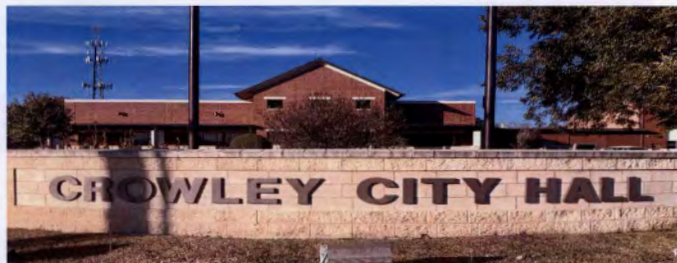


CITY OF CROWLEY, TEXAS

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2018



CITY OF CROWLEY, TEXAS
Annual Financial Report
For the year ended September 30, 2018

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FINANCIAL SECTION

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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, 2018, 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, 2018, 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.

Change in Accounting Principle

As discussed in Notes 12 and 16 to financial statements, in 2018 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

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 and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

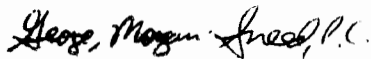
The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures 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 and individual nonmajor fund financial statements and schedules 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 January 28, 2019, 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.



Weatherford, Texas
January 28, 2019

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, 2018.

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 \$37,772,295 (*net position*) compared to \$34,368,399 for the prior year. Of this amount, \$9,866,584 (*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 \$3,591,264. The City's governmental activities net position increased by \$2,013,373 and the business-type activities net position increased by \$1,577,891.
- As of the close of the current year, the City of Crowley's governmental funds reported combined ending fund balances of \$25,919,719 compared to \$14,009,299 for the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$7,481,905, or 66% 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 \$37,772,295 as of September 30, 2018. Below is a summary of the City's Statement of Net Position.

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 28,390,931	\$ 15,988,422	\$ 9,485,014	\$ 7,792,704	\$ 37,875,945	\$ 23,781,126
Capital assets	30,852,663	30,709,272	12,070,243	12,257,585	42,922,906	42,966,857
Total Assets	<u>59,243,594</u>	<u>46,697,694</u>	<u>21,555,257</u>	<u>20,050,289</u>	<u>80,798,851</u>	<u>66,747,983</u>
Deferred outflows of resources	1,191,787	1,295,866	158,323	203,615	1,350,110	1,499,481
Current liabilities	1,637,226	1,229,470	1,454,453	904,502	3,091,679	2,133,972
Noncurrent liabilities	32,207,003	22,703,810	8,067,026	8,770,226	40,274,029	31,474,036
Total liabilities	<u>33,844,229</u>	<u>23,933,280</u>	<u>9,521,479</u>	<u>9,674,728</u>	<u>43,365,708</u>	<u>33,608,008</u>
Deferred inflows resources	930,081	243,951	80,877	27,106	1,010,958	271,057
Net position						
Net investment in capital assets	12,427,405	16,772,495	8,185,825	7,406,736	20,613,230	24,179,231
Restricted	6,852,350	2,415,882	440,131	141,676	7,292,481	2,557,558
Unrestricted	6,381,316	4,627,952	3,485,268	3,003,658	9,866,584	7,631,610
Total net position	<u>\$ 25,661,071</u>	<u>\$ 23,816,329</u>	<u>\$ 12,111,224</u>	<u>\$ 10,552,070</u>	<u>\$ 37,772,295</u>	<u>\$ 34,368,399</u>

The largest portion of the City's net position (55%) 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 (19%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$9,866,584 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.

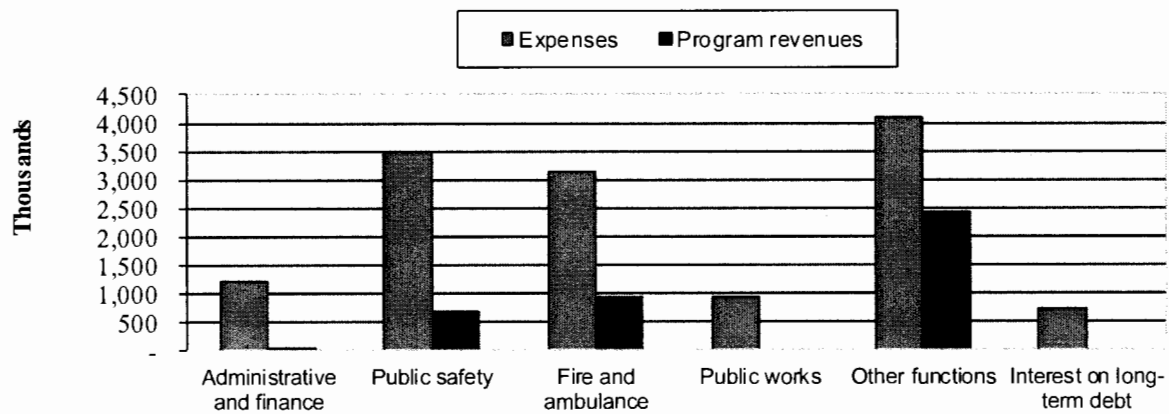
Below is a summary of the City's Statement of Activities.

Changes in Net Position

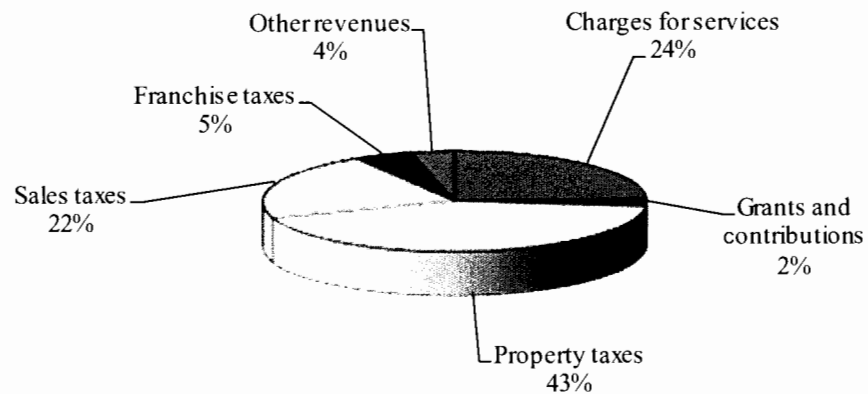
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 3,679,261	\$ 3,237,847	\$ 7,353,719	\$ 6,302,356	\$ 11,032,980	\$ 9,540,203
Operating grants and contributions	360,439	365,947	-	-	360,439	365,947
Capital grants and contributions	-	-	33,369	-	33,369	-
General revenues:						
Property taxes	6,422,281	6,021,716	-	-	6,422,281	6,021,716
Sales taxes	3,253,481	3,190,638	-	-	3,253,481	3,190,638
Franchise taxes	732,203	783,558	-	-	732,203	783,558
Oil & gas royalties	175,705	484,816	-	-	175,705	484,816
Investment earnings	295,900	109,881	49,369	23,281	345,269	133,162
Other revenue	51,180	29,197	-	-	51,180	29,197
Insurance recoveries	26,515	97,248	-	-	26,515	97,248
Total revenues	14,996,965	14,320,848	7,436,457	6,325,637	22,433,422	20,646,485
Expenses						
Administration and finance	1,203,941	944,131			1,203,941	944,131
Municipal court	230,149	280,147			230,149	280,147
Library	542,595	503,669			542,595	503,669
Senior citizens	30,132	30,702			30,132	30,702
Public safety	3,499,148	3,582,962			3,499,148	3,582,962
Fire and ambulance	3,123,446	2,854,557			3,123,446	2,854,557
Public works	938,378	933,676			938,378	933,676
Parks	467,024	516,296			467,024	516,296
Recreation center	773,823	688,487			773,823	688,487
Animal control	288,769	289,389			288,769	289,389
Code enforcement	52,501	51,899			52,501	51,899
Community development	396,153	272,968			396,153	272,968
Sanitation	737,996	703,660			737,996	703,660
Economic development	91,607	126,185			91,607	126,185
Nondepartmental	477,057	496,149			477,057	496,149
Interest and fiscal charges	711,339	635,886			711,339	635,886
Stormwater utility			22,344	22,340	22,344	22,340
Water and Sewer			5,255,756	4,823,936	5,255,756	4,823,936
Total expenses	13,564,058	12,910,763	5,278,100	4,846,276	18,842,158	17,757,039
Increase (decrease) in net position before transfers	1,432,907	1,410,085	2,158,357	1,479,361	3,591,264	2,889,446
Transfers	580,466	580,466	(580,466)	(580,466)	-	-
Increase (decrease) in net position	2,013,373	1,990,551	1,577,891	898,895	3,591,264	2,889,446
Net position-beginning	23,816,329	21,825,778	10,552,070	9,653,175	34,368,399	31,478,953
Prior period adjustment	(168,631)	-	(18,737)	-	(187,368)	-
Net position-ending	\$ 25,661,071	\$ 23,816,329	\$ 12,111,224	\$ 10,552,070	\$ 37,772,295	\$ 34,368,399

Below are two graphs summarizing governmental revenues and expenses:

