase of investments	(370,665)	-	(370,665)
Investment earnings	68,067	-	68,067
Net cash provided by investing activities	<u>(302,598)</u>	<u>-</u>	<u>(302,598)</u>
Net increase (decrease) in cash and cash equivalents	(372,612)	459,348	86,736
Cash and cash equivalents, beginning	<u>1,314,782</u>	<u>1,797,071</u>	<u>3,111,853</u>
Cash and cash equivalents, ending	<u>\$ 942,170</u>	<u>\$ 2,256,419</u>	<u>\$ 3,198,589</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ 1,457,938	\$ 443,957	\$ 1,901,895
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	742,725	20,229	762,954
Disposal of capital asset	10,211	-	10,211
(Increase) decrease in accounts receivable	(198,544)	(5,010)	(203,554)
(Increase) decrease in miscellaneous receivables	4,949	-	4,949
(Increase) decrease in inventory	6,497	-	6,497
Increase (decrease) in accounts payable	(9,847)	172	(9,675)
Increase (decrease) in accrued payroll liabilities	3,884	-	3,884
Increase (decrease) in customer meter deposits	42,030	-	42,030
Increase (decrease) in net pension balances	22,699	-	22,699
Increase (decrease) in total OPEB balances	(710)	-	(710)
Increase (decrease) in compensated absences payable	4,269	-	4,269
Total adjustments	<u>628,163</u>	<u>15,391</u>	<u>643,554</u>
Net cash provided by operating activities	<u>\$ 2,086,101</u>	<u>\$ 459,348</u>	<u>\$ 2,545,449</u>
Contribution of capital asset	<u>\$ 47,000</u>	<u>\$ -</u>	<u>\$ 47,000</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Crowley, Texas (the City) is a Home Rule city which citizens elect the mayor and six council members at large. The City operates under the Council-Manager form of government and provides such services as are authorized by its charter to advance the welfare, health, comfort, safety, and convenience of the City and its inhabitants.

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered financially accountable or other organizations whose nature and significant relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The City is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden or benefit on the City. Based on these considerations, the Crowley Crime Control and Prevention District and the Crowley Economic Development Corporation have been included in the City's reporting entity as blended component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Both component units have September 30 year ends.

Blended Component Units

The *Crowley Crime Control and Prevention District* (the "Crime District") is an entity legally separate from the City and was created by resolution of the City Council with approval by vote of the residents of Crowley. The Crime District is funded with a one half percent sales tax. The City Council services as the board of directors of the Crime District. The day-to-day operations of the Crime District are performed by City employees. For financial reporting purposes, the Crime Control and Prevention District is reported as if it were a part of the City's operations because the Crime District's governing body is the same as that of the City.

The *Crowley Economic Development Corporation* (the "Corporation") is a nonprofit development corporation formed under the Development Corporation Act of 1979 and governed by Section 4B of the Act. The Corporation was created with approval of a vote of the residents of Crowley and is governed by a seven member board of directors appointed by the City Council. The Corporation is funded with a one half percent sales tax. The Corporation was created to promote economic development with the City and State of Texas in order to eliminate unemployment and under employment and to promote and encourage employment and the public welfare of, for, and on behalf of the City. The Corporation may finance and undertake any such project, subject to the regulations and limitations set forth in Section 4B of the Act and a special election held in the City on February 2, 2002. For financial reporting purposes, the Corporation is reported as if it were a part of the City's operations because it provides services entirely for the City.

CITY OF CROWLEY, TEXAS

Notes to Financial Statements

September 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 revenues. 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 Basis of 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. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures generally are recorded when the related fund liability is incurred, however, debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized when payment is due.

Property taxes, sales taxes, franchise taxes, 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 period. All other revenue items are considered to be measurable and available only when the government receives payment.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *debt service fund* is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *general capital projects fund* accounts for the acquisition or construction of major capital assets and facilities financed by general obligation bonds or certificates of obligation of the governmental activities.

The special revenue fund (economic development corporation) is used to account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative actions.

The City reports the following major enterprise fund:

The *water and sewer fund* accounts for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges and transfers between the governmental activities and the business-type activities, which cannot be eliminated.

Amounts reported as program revenues include 1) charges for 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.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for the 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.

D. Assets, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

1. *Cash and Investments*

The City pools cash resources of its various funds to maximize its investment program. Cash applicable to a particular fund is readily identifiable. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments that are highly liquid with maturity within three months or less when purchased. Amounts invested in Tex-Pool public investment pools are not considered cash and cash equivalents. Assets reported as cash and cash equivalents are considered cash and cash equivalents for the statement of cash flows.

2. *Interfund Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

3. *Unbilled Service*

Utility operating revenues (water and sewer) are billed on monthly cycles. The City records estimated revenues for services delivered during the fiscal year, which will be billed during the next fiscal year.

4. *Inventory*

The inventories of supplies are recorded under the purchase method. Under the purchase method the inventory is first recorded as an expense when purchased and then adjusted at the end of the year to reflect the value of inventory at that date. Inventories are valued at the lower of cost or market using the first-in-first-out ("FIFO") method.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. *Capital Assets*

Capital assets, which include property, plant, equipment and infrastructure, are reported in the applicable governmental activities or business-type activities columns in the government-wide financial statements and in the proprietary funds financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities and proprietary funds is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the water and sewer fund during the current fiscal year was \$221,693.

Property, plant and equipment of the primary government and component unit are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	15 - 30 years
Infrastructure/utility systems	10 - 50 years
Equipment and furniture	2 - 15 years

6. *Compensated Absences*

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick pay benefits. The City pays up to 200 hours of accrued sick leave when an employee retires. Vacation and sick pay benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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 statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 cost, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. *Fund Balance – Governmental Funds*

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form (such as prepaids or inventory) or are legally or contractually required to be maintained intact (such as endowment funds).

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes amounts constrained to specific purposes by a government itself, using its highest decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint (City Council ordinance or resolution).

Assigned – includes amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. The City has not yet adopted a policy designating who can assign amounts.

Unassigned – All amounts not included in other spendable classifications.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted fund balance to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been first spent out of committed funds, then assigned, and finally unassigned as needed.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The details of the fund balances of the governmental funds are as follows:

	General Fund	Debt Service Fund	Capital Projects	Economic Development Corporation	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable						
Inventory	\$ 11,106	\$ -	\$ -	\$ -	\$ -	\$ 11,106
Restricted						
Debt Service	-	281,922	-	-	-	281,922
Capital Projects	-	-	10,846,061	-	-	10,846,061
Public Safety - Police	-	-	-	-	935,743	935,743
Public Safety - Court	-	-	-	-	59,027	59,027
Economic Development	-	-	-	5,565,566	354,546	5,920,112
Grant programs	-	-	-	-	54,243	54,243
Public Education Grant	-	-	-	-	221,582	221,582
Unassigned	9,007,334	-	-	-	-	9,007,334
	<u>\$ 9,018,440</u>	<u>\$ 281,922</u>	<u>\$ 10,846,061</u>	<u>\$ 5,565,566</u>	<u>\$ 1,625,141</u>	<u>\$ 27,337,130</u>

9. Net Position

Net position represents the difference between assets and liabilities, deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The following is a reconciliation of restricted fund balance reported in the governmental fund financial statements to restricted net position of the governmental activities reported in the government-wide financial statements.

