

**CITY OF CROWLEY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**



**GMS**

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**CITY OF CROWLEY, TEXAS**  
Annual Financial Report  
For the year ended September 30, 2014

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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, 2014, 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, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, and Texas Municipal Retirement System Schedule of Funding Progress on pages 4 - 14 and pages 49 - 53 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.

### **Other Reporting Required by Governmental Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2015, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Crowley, Texas' internal control over financial reporting and compliance.

*George Morgan Freed, P.C.*

Weatherford, Texas

January 26, 2015



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## 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, 2014.

### FINANCIAL HIGHLIGHTS

- The assets of the City of Crowley exceeded its liabilities at the close of the most recent fiscal year by \$30,344,363 (*net position*) compared to \$29,284,340 for the prior year. Of this amount, \$8,266,126 (*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 \$1,060,023. The City's governmental activities net position increased by \$337,721 and the business-type activities net position increased \$722,302.
- As of the close of the current year, the City of Crowley's governmental funds reported combined ending fund balances of \$10,326,824 compared to \$10,461,450 for the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$5,265,462, or 58% 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, general capital projects fund, economic development corporation and crime control and prevention district, 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 and water and sewer fund. A budgetary comparison schedule has been provided for the general fund 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 - 48 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 exceeded liabilities by \$30,344,363 as of September 30, 2014. Below is a summary of the City's Statement of Net Position.

#### Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 11,398,798	\$ 11,682,950	\$ 4,244,475	\$ 5,361,043	\$ 15,643,273	\$ 17,043,993
Capital assets	30,230,979	31,342,444	13,826,940	12,643,685	44,057,919	43,986,129
Total Assets	<u>41,629,777</u>	<u>43,025,394</u>	<u>18,071,415</u>	<u>18,004,728</u>	<u>59,701,192</u>	<u>61,030,122</u>
Noncurrent liabilities	20,691,239	22,257,146	7,069,290	7,572,951	27,760,529	29,830,097
Other liabilities	649,802	821,990	931,822	1,083,776	1,581,624	1,905,766
Total liabilities	<u>21,341,041</u>	<u>23,079,136</u>	<u>8,001,112</u>	<u>8,656,727</u>	<u>29,342,153</u>	<u>31,735,863</u>
Total deferred inflows	<u>14,676</u>	<u>9,919</u>	<u>-</u>	<u>-</u>	<u>14,676</u>	<u>9,919</u>
Net position						
Invested in capital assets						
net of related debt	12,598,302	12,929,892	6,916,947	6,971,597	19,515,249	19,901,489
Restricted	2,403,415	2,201,273	159,573	58,448	2,562,988	2,259,721
Unrestricted	<u>5,272,343</u>	<u>4,805,174</u>	<u>2,993,783</u>	<u>2,317,956</u>	<u>8,266,126</u>	<u>7,123,130</u>
Total net position	<u>\$ 20,274,060</u>	<u>\$ 19,936,339</u>	<u>\$ 10,070,303</u>	<u>\$ 9,348,001</u>	<u>\$ 30,344,363</u>	<u>\$ 29,284,340</u>

The largest portion of the City's net position (64%) 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 (8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$8,266,126 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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,588,217	\$ 2,627,212	\$ 4,910,981	\$ 5,168,326	\$ 7,499,198	\$ 7,795,538
Operating grants and contributions	297,103	322,399	-	-	297,103	322,399
Capital grants and contributions	5,814	392,900	630,889	-	636,703	392,900
General revenues:						
Property taxes	5,181,083	4,841,713	-	-	5,181,083	4,841,713
Sales taxes	2,567,590	2,479,678	-	-	2,567,590	2,479,678
Franchise taxes	819,478	742,800	-	-	819,478	742,800
Oil & gas royalties	534,365	660,324	-	-	534,365	660,324
Investment earnings	4,237	11,832	1,014	3,136	5,251	14,968
Gain on disposal of capital assets	-	-	2,204	-	2,204	-
Other revenue	60,969	116,159	-	-	60,969	116,159
Total revenues	<u>12,058,856</u>	<u>12,195,017</u>	<u>5,545,088</u>	<u>5,171,462</u>	<u>17,603,944</u>	<u>17,366,479</u>
Expenses						
Administration and finance	900,254	822,033			900,254	822,033
Municipal court	264,331	270,217			264,331	270,217
Library	466,036	399,878			466,036	399,878
Senior citizens	34,605	33,841			34,605	33,841
Public safety	3,361,530	3,107,357			3,361,530	3,107,357
Fire and ambulance	2,391,409	2,203,125			2,391,409	2,203,125
Public works	1,018,225	960,428			1,018,225	960,428
Parks	448,867	425,033			448,867	425,033
Recreation center	639,508	672,933			639,508	672,933
Animal control	249,097	233,376			249,097	233,376
Code enforcement	47,832	45,629			47,832	45,629
Community development	273,615	280,604			273,615	280,604
Sanitation	653,910	619,095			653,910	619,095
Economic development	98,136	113,486			98,136	113,486
Nondepartmental	563,096	425,481			563,096	425,481
Interest and fiscal charges	784,576	831,019			784,576	831,019
Bond insurance cost	33,882	6,369			33,882	6,369
Stormwater utility			20,388	-	20,388	-
Water and Sewer			4,294,624	4,128,173	4,294,624	4,128,173
Total expenses	<u>12,228,909</u>	<u>11,449,904</u>	<u>4,315,012</u>	<u>4,128,173</u>	<u>16,543,921</u>	<u>15,578,077</u>
Increase (decrease) in net position before transfers	(170,053)	745,113	1,230,076	1,043,289	1,060,023	1,788,402
Transfers	507,774	455,922	(507,774)	(455,922)	-	-
Increase (decrease) in net position	337,721	1,201,035	722,302	587,367	1,060,023	1,788,402
Net position-beginning	19,936,339	18,735,303	9,348,001	8,760,634	29,284,340	27,495,937
Net position-ending	<u>\$ 20,274,060</u>	<u>\$ 19,936,338</u>	<u>\$ 10,070,303</u>	<u>\$ 9,348,001</u>	<u>\$ 30,344,363</u>	<u>\$ 29,284,339</u>

**Governmental Activities.** Governmental activities increased the City's net position by \$337,721 in the current year compared with a \$1,201,035 increase in the prior year.

Total governmental activities revenues decreased \$136,161 (1%) to \$12,058,856. Key factors contributing to this decrease are as follows:

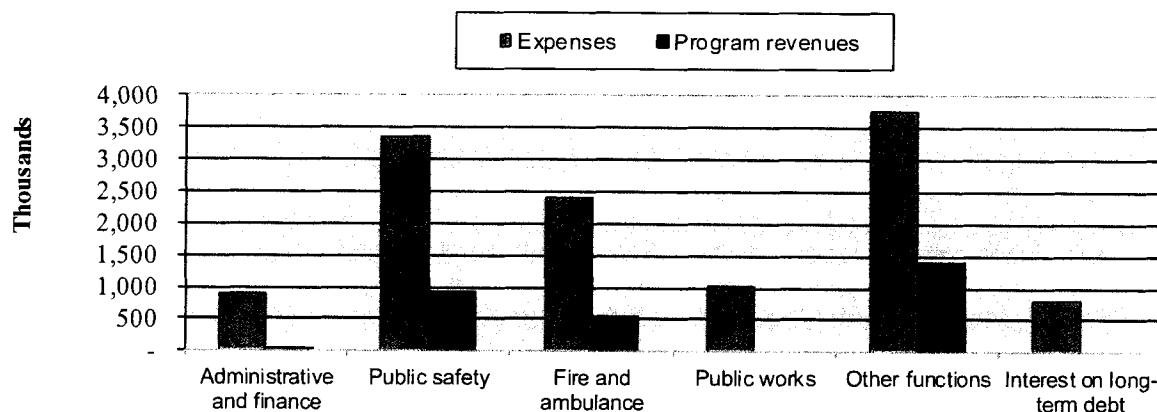
- \$38,995 (1%) decrease in charges for services primarily due to \$53,784 increase public safety, \$14,318 decrease in recreation center revenue, \$113,521 decrease in community development revenue and \$38,079 increase in sanitation revenue.
- \$315,216 (4%) increase in general revenues primarily due to \$87,912 (4%) increase in sales tax revenue and \$76,678 (10%) increase in franchise tax revenue. Property taxes increased \$339,370 due to increase in tax rate. Appraised value increased by \$4 million. However, oil and gas revenue decreased \$125,959 (19%) and other revenue decreased \$55,190.
- Grant and contributions (operating and capital) decreased \$412,382 because in the prior year the City received grants and contributions (\$392,900) from Tarrant County for street improvements and equipment.

Total governmental activities expenses increased \$779,005 (7%) to \$12,228,909. Key elements of this increase are as follows.

- Administrative and finance expenses increased approximately \$78,000 primarily due to increase in payroll costs and benefits by \$88,000 because the city manager position is now full time. Operating and maintenance decreased by \$11,000.
- Library expenses increased approximately \$66,000 primarily due to increase in payroll costs and benefits by \$38,000 and operating and maintenance including depreciation increased \$27,000.
- Public safety expenses increased approximately \$254,000 primarily due to increase in payroll costs and benefits by \$174,000 and operating and maintenance increased \$79,000.
- Fire and ambulance expenses increased approximately \$188,000 primarily due to increase in payroll costs and benefits by \$91,000 and operating and maintenance including depreciation increased \$97,000.
- Nondepartmental expenses increased approximately \$137,000 primarily due to increases in professional services (\$32,000), attorney fees (\$23,000) and settlement cost (\$72,000).