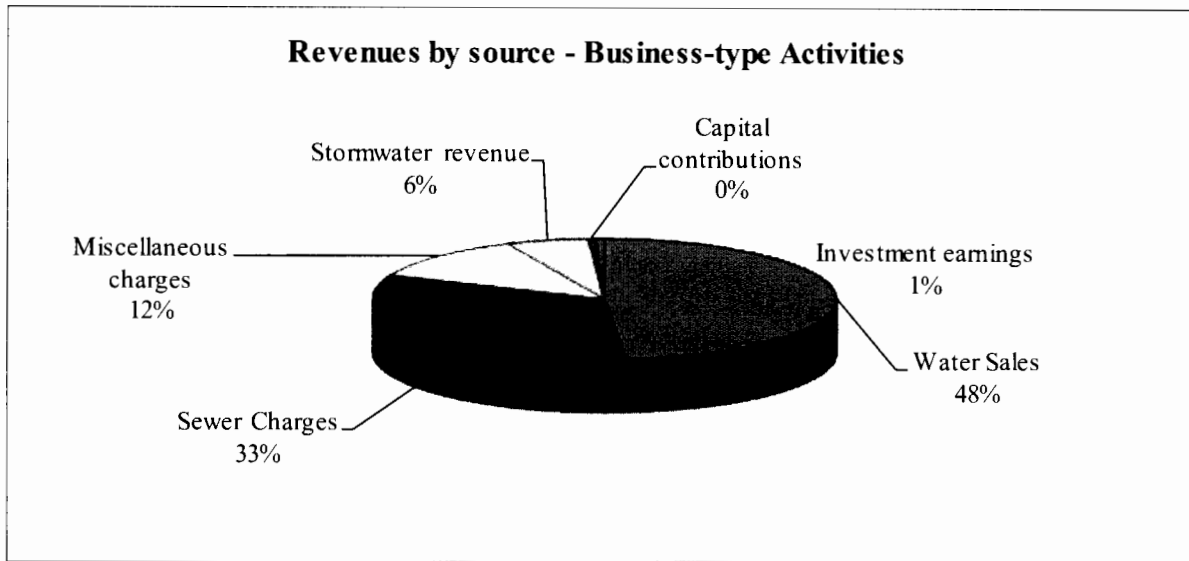
Expenses and Program Revenues - Governmental Activities

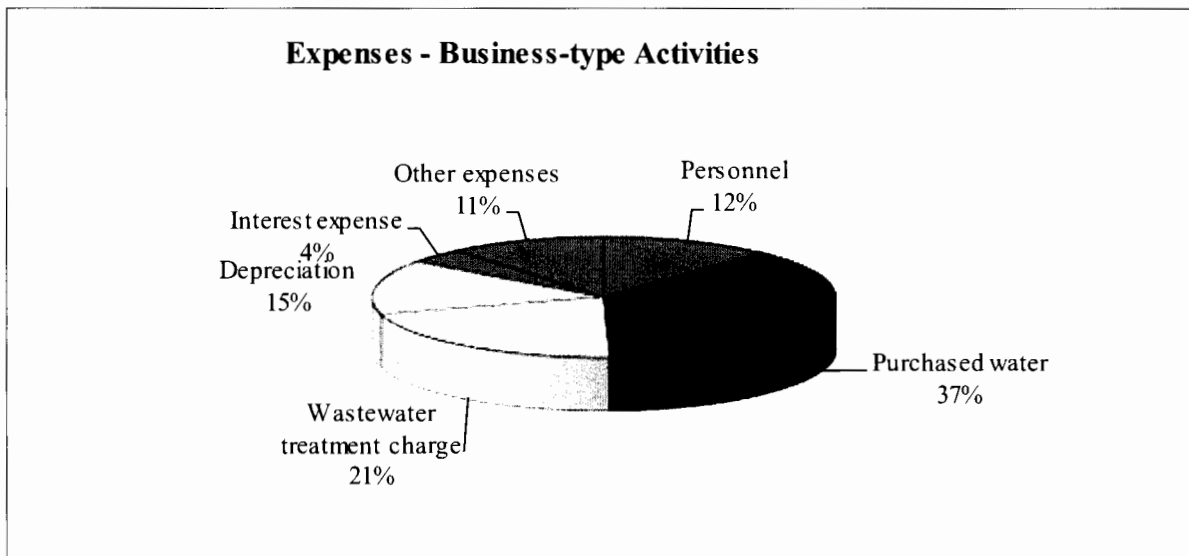


Revenues by Source - Governmental Activities



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 \$25,919,719. \$7,481,905 (29%) 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 \$7,481,905. The fund balance of the general fund increased \$500,058. Revenues increased \$661,647 (6%) and expenditures increased \$943,007 (9%). Key factors in these changes are as follows:

- Property taxes revenue increased \$387,306 primarily due to increase in property tax values approximately \$87 million.
- Licenses and permits increased \$548,556 primarily due to increase in subdivision development.
- Investment earnings increased \$159,063 primarily due to increase in interest rates.
- Oil and gas revenue decreased \$309,111 because in 2017 the City received back payments from Chesapeake amounting to \$302,213.
- Charges for services decreased \$58,481 primarily due to decrease in EMS revenues, recreation center revenues and police officer resource revenue.
- Fees and fines decreased \$58,061. Court fines decreased \$69,744 primarily due to decrease in citations. Development fees increased \$29,165 due to increase in subdivision development.
- Fire and ambulance expenditures increased \$263,076. Hired three (3) firefighters and repaired fire truck damaged by fire.
- Nondepartmental expenditures increased \$329,500 primarily due to increase in expenditures related to Trampoline Park and Main Street projects.
- Community development expenditures increased \$127,874 primarily due to salary and benefits of Community Development Director hired and other increase in operating.
- Administrative and finance expenditures increased \$104,055 primarily due to salary raises and other increase in operating.

Below is a comparison of the general fund's net change in fund balance for 2018 and 2017.

			Increase (Decrease)	Percent Increase (Decrease)
REVENUES	9/30/2018	9/30/2017		
Taxes:				
Property	\$ 4,493,156	\$ 4,105,850	\$ 387,306	9%
Sales	1,665,666	1,631,604	34,062	2%
Franchise	753,342	754,735	(1,393)	0%
Charges for service	1,911,034	1,969,515	(58,481)	-3%
Fees and Fines	626,574	684,635	(58,061)	-8%
Licenses and permits	1,032,110	483,554	548,556	113%
Grants and contributions	314,963	306,806	8,157	3%
Oil & Gas Revenue	175,705	484,816	(309,111)	-64%
Investment Earnings	259,542	100,479	159,063	158%
Other revenue	77,694	126,145	(48,451)	-38%
Total revenues	<u>11,309,786</u>	<u>10,648,139</u>	<u>661,647</u>	<u>6%</u>
EXPENDITURES				
Administrative and finance	828,253	724,198	104,055	14%
Municipal court	206,057	244,795	(38,738)	-16%
Library	480,255	424,406	55,849	13%
Senior citizens	30,132	30,702	(570)	-2%
Public safety	2,848,188	2,886,823	(38,635)	-1%
Fire and ambulance	2,846,520	2,583,444	263,076	10%
Public works	411,935	397,961	13,974	4%
Parks	370,375	371,116	(741)	0%
Recreation Center	543,698	483,209	60,489	13%
Animal Control	264,355	233,968	30,387	13%
Code enforcement	52,230	50,079	2,151	0%
Community development	395,611	267,737	127,874	48%
Sanitation	737,996	703,660	34,336	5%
Nondepartmental	1,374,589	1,045,089	329,500	32%
Total expenditures	<u>11,390,194</u>	<u>10,447,187</u>	<u>943,007</u>	<u>9%</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	580,466	580,466	-	
Transfers out	-	(145,857)	145,857	
NET CHANGE IN FUND BALANCE	<u>\$ 500,058</u>	<u>\$ 635,561</u>	<u>\$ (135,503)</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 \$3,485,268. Total net position increased \$1,577,891. Total revenues increased \$1,110,820 (18%) and total expenses increased \$431,824 (9%). Key factors of these changes are as follows:

- Charges for services increased \$1,051,363 primarily due to increase in water revenues by \$422,803 (13%). Water customers increased due to subdivision development and consumption increased 75 million gallons. Water and sewer rates remained the same. Sewer revenues increased \$156,068 because of increase in water consumption, miscellaneous water revenues increased \$435,258 and stormwater revenues increased \$37,235 because of subdivision development and increase in stormwater rates.

- Purchased water increased \$346,810 primarily due to increase in purchased/pumped gallons by 83 million gallons.
- Water treatment charge increased \$194,074 primarily due to increase water consumption.
- Depreciation expense decreased \$53,699, nondepartmental expense decreased \$35,488 and interest expense decreased \$38,935.

General Fund Budgetary Highlights

The City made revisions 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 5% or \$536,102.

General fund actual expenditures exceeded appropriations by \$347,879. Excess expenditures were funded by excess revenues.

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of September 30, 2018, amounts to \$42,922,906 (net of accumulated depreciation).

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

Governmental Activities:

- \$397,856 was spent on the 320 E. Main building improvements during the year.
- \$687,716 was spent on the 320 E. Main Street façade and downtown plaza projects during the year.
- \$434,242 was spent on the municipal way project during the year.
- \$127,132 was spent on the jail security project.
- \$163,750 was spent on three (3) vehicles for police and animal control.

Business-type activities:

- \$184,455 was spent on the sewer line extension project during the year.
- \$322,969 was spent on the water lane project during the year.
- \$57,724 was spent on two (2) vehicles and utility equipment.

