

CITY OF CROWLEY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2012



GMS

CERTIFIED PUBLIC
ACCOUNTANTS

GEORGE | MORGAN | SNEED

CITY OF CROWLEY, TEXAS
Annual Financial Report
For the year ended September 30, 2012

TABLE OF CONTENTS

	<u>Exhibit Number</u>	<u>Page Number</u>
FINANCIAL SECTION		
Independent Auditor's Report		1 - 2
Management's Discussion and Analysis		3 - 13
Basic Financial Statements:		
Government-wide Financial Statements		
Statement of Net Assets	A-1	14
Statement of Activities	B-1	15 - 16
Fund Financial Statements		
Balance Sheet - Governmental Funds	C-1	17
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	C-2	18
Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds	C-3	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	20
Statement of Net Assets - Proprietary Funds	D-1	21
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	D-2	22
Statement of Cash Flows - Proprietary Funds	D-3	23
Notes to the Financial Statements		24 - 46
Required Supplementary Information		
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	E-1	47
Schedule of Actuarial Liabilities and Funding Progress - Texas Municipal Retirement System Pension	E-2	48
Notes to the Required Supplementary Information		49
Combining Financial Statements		
Nonmajor Governmental Funds		
Combining Balance Sheet	F-1	50 - 51
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	F-2	52 - 53
Other Supplementary Information		
Budgetary Comparison Schedule - Budget and Actual - Debt Service Fund	G-1	54
Budgetary Comparison Schedule - Budget and Actual - Water and Sewer Fund	G-2	55
OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		56 - 57

THIS PAGE INTENTIONALLY LEFT BLANK

FINANCIAL SECTION

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Crowley, Texas

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2013, on our consideration of the City of Crowley, Texas' internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

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 3 through 13, pages 47 through 49 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining and individual nonmajor fund financial statements and other schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and other 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. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements themselves, and other additional procedures in accordance with auditing standards general accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Weatherford, Texas
February 12, 2013

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, 2012.

FINANCIAL HIGHLIGHTS

- The assets of the City of Crowley exceeded its liabilities at the close of the most recent fiscal year by \$28,088,143 (*net assets*) compared to \$26,731,001 for the prior year. Of this amount, \$5,986,441 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$1,357,142. The City's governmental activities net assets increased by \$713,056 and the business-type activities net assets increased \$644,086.
- As of the close of the current fiscal year, the City of Crowley's governmental funds reported combined ending fund balances of \$10,633,638, which is an increase of \$2,655,866 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,987,639, or 44% 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 assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid

The two government-wide statements report the City's net assets and how they have changed. Net assets – the difference between the City's assets and liabilities – are one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets 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 and general capital projects fund, which are considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for the general fund, debt service fund 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 24 - 46 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$28,088,143 as of September 30, 2012. Below is a summary of the City's Statement of Net Assets.

Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 12,493,814	\$ 9,249,747	\$ 6,279,461	\$ 7,696,742	\$ 18,773,275	\$ 16,946,489
Capital assets	31,597,253	29,242,691	11,613,803	9,807,582	43,211,056	39,050,273
Total Assets	<u>44,091,067</u>	<u>38,492,438</u>	<u>17,893,264</u>	<u>17,504,324</u>	<u>61,984,331</u>	<u>55,996,762</u>
Long-term liabilities	23,877,195	19,319,253	8,014,969	8,459,258	31,892,164	27,778,511
Other liabilities	1,025,323	697,692	978,701	789,558	2,004,024	1,487,250
Total liabilities	<u>24,902,518</u>	<u>20,016,945</u>	<u>8,993,670</u>	<u>9,248,816</u>	<u>33,896,188</u>	<u>29,265,761</u>
Net Assets:						
Invested in capital assets						
net of related debt	12,688,116	12,649,604	7,364,768	6,695,455	20,052,884	19,345,059
Restricted	1,984,975	1,899,007	63,843	331,617	2,048,818	2,230,624
Unrestricted	4,515,458	3,926,882	1,470,983	1,228,436	5,986,441	5,155,318
Total Net Assets	<u>\$ 19,188,549</u>	<u>\$ 18,475,493</u>	<u>\$ 8,899,594</u>	<u>\$ 8,255,508</u>	<u>\$ 28,088,143</u>	<u>\$ 26,731,001</u>