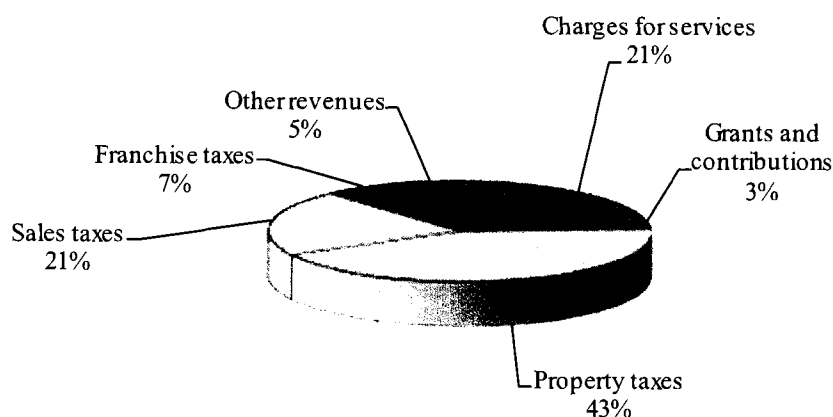
Below are two graphs summarizing governmental revenue and expense:

### Expenses and Program Revenues - Governmental Activities



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### Revenues by Source - Governmental Activities



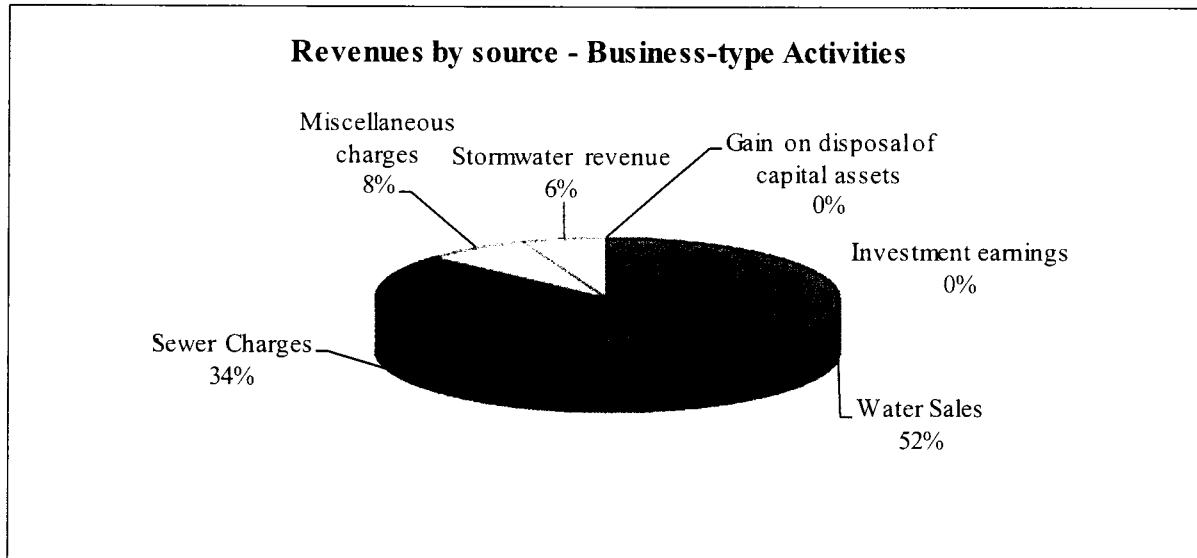
**Business-type activities.** Business-type activities increased the City's net position by \$722,302 in the current year compared to an increase in net position of \$587,367 in the prior year. The business-type activities total revenues increased \$373,626 (7%) to \$5,545,088 and total expenses increased \$186,839 (5%) to \$4,315,012. Key elements of these changes are as follows.

- Charges for services decreased \$257,345 primarily due to a decrease in water sales by \$67,732 because water billed consumption decreased 34 million gallons. Miscellaneous water charges decreased \$211,420 primarily due to a decrease in bulk water revenues

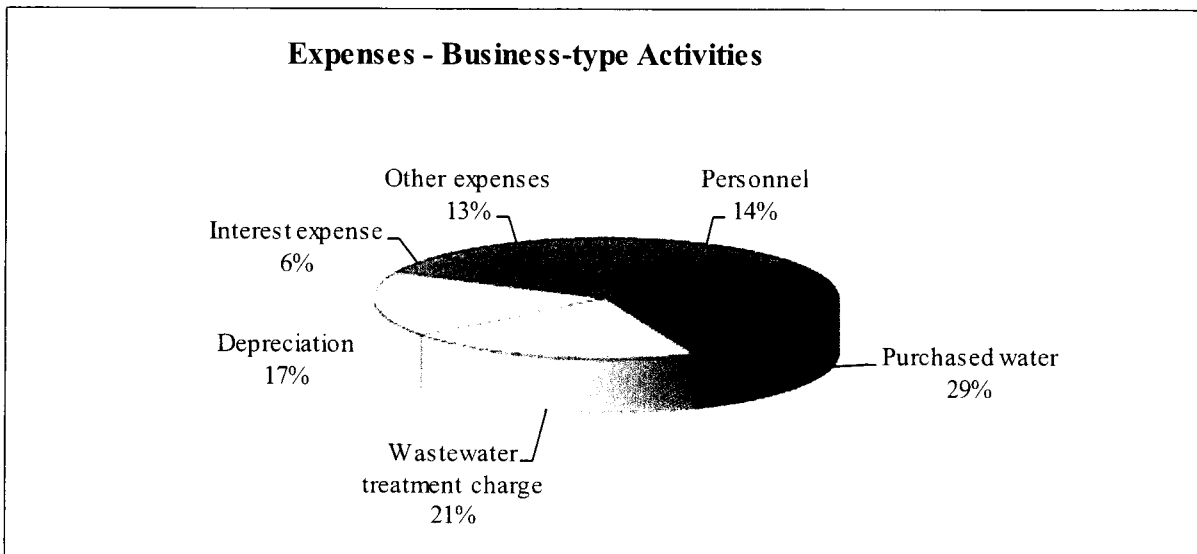
(\$147,920) because bulk water consumption decreased 20 million gallons. Stormwater utility revenues increased \$18,376 due to increase in rate.

- In the current year, the City received grants and contributions totaling \$630,900 from Tarrant County for the waterline improvements.
- Total expenses increased \$186,839 (5%) primarily due to increase in depreciation (\$162,240), purchased water (\$51,641), contractual services (\$35,844) and repairs and maintenance (\$39,905). However, interest expense decreased \$90,256 and water treatment charge decreased \$23,529 because of decrease in water consumption.

Below are two graphs summarizing business-type activities revenue and expense:



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## **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 \$10,326,824. \$5,265,462 (51%) 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 \$5,265,462. The fund balance of the general fund increased \$545,307. Below is a comparison of the general fund's net change in fund balance for 2014 and 2013.

	9/30/2014	9/30/2013	Increase (Decrease)	Percent Increase (Decrease)
<b>REVENUES</b>				
Taxes:				
Property	\$ 3,561,362	\$ 3,219,022	\$ 342,340	10.63%
Sales	1,321,712	1,275,515	46,197	3.62%
Franchise	767,377	725,292	42,085	5.80%
Charges for service	1,629,859	1,489,990	139,869	9.39%
Fees and Fines	652,944	671,212	(18,268)	-2.72%
Licenses and permits	240,203	371,852	(131,649)	-35.40%
Grants and contributions	264,838	254,393	10,445	4.11%
Oil & Gas Revenue	534,365	660,324	(125,959)	-19.08%
Investment Earnings	3,770	10,551	(6,781)	-64.27%
Other revenue	65,007	126,375	(61,368)	-48.56%
Total revenues	<u>9,041,437</u>	<u>8,804,526</u>	<u>236,911</u>	<u>2.69%</u>
<b>EXPENDITURES</b>				
Administrative and finance	767,923	605,316	162,607	26.86%
Municipal court	226,586	231,093	(4,507)	-1.95%
Library	394,548	332,822	61,726	18.55%
Senior citizens	34,605	33,841	764	2.26%
Public safety	2,741,823	2,602,156	139,667	5.37%
Fire and ambulance	1,966,695	1,906,603	60,092	3.15%
Public works	435,432	417,691	17,741	4.25%
Parks	287,261	250,790	36,471	14.54%
Recreation Center	388,389	425,023	(36,634)	-8.62%
Animal Control	191,857	176,238	15,619	8.86%
Code enforcement	47,772	45,610	2,162	0.00%
Community development	270,212	277,250	(7,038)	-2.54%
Sanitation	653,910	619,095	34,815	5.62%
Nondepartmental	571,191	425,481	145,710	34.25%
Capital outlay	37,271	224,661	(187,390)	-83.41%
Total expenditures	<u>9,015,475</u>	<u>8,573,669</u>	<u>441,806</u>	<u>5.15%</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	519,345	519,515	(170)	-0.03%
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ 545,307</u>	<u>\$ 750,371</u>	<u>\$ (205,064)</u>	<u>-27.33%</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 \$2,993,783. Total net position increased \$722,302. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

### General Fund Budgetary Highlights

During the fiscal year the City amended its budget. General fund appropriations were increased \$109,637 in the administrative and finance (\$26,444), fire and ambulance (\$25,636), parks (\$43,898), recreation center (\$5,564) and nondepartmental (\$8,095). These increases were funded with increases in the property tax revenues.

Actual expenditures of the general fund were \$52,304 more than budgeted. Actual expenditures budgetary basis for administrative and finance, library, public safety, public works, community development, sanitation and capital outlay exceeded appropriations.