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 4,762,002	4,762,002	34,751	34,751	4,796,753	4,796,753
Construction in progress	1,335,254	810,804	342,248	22,648	1,677,502	833,452
Buildings and improvements	15,125,216	15,413,451	1,600,352	1,669,121	16,725,568	17,082,572
Infrastructure/utility system	7,785,001	7,807,502	9,610,115	9,955,192	17,395,116	17,762,694
Equipment and furniture	1,845,190	1,915,513	482,777	575,873	2,327,967	2,491,386
Total	<u>30,852,663</u>	<u>30,709,272</u>	<u>12,070,243</u>	<u>12,257,585</u>	<u>42,922,906</u>	<u>42,966,857</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 and capital leases payable of \$37,878,486. Of this amount, \$12,197,664 are bonded debt backed by the full faith and credit of the government, \$25,539,011 are certificates of obligation secured by ad valorem taxes and surplus revenues of the water and sewer revenues and \$2,141,811 are revenue bonds secured by sale tax revenue. Outstanding at year-end are as follows:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$ 9,166,452	\$ 10,065,904	\$ 3,031,212	\$ 3,347,601	\$ 12,197,664	\$ 13,413,505
Certificates of Obligation	18,679,724	7,666,534	4,859,287	5,154,744	23,539,011	12,821,278
Revenue Bonds	2,141,811	2,271,950	-	-	2,141,811	2,271,950
Total	<u>\$ 29,987,987</u>	<u>\$ 20,004,388</u>	<u>\$ 7,890,499</u>	<u>\$ 8,502,345</u>	<u>\$ 37,878,486</u>	<u>\$ 28,506,733</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 1% (\$474,080) in fiscal year 2018-2019 when compared to the 2017-2018 amended budget to \$11,478,098. The adopted tax rate is \$.7090 per \$100 of taxable value. The largest increases in the revenue budget are on property tax revenue (\$283,128), sales tax revenue (\$55,000), charges for services (\$142,572), permit fees (\$84,680), and other revenues (\$18,600). The largest decrease is on fees and fines (\$123,900).

General fund expenditures are budgeted to increase 4% (\$410,013) when compared to the prior year amended appropriations to \$11,452,328. The largest increases are \$62,372 in administrative and finance appropriations, \$24,507 in library appropriations, \$232,191 in police appropriations, \$437,341 in fire and ambulance appropriations and \$19,921 in public works appropriations. The largest decreases are \$33,353 recreation center appropriations, \$58,454 animal control appropriations, \$141,993 parks appropriations, and \$126,189 nondepartmental 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

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CITY OF CROWLEY, TEXAS
Statement of Net Position
September 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 624,692	\$ 3,111,853	\$ 3,736,545
Investments	25,962,876	1,915,133	27,878,009
Receivables (net of allowance for uncollectibles)			
Property taxes	216,167	-	216,167
Other taxes	846,646	-	846,646
Accounts	508,587	820,082	1,328,669
Miscellaneous	209,228	36,498	245,726
Inventory	22,735	12,273	35,008
Restricted assets			
Investments	-	3,589,175	3,589,175
Capital assets			
Nondepreciable	6,097,256	376,999	6,474,255
Depreciable, net of accumulated depreciation	24,755,407	11,693,244	36,448,651
Total Assets	59,243,594	21,555,257	80,798,851
Deferred Outflows of Resources			
Deferred outflow related to pension	967,159	84,101	1,051,260
Deferred outflow related to OPEB	15,655	1,361	17,016
Deferred charges on refunding	208,973	72,861	281,834
Total Deferred Outflows of Resources	1,191,787	158,323	1,350,110
LIABILITIES			
Accounts payable	499,286	855,742	1,355,028
Accrued payroll liabilities	344,232	30,061	374,293
Due to other governments	29,602	-	29,602
Unearned revenue	626,169	-	626,169
Internal balances	26	(26)	-
Interest payable	137,911	23,635	161,546
Customer deposits payable	-	545,041	545,041
Noncurrent liabilities:			
Due within one year	2,197,013	658,205	2,855,218
Due in more than one year	30,009,990	7,408,821	37,418,811
Total liabilities	33,844,229	9,521,479	43,365,708
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow related to TMRS pension	930,081	80,877	1,010,958
Total deferred inflows of resources	930,081	80,877	1,010,958
NET POSITION			
Net investment in capital assets	12,427,405	8,185,825	20,613,230
Restricted for:			
Capital improvements	-	440,131	440,131
Debt service	334,429	-	334,429
Public safety	817,887	-	817,887
Economic development	5,449,330	-	5,449,330
Grant program	38,280	-	38,280
Community program	212,424	-	212,424
Unrestricted	6,381,316	3,485,268	9,866,584
Total net position	\$ 25,661,071	\$ 12,111,224	\$ 37,772,295

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, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Administration and finance	\$ 1,203,941	\$ 985	\$ -	\$ -
Municipal court	230,149	15,640	-	-
Library	542,595	13,174	4,634	-
Senior citizens	30,132	-	-	-
Public safety	3,499,148	660,782	21,441	-
Fire and ambulance	3,123,446	620,900	319,372	-
Public works	938,378	-	-	-
Parks	467,024	98,926	-	-
Recreation Center	773,823	136,153	-	-
Animal control	288,769	15,540	9,642	-
Code enforcement	52,501	-	-	-
Community development	396,153	1,284,556	-	-
Sanitation	737,996	793,036	-	-
Economic development	91,607	39,569	-	-
Nondepartmental	477,057	-	5,350	-
Interest and fiscal charges	711,339	-	-	-
Total governmental activities	13,564,058	3,679,261	360,439	-
Business-type activities:				
Water and sewer	5,255,756	6,928,355	-	33,369
Stormwater utility	22,344	425,364	-	-
Total business-type activities	5,278,100	7,353,719	-	33,369
Total primary government	\$ 18,842,158	\$ 11,032,980	\$ 360,439	\$ 33,369

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

Prior period adjustment

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
\$ (1,202,956)	\$ -	\$ (1,202,956)
(214,509)	-	(214,509)
(524,787)	-	(524,787)
(30,132)	-	(30,132)
(2,816,925)	-	(2,816,925)
(2,183,174)	-	(2,183,174)
(938,378)	-	(938,378)
(368,098)	-	(368,098)
(637,670)	-	(637,670)
(263,587)	-	(263,587)
(52,501)	-	(52,501)
888,403	-	888,403
55,040	-	55,040
(52,038)	-	(52,038)
(471,707)	-	(471,707)
(711,339)	-	(711,339)
(9,524,358)	-	(9,524,358)
-	1,705,968	1,705,968
-	403,020	403,020
-	2,108,988	2,108,988
<u>\$ (9,524,358)</u>	<u>\$ 2,108,988</u>	<u>\$ (7,415,370)</u>
\$ 4,526,386	-	4,526,386
1,804,225	-	1,804,225
91,670	-	91,670
3,253,481	-	3,253,481
732,203	-	732,203
175,705	-	175,705
295,900	49,369	345,269
51,180	-	51,180
580,466	(580,466)	-
26,515	-	26,515
11,537,731	(531,097)	11,006,634
2,013,373	1,577,891	3,591,264
23,816,329	10,552,070	34,368,399
(168,631)	(18,737)	(187,368)
<u>\$ 25,661,071</u>	<u>\$ 12,111,224</u>	<u>\$ 37,772,295</u>

CITY OF CROWLEY, TEXAS
Balance Sheet
Governmental Funds
September 30, 2018

	General	Debt Service	Capital Projects	Economic Development Corporation	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 470,771	\$ 11,587	\$ 52,225	\$ -	\$ 90,109	\$ 624,692
Investments	7,974,519	407,451	11,538,835	5,138,942	903,129	25,962,876
Receivables (Net of allowances for uncollectibles)						
Property taxes	154,559	61,608	-	-	-	216,167
Other taxes	546,809	-	-	155,719	144,118	846,646
Accounts	508,587	-	-	-	-	508,587
Miscellaneous	209,215	-	-	-	13	209,228
Inventory	22,735	-	-	-	-	22,735
Due from other funds	64,187	-	-	-	175,495	239,682
Total assets	<u>9,951,382</u>	<u>480,646</u>	<u>11,591,060</u>	<u>5,294,661</u>	<u>1,312,864</u>	<u>28,630,613</u>
LIABILITIES						
Accounts payable	447,573	-	28,331	10,613	12,768	499,285
Accrued payroll liabilities	344,232	-	-	-	-	344,232
Interest payable	-	35,306	-	-	-	35,306
Unearned revenue	624,134	-	-	-	2,035	626,169
Due to other governments	29,602	-	-	-	-	29,602
Due to other funds	126,217	49,304	-	18,296	45,892	239,709
Total liabilities	<u>1,571,758</u>	<u>84,610</u>	<u>28,331</u>	<u>28,909</u>	<u>60,695</u>	<u>1,774,303</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	874,984	61,607	-	-	-	936,591
Total deferred inflows of resources	<u>874,984</u>	<u>61,607</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>936,591</u>
FUND BALANCES						
Nonspendable						
Inventory	22,735	-	-	-	-	22,735
Restricted	-	334,429	11,562,729	5,265,752	1,252,169	18,415,079
Unassigned	7,481,905	-	-	-	-	7,481,905
Total fund balances	<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>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,951,382</u>	<u>\$ 480,646</u>	<u>\$ 11,591,060</u>	<u>\$ 5,294,661</u>	<u>\$ 1,312,864</u>	<u>\$ 28,630,613</u>