Restricted Fund Balance (Exhibit C-1)	\$ 18,318,690
Adjustment:	
Unspent proceeds from bonds reclassified to net investment in capital assets	(10,846,061)
Deferred tax revenue restricted for debt service	21,333
Restricted net position (Exhibit A-1)	<u>\$ 7,493,962</u>

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the City's policy is to apply restricted net position and then unrestricted net position.

10. Use of Estimates

The preparation of financial statements, in conformity with Generally Accepted Accounting Principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. *Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by Texas Municipal Retirement System (TMRS). For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

12. *Postemployment Benefits Other than Pensions (OPEB)*

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense have been determined on the same basis as they are reported by Texas Municipal Retirement System (TMRS). For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2: DEPOSITS AND INVESTMENTS

Substantially all operating cash and investments are maintained in consolidated cash and investment accounts. Investment income relating to consolidated investments is allocated to the individual funds monthly based on the funds' pro-rata share of total cash and investments.

The City's investment policy authorizes the City to invest in U.S. Treasury obligations, U.S. government agency and instrumentality obligations, certificates of deposit, investment-grade obligations of state, provincial and local governments and public authorities, money market mutual funds regulated by the SEC and local government investment pools wither state-administered or developed through joint powers statutes and other intergovernmental agreement legislation. During the year ended September 30, 2019, the City did not own any types of securities other than those permitted by statute.

The City invests in the TexPool, which is a local government investment pool in the State of Texas. All investments are stated at amortized cost, which is in most cases approximates the market value of the securities. The objective of TexPool is to maintain a stable \$1.00 net asset value; however, the \$1.00 net asset value is not guaranteed or insured by the State of Texas. All TexPool securities are marked to market daily.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2019

NOTE 2: DEPOSITS AND INVESTMENTS (continued)

The City's investments are as follows:

<u>Investment</u>	<u>Credit Rating (1)</u>	<u>Weighted Average Maturities</u>	<u>Percentage of Total Investments</u>	<u>Cost</u>	<u>Fair Value</u>
Investment in TexPool	AAAm	36 days	100.00%	\$ 33,443,583	\$ 33,443,583

(1) Per Standard and Poor's

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's funds are required to be deposited and invested under the terms of a depository contract. The City's deposits are required to be collateralized with securities held by the pledging institution's trust department or agent in the City's name. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") Insurance. At September 30, 2019, the City's deposits were covered by FDIC Insurance or collateralized with securities held by the bank's agent in the City's name.

Credit Risk– Investments

The City controls credit risk by limiting its investments to those instruments allowed by its investment policy.

Interest Rate Risk – Investments

In accordance with its investment policy, the City manages its exposure to declines in fair market values by structuring its investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing operating funds primarily in shorter-term securities, money market mutual funds or similar investment pools and limiting the average maturity of the portfolio.

The City's investments at September 30, 2019 included the following:

The following cash and investments in the water and sewer fund are restricted for the following purposes:

	<u>Investments</u>
Business-type Activities	
Customer deposits	\$ 395,948
Bonds construction accounts	2,417,049
Total	<u>\$ 2,812,997</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2019

NOTE 3: PROPERTY TAX

The City's property tax is levied (assessed) each October 1, on the value listed as of the prior January 1, for all real property and personal property located in the City. Taxes are billed and due on October 1 of each year. The last date for payment without penalty is the following January 31. Delinquent penalties are added on February 1 with additional attorney fees being added on July 1. Lien attaches to properties on the January 1 following levy date. Tarrant County bills and collects the general property taxes for the City. In the governmental funds the City's property tax revenues are recognized when levied to the extent that they result in current receivables available for financing current operations. The remaining receivables are reflected in deferred revenue.

NOTE 4: RECEIVABLES

All receivables are shown net of an allowance for uncollectible accounts. The allowances for uncollectible accounts are based upon historical experience. Property tax, EMS and municipal court allowances for uncollectible accounts are equal to approximately 55%, 76% and 85% of the outstanding balances, respectively, at September 30. The allowance for water, and sewer trade accounts receivable is equal to the accounts receivable that are inactive (final billed) as of September 30. Receivables as of year-end for the City's major and nonmajor funds, including the applicable allowances for uncollectible accounts are as follows:

	General	Debt Service	Economic Development Corporation	Nonmajor Governmental	Water and Sewer	Stormwater Utility
Receivables:						
Property taxes	\$ 122,122	\$ 47,492	\$ -	\$ -	\$ -	\$ -
Other taxes	625,907	-	169,334	156,568	-	-
Accounts	2,041,808	-	-	-	1,220,908	57,944
Miscellaneous	912,250	-	-	44	31,549	-
Gross receivables	3,702,087	47,492	\$ 169,334	156,612	1,252,457	57,944
Less: allowance						
for uncollectibles	(2,278,740)	(26,159)	0	-	(255,216)	-
Net total receivables	<u>\$ 1,423,347</u>	<u>\$ 21,333</u>	<u>\$ 169,334</u>	<u>\$ 156,612</u>	<u>\$ 997,241</u>	<u>\$ 57,944</u>

NOTE 5: DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position and or balance sheet 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 that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only three items that qualify for reporting in this category, deferred charges on refunding bonds, deferred outflows related to pensions and deferred outflows related to OPEB reported in the government-wide statement of net position and proprietary fund statement of net position. A deferred charge on refunding results from the difference in the carrying value of the refunded debt and its acquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2019

NOTE 5: DEFERRED INFLOWS OF RESOURCES (continued)

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The city has three types of items that qualifies for reporting in this category, unavailable revenues for governmental funds, deferred inflows related to pensions and deferred inflows related to OPEB in the government-wide statement of net position and proprietary fund statement of net position. At the end of the fiscal year the components of deferred inflows in the governmental funds were as follows:

	General	Debt Service	Nonmajor Governmental	Total Governmental Funds
Deferred property tax revenue	\$ 54,856	\$ 21,333	\$ -	\$ 76,189
Deferred franchise tax revenue	241,954			241,954
Deferred EMS charges revenue	456,485			456,485
Deferred municipal court fees and fines	125,646			125,646
	<u>\$ 878,941</u>	<u>\$ 21,333</u>	<u>\$ -</u>	<u>\$ 900,274</u>

NOTE 6: INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS

The composition of interfund transfers for the City's individual major funds and nonmajor funds at September 30, 2019, is as follows:

Transfer In	Transfer Out	Amount	Purpose
General	Water and sewer	\$ 580,492	Use unrestricted revenues collected in the water and sewer fund to finance various general fund programs in accordance with budgetary authorization.
Crime Control	General fund	76,131	Transfer expenses
Economic Development	General fund	12,227	Transfer expenses
Total governmental funds transfers in		<u>\$ 668,850</u>	

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2019

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Transfers & Adjustments	Ending Balance
Governmental activities:					
Non - Depreciable Assets:					
Land	\$ 4,762,002	\$ 53,581	\$ -	\$ (754,988)	\$ 4,060,595
Construction in progress	1,335,254	656,576	-	(615,440)	1,376,390
Total non-depreciable assets	<u>6,097,256</u>	<u>710,157</u>	<u>-</u>	<u>(1,370,428)</u>	<u>5,436,985</u>
Depreciable Assets:					
Building and improvements	23,181,820	72,644	-	1,370,428	24,624,892
Infrastructure/utility system	20,145,867	233,357	-	-	20,379,224
Equipment and furniture	8,939,652	594,418	-	-	9,534,070
Total capital assets being depreciated	<u>52,267,339</u>	<u>900,419</u>	<u>-</u>	<u>1,370,428</u>	<u>54,538,186</u>
Accumulated Depreciation:					
Building and improvements	(8,056,604)	(866,612)	-	-	(8,923,216)
Infrastructure/utility system	(12,360,866)	(540,205)	-	-	(12,901,071)
Equipment and furniture	(7,094,462)	(537,723)	-	-	(7,632,185)
Total accumulated depreciation	<u>(27,511,932)</u>	<u>(1,944,540)</u>	<u>-</u>	<u>-</u>	<u>(29,456,472)</u>
Governmental activities capital assets, net	<u>\$30,852,663</u>	<u>\$ (333,964)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$30,518,699</u>

Depreciation expense was charged to functions/programs of the governmental activities as follows:

Governmental activities:	
General government	\$ 243,612
Court	1,132
Library	65,034
Public safety	365,130
Fire and ambulance	206,540
Public works	560,010
Parks	176,913
Recreation center	268,186
Animal control	57,983
Total depreciation expense - governmental activities	<u>\$1,944,540</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2019

NOTE 7: CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers & Adjustments</u>	<u>Ending Balance</u>
Business-type activities:					
Non - Depreciable Assets:					
Land	\$ 34,751	\$ 87,000	\$ -	\$ -	\$ 121,751
Construction in progress	342,248	26,318	-	(322,968)	45,598
Total non-depreciable assets	<u>376,999</u>	<u>113,318</u>	<u>-</u>	<u>(322,968)</u>	<u>167,349</u>
Depreciable Assets:					
Building and improvements	2,232,132	13,925	-	-	2,246,057
Infrastructure/utility system	18,352,230	668,687	-	322,968	19,343,885
Equipment and furniture	2,740,882	-	(40,847)	-	2,700,035
Total capital assets being depreciated	<u>23,325,244</u>	<u>682,612</u>	<u>(40,847)</u>	<u>322,968</u>	<u>24,289,977</u>
Accumulated Depreciation:					
Building and improvements	(631,780)	(68,712)	-	-	(700,492)
Infrastructure/utility system	(8,742,115)	(577,473)	-	-	(9,319,588)
Equipment and furniture	(2,258,105)	(116,769)	30,636	-	(2,344,238)
Total accumulated depreciation	<u>(11,632,000)</u>	<u>(762,954)</u>	<u>30,636</u>	<u>-</u>	<u>(12,364,318)</u>
Business-type activities capital assets, net	<u>\$12,070,243</u>	<u>\$ 32,976</u>	<u>\$ (10,211)</u>	<u>\$ -</u>	<u>\$12,093,008</u>

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Business-type activities:	
Water and sewer	\$ 742,725
Stormwater utility	<u>20,229</u>
Total depreciation expense - business-type activities	<u>\$ 762,954</u>

NOTE 8: GOVERNMENTAL ACTIVITIES LONG-TERM DEBT

The general obligation bonds and certificates of obligation bonds principal and interest are paid by the debt service fund, economic development corporation and crime control and prevention district while the sales tax revenue bonds are paid solely by the economic development corporation. Repayment of principal and interest maturities is principally made from property and sales tax revenues. Also, for governmental activities, compensated absences, pension liability and other postemployment benefit liability are generally liquidated by the general fund.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2019

NOTE 8: GOVERNMENTAL ACTIVITIES LONG-TERM DEBT (continued)

As of September 30 the City had the following governmental activities long-term debt outstanding:

	<u>9/30/2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>9/30/2019</u>	<u>Due Within One Year</u>
General Obligation Bonds					
Direct Placements					
\$2,880,000; General Obligation Refunding Bonds, Series 2005 due in semi-annual installments from 2/1/2005; 3.92% until 2/1/2020.	\$ 225,000	\$ -	\$ 110,000	\$ 115,000	\$ 115,000
\$4,920,000; General Obligation Refunding Bonds, Series 2013, due in semi-annual installments from 2/1/2014; 2.19% until 2/1/2025.	3,080,000	-	445,000	2,635,000	450,000
Total	3,305,000	-	555,000	2,750,000	565,000
Not Direct Placements					
\$1,855,000; General Obligation Refunding Bonds, Series 2012; due in semi-annual installments from 2/1/2013; 2.00% - 3.00% until 2/1/2022.	390,000	-	100,000	290,000	100,000
Series 2012 unamortized bond premium	154,083	-	38,521	115,562	38,521
\$590,000; General Obligation Refunding Bonds, Series 2012A; due in semi-annual installments from 2/1/2014; 2.00% 3.00% until 2/1/2023.	320,000	-	60,000	260,000	60,000
Series 2012A unamortized bond premium	24,956	-	4,991	19,965	4,991
\$4,745,000; General Obligation Refunding Bonds, Series 2017, due in semi-annual installments from 2/1/2018; 3.00% until 2/1/2029.	4,745,000	-	25,000	4,720,000	410,000
Series 2017 unamortized bond premium	227,413	-	20,940	206,473	20,940
Total	5,861,452	-	249,452	5,612,000	634,452
Total General Obligation Bonds	<u>\$ 9,166,452</u>	<u>\$ -</u>	<u>\$ 804,452</u>	<u>\$ 8,362,000</u>	<u>\$ 1,199,452</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2019

NOTE 8: GOVERNMENTAL ACTIVITIES LONG-TERM DEBT (Continued)