## Capital Assets

The City's investment in capital assets for its governmental and business type activities as of September 30, 2014, amounts to \$44,057,919 (net of accumulated depreciation).

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

### Governmental Activities:

- Purchased six vehicles for total cost of \$444,044.
- Purchased six computers, software and a server for \$68,630.
- Purchased various firefighting equipment and library equipment for \$118,300.
- Improvements at city hall, library and skate park for a total cost of \$127,886.
- Construction for the year were the following:
  - Entry signs – \$44,312.
  - Green Ribbon project - \$62,381.
  - Veteran's memorial - \$38,819.

### Business-type activities:

- Purchased a vehicle and sewer camera for a total cost of \$47,007.
- Construction for the year were the following:
  - Waterline reconstruction project - \$988,414.

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 1,092,417	\$ 1,092,417	\$ 34,751	\$ 34,751	\$ 1,127,168	\$ 1,127,168
Construction in progress	453,182	900,847	-	-	453,182	900,847
Buildings and improvements	17,016,192	17,097,943	1,858,154	1,930,068	18,874,346	19,028,011
Infrastructure/utility system	8,899,642	9,247,074	10,935,813	9,812,457	19,835,455	19,059,531
Equipment and furniture	2,769,546	3,004,163	998,222	866,409	3,767,768	3,870,572
Total	<u>\$ 30,230,979</u>	<u>\$ 31,342,444</u>	<u>\$ 13,826,940</u>	<u>\$ 12,643,685</u>	<u>\$ 44,057,919</u>	<u>\$ 43,986,129</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 current year, the City had a total bonded debt and capital leases payable of \$27,201,513. Of this amount, \$10,898,328 comprises bonded debt backed by the full faith and credit of the government and \$15,729,115 are certificates of obligation secured by ad valorem taxes and surplus revenues of the water and sewer revenues. The capital leases of \$574,070

pertains to radio equipment being financed by lease/purchase financing. Outstanding at year-end are as follows:

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$ 8,693,328	\$ 4,606,393	\$ 2,205,000	\$ 2,475,000	\$ 10,898,328	\$ 7,081,393
Certificates of Obligation	10,945,000	16,520,000	4,784,115	5,028,317	15,729,115	21,548,317
Capital lease	574,070	753,018	-	-	574,070	753,018
Total	<u>\$ 20,212,398</u>	<u>\$ 21,879,411</u>	<u>\$ 6,989,115</u>	<u>\$ 7,503,317</u>	<u>\$ 27,201,513</u>	<u>\$ 29,382,728</u>

During the year the City issued the \$4,920,000 General Obligation Refunding Bonds, Series 2013 to refund Certificates of Obligation, Series 2004 and Series 2005 bonds.

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.

More detailed information about the City's debt is presented in the notes to the Financial Statements.

### **Economic factors and the Next Year's Budgets and Rates**

General fund revenues are budgeted to increase approximately 3% (\$289,524) in fiscal year 2014-2015 when compared to the 2013-2014 budget to \$9,277,652. The adopted tax rate is \$.696829 per \$100 of taxable value which is the same rate as last year. Property tax revenue is budgeted to increase by \$170,097 (5%). Sales tax revenue is budgeted to increase \$75,200 (6%) and franchise tax revenue is budgeted to increase \$42,000 (6%). General fund expenditures are budgeted to increase approximately 3% (\$312,959) over the prior year to \$9,276,130. The largest increases are \$148,246 in nondepartmental appropriations, \$147,632 in police department appropriations and \$84,797 in fire department appropriations. The largest decrease is \$61,266 in public works appropriation.

### **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.

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## **BASIC FINANCIAL STATEMENTS**

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## CITY OF CROWLEY, TEXAS

## Statement of Net Position

September 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 898,604	\$ 746,752	\$ 1,645,356
Investments	9,334,155	1,317,083	10,651,238
Receivables (Net of allowances for uncollectibles)			
Property taxes	69,722	-	69,722
Other taxes	736,673	-	736,673
Accounts	212,143	636,485	848,628
Miscellaneous	129,646	4,759	134,405
Inventory	7,478	233,983	241,461
Prepaid expenses	10,377	9,162	19,539
Restricted assets			
Investments	-	1,296,251	1,296,251
Capital assets			
Nondepreciable	1,545,599	34,751	1,580,350
Depreciable, net of accumulated depreciation	28,685,380	13,792,189	42,477,569
<b>Total assets</b>	<b>41,629,777</b>	<b>18,071,415</b>	<b>59,701,192</b>
<b>LIABILITIES</b>			
Accounts payable	358,339	417,305	775,644
Accrued payroll liabilities	135,826	16,262	152,088
Due to other governments	65,398	-	65,398
Internal balances	27	(27)	-
Interest payable	90,212	27,480	117,692
Current liabilities payable from restricted assets			
Customer deposits	-	470,802	470,802
Noncurrent liabilities			
Due within one year	2,044,054	548,258	2,592,312
Due in more than one year	18,647,185	6,521,032	25,168,217
<b>Total liabilities</b>	<b>21,341,041</b>	<b>8,001,112</b>	<b>29,342,153</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned grant revenue	14,676	-	14,676
<b>Total deferred inflows of resources</b>	<b>14,676</b>	<b>-</b>	<b>14,676</b>
<b>NET POSITION</b>			
Investments in capital assets, net of related debt	12,598,302	6,916,947	19,515,249
Restricted for:			
Capital improvements	-	159,573	159,573
Debt service	236,598	-	236,598
Public safety	684,576	-	684,576
Economic development	1,329,283	-	1,329,283
Grant program	28,599	-	28,599
Community program	124,359	-	124,359
Unrestricted net position	5,272,343	2,993,783	8,266,126
<b>Total net position</b>	<b>\$ 20,274,060</b>	<b>\$ 10,070,303</b>	<b>\$ 30,344,363</b>

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, 2014**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
Administration and finance	\$ 900,254	\$ 6,604	\$ -	\$ -
Municipal court	264,331	30,413	-	-
Library	466,036	14,269	18,472	-
Senior citizens	34,605	-	-	-
Public safety	3,361,530	904,035	25,424	-
Fire and ambulance	2,391,409	299,717	244,689	-
Public works	1,018,225	-	-	-
Parks	448,867	88,742	-	-
Recreation Center	639,508	226,656	-	-
Animal control	249,097	13,851	5,158	-
Code enforcement	47,832	-	-	-
Community development	273,615	300,881	-	-
Sanitation	653,910	703,049	-	-
Economic development	98,136	-	-	5,814
Nondepartmental	563,096	-	3,360	-
Interest and fiscal charges	784,576	-	-	-
Bond issuance cost	33,882	-	-	-
Total governmental activities	<u>12,228,909</u>	<u>2,588,217</u>	<u>297,103</u>	<u>5,814</u>
Business-type activities:				
Water and sewer	4,294,624	4,624,751	-	630,889
Stormwater utility	20,388	286,230	-	-
Total business-type activities	<u>4,315,012</u>	<u>4,910,981</u>	<u>-</u>	<u>630,889</u>
Total primary government	<u>\$ 16,543,921</u>	<u>\$ 7,499,198</u>	<u>\$ 297,103</u>	<u>\$ 636,703</u>

General Revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales taxes

Franchise

Oil and gas royalties

Investment earnings

Gain on disposal of capital assets

Other revenue

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

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

**Exhibit B-1**

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (893,650)	\$	\$ (893,650)
(233,918)		(233,918)
(433,295)		(433,295)
(34,605)		(34,605)
(2,432,071)		(2,432,071)
(1,847,003)		(1,847,003)
(1,018,225)		(1,018,225)
(360,125)		(360,125)
(412,852)		(412,852)
(230,088)		(230,088)
(47,832)		(47,832)
27,266		27,266
49,139		49,139
(92,322)		(92,322)
(559,736)		(559,736)
(784,576)		(784,576)
(33,882)		(33,882)
<u>(9,337,775)</u>	<u>-</u>	<u>(9,337,775)</u>
-	961,016	961,016
-	265,842	265,842
-	1,226,858	1,226,858
\$ <u>(9,337,775)</u>	\$ <u>1,226,858</u>	\$ <u>(8,110,917)</u>
\$ 3,528,799	\$ -	\$ 3,528,799
1,652,284	-	1,652,284
2,567,590	-	2,567,590
819,478	-	819,478
534,365	-	534,365
4,237	1,014	5,251
-	2,204	2,204
60,969	-	60,969
507,774	(507,774)	-
<u>9,675,496</u>	<u>(504,556)</u>	<u>9,170,940</u>
337,721	722,302	1,060,023
19,936,339	9,348,001	29,284,340
\$ <u>20,274,060</u>	\$ <u>10,070,303</u>	\$ <u>30,344,363</u>