CITY OF CROWLEY, TEXAS
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
September 30, 2018

Total fund balances - governmental funds		\$ 25,919,719
Capital assets used in governmental activities are not financial resources and therefore are reported in the governmental funds. The cost of these assets was \$58,364,595 and the accumulated depreciation was \$27,511,932. The net effect of including the ending balances of capital assets (net of depreciation) in the governmental activities is to increase net position.		30,852,663
Deferred charges on refunding related to governmental activity debt are not financial resources and, therefore, are not reported in the governmental funds.		208,973
Long-term liabilities, including \$29,987,987 bonds and \$450,247 compensated absences payable are not due and payable in the current period, and, therefore are not reported as liabilities in the fund financial statements.		(30,438,234)
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	\$ (1,561,958)	
Deferred outflow related to pension	967,159	
Deferred inflow related to pension	<u>(930,081)</u>	(1,524,880)
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	\$ (206,811)	
Deferred outflow related to OPEB	<u>15,655</u>	(191,156)
Interest payable is not expected to be liquidated with available financial resources and is not reported as a liability in the fund financial statements.		(102,605)
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.		<u>936,591</u>
Net position of governmental activities		<u><u>\$ 25,661,071</u></u>

CITY OF CROWLEY, TEXAS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2018

	General	Debt Service	Capital Projects	Economic Development Corporation	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes						
Property	\$ 4,493,156	\$ 1,790,979	\$ -	\$ -	\$ 91,670	\$ 6,375,805
Sales	1,665,666	-	-	829,550	758,265	3,253,481
Franchise taxes	753,342	-	-	-	20,857	774,199
Charges for service	1,911,034	-	-	-	-	1,911,034
Fees and fines	626,574	-	-	-	13,095	639,669
Licenses and permits	1,032,110	-	-	-	-	1,032,110
Grants and contributions	314,963	-	-	-	45,476	360,439
Oil and gas revenue	175,705	-	-	-	-	175,705
Investment earnings	259,542	-	-	26,432	9,926	295,900
Other revenue	77,694	-	-	39,569	3,220	120,483
Total revenues	<u>11,309,786</u>	<u>1,790,979</u>	<u>-</u>	<u>895,551</u>	<u>942,509</u>	<u>14,938,825</u>
EXPENDITURES						
Current:						
Administrative and finance	828,253	-	-	190,974	-	1,019,227
Municipal court	206,057	-	-	-	20,476	226,533
Library	480,255	-	-	-	-	480,255
Senior citizens center	30,132	-	-	-	-	30,132
Public safety	2,848,188	-	-	-	451,377	3,299,565
Fire and ambulance	2,846,520	-	-	-	27,763	2,874,283
Public works	411,935	-	-	-	-	411,935
Parks	370,375	-	-	-	-	370,375
Recreation center	543,698	-	-	-	-	543,698
Animal control	264,355	-	-	-	-	264,355
Code enforcement	52,230	-	-	-	-	52,230
Community development	395,611	-	-	-	-	395,611
Sanitation	737,996	-	-	-	-	737,996
Economic development	-	-	-	539,950	-	539,950
Nondepartmental	1,374,589	-	-	-	-	1,374,589
Capital outlay	-	-	276,106	-	-	276,106
Debt service:						
Principal	-	1,265,000	-	120,000	230,000	1,615,000
Interest and fiscal charges	-	469,165	-	89,650	38,216	597,031
Bond issuance costs	-	114,930	-	71,198	-	186,128
Total expenditures	<u>11,390,194</u>	<u>1,849,095</u>	<u>276,106</u>	<u>1,011,772</u>	<u>767,832</u>	<u>15,294,999</u>
Excess (deficiency) of revenues over expenditures	<u>(80,408)</u>	<u>(58,116)</u>	<u>(276,106)</u>	<u>(116,221)</u>	<u>174,677</u>	<u>(356,174)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	580,466	-	7,250,000	-	-	7,830,466
Transfers out	-	(7,250,000)	-	-	-	(7,250,000)
Bond issuance proceeds	-	6,980,000	-	4,100,000	-	11,080,000
Bond Premium	-	384,930	-	221,198	-	606,128
Total other financing sources (uses)	<u>580,466</u>	<u>114,930</u>	<u>7,250,000</u>	<u>4,321,198</u>	<u>-</u>	<u>12,266,594</u>
Net change in fund balances	500,058	56,814	6,973,894	4,204,977	174,677	11,910,420
Fund balances - beginning	<u>7,004,582</u>	<u>277,615</u>	<u>4,588,835</u>	<u>1,060,775</u>	<u>1,077,492</u>	<u>14,009,299</u>
Fund balances - ending	<u><u>\$ 7,504,640</u></u>	<u><u>\$ 334,429</u></u>	<u><u>\$11,562,729</u></u>	<u><u>\$ 5,265,752</u></u>	<u><u>\$ 1,252,169</u></u>	<u><u>\$25,919,719</u></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, 2018

Total net change in fund balances - governmental funds	\$ 11,910,420
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 \$2,016,786 of capital outlays and \$1,615,000 of debt principal payments is to increase net position.	3,631,786
Current year proceeds from issuance of bonds are other financing sources in the fund financial statements. The net effect of the increase in certificates of obligation is a decrease in net position.	(11,686,128)
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.	(1,873,395)
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	58,140
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.	(4,568)
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.	(22,525)
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 \$26,193 decrease in interest payable and \$72,177 increase in compensated absences and \$45,627 amortization of deferred charges and premiums decreased net position.	(357)
Change in net position of governmental activities	<u><u>\$ 2,013,373</u></u>

CITY OF CROWLEY, TEXAS
Statement of Net Position
Proprietary Funds
September 30, 2018

	Water and Sewer Fund	Stormwater Utility	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,314,782	\$ 1,797,071	\$ 3,111,853
Investments	1,915,133	-	1,915,133
Receivables (Net of allowance for uncollectibles):			
Accounts	767,148	52,934	820,082
Miscellaneous	36,498	-	36,498
Due from other funds	26	-	26
Inventory	12,273	-	12,273
Restricted Assets			
Investments	3,589,175	-	3,589,175
Total current assets	<u>7,635,035</u>	<u>1,850,005</u>	<u>9,485,040</u>
Noncurrent Assets:			
Capital assets, at cost			
Non-depreciable assets	376,999	-	376,999
Depreciable assets, net of accumulated depreciation	11,581,988	111,256	11,693,244
Total noncurrent assets	<u>11,958,987</u>	<u>111,256</u>	<u>12,070,243</u>
Total assets	<u>19,594,022</u>	<u>1,961,261</u>	<u>21,555,283</u>
Deferred Outflows of Resources			
Deferred outflows related to pension	84,101	-	84,101
Deferred outflows related to OPEB	1,361	-	1,361
Deferred charges on refunding	72,861	-	72,861
Total Deferred Outflows of Resources	<u>\$ 158,323</u>	<u>\$ -</u>	<u>\$ 158,323</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 855,742	\$ -	\$ 855,742
Accrued payroll liabilities	30,061	-	30,061
Compensated absences	16,359	-	16,359
Current portion of long-term liabilities	641,846	-	641,846
Interest payable	23,635	-	23,635
Current Liabilities Payable from Restricted Assets			
Customer deposits payable	545,041	-	545,041
Total current liabilities	<u>2,112,684</u>	<u>-</u>	<u>2,112,684</u>
Noncurrent Liabilities			
Compensated absences	6,362	-	6,362
Net pension liability	135,822	-	135,822
Total OPEB liability	17,984	-	17,984
Bonds payable	7,248,653	-	7,248,653
Total noncurrent liabilities	<u>7,408,821</u>	<u>-</u>	<u>7,408,821</u>
Total liabilities	<u>9,521,505</u>	<u>-</u>	<u>9,521,505</u>
Deferred Inflows of Resources			
Deferred inflow related to pension	80,877	-	80,877
Total Deferred Inflows of Resources	<u>80,877</u>	<u>-</u>	<u>80,877</u>
NET POSITION			
Net investment in capital assets	8,074,569	111,256	8,185,825
Restricted for impact fees for capital improvements (Expendable)	440,131	-	440,131
Unrestricted	1,635,263	1,850,005	3,485,268
Total net position	<u>\$ 10,149,963</u>	<u>\$ 1,961,261</u>	<u>\$ 12,111,224</u>

CITY OF CROWLEY, TEXAS
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2018

	Water and Sewer Fund	Stormwater Utility	Totals
Operating revenues			
Charges for services:			
Water Sales	\$ 3,604,992	\$ -	\$ 3,604,992
Sewer charges	2,450,150	-	2,450,150
Stormwater revenue	-	425,364	425,364
Miscellaneous water charges	873,213	-	873,213
Total operating revenue	<u>6,928,355</u>	<u>425,364</u>	<u>7,353,719</u>
Operating expenses			
Personnel services	628,881	-	628,881
Professional services	73,819	-	73,819
Purchased water	1,986,623	-	1,986,623
Wastewater treatment charge	1,096,277	-	1,096,277
Contractual services	187,912	-	187,912
Insurance	47,716	-	47,716
Administrative	39,941	2,115	42,056
Repairs and maintenance	150,529	-	150,529
Utilities	68,053	-	68,053
Depreciation	760,747	20,229	780,976
Total operating expenses	<u>5,040,498</u>	<u>22,344</u>	<u>5,062,842</u>
Operating income (loss)	<u>1,887,857</u>	<u>403,020</u>	<u>2,290,877</u>
Nonoperating revenues (expenses):			
Investment earnings	49,369	-	49,369
Interest expense	(215,258)	-	(215,258)
Total nonoperating revenues (expenses)	<u>(165,889)</u>	<u>-</u>	<u>(165,889)</u>
Income (loss) before capital contributions and transfers	1,721,968	403,020	2,124,988
Capital contributions	33,369	-	33,369
Transfers out	<u>(580,466)</u>	<u>-</u>	<u>(580,466)</u>
Change in net position	1,174,871	403,020	1,577,891
Net position - beginning	8,993,829	1,558,241	10,552,070
Prior period adjustment	(18,737)	-	(18,737)
Net position - ending	<u>\$ 10,149,963</u>	<u>\$ 1,961,261</u>	<u>\$ 12,111,224</u>