	<u>9/30/2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>9/30/2019</u>	<u>Due Within One Year</u>
Certificates of Obligation					
\$8,000,000; Certificates of Obligation, Series 2009 due in semi-annual installments from 2/1/2011; 3.00% - 5.25% until 2/1/2029.	\$ 370,000	\$ -	\$ 370,000	\$ -	\$ -
Series 2009 unamortized bond premium	6,313	-	6,313	-	-
 \$4,890,000; Certificates of Obligation, Series 2012 due in semi-annual installments from 2/1/2013; 2.00% - 3.50% until 2/1/2032.	 3,710,000	 -	 215,000	 3,495,000	 220,000
Series 2012 unamortized premium	41,881	-	2,992	38,889	2,992
 \$2,970,000; Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016 due in annual installments from 2/1/17; 2.00% - 3.00% until 2/1/2025.	 2,800,000	 -	 125,000	 2,675,000	 130,000
Series 2016 unamortized premium	65,402	-	3,633	61,769	3,633
 \$11,080,000; Combination and Limited Pledge Revenue Certificates of Obligation, Series 2018 due in annual installments from 8/1/19; 3.50% - 5.00% until 8/1/2038.	 11,080,000	 -	 180,000	 10,900,000	 285,000
Series 2018 unamortized premium	606,128	-	30,307	575,821	30,307
Total Certificates of Obligation	<u>\$ 18,679,724</u>	<u>\$ -</u>	<u>\$ 933,245</u>	<u>\$ 17,746,479</u>	<u>\$ 671,932</u>
Revenue Bonds					
\$2,180,000; Sales Tax Revenue Bonds, Taxable Series 2016 due in annual installments from 8/1/17; 3.00% - 5.00% until 8/1/2031.	2,010,000	-	125,000	1,885,000	125,000
Series 2016 unamortized premium	131,811	-	10,139	121,672	10,138
Total Revenue Bonds	<u>\$ 2,141,811</u>	<u>\$ -</u>	<u>\$ 135,139</u>	<u>\$ 2,006,672</u>	<u>\$ 135,138</u>
 Total OPEB liability	 <u>\$ 206,811</u>	 <u>\$ -</u>	 <u>\$ 4,176</u>	 <u>\$ 202,635</u>	 <u>\$ -</u>
 Net pension liability	 <u>\$ 1,561,958</u>	 <u>\$ 1,737,023</u>		 <u>\$ 3,298,981</u>	 <u>\$ -</u>
 Compensated absences	 <u>\$ 450,247</u>	 <u>\$ 517,309</u>	 <u>\$ 404,869</u>	 <u>\$ 562,687</u>	 <u>\$ 405,135</u>
Total Governmental Activities	<u>\$ 32,207,003</u>	<u>\$ 2,254,332</u>	<u>\$ 2,281,881</u>	<u>\$ 32,179,454</u>	<u>\$ 2,411,657</u>

CITY OF CROWLEY, TEXAS

Notes to Financial Statements

September 30, 2019

NOTE 8: GOVERNMENTAL ACTIVITIES LONG-TERM DEBT (Continued)

The aggregate debt service payments to maturity of the governmental activities general obligation bonds (not direct placement), certificates of obligation bonds and sales tax revenue bonds are as follows:

Year Ending September 30,	General Obligation		Certificates of Obligation		Sales Tax Revenue Bonds		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2020	\$ 570,000	\$ 151,975	\$ 635,000	\$ 614,669	\$ 125,000	\$ 81,900	\$ 2,178,544
2021	585,000	134,650	835,000	590,494	130,000	78,150	2,353,294
2022	595,000	116,950	775,000	555,694	135,000	74,250	2,251,894
2023	520,000	100,225	810,000	523,419	140,000	68,850	2,162,494
2024	460,000	85,525	850,000	489,067	145,000	63,250	2,092,842
2025 - 2029	2,540,000	197,750	4,785,000	1,885,404	820,000	219,650	10,447,804
2030 - 2034	-	-	5,040,000	960,163	390,000	29,500	6,419,663
2035 - 2039	-	-	3,340,000	269,246	-	-	3,609,246
Total debt service requirements	5,270,000	787,075	17,070,000	5,888,156	1,885,000	615,550	31,515,781
Add: Unamortized premium	342,000	-	676,479	-	121,672	-	1,140,151
	\$ 5,612,000	\$ 787,075	\$17,746,479	\$ 5,888,156	\$ 2,006,672	\$ 615,550	\$ 32,655,932

Governmental bonds from direct placements include a provision that in the event the City defaults in the payments or performance of covenants, conditions, or obligations, the holders of the bonds shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the City to observe and perform the covenant, condition and obligation prescribed by the bond ordinance..

Payments to maturity on the direct placement bonds include the following:

Year Ending September 30,	General Obligation		Total
	Principal	Interest	
2020	\$ 565,000	\$ 55,033	\$ 620,033
2021	460,000	42,815	502,815
2022	475,000	32,576	507,576
2023	485,000	22,064	507,064
2024	500,000	11,279	511,279
2025	265,000	2,902	267,902
Total debt service requirements	\$ 2,750,000	\$ 166,669	\$ 2,916,669

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2019

NOTE 9: BUSINESS-TYPE LONG-TERM DEBT

	<u>9/30/2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>9/30/2019</u>	<u>Due Within One Year</u>
General Obligation Bonds					
\$1,945,000; General Obligation Refunding Bonds, Series 2012A; due in semi-annual installments from 2/1/2014; 2.00% 3.00% until 2/1/2023.	1,065,000	-	200,000	865,000	205,000
Series 2012A unamortized bond premium	80,649	-	15,510	65,139	15,510
 \$1,800,000; General Obligation Refunding Bonds, Series 2017, due in semi-annual installments from 2/1/2018; 3.00% until 2/1/2029.	1,800,000	-	15,000	1,785,000	155,000
Series 2017 unamortized bond premium	85,563	-	7,778	77,785	7,778
Total General Obligation Bonds	<u>\$ 3,031,212</u>	<u>\$ -</u>	<u>\$ 238,288</u>	<u>\$ 2,792,924</u>	<u>\$ 383,288</u>
 Certificates of Obligation					
\$3,000,000; Certificates of Obligation, Series 2009 due in semi-annual installments from 2/1/2011; 3.00% - 5.25% until 2/1/2029.	\$ 135,000	\$ -	\$ 135,000	\$ -	\$ -
Series 2009 unamortized bond premium	2,367	-	2,367	-	-
 \$2,500,000; Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011 due in annual installments from 2/1/2012; 2.00% - 4.50% until 2/1/2029.	1,690,000	-	100,000	1,590,000	105,000
Series 2011 unamortized premium	51,710	-	4,265	47,445	4,265
 \$2,965,000; Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016 due in annual installments from 2/1/17; 2.00% - 3.00% until 2/1/2025.	2,915,000	-	155,000	2,760,000	160,000
Series 2016 unamortized premium	65,210	-	3,825	61,385	3,825
Total Certificates of Obligation	<u>\$ 4,859,287</u>	<u>\$ -</u>	<u>\$ 400,457</u>	<u>\$ 4,458,830</u>	<u>\$ 273,090</u>
 Total OPEB liability	<u>\$ 17,984</u>	<u>\$ -</u>	<u>\$ 2,732</u>	<u>\$ 15,252</u>	<u>\$ -</u>
 Net pension liability	<u>\$ 135,822</u>	<u>\$ 130,744</u>	<u>\$ -</u>	<u>\$ 266,566</u>	<u>\$ -</u>
 Compensated absences	<u>\$ 22,721</u>	<u>\$ 21,421</u>	<u>\$ 17,152</u>	<u>\$ 26,990</u>	<u>\$ 19,433</u>
 Total Business-Type Activities	<u>\$ 8,067,026</u>	<u>\$ 152,165</u>	<u>\$ 658,629</u>	<u>\$ 7,560,562</u>	<u>\$ 675,811</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2019