## CITY OF CROWLEY, TEXAS

Balance Sheet  
 Governmental Funds  
 September 30, 2014

	General	Debt Service	Capital Projects	Economic Development Corporation	Crime Control and Prevention District	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 706,599	\$ 110,796	\$ -	\$ 5,738	\$ 2,200	\$ 73,271	\$ 898,604
Investments	4,548,939	189,717	2,589,339	1,224,096	619,625	162,439	9,334,155
Receivables (Net of allowances for uncollectibles)							
Property taxes	45,972	23,750	-	-	-	-	69,722
Other taxes	516,533	-	-	116,541	101,686	1,913	736,673
Accounts	212,143	-	-	-	-	-	212,143
Miscellaneous	129,633	-	-	-	-	13	129,646
Inventory	7,478	-	-	-	-	-	7,478
Prepaid expenses	10,377	-	-	-	-	-	10,377
Due from other funds	140,023	-	-	-	-	8,445	148,468
Total assets	<u>\$ 6,317,697</u>	<u>\$ 324,263</u>	<u>\$ 2,589,339</u>	<u>\$ 1,346,375</u>	<u>\$ 723,511</u>	<u>\$ 246,081</u>	<u>\$ 11,547,266</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 344,171	\$ -	\$ 9,622	\$ -	\$ -	\$ 4,546	\$ 358,339
Interest payable		3,538	-	2,547	-	-	6,085
Accrued payroll liabilities	135,826	-	-	-	-	-	135,826
Due to other governments	65,398	-	-	-	-	-	65,398
Due to other funds	8,471	-	-	14,545	125,479	-	148,495
Total liabilities	<u>553,866</u>	<u>3,538</u>	<u>9,622</u>	<u>17,092</u>	<u>125,479</u>	<u>4,546</u>	<u>714,143</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred revenues	480,514	23,750	-	-	-	2,035	506,299
Total deferred inflows of resources	<u>480,514</u>	<u>23,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,035</u>	<u>506,299</u>
<b>FUND BALANCES</b>							
Nonspendable							
Inventory	7,478	-	-	-	-	-	7,478
Prepaid expenses	10,377	-	-	-	-	-	10,377
Restricted	-	296,975	2,579,717	1,329,283	598,032	239,500	5,043,507
Unassigned	5,265,462	-	-	-	-	-	5,265,462
Total fund balances	<u>5,283,317</u>	<u>296,975</u>	<u>2,579,717</u>	<u>1,329,283</u>	<u>598,032</u>	<u>239,500</u>	<u>10,326,824</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,317,697</u>	<u>\$ 324,263</u>	<u>\$ 2,589,339</u>	<u>\$ 1,346,375</u>	<u>\$ 723,511</u>	<u>\$ 246,081</u>	<u>\$ 11,547,266</u>

**CITY OF CROWLEY, TEXAS**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**To the Statement of Net Position**  
**September 30, 2014**

Total fund balances - governmental funds	\$ 10,326,824
Capital assets used in governmental activities are not financial resources and therefore are reported in the governmental funds. The cost of these assets was \$50,595,145 and the accumulated depreciation was \$20,364,166. The net effect of including the ending balances of capital assets (net of depreciation) in the governmental activities is to increase net position.	30,230,979
Long-term liabilities, including \$20,212,398 bonds and capital lease payable, \$167,674 net pension obligation and \$311,167 compensated absences payable are not due and payable in the current period, and, therefore are not reported as liabilities in the fund financial statements.	(20,691,239)
Interest payable is not expected to be liquidated with available financial resources and is not reported as a liability in the fund financial statements.	(84,127)
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.	491,623
Net position of governmental activities	<u>\$ 20,274,060</u>

**CITY OF CROWLEY, TEXAS**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2014**

	General	Debt Service	General Capital Projects	Economic Development Corporation	Crime Control and Prevention District	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Taxes							
Property	\$ 3,561,362	\$ 1,669,107	\$ -	\$ -	\$ -	\$ -	\$ 5,230,469
Sales	1,321,712	-	-	660,386	585,492	-	2,567,590
Franchise	767,377	-	-	-	-	30,482	797,859
Charges for service	1,629,859	-	-	-	-	-	1,629,859
Fees and fines	652,944	-	-	-	-	27,259	680,203
Licenses and permits	240,203	-	-	-	-	-	240,203
Grants and contributions	264,838	-	-	-	-	34,612	299,450
Oil and gas revenue	534,365	-	-	-	-	-	534,365
Investment earnings	3,770	-	1	349	117	-	4,237
Other revenue	65,007	-	-	-	-	3,467	68,474
Total revenues	<u>9,041,437</u>	<u>1,669,107</u>	<u>1</u>	<u>660,735</u>	<u>585,609</u>	<u>95,820</u>	<u>12,052,709</u>
<b>EXPENDITURES</b>							
Administrative and finance	767,923	-	-	1,144	-	-	769,067
Municipal court	226,586	-	-	-	-	25,004	251,590
Library	394,548	-	-	-	-	33,184	427,732
Senior citizens center	34,605	-	-	-	-	-	34,605
Public safety	2,741,823	-	-	-	225,296	23,254	2,990,373
Fire and ambulance	1,966,695	-	-	-	-	10,880	1,977,575
Public works	435,432	-	-	-	-	-	435,432
Parks	287,261	-	-	-	-	-	287,261
Recreation center	388,389	-	-	-	-	-	388,389
Animal control	191,857	-	-	-	-	-	191,857
Code enforcement	47,772	-	-	-	-	-	47,772
Community development	270,212	-	-	-	-	-	270,212
Sanitation	653,910	-	-	-	-	-	653,910
Economic development	-	-	-	98,136	-	-	98,136
Nondepartmental	571,191	-	-	-	-	-	571,191
Capital outlay	37,271	-	670,692	94,815	-	-	802,778
Debt service							
Principal	-	1,200,000	178,948	215,000	245,000	-	1,838,948
Interest and fiscal charges	-	658,344	25,527	15,750	129,778	-	829,399
Bond issuance costs	-	2,094	400	-	31,388	-	33,882
Total expenditures	<u>9,015,475</u>	<u>1,860,438</u>	<u>875,567</u>	<u>424,845</u>	<u>631,462</u>	<u>92,322</u>	<u>12,900,109</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>25,962</u>	<u>(191,331)</u>	<u>(875,566)</u>	<u>235,890</u>	<u>(45,853)</u>	<u>3,498</u>	<u>(847,400)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Refunding bonds issued	-	2,222,609	-	-	2,697,391	-	4,920,000
Payment to refunded bond escrow agent	-	(2,130,000)	-	-	(2,585,000)	-	(4,715,000)
Transfers in	519,345	-	-	-	-	-	519,345
Transfers out	-	-	(11,571)	-	-	-	(11,571)
Total other financing sources (uses)	<u>519,345</u>	<u>92,609</u>	<u>(11,571)</u>	<u>-</u>	<u>112,391</u>	<u>-</u>	<u>712,774</u>
<b>Net change in fund balances</b>	<u>545,307</u>	<u>(98,722)</u>	<u>(887,137)</u>	<u>235,890</u>	<u>66,538</u>	<u>3,498</u>	<u>(134,626)</u>
<b>Fund balances - beginning</b>	<u>4,738,010</u>	<u>395,697</u>	<u>3,466,854</u>	<u>1,093,393</u>	<u>531,494</u>	<u>236,002</u>	<u>10,461,450</u>
<b>Fund balances - ending</b>	<u>\$ 5,283,317</u>	<u>\$ 296,975</u>	<u>\$ 2,579,717</u>	<u>\$ 1,329,283</u>	<u>\$ 598,032</u>	<u>\$ 239,500</u>	<u>\$ 10,326,824</u>

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

**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, 2014**

Total net change in fund balances - governmental funds	\$ (134,626)
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 \$916,488 of capital outlays and \$1,838,948 of debt principal payments is to increase net position.	2,755,436
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, disposals and transfers between activities) is to decrease net position.	
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.	(2,027,953)
Capital asset donations are revenues in the government-wide financial statements but are not reported in the governmental fund financial statements.	
Current year refunding bonds proceeds and payments to the refunding bond escrow agent are other financing sources (uses) in the fund financial statements. The net effect of the \$205,000 increase in long-term debt is a decrease in net position.	(205,000)
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	6,147
Current year interest payable, net pension obligation 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 \$11,758 decrease in interest payable, \$9,599 increase in net pension obligation, \$91,507 increase in compensated absences and \$33,065 amortization of premiums decrease net position.	(56,283)
Change in net position of governmental activities	<u>\$ 337,721</u>

**CITY OF CROWLEY, TEXAS**  
**Statement of Net Position**  
**Proprietary Funds**  
**September 30, 2014**

	Water and Sewer Fund	Stormwater Utility	Totals
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	402,669	\$ 344,083	\$ 746,752
Investments	1,317,083	-	1,317,083
Receivables (Net of allowance for uncollectibles):			
Accounts	603,890	32,595	636,485
Miscellaneous	4,759	-	4,759
Due from other funds	27	-	27
Inventory	233,983	-	233,983
Prepaid expenses	9,162	-	9,162
Restricted Assets			
Investments	1,296,251	-	1,296,251
Total current assets	<u>3,867,824</u>	<u>376,678</u>	<u>4,244,502</u>
Noncurrent Assets			
Capital assets, at cost			
Non-depreciable assets	34,751	-	34,751
Depreciable assets, net of accumulated depreciation	13,600,017	192,172	13,792,189
Total noncurrent assets	<u>13,634,768</u>	<u>192,172</u>	<u>13,826,940</u>
Total assets	<u>17,502,592</u>	<u>568,850</u>	<u>18,071,442</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	416,429	876	417,305
Accrued payroll liabilities	16,262	-	16,262
Current portion of long-term liabilities	548,258	-	548,258
Interest payable	27,480	-	27,480
Current Liabilities Payable from Restricted Assets			
Customer deposits payable	470,802	-	470,802
Total current liabilities	<u>1,479,231</u>	<u>876</u>	<u>1,480,107</u>
Noncurrent Liabilities			
Compensated absences	16,823	-	16,823
Net pension obligation	20,094	-	20,094
Bonds payable	6,484,115	-	6,484,115
Total noncurrent liabilities	<u>6,521,032</u>	<u>-</u>	<u>6,521,032</u>
Total liabilities	<u>8,000,263</u>	<u>876</u>	<u>8,001,139</u>
<b>NET POSITION</b>			
Investment in capital assets, net of debt	6,916,947	-	6,916,947
Restricted for impact fees for capital improvements (Expendable)	159,573	-	159,573
Unrestricted	2,425,809	567,974	2,993,783
Total net position	<u>\$ 9,502,329</u>	<u>\$ 567,974</u>	<u>\$ 10,070,303</u>