CITY OF CROWLEY, TEXAS
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2018

	Water and Sewer Fund	Stormwater Utility	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 6,859,191	\$ 422,302	\$ 7,281,493
Cash paid to suppliers	(3,150,330)	(2,115)	(3,152,445)
Cash paid to employees	(627,577)	-	(627,577)
Net cash provided by operating activities	<u>3,081,284</u>	<u>420,187</u>	<u>3,501,471</u>
Cash flow from noncapital financing activities:			
Transfers to other funds	(580,466)	-	(580,466)
Net cash provided (used) by noncapital financing activities	<u>(580,466)</u>	<u>-</u>	<u>(580,466)</u>
Cash flow from capital and related financing activities:			
Principal payments on long-term debt	(575,000)	-	(575,000)
Capital outlay	(560,265)	-	(560,265)
Interest paid on capital debt	(254,147)	-	(254,147)
Net cash used by capital and related financing activities	<u>(1,389,412)</u>	<u>-</u>	<u>(1,389,412)</u>
Cash flow from investing activities:			
Proceeds from sale of investments	2,318,408	-	2,318,408
Purchase of investments	(2,685,021)	-	(2,685,021)
Investment earnings	49,369	-	49,369
Net cash provided by investing activities	<u>(317,244)</u>	<u>-</u>	<u>(317,244)</u>
Net increase (decrease) in cash and cash equivalents	794,162	420,187	1,214,349
Cash and cash equivalents, beginning	<u>520,620</u>	<u>1,376,884</u>	<u>1,897,504</u>
Cash and cash equivalents, ending	<u>\$ 1,314,782</u>	<u>\$ 1,797,071</u>	<u>\$ 3,111,853</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ 1,887,857	\$ 403,020	\$ 2,290,877
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	760,747	20,229	780,976
(Increase) decrease in accounts receivable	(69,164)	(3,062)	(72,226)
(Increase) decrease in miscellaneous receivables	(32,242)	-	(32,242)
(Increase) decrease in inventory	(6,879)	-	(6,879)
Increase (decrease) in accounts payable	521,108	-	521,108
Increase (decrease) in accrued payroll liabilities	5,602	-	5,602
Increase (decrease) in customer meter deposits	39,928	-	39,928
Increase (decrease) in net pension balances	(19,260)	-	(19,260)
Increase (decrease) in total OPEB balances	(2,115)	-	(2,115)
Increase (decrease) in compensated absences payable	(4,298)	-	(4,298)
Total adjustments	<u>1,193,427</u>	<u>17,167</u>	<u>1,210,594</u>
Net cash provided by operating activities	<u>\$ 3,081,284</u>	<u>\$ 420,187</u>	<u>\$ 3,501,471</u>
Water and sewer fund recorded contribution for sewer improvements	<u>\$ 33,369</u>	<u>\$ -</u>	<u>\$ 33,369</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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 \$215,258. Of this amount \$0 was included as part of the cost of capital assets under construction in connection with water and sewer construction projects.

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, 2018

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, 2018

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	\$ 22,735	\$ -	\$ -	\$ -	\$ -	\$ 22,735
Restricted						
Debt Service	-	334,429	-	-	-	334,429
Capital Projects	-	-	11,562,729	-	-	11,562,729
Public Safety - Police	-	-	-	-	741,457	741,457
Public Safety - Court	-	-	-	-	76,430	76,430
Economic Development	-	-	-	5,449,330	-	5,449,330
Grant programs	-	-	-	-	38,280	38,280
Public Education Grant	-	-	-	-	212,424	212,424
Unassigned	7,481,905	-	-	-	-	7,481,905
	<u>\$ 7,504,640</u>	<u>\$334,429</u>	<u>\$ 11,562,729</u>	<u>\$ 5,449,330</u>	<u>\$ 1,068,591</u>	<u>\$ 25,919,719</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)	\$ 18,415,079
Adjustment:	
Unspent proceeds from bonds reclassified to net investment in capital assets	(11,562,729)
Restricted net position (Exhibit A-1)	<u>\$ 6,852,350</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, 2018

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, 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.

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, 2018, 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, 2018

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	103 days	100.00%	<u>\$ 31,467,184</u>	<u>\$ 31,467,184</u>

(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, 2018, 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, 2018 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	<u>3,193,227</u>
Total	<u>\$ 3,589,175</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

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 39%, 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	\$ 251,541	\$ 100,265	\$ -	\$ -	\$ -	\$ -
Other taxes	546,809	-	155,719	144,118	-	-
Accounts	1,888,166	-	-	-	996,169	52,934
Miscellaneous	879,109	-	-	13	36,498	-
Gross receivables	3,565,625	100,265	\$ 155,719	144,131	1,032,667	52,934
Less: allowance for uncollectibles	(2,146,455)	(38,657)	0	-	(229,021)	-
Net total receivables	<u>\$ 1,419,170</u>	<u>\$ 61,608</u>	<u>\$ 155,719</u>	<u>\$ 144,131</u>	<u>\$ 803,646</u>	<u>\$ 52,934</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, 2018

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	\$ 154,559	\$ 61,607	\$ -	\$ 216,166
Deferred franchise tax revenue	178,496			178,496
Deferred EMS charges revenue	423,701			423,701
Deferred municipal court fees and fines	118,228			118,228
	<u>\$ 874,984</u>	<u>\$ 61,607</u>	<u>\$ -</u>	<u>\$ 936,591</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, 2018, is as follows:

Transfer In	Transfer Out	Amount	Purpose
General	Water and sewer	\$ 580,466	Use unrestricted revenues collected in the water and sewer fund to finance various general fund programs in accordance with budgetary authorizations.
Capital projects	Debt service	7,250,000	Transfer bond proceeds.
Total governmental funds transfers in		<u>\$ 7,830,466</u>	

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Transfers & Adjustments	Ending Balance
Governmental activities:					
Non - Depreciable Assets:					
Land	\$ 4,762,002	\$ -	\$ -	\$ -	\$ 4,762,002
Construction in progress	810,804	691,317	-	(166,867)	1,335,254
Total non-depreciable assets	<u>5,572,806</u>	<u>691,317</u>	<u>-</u>	<u>(166,867)</u>	<u>6,097,256</u>
Depreciable Assets:					
Building and improvements	22,662,128	417,548	-	102,144	23,181,820
Infrastructure/utility system	19,646,901	434,243	-	64,723	20,145,867
Equipment and furniture	8,529,974	473,678	(64,000)	-	8,939,652
Total capital assets being depreciated	<u>50,839,003</u>	<u>1,325,469</u>	<u>(64,000)</u>	<u>166,867</u>	<u>52,267,339</u>
Accumulated Depreciation:					
Building and improvements	(7,248,677)	(807,927)	-	-	(8,056,604)
Infrastructure/utility system	(11,839,399)	(521,467)	-	-	(12,360,866)
Equipment and furniture	(6,614,461)	(544,001)	64,000	-	(7,094,462)
Total accumulated depreciation	<u>(25,702,537)</u>	<u>(1,873,395)</u>	<u>64,000</u>	<u>-</u>	<u>(27,511,932)</u>
Governmental activities capital assets, net	<u>\$30,709,272</u>	<u>\$ 143,391</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$30,852,663</u>

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

Governmental activities:	
General government	\$ 182,004
Court	3,074
Library	70,073
Public safety	351,057
Fire and ambulance	238,874
Public works	531,719
Community development	-
Parks	176,321
Recreation center	265,391
Animal control	54,882
Total depreciation expense - governmental activities	<u>\$1,873,395</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

NOTE 7: CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Transfers & Adjustments	Ending Balance
Business-type activities:					
Non - Depreciable Assets:					
Land	\$ 34,751	\$ -	\$ -	\$ -	\$ 34,751
Construction in progress	22,648	507,423	-	(187,823)	342,248
Total non-depreciable assets	<u>57,399</u>	<u>507,423</u>	<u>-</u>	<u>(187,823)</u>	<u>376,999</u>
Depreciable Assets:					
Building and improvements	2,232,132	-	-	-	2,232,132
Infrastructure/utility system	18,147,707	16,700	-	187,823	18,352,230
Equipment and furniture	2,671,371	69,511	-	-	2,740,882
Total capital assets being depreciated	<u>23,051,210</u>	<u>86,211</u>	<u>-</u>	<u>187,823</u>	<u>23,325,244</u>
Accumulated Depreciation:					
Building and improvements	(563,011)	(68,769)	-	-	(631,780)
Infrastructure/utility system	(8,192,515)	(549,600)	-	-	(8,742,115)
Equipment and furniture	(2,095,498)	(162,607)	-	-	(2,258,105)
Total accumulated depreciation	<u>(10,851,024)</u>	<u>(780,976)</u>	<u>-</u>	<u>-</u>	<u>(11,632,000)</u>
Business-type activities capital assets, net	<u>\$12,257,585</u>	<u>\$ (187,342)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$12,070,243</u>

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

Business-type activities:	
Water and sewer	\$ 760,747
Stormwater utility	20,229
Total depreciation expense - business-type activities	<u>\$ 780,976</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. Capital Leases principal and interest are paid by the capital projects fund.