NOTE 9: BUSINESS-TYPE ACTIVITIES LONG-TERM DEBT (Continued)

The aggregate debt service requirements to maturity for business-type activities general obligation bonds and certificates of obligation outstanding as of September 30, 2019, are as follows:

Year Ending September 30,	<u>General Obligation</u>		<u>Certificates of Obligation</u>		Total
	Principal	Interest	Principal	Interest	
2020	\$ 360,000	\$ 75,025	\$ 265,000	\$ 127,784	\$ 827,809
2021	370,000	64,075	270,000	119,753	823,828
2022	385,000	52,750	275,000	110,590	823,340
2023	400,000	40,975	285,000	101,015	826,990
2024	170,000	32,425	260,000	91,640	554,065
2025 - 2029	965,000	74,813	1,460,000	318,339	2,818,152
2030 - 2034	-	-	1,170,000	96,276	1,266,276
2035 - 2039	-	-	365,000	3,793	368,793
Total debt service requirements	2,650,000	340,063	4,350,000	969,190	8,309,253
Add: Unamortized premium	142,924	-	108,830	-	251,754
	<u>\$ 2,792,924</u>	<u>\$ 340,063</u>	<u>\$ 4,458,830</u>	<u>\$ 969,190</u>	<u>\$ 8,561,007</u>

The various bond ordinances contain a number of limitations and restrictions. Management believes the City is in compliance with all significant limitation and restrictions at September 30, 2019.

NOTE 10: RISK MANAGEMENT

The City is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The City is a member of the Texas Municipal League and participates in the Intergovernmental Risk Pool insurance coverage and are 100% covered through third-party insurance policies. The City has maintained insurance coverage in all major categories of risk comparable to that of the prior year with not reduction in coverage. The amount of settlements during the past three years has not exceeded the insurance coverage.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2019

NOTE 11: DEFINED BENEFIT PENSION PLANS

Plan Description

The City participates as one of 887 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.tmr.com.

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

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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

	<u>Plan Year 2018</u>
Employee deposit rate	6%
Matching ratio (city to employee)	2-1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	100%
Annuity increase (to retirees)	70% of CPI

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2019

NOTE 11: DEFINED BENEFIT PENSION PLANS (continued)

Employees Covered by Benefit Terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Active employees	115
Inactive employees or beneficiaries currently receiving benefits	53
Inactive employees entitled to but not yet receiving benefits	86
	<u>254</u>

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 were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 10.63% and 10.77% in calendar years 2018 and 2019, respectively. The city's contributions to TMRS for the year ended September 30, 2019, were \$692,597, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, 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, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2019

NOTE 11: DEFINED BENEFIT PENSION PLANS (continued)

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 Blue Collar Adjustment, 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 to future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed from actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the system adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2019 are summarized in the following table:

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2019

NOTE 11: DEFINED BENEFIT PENSION PLANS (continued)

Assest Class	Target Allocation	Long-Term Expected Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.30%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.39%
Real Return	10.00%	3.78%
Real Estate	10.00%	4.44%
Absolute Return	10.00%	3.56%
Private Equity	5.00%	7.75%
Total	100.00%	

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	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/17	\$ 18,560,621	\$ 16,862,841	\$ 1,697,780
Changes for the year:			
Service cost	885,458	-	885,458
Interest	1,262,609	-	1,262,609
Changes in net benefit terms	-	-	-
Difference between expected and actual experience	234,189	-	234,189
Change of assumptions	-	-	-
Contributions - employer	-	658,211	(658,211)
Contributions - employee	-	371,521	(371,521)
Net investment income	-	(504,971)	504,971
Benefit payments, including refunds of employee contributions	(596,064)	(596,064)	-
Administrative expense	-	(9,762)	9,762
Other changes	-	(510)	510
Net changes	1,786,192	(81,575)	1,867,767
Balance at 12/31/18	\$ 20,346,813	\$ 16,781,266	\$ 3,565,547

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2019

NOTE 11: DEFINED BENEFIT PENSION PLANS (continued)

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%)
City's Net Pension Liability	\$6,995,575	\$3,565,547	\$812,352

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.

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

For the year ended September 30, 2019, the City recognized pension expense of \$1,011,116.

At September 30, 2019, 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
Difference in expected and actual experience	\$ 294,357	\$ 78,439
Difference in assumption changes	3,698	-
Difference in projected and actual earnings	1,493,146	627,205
Contributions subsequent to the measurement date	503,994	-
Total	<u>\$ 2,295,195</u>	<u>\$ 705,644</u>

\$503,994 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:

2019	\$ 364,347
2020	178,663
2021	187,425
2022	355,122
2023 and thereafter	-
	<u>\$ 1,085,557</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2019

NOTE 12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The City's defined benefit OPEB plan, Supplemental Death Benefits Fund (SDBF), provides OPEB for active employees and retirees. The SDBF is a single employer defined benefit plan administered by the Texas Municipal Retirement System (TMRS). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance benefit for their active members, including or not including retirees.

The City may terminate coverage and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. No assets are accumulated in a trust that meets the criteria in paragraph 4 of *GASB Statement No. 75*.

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 an other postemployment benefit (OPEB) and is a fixed amount of \$7,500.

At December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Active employees	115
Inactive employees currently receiving benefits	33
Inactive employees entitled to but not yet receiving benefits	13
	<u>161</u>

Contributions

The City 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.

Total OPEB Liability

The City's Total OPEB Liability of \$217,887 was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2019

NOTE 12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) continued

Actuarial Assumptions and Other Inputs

The Total OPEB Liability in the December 31, 2018 actuarial valuation was determined using actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year
Salary increases	3.50% to 10.50% including inflation
Discount rate*	3.71%
Retiree's share of benefit-related costs	\$0

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

Mortality rates for service retirees were based on the gender distinct RP 2000 Combined Mortality Table with Blue Collar Adjustments with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Mortality rates for disabled retirees were based on the gender distinct RP 2000 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 actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at 12/31/17	<u>\$ 224,795</u>
Changes for the year:	
Service cost	14,242
Interest on Total OPEB Liability	7,656
Changes in net benefit terms	-
Difference between expected and actual experience	(9,834)
Changes of assumptions or other inputs	(17,734)
Benefit payments**	(1,238)
Net changes	<u>(6,908)</u>
Balance at 12/31/18	<u>\$ 217,887</u>

**Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2019

NOTE 12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) continued

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what the City's total 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 in Discount Rate (2.31%)	Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
City's Total OPEB Liability	\$266,253	\$217,887	\$180,788

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$20,787.