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

**CITY OF CROWLEY, TEXAS**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended September 30, 2014**

	Water and Sewer Fund	Stormwater Utility	Totals
Operating revenues			
Water Sales	\$ 2,575,404	\$ -	\$ 2,575,404
Sewer charges	1,682,568	-	1,682,568
Stormwater revenue	-	286,230	286,230
Miscellaneous	366,779	-	366,779
Total operating revenue	<u>4,624,751</u>	<u>286,230</u>	<u>4,910,981</u>
Operating expenses			
Personnel	618,620	-	618,620
Professional services	66,060	-	66,060
Purchased water	1,266,793	-	1,266,793
Wastewater treatment charge	900,032	-	900,032
Contractual services	170,410	-	170,410
Insurance	38,933	-	38,933
Administrative	20,223	10,274	30,497
Repairs and maintenance	105,868	-	105,868
Utilities	129,479	-	129,479
Depreciation	742,129	10,114	752,243
Total operating expenses	<u>4,058,547</u>	<u>20,388</u>	<u>4,078,935</u>
Operating income (loss)	<u>566,204</u>	<u>265,842</u>	<u>832,046</u>
Nonoperating revenues (expenses)			
Investment earnings	1,014	-	1,014
Gain on disposal of capital assets	2,204	-	2,204
Interest expense	(236,077)	-	(236,077)
Total nonoperating revenues (expenses)	<u>(232,859)</u>	<u>-</u>	<u>(232,859)</u>
Income (loss) before transfers and contributions	333,345	265,842	599,187
Transfers out	(507,774)	-	(507,774)
Capital contributions	<u>630,889</u>	<u>-</u>	<u>630,889</u>
Change in net position	456,460	265,842	722,302
Net position	<u>9,045,869</u>	<u>302,132</u>	<u>9,348,001</u>
Net position - ending	<u>\$ 9,502,329</u>	<u>\$ 567,974</u>	<u>\$ 10,070,303</u>

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



**CITY OF CROWLEY, TEXAS**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2014**

	Water and Sewer Fund	Stormwater Utility	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 4,692,395	\$ 283,646	\$ 4,976,041
Cash paid to suppliers	(2,669,835)	(9,398)	(2,679,233)
Cash paid to employees	(609,188)	-	(609,188)
Net cash provided by operating activities	<u>1,413,372</u>	<u>274,248</u>	<u>1,687,620</u>
Cash flow from noncapital financing activities:			
Transfers to other funds	(507,774)	-	(507,774)
Net cash provided used by noncapital financing activities	<u>(507,774)</u>	<u>-</u>	<u>(507,774)</u>
Cash flow from capital and related financing activities:			
Principal payments on long-term debt	(495,000)	-	(495,000)
Capital expenditures	(1,248,262)	(202,286)	(1,450,548)
Interest paid on bonds	(255,280)	-	(255,280)
Net cash used by capital and related financing activities	<u>(1,998,542)</u>	<u>(202,286)</u>	<u>(2,200,828)</u>
Cash flow from investing activities:			
Sale of investments	4,265,059	-	4,265,059
Purchase of investments	(3,552,088)	-	(3,552,088)
Investment earnings	1,014	-	1,014
Net cash provided by investing activities	<u>713,985</u>	<u>-</u>	<u>713,985</u>
Net increase (decrease) in cash and cash equivalents	(378,959)	71,962	(306,997)
Cash and cash equivalents, beginning	<u>781,628</u>	<u>272,121</u>	<u>1,053,749</u>
Cash and cash equivalents, ending	<u>\$ 402,669</u>	<u>\$ 344,083</u>	<u>\$ 746,752</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ 566,204	\$ 265,842	\$ 832,046
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	742,129	10,114	752,243
(Increase) decrease in accounts receivable	40,870	(2,584)	38,286
(Increase) decrease in miscellaneous receivables	487	-	487
(Increase) decrease in inventory	67,040	-	67,040
(Increase) decrease in prepaid expenses	(9,162)	-	(9,162)
Increase (decrease) in accounts payable	(29,915)	876	(29,039)
Increase (decrease) in accrued payroll liabilities	(1,110)	-	(1,110)
Increase (decrease) in customer meter deposits	26,288	-	26,288
Increase (decrease) in net pension obligation	986	-	986
Increase (decrease) in compensated absences payable	9,556	-	9,556
Total adjustments	<u>847,168</u>	<u>8,406</u>	<u>855,574</u>
Net cash provided by operating activities	<u>\$ 1,413,372</u>	<u>\$ 274,248</u>	<u>\$ 1,687,620</u>
Noncash Investing, Capital and Financing Activities			
Contribution of capital assets from Tarrant County	\$ 630,889	\$ -	\$ 630,889

**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**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 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, 2014**

**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, 2014**

**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 funds (economic development corporation and crime control and prevention district)* are 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, 2014**

**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 facilitate the management of cash. Cash applicable to a particular fund is readily identifiable.

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 and TexSTAR 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, 2014**

**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 \$236,077. 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, 2014**

**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. Issuances 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.

**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**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	General Capital Projects	Economic Development Corporation	Crime Control and Prevention District	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable							
Inventory	\$ 7,478	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,478
Prepaid expenses	10,377	-	-	-	-	-	10,377
Restricted							
Debt Service	-	296,975	-	-	-	-	296,975
Capital Projects	-	-	2,579,717	-	-	-	2,579,717
Public Safety - Police	-	-	-	-	598,032	-	598,032
Public Safety - Court	-	-	-	-	-	86,543	86,543
Economic Development	-	-	-	1,329,283	-	-	1,329,283
Grant programs	-	-	-	-	-	28,598	28,598
Public, Educational, and Government Access (PEG)	-	-	-	-	-	124,359	124,359
Unassigned	5,265,462	-	-	-	-	-	5,265,462
	<u>\$ 5,283,317</u>	<u>\$ 296,975</u>	<u>\$ 2,579,717</u>	<u>\$ 1,329,283</u>	<u>\$ 598,032</u>	<u>\$ 239,500</u>	<u>\$ 10,326,824</u>

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.

**9. Net Position**

Net position represents the difference between assets and liabilities, deferred inflows of resources. Net position invested in capital assets, net of related debt 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)	\$ 5,043,507
Adjustments	
Accrued interest payable restricted for debt service	(84,125)
Deferred property tax revenue restricted for debt service	23,750
Unspent proceeds from bonds reclassified to investment in capital assets, net of debt	(2,579,717)
Total adjustments	<u>(2,640,092)</u>
Restricted net position (Exhibit A-1)	<u>\$ 2,403,415</u>



**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**NOTE 1:     SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**11. *Reclassifications***

Certain accounts and funds in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

**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, 2014, the City did not own any types of securities other than those permitted by statute.

The City invests idle funds in the Texas Local Government Investment Pool (TexPool) investment pool. The City's investment pools operate in a manner consistent with the SEC's Rule 2A7 of the Investment Act of 1940. The Pool is required to maintain a market value of its underlying investment portfolio within one half of one percent of the value of its shares.

**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, 2014, the City's deposits were covered by FDIC Insurance or collateralized with securities held by the bank's agent in the City's name.

**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**NOTE 2:     DEPOSITS AND INVESTMENTS (continued)**

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, 2014 included the following:

<u>Investment</u>	<u>Credit Rating</u>	<u>Weighted Average Maturities</u>	<u>Percentage of Total Investments</u>	<u>Cost</u>	<u>Fair Value</u>
Investment in TexPool	AAAm	51 days	100.00%	<u>\$ 11,947,489</u>	<u>\$ 11,947,489</u>

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

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
Business-type Activities			
Customer deposits	\$ -	\$ 395,948	\$ 395,948
Bonds construction accounts	-	900,303	900,303
Total	<u>\$ -</u>	<u>\$ 1,296,251</u>	<u>\$ 1,296,251</u>

**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.

**CITY OF CROWLEY, TEXAS**

**Notes to Financial Statements**

**September 30, 2014**

**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 52%, 64% and 85%, of the outstanding balances 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:

	<u>General</u>	<u>Debt Service</u>	<u>EDC</u>	<u>Crime District</u>	<u>Nonmajor Governmental</u>	<u>Water and Sewer</u>	<u>Stormwater Utility</u>
Receivables:							
Property taxes	\$ 95,646	\$ 49,414	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	516,533	-	116,541	101,686	1,913	-	-
Accounts	454,022	-	-	-	-	807,575	32,595
Miscellaneous	624,947	-	-	-	13	4,759	-
Gross receivables	<u>1,691,148</u>	<u>49,414</u>	<u>116,541</u>	<u>101,686</u>	<u>1,926</u>	<u>812,334</u>	<u>32,595</u>
Less: allowance							
for uncollectibles	<u>(786,867)</u>	<u>(25,664)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(203,685)</u>	<u>-</u>
Net total receivables	<u>\$ 904,281</u>	<u>\$ 23,750</u>	<u>\$ 116,541</u>	<u>\$ 101,686</u>	<u>\$ 1,926</u>	<u>\$ 608,649</u>	<u>\$ 32,595</u>

**NOTE 5: DEFERRED INFLOWS OF RESOURCES**

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 government has two types of items that qualifies for reporting in this category. The first item, deferred revenues arises only under a modified accrual basis of accounting and is reported in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item, unearned grant revenue arises when grants received are not considered earned until expenditures are made under the provisions of the grant. The amounts are deferred and recognized as an inflow of resources in both governmental funds balance sheet and government-wide statement of net position. Deferred inflows of resources reported in the governmental funds deferred and unearned grant revenues are as follows:

**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**NOTE 5:     DEFERRED INFLOWS OF RESOURCES (continued)**

	General	Debt Service	Nonmajor Governmental	Total Governmental Funds
Deferred property tax revenue	\$ 45,972	\$ 23,750	\$ -	\$ 69,722
Deferred franchise tax revenue	217,398			217,398
Deferred EMS charges revenue	117,095			117,095
Deferred municipal court fees and fines	87,408			87,408
Unearned grant revenues	12,641		2,035	14,676
	<u>\$ 480,514</u>	<u>\$ 23,750</u>	<u>\$ 2,035</u>	<u>\$ 506,299</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, 2014, is as follows:

Transfer In	Transfer Out	Amount	Purpose
General	Water and sewer	\$ 515,789	Use unrestricted revenues collected in the water and sewer fund to finance various general fund programs in accordance with budgetary authorizations.
Water and sewer	Capital projects fund	(8,015)	Transfer expenditures to proper fund.
Total governmental funds transfers in		<u>\$ 507,774</u>	

**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**NOTE 7: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers &amp; Adjustments</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>					
Non - Depreciable Assets:					
Land	\$ 1,092,417	\$ -	\$ -	\$ -	\$ 1,092,417
Construction in Progress	900,846	157,628	-	(605,292)	453,182
Total non-depreciable assets	<u>1,993,263</u>	<u>157,628</u>	<u>-</u>	<u>(605,292)</u>	<u>1,545,599</u>
Depreciable Assets:					
Building and improvements	21,177,223	127,886	-	605,292	21,910,401
Infrastructure/utility system	19,201,732	-	-	-	19,201,732
Equipment and furniture	7,306,439	630,974	-	-	7,937,413
Total capital assets being depreciated	<u>47,685,394</u>	<u>758,860</u>	<u>-</u>	<u>605,292</u>	<u>49,049,546</u>
Accumulated Depreciation:					
Building and improvements	(4,079,280)	(814,929)	-	-	(4,894,209)
Infrastructure/utility system	(9,776,347)	(525,743)	-	-	(10,302,090)
Equipment and furniture	(4,480,586)	(687,281)	-	-	(5,167,867)
Total accumulated depreciation	<u>(18,336,213)</u>	<u>(2,027,953)</u>	<u>-</u>	<u>-</u>	<u>(20,364,166)</u>
Governmental activities capital assets, net	<u>\$31,342,444</u>	<u>\$ (1,111,465)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$30,230,979</u>

**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**NOTE 7: CAPITAL ASSETS (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers &amp; Adjustments</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>					
Non - Depreciable Assets:					
Land	\$ 34,751	\$ -	\$ -	\$ -	\$ 34,751
Total non-depreciable assets	<u>34,751</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,751</u>
Depreciable Assets:					
Building and improvements	2,209,959	-	-	-	2,209,959
Infrastructure/utility system	16,434,873	1,619,303	-	-	18,054,176
Equipment and furniture	2,262,603	316,195	(27,897)	-	2,550,901
Total capital assets being depreciated	<u>20,907,435</u>	<u>1,935,498</u>	<u>(27,897)</u>	<u>-</u>	<u>22,815,036</u>
Accumulated Depreciation:					
Building and improvements	(279,891)	(71,914)	-	-	(351,805)
Infrastructure/utility system	(6,622,416)	(495,947)	-	-	(7,118,363)
Equipment and furniture	<u>(1,396,194)</u>	<u>(184,382)</u>	<u>27,897</u>	<u>-</u>	<u>(1,552,679)</u>
Total accumulated depreciation	<u>(8,298,501)</u>	<u>(752,243)</u>	<u>27,897</u>	<u>-</u>	<u>(9,022,847)</u>
Business-type activities capital assets, net	<u>\$12,643,685</u>	<u>\$ 1,183,255</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$13,826,940</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$ 179,645
Court	12,522
Library	73,178
Public safety	366,474
Fire and ambulance	327,950
Public works	570,191
Community development	3,183
Parks	186,850
Recreation center	250,949
Animal control	57,011
Total depreciation expense - governmental activities	<u>\$2,027,953</u>
<b>Business-type activities:</b>	
Water and sewer	\$ 742,129
Stormwater utility	10,114
Total depreciation expense - business-type activities	<u>\$ 752,243</u>

**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**NOTE 8: LONG-TERM LIABILITIES**

**A. Governmental Activities**

General Obligation Bonds and Certificates of Obligation outstanding are as follows:

<u>Bond</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Principal</u>	<u>Amount Outstanding</u>
General Obligation Series 2005	2/1/2020	3.92%	2,880,000	\$ 1,260,000
General Obligation Refunding Bonds Series 2010	2/1/2017	1.05% - 2.30%	580,000	295,000
General Obligation Refunding Bonds Series 2012	2/1/2020	2.00% - 3.00%	1,855,000	1,335,000
General Obligation Refunding Bonds Series 2012A	2/1/2023	2.00% - 3.00%	590,000	540,000
General Obligation Refunding Bonds Series 2013	2/1/2025	2.19%	4,920,000	4,800,000
				<u>8,230,000</u>
Certificates of Obligation Series 2009	2/1/2029	3.00% - 5.25%	8,000,000	6,410,000
Certificates of Obligation Series 2012	2/1/2032	2.00% - 3.50%	4,890,000	4,535,000
				<u>10,945,000</u>
				<u>\$ 19,175,000</u>

The Certificates of Obligation Series 2009 is paid by the debt service fund (73%) and water and sewer fund (27%). The General Obligation Refunding Bonds Series 2012 is paid by the Economic Development Corporation (86%) and debt service fund (14%). The General Obligation Refunding Bonds Series 2012A is paid by the debt service fund (27%) and water and sewer fund (73%). The General Obligation Bonds Series 2013 is paid by the debt service fund (47%) and crime district (53%).

**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**NOTE 8: LONG-TERM LIABILITIES (Continued)**

The annual debt service requirements to maturity for general obligation bonds and certificates of obligation outstanding as of September 30, 2014 are as follows:

Year Ending September 30,	<u>General Obligation</u>		<u>Certificates of Obligation</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2015	\$ 1,110,000	\$ 192,568	\$ 525,000	\$ 418,075	\$ 2,245,643
2016	1,145,000	163,780	540,000	403,788	2,252,568
2017	1,125,000	135,203	540,000	387,525	2,187,728
2018	835,000	109,139	560,000	368,550	1,872,689
2019	715,000	88,143	585,000	347,750	1,735,893
2019 - 2023	3,035,000	192,717	3,250,000	1,393,500	7,871,217
2024 - 2028	265,000	-	3,995,000	645,458	4,905,458
2029 - 2032	-	-	950,000	50,573	1,000,573
	<u>\$ 8,230,000</u>	<u>\$ 881,550</u>	<u>\$10,945,000</u>	<u>\$ 4,015,219</u>	<u>\$24,071,769</u>

**B. Business-type Activities**

General Obligation Bonds and Certificates of Obligation outstanding are as follows:

<u>Bond</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Principal</u>	<u>Amount Outstanding</u>
General Obligation Series 2005	2/1/2020	3.92%	1,025,000	\$ 425,000
General Obligation Refunding Bonds Series 2012A	2/1/2023	2.00% - 3.00%	1,945,000	1,780,000
				<u>2,205,000</u>
Certificates of Obligation Series 2009	2/1/2029	3.00% - 5.25%	3,000,000	2,375,000
Certificates of Obligation Series 2011	2/1/2031	2.00% - 4.50%	2,500,000	2,160,000
				<u>4,535,000</u>
				<u>\$ 6,740,000</u>



**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**NOTE 8: LONG-TERM LIABILITIES** (Continued)

The annual debt service requirements to maturity for general obligation bonds and certificates of obligation outstanding as of September 30, 2014, are as follows:

Year Ending September 30,	<u>General Obligation</u>		<u>Certificates of Obligation</u>		Total
	Principal	Interest	Principal	Interest	
2015	\$ 280,000	\$ 63,954	\$ 225,000	\$ 182,532	\$ 751,486
2016	290,000	53,094	230,000	176,632	749,726
2017	280,000	45,330	250,000	169,832	745,162
2018	290,000	36,760	260,000	161,532	748,292
2019	200,000	28,950	235,000	152,782	616,732
2019 - 2023	865,000	53,175	1,340,000	614,059	2,872,234
2024 - 2028	-	-	1,670,000	297,069	1,967,069
2029 - 2031	-	-	325,000	3,713	328,713
	<u>\$ 2,205,000</u>	<u>\$ 281,263</u>	<u>\$ 4,535,000</u>	<u>\$ 1,758,151</u>	<u>\$ 8,779,414</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, 2014.

**C. Refunding Bonds**

On October 17, 2013, the City issued \$4,920,000 of General Obligation Refunding Bonds, Series 2013 with an interest rate of 2.19%. The net proceeds were used to refund the Certificates of Obligation, Series 2004 and Series 2005. The refunding reduced debt service payments for the City and resulted in a net present value savings (economic gain) of 438,566.