In August 2018, the City issued \$11,080,000 Combination Tax and Limited Pledge Revenues Certificates of Obligation, Series 2018. The bonds consisted of certificate of obligation bonds with interest rates ranging from 3.50% to 5.00%. The net proceeds will be used to pay contractual obligations of the City for making permanent public improvements and for other public purposes. The Certificates of Obligation were allocated \$6,980,000 to capital projects fund and \$4,100,000 to Economic Development Corporation.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

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

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

	<u>9/30/2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>9/30/2018</u>	<u>Due Within One Year</u>
General Obligation Bonds					
\$2,880,000; General Obligation Refunding Bonds, Series 2005 due in semi-annual installments from 2/1/2005; 3.92% until 2/1/2020.	\$ 465,000	\$ -	\$ 240,000	\$ 225,000	\$ 110,000
 \$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.	 490,000	 -	 100,000	 390,000	 100,000
Series 2012 unamortized bond premium	192,604	-	38,521	154,083	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.	 380,000	 -	 60,000	 320,000	 60,000
Series 2012A unamortized bond premium	29,947	-	4,991	24,956	4,991
 \$4,920,000; General Obligation Refunding Bonds, Series 2013, due in semi-annual installments from 2/1/2014; 2.19% until 2/1/2025.	 3,515,000	 -	 435,000	 3,080,000	 445,000
 \$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	 -	 -	 4,745,000	 25,000
Series 2017 unamortized bond premium	248,353	-	20,940	227,413	20,940
Total General Obligation Bonds	<u>\$ 10,065,904</u>	<u>\$ -</u>	<u>\$ 899,452</u>	<u>\$ 9,166,452</u>	<u>\$ 804,452</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

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

	<u>9/30/2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>9/30/2018</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.	\$ 725,000	\$ -	\$ 355,000	\$ 370,000	\$ 370,000
Series 2009 unamortized bond premium	12,626	-	6,313	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.	 3,915,000	 -	 205,000	 3,710,000	 215,000
Series 2012 unamortized premium	44,873	-	2,992	41,881	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.	 2,900,000	 -	 100,000	 2,800,000	 125,000
Series 2016 unamortized premium	69,035	-	3,633	65,402	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	 -	 11,080,000	 180,000
Series 2018 unamortized premium	-	606,128	-	606,128	30,307
Total Certificates of Obligation	<u>\$ 7,666,534</u>	<u>\$ 11,686,128</u>	<u>\$ 672,938</u>	<u>\$ 18,679,724</u>	<u>\$ 933,245</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.	2,130,000	-	120,000	2,010,000	125,000
Series 2016 unamortized premium	141,950	-	10,139	131,811	10,138
Total Revenue Bonds	<u>\$ 2,271,950</u>	<u>\$ -</u>	<u>\$ 130,139</u>	<u>\$ 2,141,811</u>	<u>\$ 135,138</u>
 Total OPEB liability	 <u>\$ 168,631</u>	 <u>\$ 38,180</u>	 <u>\$ -</u>	 <u>\$ 206,811</u>	 <u>\$ -</u>
 Net pension liability	 <u>\$ 2,321,352</u>	 <u>\$ -</u>	 <u>\$ 759,394</u>	 <u>\$ 1,561,958</u>	 <u>\$ -</u>
 Compensated absences	 <u>\$ 378,070</u>	 <u>\$ 404,869</u>	 <u>\$ 332,692</u>	 <u>\$ 450,247</u>	 <u>\$ 324,178</u>
Total Governmental Activities	<u>\$ 22,872,441</u>	<u>\$ 12,129,177</u>	<u>\$ 2,794,615</u>	<u>\$ 32,207,003</u>	<u>\$ 2,197,013</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

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

The aggregate debt service payments to maturity of the governmental activities general obligation bonds, certificates of obligation bonds and sales tax revenue bonds are as follows:

Year Ending September 30,	<u>General Obligation</u>		<u>Certificates of Obligation</u>		<u>Sales Tax Revenue Bonds</u>		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2019	\$ 740,000	\$ 232,543	\$ 890,000	\$ 640,144	\$ 125,000	\$ 85,650	\$ 2,713,337
2020	1,135,000	207,008	635,000	614,669	125,000	81,900	2,798,577
2021	1,045,000	177,465	835,000	590,494	130,000	78,150	2,856,109
2022	1,070,000	149,526	775,000	555,694	135,000	74,250	2,759,470
2023	1,005,000	122,289	810,000	523,419	140,000	68,850	2,669,558
2024 - 2028	3,225,000	293,297	4,600,000	2,076,000	785,000	254,400	11,233,697
2029 - 2033	540,000	8,100	5,210,000	1,123,607	570,000	58,000	7,509,707
2034 - 2038	-	-	4,205,000	403,161	-	-	4,608,161
Total debt service requirements	8,760,000	1,190,228	17,960,000	6,527,188	2,010,000	701,200	37,148,616
Add: Unamortized premium	406,452	-	719,724	-	131,811	-	1,257,987
	<u>\$ 9,166,452</u>	<u>\$ 1,190,228</u>	<u>\$18,679,724</u>	<u>\$ 6,527,188</u>	<u>\$ 2,141,811</u>	<u>\$ 701,200</u>	<u>\$ 38,406,603</u>

NOTE 9: BUSINESS-TYPE LONG-TERM DEBT

	<u>9/30/2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>9/30/2018</u>	<u>Due Within One Year</u>
General Obligation Bonds					
\$1,025,000; General Obligation Refunding Bonds, Series 2005 due in semi-annual installments from 2/1/2005; 3.92% until 2/1/2020.	\$ 100,000	\$ -	\$ 100,000	\$ -	\$ -
\$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.	1,255,000	-	190,000	1,065,000	200,000
Series 2012A unamortized bond premium	99,260	-	18,611	80,649	18,611
\$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	-	-	1,800,000	15,000
Series 2017 unamortized bond premium	93,341	-	7,778	85,563	7,778
Total General Obligation Bonds	<u>\$ 3,347,601</u>	<u>\$ -</u>	<u>\$ 316,389</u>	<u>\$ 3,031,212</u>	<u>\$ 241,389</u>

CITY OF CROWLEY, TEXAS

Notes to Financial Statements

September 30, 2018

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

	<u>9/30/2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>9/30/2018</u>	<u>Due Within One Year</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.	\$ 265,000	\$ -	\$ 130,000	\$ 135,000	\$ 135,000
Series 2009 unamortized bond premium	4,734	-	2,367	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.	 1,820,000	 -	 130,000	 1,690,000	 100,000
Series 2011 unamortized premium	55,975	-	4,265	51,710	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.	 2,940,000	 -	 25,000	 2,915,000	 155,000
Series 2016 unamortized premium	69,035	-	3,825	65,210	3,825
Total Certificates of Obligation	<u>\$ 5,154,744</u>	<u>\$ -</u>	<u>\$ 295,457</u>	<u>\$ 4,859,287</u>	<u>\$ 400,457</u>
 Total OPEB liability	 <u>\$ 18,737</u>	 <u>\$ -</u>	 <u>\$ 753</u>	 <u>\$ 17,984</u>	 <u>\$ -</u>
 Net pension liability	 <u>\$ 240,862</u>	 <u>\$ -</u>	 <u>\$ 105,040</u>	 <u>\$ 135,822</u>	 <u>\$ -</u>
 Compensated absences	 <u>\$ 27,019</u>	 <u>\$ 17,152</u>	 <u>\$ 21,450</u>	 <u>\$ 22,721</u>	 <u>\$ 16,359</u>
 Total Business-Type Activities	 <u><u>\$ 8,788,963</u></u>	 <u><u>\$ 17,152</u></u>	 <u><u>\$ 739,089</u></u>	 <u><u>\$ 8,067,026</u></u>	 <u><u>\$ 658,205</u></u>

CITY OF CROWLEY, TEXAS**Notes to Financial Statements****September 30, 2018****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, 2018, are as follows:

Year Ending September 30,	General Obligation		Certificates of Obligation		Total
	Principal	Interest	Principal	Interest	
2019	\$ 215,000	\$ 83,650	\$ 390,000	\$ 137,103	\$ 825,753
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 - 2028	935,000	104,238	1,410,000	365,535	2,814,773
2029 - 2033	200,000	3,000	1,305,000	131,445	1,639,445
2034 - 2038	-	-	540,000	16,810	556,810
Total debt service requirements	2,865,000	423,713	4,740,000	1,110,035	9,138,748
Add: Unamortized premium	166,212	-	119,287	-	285,499
	<u>\$ 3,031,212</u>	<u>\$ 423,713</u>	<u>\$ 4,859,287</u>	<u>\$ 1,110,035</u>	<u>\$ 9,424,247</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, 2018.