At September 30, 2019, the City reported deferred outflows of resources and deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ -	\$ 8,409
Difference in assumption changes	14,132	15,164
Contributions subsequent to the measurement date-not material	-	-
Total	<u>\$ 14,132</u>	<u>\$ 23,573</u>

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:	
2019	\$ (1,111)
2020	(1,111)
2021	(1,111)
2022	(1,111)
2023	(1,399)
Thereafter	(3,598)
	<u>\$ (9,441)</u>

NOTE 13: CONTINGENT LIABILITIES

Federal and State Programs

Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made, in compliance with program guidelines, to the grantor agency.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2019

NOTE 13: CONTINGENT LIABILITIES (continued)

These programs are governed by various statutory rules and regulations of grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, the City has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of fund monies may be required.

As it pertains to other matters of compliance, in the opinion of the City's administration, there are no significant contingent liabilities relating to matters of compliance and accordingly, no provision has been made in the accompanying financial statements for such contingencies.

Litigation

Various claims and lawsuits are pending against the City. Although the outcome of these lawsuits is not presently determinable, it is the opinion of City management and legal counsel that the potential loss on all claims will be covered by the City's insurance policy or will not have a material adverse effect on the financial condition of the City.

NOTE 14: CONTRACTS AND COMMITMENTS

A. Water and Sewer Contracts

The City has separate contracts with the City of Fort Worth, Texas for the purchase of treated water and for the treatment of wastewater. The contracts require the City to pay varying amounts based on the costs associated with water purchased and treated. Purchases during 2019 of treated water were \$1,732,240 and for the treatment of wastewater were \$1,432,717.

B. Construction Commitments

The City awarded \$1,414,661 contract for the construction of new community center. The amount spent to date for the construction was \$483,054.

NOTE 15: SUBSEQUENT EVENTS

Subsequent events were evaluated through February 12, 2020, which is the date the financial statements were available to be issued.

NOTE 16: FUTURE ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement is effective for reporting periods beginning after December 15, 2019. The City has not yet determined the effect of this statement will have on its financial reporting.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CROWLEY, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended September 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes:				
Property	\$ 4,804,128	\$ 4,837,000	\$ 4,758,016	\$ (78,984)
Sales	1,676,500	1,766,500	1,911,651	145,151
Franchise	749,500	761,500	793,131	31,631
Charges for service	2,032,634	2,109,889	2,096,010	(13,879)
Fees and fines	426,940	426,940	461,043	34,103
Licenses and permits	759,280	1,033,465	1,264,566	231,101
Grants and contributions	306,500	306,500	319,312	12,812
Oil & gas revenue	-	-	112,458	112,458
Investment earnings	110,000	120,599	573,782	453,183
Other revenue	32,150	32,150	51,044	18,894
Total revenues	<u>10,897,632</u>	<u>11,394,543</u>	<u>12,341,013</u>	<u>946,470</u>
EXPENDITURES				
Administrative and finance	870,621	876,826	867,029	9,797
Municipal court	224,610	224,610	225,763	(1,153)
Library	493,689	520,191	530,863	(10,672)
Senior center	32,930	37,281	39,663	(2,382)
Public safety	3,203,337	3,203,337	2,967,647	235,690
Fire and ambulance	3,246,445	3,411,831	2,966,046	445,785
Public works	443,549	628,740	610,378	18,362
Parks	332,341	471,548	371,825	99,723
Recreation Center	529,990	562,342	542,330	20,012
Animal Control	239,727	239,727	249,591	(9,864)
Code enforcement	54,004	54,004	62,607	(8,603)
Community development	388,705	489,114	498,908	(9,794)
Sanitation	762,686	762,686	798,908	(36,222)
Capital project	-	-	64,160	(64,160)
Nondepartmental	629,664	643,372	532,074	111,298
Total expenditures	<u>11,452,298</u>	<u>12,125,609</u>	<u>11,327,792</u>	<u>797,817</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(554,666)</u>	<u>(731,066)</u>	<u>1,013,221</u>	<u>1,744,287</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	580,466	580,466	580,466	-
Transfers out	-	-	(79,887)	(79,887)
Total other financing sources (uses)	<u>580,466</u>	<u>580,466</u>	<u>500,579</u>	<u>(79,887)</u>
Net change in fund balances	25,800	(150,600)	1,513,800	1,664,400
Fund balance - beginning	<u>7,504,640</u>	<u>7,504,640</u>	<u>7,504,640</u>	<u>-</u>
Fund balance - ending	<u>\$ 7,530,440</u>	<u>\$ 7,354,040</u>	<u>\$ 9,018,440</u>	<u>\$ 1,664,400</u>

The accompanying notes to the required supplementay information are an integral part of this schedule.

CITY OF CROWLEY, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Economic Development Corporation
For the Year Ended September 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Sales tax	\$ 815,000	\$ 815,000	\$ 952,787	\$ 137,787
Other revenue	46,000	46,000	37,661	(8,339)
Investment earnings	8,000	8,000	123,839	115,839
Total revenues	869,000	869,000	1,114,287	245,287
EXPENDITURES				
Administrative	202,940	222,940	167,421	55,519
Economic development	117,000	199,200	146,706	52,494
Debt service				
Principal	291,375	291,375	260,000	31,375
Interest and fiscal charges	220,650	220,650	252,573	(31,923)
Bond issuance costs	-	-	-	-
Total expenditures	831,965	934,165	826,700	107,465
Excess (deficiency) of revenues over (under) expenditures	37,035	(65,165)	287,587	352,752
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	12,227	12,227
Total other financing sources (uses)	-	-	12,227	12,227
Net change in fund balances	37,035	(65,165)	299,814	364,979
Fund balance - beginning	5,265,752	5,265,752	5,265,752	-
Fund balance - ending	\$ 5,302,787	\$ 5,200,587	\$ 5,565,566	\$ 364,979

The accompanying notes to the required supplementay information are an integral part of this schedule.