**D. Capital Lease Payable**

On January 19, 2012, the City entered into a municipal lease-purchase agreement in the amount of \$957,493 for financing the purchase of radio equipment. The total cost of the radio equipment was \$957,493. This lease is considered a capital lease for accounting purposes and, accordingly, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**NOTE 8:     LONG-TERM LIABILITIES** (Continued)

Capital assets acquired through capital lease:

	<u>Governmental Activities</u>
Assets:	
Equipment	\$     957,493
Less: accumulated depreciation	(239,373)
Total	<u>\$     718,120</u>

The future minimum lease obligations and net present value of these minimum lease payments as of September 30, 2014, were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>
2015	\$     204,475
2016	204,475
2017	204,475
Total debt service requirement	613,425
Less: interest portion	39,355
Obligations under capital lease	<u>\$     574,070</u>

**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**NOTE 8: LONG-TERM LIABILITIES** (Continued)

**E. Changes in Long-Term Liabilities**

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
General obligation bonds	\$ 4,110,000	\$ 4,920,000	\$ 800,000	\$ 8,230,000	\$ 1,110,000
Bond premiums	496,393	-	33,065	463,328	-
Certificates of obligation	16,520,000	-	5,575,000	10,945,000	525,000
Capital lease	753,018	-	178,948	574,070	185,014
Net pension obligation	158,075	469,275	459,676	167,674	-
Compensated absences	219,660	263,235	171,728	311,167	224,040
<b>Total Governmental Activities</b>	<b>\$ 22,257,146</b>	<b>\$ 5,652,510</b>	<b>\$ 7,218,417</b>	<b>\$ 20,691,239</b>	<b>\$ 2,044,054</b>
<b>Business-type Activities:</b>					
General obligation bonds	\$ 2,475,000	\$ -	\$ 270,000	\$ 2,205,000	\$ 280,000
Certificates of obligation	4,760,000	-	225,000	4,535,000	225,000
Bond premiums	268,317	-	19,202	249,115	-
Net pension obligation	19,108	48,225	47,239	20,094	-
Compensated absences	50,525	54,512	44,956	60,081	43,258
<b>Total Business-type Activities</b>	<b>\$ 7,572,950</b>	<b>\$ 102,737</b>	<b>\$ 606,397</b>	<b>\$ 7,069,290</b>	<b>\$ 548,258</b>
<b>Total Long-term Liabilities</b>	<b>\$ 29,830,096</b>	<b>\$ 5,755,247</b>	<b>\$ 7,824,814</b>	<b>\$ 27,760,529</b>	<b>\$ 2,592,312</b>

Compensated absences and the net pension obligations of the governmental activities and business-type activities are paid by the general fund and water and sewer fund, respectively.

**NOTE 9: 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, 2014**

**NOTE 10: RETIREMENT PLAN**

Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS's website at [www.TMRS.com](http://www.TMRS.com).

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 for both the 2012 and 2013 plan years:

Employee Deposit Rate:	6%
Matching Ratio (city to employee)	2 to 1
Years required before vesting	5 years
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers
Annuity Increases (to retirees)	70% of CPI Repeating

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first use in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**NOTE 10: RETIREMENT PLAN (Continued)**

The city contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

The annual pension cost and net pension obligation/(asset) are as follows:

Annual Required Contribution (ARC)	\$ 525,597
Interest on Net Pension Obligation	13,149
Adjustment to ARC	<u>(10,661)</u>
Annual Pension Cost	528,085
Contributions Made	<u>(517,500)</u>
Increase (Decrease) in Net Pension Obligation	10,585
Net Pension Obligation/(Asset), beginning of year	<u>177,183</u>
Net Pension Obligation/(Asset), end of year	<u><u>\$ 187,768</u></u>

Contributions as a percentage of ARC 98.0%

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

**General System-wide Actuarial Assumptions**

Actuarial Valuation Date	<u>12/31/11</u>	<u>12/31/12</u>	<u>12/31/13</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payoll	Level Percent of Payoll	Level Percent of Payoll
GASB 25 Equivalent Single Amortization Period	26.5 Years-Closed	25.7 Years-Closed	30.0 Years-Closed
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.0%	7.0%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
*Includes Inflation At	3.0%	3.0%	3.0%
Cost of Living Adjustments	2.1%	2.1%	2.1%

**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**NOTE 10: RETIREMENT PLAN** (Continued)

Funding Status and Funding Progress

In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2013, under the most recent actuarial valuation date, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2013	11,234,026	13,562,397	82.8%	2,328,371	5,051,474	46.1%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**CITY OF CROWLEY, TEXAS****Notes to Financial Statements****September 30, 2014****NOTE 11. OTHER POSTEMPLOYMENT BENEFITS****Supplemental Death Benefits Fund**

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

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

Your city offers supplemental death to:	Plan Year 2013	Plan Year 2014
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

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.

The City's contributions to the TMRS SDBF for the years ended 2014, 2013 and 2012 were \$4,987, \$4,755 and \$6,356, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates:  
(RETIREE-only portion of the rate)

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2011	0.01%	0.01%	100.0%
2012	0.01%	0.01%	100.0%
2013	0.01%	0.01%	100.0%
2014	0.01%	0.01%	100.0%

**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**NOTE 12: 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.

**NOTE 13: 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 2017, respectively. The contracts require the City to pay varying amounts based on the costs associated with water purchased and treated. Purchases during 2014 of treated water were \$1,266,793 and for the treatment of wastewater were \$900,032.

**NOTE 14: SUBSEQUENT EVENTS**

Subsequent events were evaluated through January 26, 2015, which is the date the financial statements were available to be issued.



**CITY OF CROWLEY, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**NOTE 15:    ACCOUNTING CHANGES AND ACCOUNTING STANDARDS**

The GASB has issued the following statements which will become effective in future years as shown below:

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – and amendment of GASB Statement No. 27*. This Statement is to improve the accounting and financial reporting by state and local governments for pensions. This Statement will require government-wide and proprietary fund statements to recognize a liability equal to the net pension liability and that changes in the net pension liability be included in pension expense in the period of the change. The Statement is effective for fiscal years beginning after June 15, 2014. The City has not yet determined the effect this Statement will have on its financial statements.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No. 68*. The objective of this statement is to address the issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement will require the government to recognize its contributions as a deferred outflows of resources. This statement is effective for fiscal years beginning after June 15, 2014. The City has not yet determined the effect this Statement will have on its financial statements.

## **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, 2014**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive Negative
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Property	\$ 3,437,048	\$ 3,546,685	\$ 3,561,362	\$ 14,677
Sales	1,250,800	1,250,800	1,321,712	70,912
Franchise	737,000	737,000	767,377	30,377
Charges for service	1,583,154	1,583,154	1,629,859	46,705
Fees and fines	688,000	688,000	652,944	(35,056)
Licenses and permits	386,550	386,550	240,203	(146,347)
Grants and contributions	251,300	251,300	264,838	13,538
Oil & gas revenue	-	-	534,365	534,365
Investment earnings	12,500	12,500	3,770	(8,730)
Other revenue	16,350	16,350	65,007	48,657
Total revenues	<u>8,362,702</u>	<u>8,472,339</u>	<u>9,041,437</u>	<u>569,098</u>
<b>EXPENDITURES</b>				
Administrative and finance	701,250	727,694	767,923	(40,229)
Municipal court	228,472	228,472	226,586	1,886
Library	370,676	370,676	394,548	(23,872)
Senior center	34,096	34,096	34,605	(509)
Public safety	2,658,319	2,658,319	2,741,823	(83,504)
Fire and ambulance	2,039,654	2,065,290	1,966,695	98,595
Public works	409,040	409,040	435,432	(26,392)
Parks	257,541	301,439	287,261	14,178
Recreation Center	445,622	451,186	388,389	62,797
Animal Control	194,279	194,279	191,857	2,422
Code enforcement	47,791	47,791	47,772	19
Community development	249,883	249,883	270,212	(20,329)
Sanitation	613,000	613,000	653,910	(40,910)
Nondepartmental	603,911	612,006	571,191	40,815
Capital outlay	-	-	37,271	(37,271)
Total expenditures	<u>8,853,534</u>	<u>8,963,171</u>	<u>9,015,475</u>	<u>(52,304)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(490,832)</u>	<u>(490,832)</u>	<u>25,962</u>	<u>516,794</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	515,789	515,789	519,345	3,556
Total other financing sources (uses)	<u>515,789</u>	<u>515,789</u>	<u>519,345</u>	<u>3,556</u>
<b>NET CHANGE IN FUND BALANCES</b>	24,957	24,957	545,307	520,350
<b>FUND BALANCE - BEGINNING</b>	<u>4,738,010</u>	<u>4,738,010</u>	<u>4,738,010</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 4,762,967</u>	<u>\$ 4,762,967</u>	<u>\$ 5,283,317</u>	<u>\$ 520,350</u>

**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, 2014**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Sales taxes	\$ 560,000	\$ 560,000	\$ 660,386	\$ 100,386
Investment earnings	500	500	349	(151)
Total revenues	<u>560,500</u>	<u>560,500</u>	<u>660,735</u>	<u>100,235</u>
<b>EXPENDITURES</b>				
Administrative and finance	-	-	1,144	(1,144)
Economic development	84,000	84,000	98,136	(14,136)
Capital outlay	100,000	100,000	94,815	5,185
Debt service				
Principal	195,000	195,000	215,000	(20,000)
Interest and fiscal charges	38,484	38,484	15,750	22,734
Total expenditures	<u>417,484</u>	<u>417,484</u>	<u>424,845</u>	<u>(7,361)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	143,016	143,016	235,890	92,874
<b>FUND BALANCE - BEGINNING</b>	<u>1,093,393</u>	<u>1,093,393</u>	<u>1,093,393</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 1,236,409</u>	<u>\$ 1,236,409</u>	<u>\$ 1,329,283</u>	<u>\$ 92,874</u>