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, 2018

NOTE 11: DEFINED BENEFIT PENSION PLANS

Plan Description

The City participates as one of 883 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 2017</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, 2018

NOTE 11: DEFINED BENEFIT PENSION PLANS (continued)

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

Active employees	111
Inactive employees or beneficiaries currently receiving benefits	52
Inactive employees entitled to but not yet receiving benefits	74
	<u>237</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 10.76% and 10.63% in calendar years 2017 and 2018, respectively. The city's contributions to TMRS for the year ended September 30, 2018, were \$647,135, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	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

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 were 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

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

NOTE 11: DEFINED BENEFIT PENSION PLANS (continued)

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 are summarized in the following table:

Assest Class	Target Allocation	Long-Term Expected Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.90%
Real Return	10.00%	3.80%
Real Estate	10.00%	4.50%
Absolute Return	10.00%	3.75%
Private Equity	5.00%	7.50%
Total	100.00%	

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

NOTE 11: DEFINED BENEFIT PENSION PLANS (continued)

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/16	\$ 17,285,642	\$ 14,723,428	\$ 2,562,214
Changes for the year:			
Service cost	809,245	-	809,245
Interest	1,165,642	-	1,165,642
Changes in net benefit terms	-	-	-
Difference between expected and actual experience	143,078	-	143,078
Change of assumptions	-	-	-
Contributions - employer	-	612,770	(612,770)
Contributions - employee	-	341,694	(341,694)
Net investment income	-	2,039,047	(2,039,047)
Benefit payments, including refunds of employee contributions	(842,986)	(842,986)	-
Administrative expense	-	(10,575)	10,575
Other changes	-	(537)	537
Net changes	1,274,979	2,139,413	(864,434)
Balance at 12/31/17	\$ 18,560,621	\$ 16,862,841	\$ 1,697,780

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	\$4,824,591	\$1,697,780	(\$811,521)

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

NOTE 11: DEFINED BENEFIT PENSION PLANS (continued)

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, 2018, the City recognized pension expense of \$632,482.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ 185,692	\$ 174,673
Difference in assumption changes	8,441	-
Difference in projected and actual earnings	387,520	836,285
Contributions subsequent to the measurement date	469,607	-
Total	<u>\$ 1,051,260</u>	<u>\$ 1,010,958</u>

\$469,607 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, 2018. 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:

2018	\$ (18,030)
2019	(16,223)
2020	(201,907)
2021	(193,145)
2022	-
Thereafter	-
	<u>\$ (429,305)</u>

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.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

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

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

Active employees	111
Inactive employees currently receiving benefits	33
Inactive employees entitled to but not yet receiving benefits	11
	<hr/> 155 <hr/>

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 224,795 was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The Total OPEB Liability in the December 31, 2017 actuarial valuation was determined using actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5% per year
Overall payroll growth	3.50% to 10.50% including inflation
Discount rate*	3.31%
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, 2017.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

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

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, 2017 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

	Total OPEB Liability
Balance at 12/31/16	\$ 187,368
Changes for the year:	
Service cost	11,390
Interest on Total OPEB Liability	7,276
Changes in net benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions or other inputs	19,900
Benefit payments**	(1,139)
Net changes	37,427
Balance at 12/31/17	\$ 224,795

**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.

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	\$276,655	\$224,795	\$185,282

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

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

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

For the year ended September 30, 2018, the City recognized OPEB expense of \$21,550.

At September 30, 2018, the City reported deferred outflows of resources related to OPEB from changes in assumptions of \$17,016.

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

Year ended September 30:

2018	\$	2,884
2019		2,884
2020		2,884
2021		2,884
2022		2,884
Thereafter		2,596
	\$	<u>17,016</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.

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.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2018

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, which expire in 2031 and 2018, respectively. The contracts require the City to pay varying amounts based on the costs associated with water purchased and treated. Purchases during 2018 of treated water were \$1,986,623 and for the treatment of wastewater were \$1,096,277.

NOTE 15: SUBSEQUENT EVENTS

Subsequent events were evaluated through January 28, 2019, which is the date the financial statements were available to be issued.

NOTE 16: NEW ACCOUNTING PRONOUNCEMENTS

The City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement replaces the requirements of Statements No. 45 and No. 57 for accounting and financial reporting of postemployment benefits other than pensions. This statement requires government-wide and proprietary fund statements to recognize a liability equal to the Total OPEB liability and changes in the Total OPEB liability be included in OPEB expense in the period of change.

Beginning net position of the governmental activities and business-type activities was reduced by the following prior period adjustments:

	Governmental Activities	Business-type Activities	Total
Total OPEB Liability (12/31/17 measurement date)	\$ 168,631	\$ 18,737	\$ 187,368
Prior Period Adjustment	\$ 168,631	\$ 18,737	\$ 187,368

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF CROWLEY, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 4,437,080	\$ 4,521,000	\$ 4,493,156	\$ (27,844)
Sales	1,596,500	1,621,500	1,665,666	44,166
Franchise	750,500	750,500	753,342	2,842
Charges for service	1,834,286	1,886,062	1,911,034	24,972
Fees and fines	554,840	554,840	626,574	71,734
Licenses and permits	368,600	674,600	1,032,110	357,510
Grants and contributions	289,200	289,200	314,963	25,763
Oil & gas revenue	-	-	175,705	175,705
Investment earnings	65,000	65,000	259,542	194,542
Other revenue	33,350	60,850	77,694	16,844
Total revenues	<u>9,929,356</u>	<u>10,423,552</u>	<u>11,309,786</u>	<u>886,234</u>
EXPENDITURES				
Administrative and finance	803,671	834,341	828,253	6,088
Municipal court	215,492	219,792	206,057	13,735
Library	460,398	484,203	480,255	3,948
Senior center	34,243	34,243	30,132	4,111
Public safety	2,957,600	3,045,548	2,848,188	197,360
Fire and ambulance	2,777,956	2,833,339	2,846,520	(13,181)
Public works	412,462	436,444	411,935	24,509
Parks	300,079	493,859	370,375	123,484
Recreation Center	490,457	570,794	543,698	27,096
Animal Control	221,008	264,501	264,355	146
Code enforcement	53,298	54,482	52,230	2,252
Community development	354,009	451,912	395,611	56,301
Sanitation	705,000	705,000	737,996	(32,996)
Nondepartmental	720,540	613,857	1,374,589	(760,732)
Total expenditures	<u>10,506,213</u>	<u>11,042,315</u>	<u>11,390,194</u>	<u>(347,879)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(576,857)</u>	<u>(618,763)</u>	<u>(80,408)</u>	<u>538,355</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	580,466	580,466	580,466	-
Total other financing sources (uses)	<u>580,466</u>	<u>580,466</u>	<u>580,466</u>	<u>-</u>
Net change in fund balances	3,609	(38,297)	500,058	538,355
Fund balance - beginning	<u>7,004,582</u>	<u>7,004,582</u>	<u>7,004,582</u>	<u>-</u>
Fund balance - ending	<u>\$ 7,008,191</u>	<u>\$ 6,966,285</u>	<u>\$ 7,504,640</u>	<u>\$ 538,355</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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Sales tax	\$ 765,000	\$ 765,000	\$ 829,550	\$ 64,550
Other revenue	44,500	44,500	39,569	(4,931)
Investment earnings	1,500	1,500	26,432	24,932
Total revenues	<u>811,000</u>	<u>811,000</u>	<u>895,551</u>	<u>84,551</u>
EXPENDITURES				
Administrative	191,656	205,156	190,974	14,182
Economic development	64,000	64,000	539,950	(475,950)
Debt service				
Principal	120,000	120,000	120,000	-
Interest and fiscal charges	89,250	89,250	89,650	(400)
Bond issuance costs	-	-	71,198	(71,198)
Total expenditures	<u>464,906</u>	<u>478,406</u>	<u>1,011,772</u>	<u>(533,366)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>346,094</u>	<u>332,594</u>	<u>(116,221)</u>	<u>(448,815)</u>
OTHER FINANCING SOURCES (USES)				
Bond issued	-	-	4,100,000	4,100,000
Bond premium	-	-	221,198	221,198
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>4,321,198</u>	<u>4,321,198</u>
Net change in fund balances	346,094	332,594	4,204,977	3,872,383
Fund balance - beginning	<u>1,060,775</u>	<u>1,060,775</u>	<u>1,060,775</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,406,869</u>	<u>\$ 1,393,369</u>	<u>\$ 5,265,752</u>	<u>\$ 3,872,383</u>

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

Plan Fiduciary Net Position

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

Net Pension Liability

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

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

	2014	2015	2016	2017	2018
Actuarially Determined Contributions	\$ 518,829	\$ 554,893	\$ 543,837	\$ 595,975	\$ 647,135
Contributions in relation to the actuarially determined contributions	505,650	551,534	543,837	595,975	647,135
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
Contributions as a percentage of covered employee payroll	10.14%	10.49%	10.36%	10.62%	10.67%

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

Total OPEB Liability

	2017
Service cost	\$ 11,390
Interest (on the Total OPEB Liability)	7,276
Changes in net benefit terms	-
Difference between expected and actual experience	-
Change of assumptions or other inputs	19,900
Benefit payments	(1,139)
Net change in total OPEB liability	<u>37,427</u>
Total OPEB liability - beginning	<u>187,368</u>
Total OPEB Liability	<u>\$ 224,795</u>
 Covered-employee payroll	 \$ 5,694,899
 Total OPEB liability as a percentage of covered employee payroll	 3.95%

CITY OF CROWLEY
Notes to the Required Supplementary Information
For the Year Ended September 30, 2018

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, fire and ambulance, sanitation and nondepartmental expenditures exceeded appropriations by \$13,181, \$32,996, and \$760,732, respectively. Nondepartmental expenditures for Trampoline Park and 320 E. Main Street projects are not normally budgeted because oil and gas revenues are used to fund this projects. Overall, total actual expenditures exceeded appropriations by \$347,879. Excess expenditures were funded by excess revenues.