CITY OF CROWLEY
Schedule of Changes in Net Pension Liability and Related Ratios
Last 10 Years (will ultimately be displayed)

Total Pension Liability

	2014	2015	2016	2017	2018
Service cost	\$ 689,124	\$ 737,801	\$ 761,876	\$ 809,245	\$ 885,458
Interest (on the Total Pension Liability)	961,835	1,028,535	1,094,661	1,165,642	1,262,609
Changes in net benefit terms	-	-	-	-	-
Difference between expected and actual experience	(314,507)	199,815	(171,608)	143,078	234,189
Change of assumptions	-	22,670	-	-	-
Benefit payments, including refunds of employee contributions	(332,931)	(482,919)	(471,107)	(842,986)	(596,064)
Net change in total pension liability	1,003,521	1,505,902	1,213,822	1,274,979	1,786,192
Total pension liability - beginning	13,562,397	14,565,918	16,071,820	17,285,642	18,560,621
	<u>\$ 14,565,918</u>	<u>\$ 16,071,820</u>	<u>17,285,642</u>	<u>18,560,621</u>	<u>20,346,813</u>

Plan Fiduciary Net Position

Contributions - employer	\$ 509,970	\$ 560,076	\$ 547,783	\$ 612,770	\$ 658,211
Contributions - employee	301,460	316,426	320,340	341,694	371,521
Net investment income	679,713	19,225	906,744	2,039,047	(504,971)
Benefit payments, including refunds of employee contributions	(332,931)	(482,919)	(471,107)	(842,986)	(596,064)
Administrative expense	(7,095)	(11,712)	(10,251)	(10,575)	(9,762)
Other	(583)	(578)	(552)	(537)	(510)
Net change in plan fiduciary net position	1,150,534	400,518	1,292,957	2,139,413	(81,575)
Plan fiduciary net position - beginning	11,879,419	13,029,953	13,430,471	14,723,428	16,862,841
Plan fiduciary net position - ending	<u>\$ 13,029,953</u>	<u>\$ 13,430,471</u>	<u>\$ 14,723,428</u>	<u>\$ 16,862,841</u>	<u>\$ 16,781,266</u>

Net Pension Liability

	<u>\$ 1,535,965</u>	<u>\$ 2,641,349</u>	<u>\$ 2,562,214</u>	<u>\$ 1,697,780</u>	<u>\$ 3,565,547</u>
Plan fiduciary net position as a percentage of the total pension liability	89.46%	83.57%	85.18%	90.85%	82.48%
Covered-employee payroll	\$ 5,024,334	\$ 5,273,772	\$ 5,339,006	\$ 5,694,899	\$ 6,192,015
Net pension liability as a percentage of covered employee payroll	30.57%	50.08%	47.99%	29.81%	57.58%

CITY OF CROWLEY
Schedule of Contributions - Pension
Last 10 Years (will ultimately be displayed)

	2014	2015	2016	2017	2018	2019
Actuarially Determined Contributions	\$ 518,829	\$ 554,893	\$ 543,837	\$ 595,975	\$ 647,135	\$ 692,597
Contributions in relation to the actuarially determined contributions	505,650	551,534	543,837	595,975	647,135	692,597
Contribution deficiency (excess)	\$ 13,179	\$ 3,359	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 4,987,378	\$ 5,257,985	\$ 5,248,757	\$ 5,611,602	\$ 6,067,638	\$ 6,453,864
Contributions as a percentage of covered employee payroll	10.14%	10.49%	10.36%	10.62%	10.67%	10.73%

CITY OF CROWLEY
Schedule of Changes in Total OPEB Liability and Related Ratios
Last 10 Years (will ultimately be displayed)

Total OPEB Liability

	2017	2018
Service cost	\$ 11,390	\$ 14,242
Interest (on the Total OPEB Liability)	7,276	7,656
Changes in net benefit terms	-	-
Difference between expected and actual experience	-	(9,834)
Change of assumptions or other inputs	19,900	(17,734)
Benefit payments	(1,139)	(1,238)
Net change in total OPEB liability	37,427	(6,908)
Total OPEB liability - beginning	187,368	224,795
Total OPEB Liability	\$ 224,795	\$ 217,887
 Covered-employee payroll	 \$ 5,694,899	 \$ 6,192,015
 Total OPEB liability as a percentage of covered employee payroll	 3.95%	 3.52%

CITY OF CROWLEY
Notes to the Required Supplementary Information
For the Year Ended September 30, 2019

Budget

The City Council adopts an annual budget on a basis consistent with generally accepted accounting principles for the general fund, debt service fund and major special revenue funds. The water and sewer fund budget is adopted on the modified accrual basis of accounting which is not GAAP basis for enterprise funds. City management may transfer part or all of any unencumbered appropriation balance within specific programs; however, any revisions that alter the total expenditures of a program must be approved by the City Council. The legal level of control is at the fund level.

All unused appropriations, except appropriations for capital expenditures, lapse at the close of the fiscal year to the extent they have not been expended or encumbered. An appropriation for capital expenditures shall continue in force until the purpose for which it was made is accomplished or abandoned.

Excess of Expenditures over Appropriations

In the general fund, library, animal control code enforcement, community development, sanitation and capital outlay exceeded appropriations by \$10,672, \$9,864, \$8,603, \$9,794, \$36,222 and \$64,160, respectively. Capital expenditure for 320 E. Main Street project is not normally budgeted because oil and gas revenues are used to fund this project. Overall, total actual expenditures were under budget by \$797,817.

In the economic development corporation, overall, total actual expenditures were under budget by \$107,465.

CITY OF CROWLEY
Notes to the Required Supplementary Information
For the Year Ended September 30, 2019

Schedule of Contributions - Pensions

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed Period
Remaining Amortization Period	27 years
Asset Valuation Method	Market Value of Assets with a Ten-Year Phase-In; 15% soft corridor
Inflation	2.50% per year
Salary increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75% per year
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. A further multiplier is applied depending on an employee's classification: Fire; Police or Other
Mortality Rates	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

Other Information:

Notes There were no benefit changes during the year.

Schedule of Contributions – OPEB (Retiree-only portion of rate)

Plan/ Calendar Year	Total SDB Contribution Rate	Retiree Portion of SDB Contribution (Rate)
2017	0.14%	0.02%
2018	0.15%	0.02%
2019	0.13%	0.02%

Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

COMBINING FINANCIAL STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS

CITY OF CROWLEY, TEXAS
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2019

	Nonmajor Special Revenue Funds		
	Court Technology & Security	Grant	LEOSE Training
Assets			
Cash and cash equivalents	\$ 2,460	\$ 42,392	\$ 17,315
Investments	56,777	-	-
Receivables (Net of allowances for uncollectibles)			
Other taxes	-	-	-
Miscellaneous	-	13	-
Total assets	<u>\$ 59,237</u>	<u>\$ 42,405</u>	<u>\$ 17,315</u>
Liabilities			
Accounts payable	\$ 210	\$ 2,904	\$ 538
Unearned revenue	-	2,035	-
Total liabilities	<u>210</u>	<u>4,939</u>	<u>538</u>
Fund balance			
Restricted	59,027	37,466	16,777
Total fund balances	<u>59,027</u>	<u>37,466</u>	<u>16,777</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 59,237</u>	<u>\$ 42,405</u>	<u>\$ 17,315</u>