**CITY OF CROWLEY, TEXAS**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Crime Control and Prevention District**  
**For the Year Ended September 30, 2014**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Sales taxes	\$ 530,000	\$ 530,000	\$ 585,492	\$ 55,492
Investment earnings	800	800	117	(683)
Total revenues	<u>530,800</u>	<u>530,800</u>	<u>585,609</u>	<u>54,809</u>
<b>EXPENDITURES</b>				
Public safety	220,259	220,259	225,296	(5,037)
Debt service				
Principal	180,000	180,000	245,000	(65,000)
Interest and fiscal charges	113,300	113,300	129,778	(16,478)
Bond insurance costs	-	-	31,388	(31,388)
Total expenditures	<u>513,559</u>	<u>513,559</u>	<u>631,462</u>	<u>(117,903)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>17,241</u>	<u>17,241</u>	<u>(45,853)</u>	<u>(63,094)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Refunding bonds issued	-	-	2,697,391	2,697,391
Payment to refunded bond escrow agent	-	-	(2,585,000)	(2,585,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>112,391</u>	<u>112,391</u>
Net change in fund balance	17,241	17,241	66,538	49,297
<b>FUND BALANCE - BEGINNING</b>	<u>531,494</u>	<u>531,494</u>	<u>531,494</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 548,735</u>	<u>\$ 548,735</u>	<u>\$ 598,032</u>	<u>\$ 49,297</u>

CITY OF CROWLEY  
Notes to the Required Supplementary Information  
For the Year Ended September 30, 2014

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, administrative and finance, library, public safety, public works, community development, sanitation and capital outlay actual expenditures budgetary basis exceeded appropriations. Total actual expenditures exceeded appropriations by \$52,304. Amounts were funded by excess revenues.

In the economic development corporation, actual economic development expenditures and debt service payments exceeded appropriations. Total actual expenditures exceeded appropriations by \$7,361. Amounts were funded by excess sales tax revenue.

In the crime control and prevention district, actual public safety expenditures and debt service payments exceeded appropriations. Total actual expenditures exceeded appropriations by \$117,903. Amounts were funded by excess sales tax revenue.

**CITY OF CROWLEY, TEXAS**  
**Texas Municipal Retirement System**  
**Schedule of Funding Progress**

**Exhibit E-4**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2011	\$ 8,945,018	\$ 10,800,875	82.8%	\$ 1,855,857	\$ 4,349,123	42.7%
12/31/2012	10,031,728	11,570,166	86.7%	1,538,438	4,571,135	33.7%
12/31/2013	11,234,026	13,562,397	82.8%	2,328,371	5,051,474	46.1%



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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, 2014**

**Exhibit F-1**

	Nonmajor Special Revenue Funds				
	Court Technology & Security	Grant	LEOSE Training	PEG Fee	Total Nonmajor Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 9,458	\$ 24,401	\$ 8,994	\$ 30,418	\$ 73,271
Investments	70,411	-	-	92,028	162,439
Receivables (Net of allowances for uncollectibles)					
Other taxes	-	-	-	1,913	1,913
Miscellaneous	-	13	-	-	13
Due from other funds	8,445	-	-	-	8,445
Total assets	<u>\$ 88,314</u>	<u>\$ 24,414</u>	<u>\$ 8,994</u>	<u>\$ 124,359</u>	<u>\$ 246,081</u>
<b>Liabilities</b>					
Accounts payable	\$ 1,771	\$ 2,237	\$ 538	\$ -	\$ 4,546
Total liabilities	<u>1,771</u>	<u>2,237</u>	<u>538</u>	<u>-</u>	<u>4,546</u>
<b>Deferred inflows of resources</b>					
Deferred revenue	-	2,035	-	-	2,035
Total deferred inflows of resources	<u>-</u>	<u>2,035</u>	<u>-</u>	<u>-</u>	<u>2,035</u>
<b>Fund balance</b>					
Restricted	86,543	20,142	8,456	124,359	239,500
Total fund balances	<u>86,543</u>	<u>20,142</u>	<u>8,456</u>	<u>124,359</u>	<u>239,500</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 88,314</u>	<u>\$ 24,414</u>	<u>\$ 8,994</u>	<u>\$ 124,359</u>	<u>\$ 246,081</u>

## Nonmajor Governmental Funds

## Combining Statement of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended September 30, 2014

	Court Technology & Security	Grant	LEOSE Training	Public, Educational, and Government Access (PEG)	Total Nonmajor Funds
Revenues					
Fees and fines	\$ 27,259	\$ -	\$ -	\$ -	\$ 27,259
Franchise fees	-	-	-	30,482	30,482
Grants and contributions	-	34,612	-	-	34,612
Other	-	-	3,467	-	3,467
Total revenue	<u>27,259</u>	<u>34,612</u>	<u>3,467</u>	<u>30,482</u>	<u>95,820</u>
Expenditures					
Current					
Municipal court	25,004	-	-	-	25,004
Library	-	33,184	-	-	33,184
Public safety	-	22,164	1,090	-	23,254
Fire and ambulance	-	10,450	430	-	10,880
Total expenditures	<u>25,004</u>	<u>65,798</u>	<u>1,520</u>	<u>-</u>	<u>92,322</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,255</u>	<u>(31,186)</u>	<u>1,947</u>	<u>30,482</u>	<u>3,498</u>
Net change in fund balances	2,255	(31,186)	1,947	30,482	3,498
Fund balances - beginning	<u>84,288</u>	<u>51,328</u>	<u>6,509</u>	<u>93,877</u>	<u>236,002</u>
Fund balances - ending	<u>\$ 86,543</u>	<u>\$ 20,142</u>	<u>\$ 8,456</u>	<u>\$ 124,359</u>	<u>\$ 239,500</u>

## **OTHER SUPPLEMENTARY INFORMATION**

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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, 2014**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 1,619,858	1,619,858	1,669,107	\$ 49,249
Total revenues	<u>1,619,858</u>	<u>1,619,858</u>	<u>1,669,107</u>	<u>49,249</u>
<b>EXPENDITURES</b>				
<b>Debt service</b>				
Principal	1,145,000	1,145,000	1,200,000	(55,000)
Interest and fiscal charges	624,860	624,860	658,344	(33,484)
Bond issuance costs	-	-	2,094	(2,094)
Total debt service	<u>1,769,860</u>	<u>1,769,860</u>	<u>1,860,438</u>	<u>(90,578)</u>
Total expenditures	<u>1,769,860</u>	<u>1,769,860</u>	<u>1,860,438</u>	<u>(90,578)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(150,002)	(150,002)	(191,331)	(41,329)
<b>OTHER FINANCING SOURCES (USES)</b>				
Refunding bonds issued	-	-	2,222,609	2,222,609
Payment to refunded bond escrow agent	-	-	(2,130,000)	(2,130,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>92,609</u>	<u>92,609</u>
<b>NET CHANGE IN FUND BALANCES</b>	(150,002)	(150,002)	(98,722)	51,280
<b>FUND BALANCE - BEGINNING</b>	<u>395,697</u>	<u>395,697</u>	<u>395,697</u>	-
<b>FUND BALANCE - ENDING</b>	<u>\$ 245,695</u>	<u>\$ 245,695</u>	<u>\$ 296,975</u>	<u>\$ 51,280</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, 2014**

	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)
Operating revenues:			
Water sales	\$ 2,735,500	\$ 2,575,404	\$ (160,096)
Sewer charges	1,595,500	1,682,568	87,068
Miscellaneous	290,600	366,779	76,179
Total operating revenue	<u>4,621,600</u>	<u>4,624,751</u>	<u>3,151</u>
Operating expenses:			
Personnel	687,994	618,620	69,374
Professional services	22,000	66,060	(44,060)
Purchased water	1,190,000	1,266,793	(76,793)
Wastewater treatment charge	900,000	900,032	(32)
Contractual services	200,000	170,410	29,590
Insurance	44,752	38,933	5,819
Administrative	22,404	20,223	2,181
Repairs and maintenance	107,700	105,868	1,832
Utilities	149,230	129,479	19,751
Capital outlay	29,000	1,248,262	(1,219,262)
Total operating expenses	<u>3,353,080</u>	<u>4,564,680</u>	<u>(1,211,600)</u>
Operating income (loss)	<u>1,268,520</u>	<u>60,071</u>	<u>(1,208,449)</u>
Nonoperating revenues (expenses):			
Investment earnings	3,500	1,014	(2,486)
Gain on disposal of capital assets	-	2,204	2,204
Debt service - principal	(495,000)	(495,000)	-
Interest expense	(257,425)	(236,077)	21,348
Total nonoperating revenues (expenses)	<u>(748,925)</u>	<u>(727,859)</u>	<u>21,066</u>
Income (loss) before contributions and transfers	519,595	(667,788)	(1,187,383)
Capital transfers and contributions			
Transfers out	(515,789)	(507,774)	8,015
Capital contributions	<u>-</u>	<u>630,889</u>	<u>630,889</u>
Change in net position	3,806	(544,673)	(548,479)
Net position - beginning	<u>9,045,869</u>	<u>9,045,869</u>	<u>-</u>
Net position - ending	<u>\$ 9,049,675</u>	<u>\$ 8,501,196</u>	<u>\$ (548,479)</u>
Reconciliation from Budgetary Basis to GAAP Basis:			
Capital outlay		1,248,262	
Depreciation		(742,129)	
Debt retirement		495,000	
		<u>\$ 9,502,329</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, 2014, 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 26, 2015.

Internal Control over Financial Reporting

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

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

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

### Compliance and Other Matters

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

### Purpose of this Report

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

*George Morgan, Jr., P.C.*

Weatherford, Texas

January 26, 2015