In the economic development corporation, actual economic development expenditures and bond issuance costs exceeded appropriations. Total actual expenditures exceeded appropriations by \$533,366 primarily due to ongoing development projects (East 1187 Expansion and Downtown Plaza). These projects were funded with bond issuance proceeds.

CITY OF CROWLEY
Notes to the Required Supplementary Information
For the Year Ended September 30, 2018

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
Remaining Amortization Period	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.500% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	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%

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.

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COMBINING FINANCIAL STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS

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CITY OF CROWLEY, TEXAS
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2018

	Nonmajor Special Revenue Funds		
	Court Technology & Security	Grant	LEOSE Training
Assets			
Cash and cash equivalents	\$ 2,263	\$ 35,055	\$ 14,461
Investments	66,777	-	-
Receivables (Net of allowances for uncollectibles)			
Other taxes	-	-	-
Miscellaneous	-	13	-
Due from other funds	8,445	-	-
Total assets	<u>\$ 77,485</u>	<u>\$ 35,068</u>	<u>\$ 14,461</u>
Liabilities			
Accounts payable	\$ 1,055	\$ 8,677	\$ 537
Due to other funds	-	-	-
Unearned revenue	-	2,035	-
Total liabilities	<u>1,055</u>	<u>10,712</u>	<u>537</u>
Fund balance			
Restricted	<u>76,430</u>	<u>24,356</u>	<u>13,924</u>
Total fund balances	<u>76,430</u>	<u>24,356</u>	<u>13,924</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 77,485</u>	<u>\$ 35,068</u>	<u>\$ 14,461</u>

Exhibit F-1

Crime Control & Prevention District	TIRZ #1	Public, Educational, and Government Access (PEG)	Total Nonmajor Funds
\$ -	\$ 16,528	\$ 21,802	\$ 90,109
648,574	-	187,778	903,129
141,274	-	2,844	144,118
-	-	-	13
-	167,050	-	175,495
<u>\$ 789,848</u>	<u>183,578</u>	<u>\$ 212,424</u>	<u>\$ 1,312,864</u>
\$ 2,499	\$ -	\$ -	\$ 12,768
45,892	-	-	45,892
-	-	-	2,035
<u>48,391</u>	<u>-</u>	<u>-</u>	<u>60,695</u>
741,457	183,578	212,424	1,252,169
<u>741,457</u>	<u>183,578</u>	<u>212,424</u>	<u>1,252,169</u>
<u>\$ 789,848</u>	<u>\$ 183,578</u>	<u>\$ 212,424</u>	<u>\$ 1,312,864</u>

CITY OF CROWLEY, TEXAS
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended September 30, 2018

	Nonmajor Special Revenue Funds		
	Court Technology & Security	Grant	LEOSE Training
Revenues			
Sales tax	\$ -	\$ -	\$ -
Property taxes	-	-	-
Fees and fines	13,095	-	-
Franchise fees	-	-	-
Grants and contributions	-	45,476	-
Investment earnings	-	-	-
Other	-	-	3,220
Total revenue	<u>13,095</u>	<u>45,476</u>	<u>3,220</u>
Expenditures			
Current			
Administrative	-	-	-
Municipal court	20,476	-	-
Library	-	-	-
Public safety	-	18,440	1,228
Economic development	-	-	-
Fire and ambulance	-	27,026	737
Capital outlay	-	-	-
Debt Service			
Principal	-	-	-
Interst and fiscal charges	-	-	-
Total expenditures	<u>20,476</u>	<u>45,466</u>	<u>1,965</u>
Excess (deficiency) of revenues over (under) expenditures	(7,381)	10	1,255
Other financing sources (uses)			
Tranfers in	-	-	-
Net change in fund balances	<u>(7,381)</u>	<u>10</u>	<u>1,255</u>
Fund balances - beginning	83,811	24,346	12,669
Fund balances - ending	<u>\$ 76,430</u>	<u>\$ 24,356</u>	<u>\$ 13,924</u>

Exhibit F-2

Crime Control & Prevention District	TIRZ #1	Public, Educational, and Government Access (PEG)	Total Nonmajor Funds
\$ 758,265	\$ -	\$ -	\$ 758,265
-	91,670	-	91,670
-	-	-	13,095
-	-	20,857	20,857
-	-	-	45,476
9,926	-	-	9,926
-	-	-	3,220
<u>768,191</u>	<u>91,670</u>	<u>20,857</u>	<u>942,509</u>
-	-	-	-
-	-	-	20,476
-	-	-	-
431,709	-	-	451,377
-	-	-	-
-	-	-	27,763
-	-	-	-
230,000	-	-	230,000
38,216	-	-	38,216
<u>699,925</u>	<u>-</u>	<u>-</u>	<u>767,832</u>
68,266	91,670	20,857	174,677
-	-	-	-
<u>68,266</u>	<u>91,670</u>	<u>20,857</u>	<u>174,677</u>
673,191	91,908	191,567	1,077,492
<u>\$ 741,457</u>	<u>\$ 183,578</u>	<u>\$ 212,424</u>	<u>\$ 1,252,169</u>

OTHER SUPPLEMENTARY INFORMATION

(Unaudited)

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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, 2018

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 1,775,436	1,775,436	1,790,979	\$ 15,543
Total revenues	<u>1,775,436</u>	<u>1,775,436</u>	<u>1,790,979</u>	<u>15,543</u>
EXPENDITURES				
Debt service				
Principal	1,265,000	1,265,000	1,265,000	-
Interest and fiscal charges	470,443	470,443	469,165	1,278
Bond issuance costs	-	-	114,930	(114,930)
Total debt service	<u>1,735,443</u>	<u>1,735,443</u>	<u>1,849,095</u>	<u>(113,652)</u>
Total expenditures	<u>1,735,443</u>	<u>1,735,443</u>	<u>1,849,095</u>	<u>(113,652)</u>
Excess (deficiency) of revenues over expenditures	<u>39,993</u>	<u>39,993</u>	<u>(58,116)</u>	<u>(98,109)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(7,250,000)	(7,250,000)
Bond issuance proceeds	-	-	6,980,000	6,980,000
Bond premium	-	-	384,930	384,930
Payment to refund bond escrow agent	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>114,930</u>	<u>114,930</u>
Net change in fund balance	39,993	39,993	56,814	16,821
FUND BALANCE - BEGINNING	<u>277,615</u>	<u>277,615</u>	<u>277,615</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 317,608</u>	<u>\$ 317,608</u>	<u>\$ 334,429</u>	<u>\$ 16,821</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, 2018

	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)
Operating revenues:			
Water sales	\$ 3,066,000	\$ 3,604,992	\$ 538,992
Sewer charges	2,217,000	2,450,150	233,150
Miscellaneous	284,920	873,213	588,293
Total operating revenue	<u>5,567,920</u>	<u>6,928,355</u>	<u>1,360,435</u>
Operating expenses:			
Personnel	696,121	628,881	67,240
Professional services	63,486	73,819	(10,333)
Purchased water	1,770,000	1,986,623	(216,623)
Wastewater treatment charge	1,200,000	1,096,277	103,723
Contractual services	173,186	187,912	(14,726)
Insurance	51,704	47,716	3,988
Administrative	28,440	39,941	(11,501)
Repairs and maintenance	103,268	150,529	(47,261)
Utilities	72,800	68,053	4,747
Total operating expenses	<u>4,159,005</u>	<u>4,279,751</u>	<u>(120,746)</u>
Operating income (loss)	<u>1,408,915</u>	<u>2,648,604</u>	<u>1,239,689</u>
Nonoperating revenues (expenses):			
Investment earnings	18,000	49,369	31,369
Debt service - principal	(575,000)	(555,000)	20,000
Interest expense	(253,769)	(215,258)	38,511
Total nonoperating revenues (expenses)	<u>(810,769)</u>	<u>(720,889)</u>	<u>89,880</u>
Income (loss) before capital contributions and transfers	598,146	1,927,715	1,329,569
Capital contributions	-	33,369	33,369
Transfers out	<u>(580,466)</u>	<u>(580,466)</u>	<u>-</u>
Change in net position	17,680	1,380,618	1,362,938
Net position - beginning	8,993,829	8,993,829	-
Prior period adjustment	-	(18,737)	(18,737)
Net position - ending	<u>\$ 9,011,509</u>	<u>\$ 10,355,710</u>	<u>\$ 1,344,201</u>
Reconciliation from Budgetary Basis to GAAP Basis:			
Depreciation		(760,747)	
Debt retirement		555,000	
Net Position - ending (GAAP Basis)		<u>\$ 10,149,963</u>	

**OVERALL COMPLIANCE AND INTERNAL CONTROL
SECTION**

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**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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 28, 2019.

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.

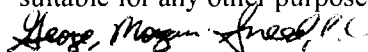
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Weatherford, Texas
January 28, 2019