Exhibit F-1

Crime Control & Prevention District	TIRZ #1	Public, Educational, and Government Access (PEG)	Total Nonmajor Funds
\$ - 801,106	\$ 354,515 -	\$ 33,463 187,778	\$ 450,145 1,045,661
153,298 -	- 31	3,270 -	156,568 44
<u>\$ 954,404</u>	<u>354,546</u>	<u>\$ 224,511</u>	<u>\$ 1,652,418</u>
\$ 18,661 -	\$ - -	\$ 2,929 -	\$ 25,242 2,035
<u>18,661</u>	<u>-</u>	<u>2,929</u>	<u>27,277</u>
935,743 935,743	354,546 354,546	221,582 221,582	1,625,141 1,625,141
<u>\$ 954,404</u>	<u>\$ 354,546</u>	<u>\$ 224,511</u>	<u>\$ 1,652,418</u>

CITY OF CROWLEY, TEXAS
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended September 30, 2019

	Nonmajor Special Revenue Funds		
	Court Technology & Security	Grant	LEOSE Training
Revenues			
Sales tax	\$ -	\$ -	\$ -
Property taxes	-	-	-
Fees and fines	13,943	-	-
Franchise fees	-	-	-
Grants and contributions	-	51,785	-
Investment earnings	-	-	-
Other	-	-	3,649
Total revenue	<u>13,943</u>	<u>51,785</u>	<u>3,649</u>
Expenditures			
Current			
Administrative	-	-	-
Municipal court	22,901	-	-
Library	-	-	-
Public safety	-	6,708	-
Economic development	-	-	-
Fire and ambulance	-	31,967	796
Capital outlay	-	-	-
Debt Service			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>22,901</u>	<u>38,675</u>	<u>796</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,958)</u>	<u>13,110</u>	<u>2,853</u>
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	(8,445)	-	-
Total other financing sources (uses)	<u>(8,445)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(17,403)	13,110	2,853
Fund balances - beginning	76,430	24,356	13,924
Fund balances - ending	<u>\$ 59,027</u>	<u>\$ 37,466</u>	<u>\$ 16,777</u>

Exhibit F-2

Crime Control & Prevention District	TIRZ #1	Public, Educational, and Government Access (PEG)	Total Nonmajor Funds
\$ 865,686	\$ -	\$ -	\$ 865,686
-	170,728	-	170,728
-	-	-	13,943
-	-	21,674	21,674
-	-	-	51,785
17,427	240	-	17,667
70	-	-	3,719
<u>883,183</u>	<u>170,968</u>	<u>21,674</u>	<u>1,145,202</u>
-	-	12,516	12,516
-	-	-	22,901
-	-	-	-
496,904	-	-	503,612
-	-	-	-
-	-	-	32,763
-	-	-	-
235,000	-	-	235,000
33,124	-	-	33,124
<u>765,028</u>	<u>-</u>	<u>12,516</u>	<u>839,916</u>
<u>118,155</u>	<u>170,968</u>	<u>9,158</u>	<u>305,286</u>
76,131	-	-	76,131
-	-	-	(8,445)
<u>76,131</u>	<u>-</u>	<u>-</u>	<u>67,686</u>
194,286	170,968	9,158	372,972
741,457	183,578	212,424	1,252,169
<u>\$ 935,743</u>	<u>\$ 354,546</u>	<u>\$ 221,582</u>	<u>\$ 1,625,141</u>

OTHER SUPPLEMENTARY INFORMATION

(Unaudited)

CITY OF CROWLEY, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Debt Service Fund
For the Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 1,876,185	1,876,185	1,847,087	\$ (29,098)
Total revenues	<u>1,876,185</u>	<u>1,876,185</u>	<u>1,847,087</u>	<u>(29,098)</u>
EXPENDITURES				
Debt service				
Principal	1,260,000	1,260,000	1,260,000	-
Interest and fiscal charges	<u>676,190</u>	<u>676,190</u>	<u>639,594</u>	<u>36,596</u>
Total debt service	<u>1,936,190</u>	<u>1,936,190</u>	<u>1,899,594</u>	<u>36,596</u>
Total expenditures	<u>1,936,190</u>	<u>1,936,190</u>	<u>1,899,594</u>	<u>36,596</u>
Excess (deficiency) of revenues over expenditures	<u>(60,005)</u>	<u>(60,005)</u>	<u>(52,507)</u>	<u>7,498</u>
FUND BALANCE - BEGINNING	<u>334,429</u>	<u>334,429</u>	<u>334,429</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 274,424</u>	<u>\$ 274,424</u>	<u>\$ 281,922</u>	<u>\$ 7,498</u>

CITY OF CROWLEY, TEXAS
Schedule of Revenues, Expenses, and Changes in Fund Net Position - Budget and Actual
Water and Sewer Fund
For the Year Ended September 30, 2019

	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)
Operating revenues:			
Water sales	\$ 3,555,049	\$ 3,726,140	\$ 171,091
Sewer charges	2,490,915	2,550,412	59,497
Miscellaneous	408,788	1,043,371	634,583
Total operating revenue	<u>6,454,752</u>	<u>7,319,923</u>	<u>865,171</u>
Operating expenses:			
Personnel	755,405	754,696	709
Professional services	78,036	77,713	323
Purchased water	1,878,929	1,732,240	146,689
Wastewater treatment charge	1,512,106	1,432,717	79,389
Contractual services	218,734	227,217	(8,483)
Insurance	47,773	52,258	(4,485)
Administrative	31,571	569,366	(537,795)
Repairs and maintenance	188,672	213,297	(24,625)
Utilities	74,449	59,756	14,693
Total operating expenses	<u>4,785,675</u>	<u>5,119,260</u>	<u>(333,585)</u>
Operating income (loss)	<u>1,669,077</u>	<u>2,200,663</u>	<u>531,586</u>
Nonoperating revenues (expenses):			
Investment earnings	28,000	68,067	40,067
Debt service - principal	(605,000)	(605,000)	-
Interest expense	(221,723)	(197,410)	24,313
Total nonoperating revenues (expenses)	<u>(798,723)</u>	<u>(734,343)</u>	<u>64,380</u>
Income (loss) before capital contributions and transfers	870,354	1,466,320	595,966
Capital contributions	-	47,000	47,000
Transfers out	<u>(580,466)</u>	<u>(580,492)</u>	<u>(26)</u>
Change in net position	289,888	932,828	642,940
Net position - beginning	10,149,963	10,149,963	-
Net position - ending	<u>\$ 10,439,851</u>	<u>\$ 11,082,791</u>	<u>\$ 642,940</u>
Reconciliation from Budgetary Basis to GAAP Basis:			
Depreciation		(742,725)	
Debt retirement		605,000	
Net Position - ending (GAAP Basis)		<u>\$ 10,945,066</u>	

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

**INDEPENDENT AUDITOR'S 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***

To the City Council
City of Crowley, Texas

We have audited, in accordance with auditing standards general 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, each major fund and the aggregate remaining fund information of the City of Crowley, Texas (the "City") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 12, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's 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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free from 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.

George Morgan, Jr., P.C.

Weatherford, Texas

February 12, 2020