The largest portion of the City's net assets (71%) 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 assets (7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$5,986,441) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, 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 Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 2,496,214	\$ 2,010,028	\$ 4,983,530	\$ 4,857,398	\$ 7,479,744	\$ 6,867,426
Operating grants and contributions	284,935	329,336	-	-	284,935	329,336
Capital grants and contributions	-	-	78,470	55,751	78,470	55,751
General revenues:						
Property taxes	4,689,754	4,827,119	-	-	4,689,754	4,827,119
Sales taxes	2,044,806	1,733,499	-	-	2,044,806	1,733,499
Franchise taxes	775,773	763,694	-	-	775,773	763,694
Oil & gas royalties	453,096	379,540	-	-	453,096	379,540
Investment earnings	14,739	19,793	4,300	875	19,039	20,668
Other revenue	66,763	49,523	-	-	66,763	49,523
Total revenues	<u>10,826,080</u>	<u>10,112,532</u>	<u>5,066,300</u>	<u>4,914,024</u>	<u>15,892,380</u>	<u>15,026,556</u>
Expenses						
Administration and finance	891,567	781,654			891,567	781,654
Municipal court	229,546	225,411			229,546	225,411
Library	440,356	404,236			440,356	404,236
Senior citizens	29,055	31,035			29,055	31,035
Public safety	2,834,973	2,740,267			2,834,973	2,740,267
Fire and ambulance	1,858,857	1,791,426			1,858,857	1,791,426
Public works	975,890	991,782			975,890	991,782
Parks	406,044	391,009			406,044	391,009
Recreation Center	577,883	114,244			577,883	114,244
Animal control & code enforcement	195,105	145,465			195,105	145,465
Community development	330,684	278,882			330,684	278,882
Sanitation	586,930	571,555			586,930	571,555
Economic development	83,391	-			83,391	-
Nondepartmental	446,416	537,311			446,416	537,311
Interest and fiscal charges	723,724	837,452			723,724	837,452
Water and Sewer			3,924,817	3,861,073	3,924,817	3,861,073
Total expenses	<u>10,610,421</u>	<u>9,841,729</u>	<u>3,924,817</u>	<u>3,861,073</u>	<u>14,535,238</u>	<u>13,702,802</u>
Increase (decrease) in net assets before transfers	215,659	270,803	1,141,483	1,052,951	1,357,142	1,323,754
Transfers	497,397	497,397	(497,397)	(497,397)	-	-
Increase (decrease) in net assets	713,056	768,200	644,086	555,554	1,357,142	1,323,754
Prior period adjustment	-	522,971	-	4,059,061	-	4,582,032
Net Assets October 1	18,475,493	17,184,322	8,255,508	3,640,893	26,731,001	20,825,215
Net Assets September 30	<u>\$ 19,188,549</u>	<u>\$ 18,475,493</u>	<u>\$ 8,899,594</u>	<u>\$ 8,255,508</u>	<u>\$ 28,088,143</u>	<u>\$ 26,731,001</u>

Governmental Activities. Governmental activities increased the City's net assets by \$713,056 in the current year compared with a \$768,200 increase in the prior year.

Total governmental activities revenues increased \$713,548 (7%) to \$10,826,080. Key factors contributing to this increase are as follows:

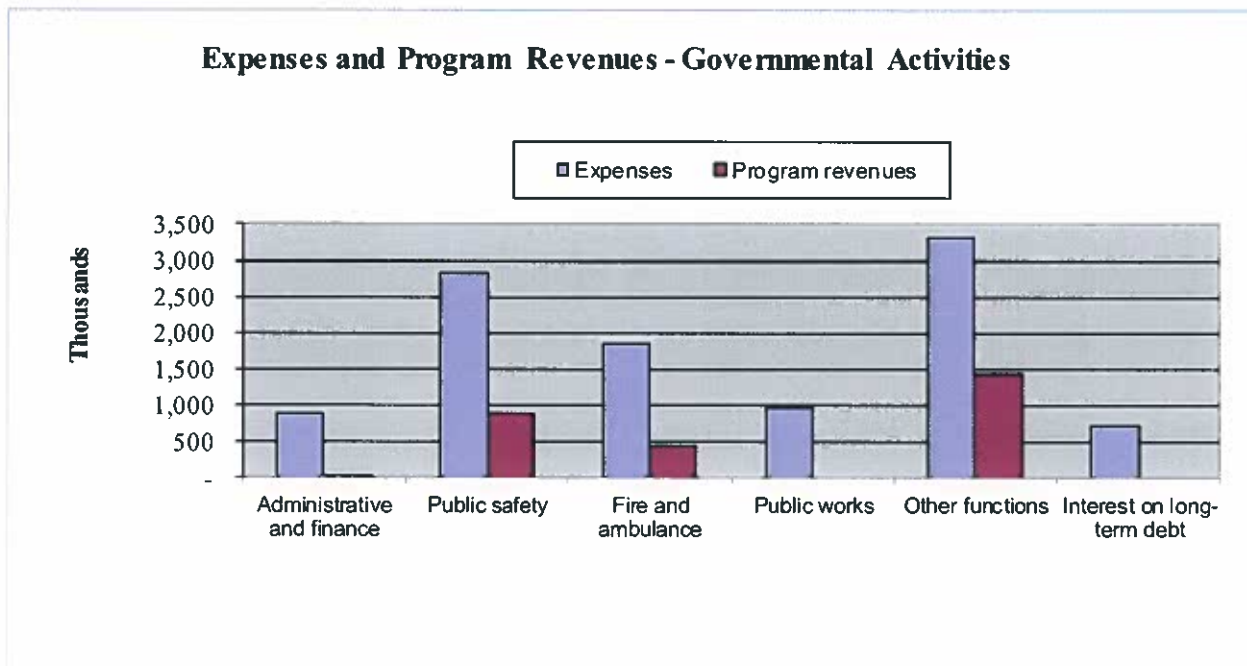
community development revenue; \$42,045 increase in sanitation revenue and \$32,583 increase in parks revenue.

- Sales tax revenue increased \$311,307(18%) and oil and gas royalties increased \$73,556 (19%) from the prior year.
- Operating grants and contributions decreased \$44,401 (13%).
- \$137,365 decrease in property tax due to a decrease in appraised value by about \$13 million from the prior year. The tax rate remained the same.

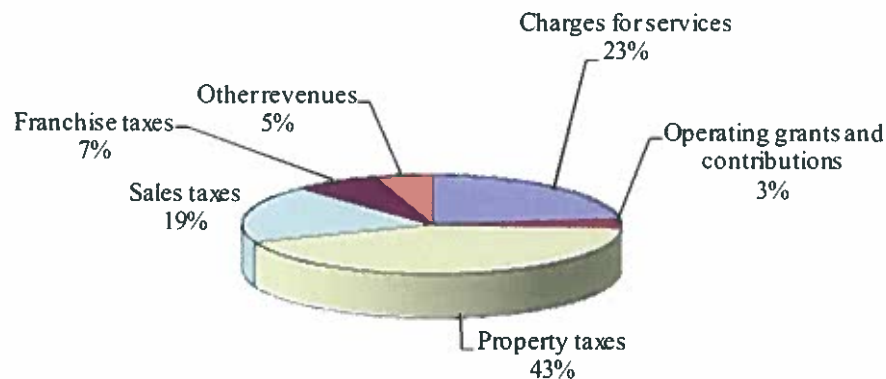
Total governmental activities expenses increased \$768,692 (8%) from the prior year. Key elements of this increase are as follows.

- Recreation center expenses increased approximately \$463,000 from the previous year because the center was operating for twelve months in the current year compared to four months last year. Of this amount, approximately \$177,000 was due to the increase in salaries, taxes and benefits.
- Administrative and finance expenses increased approximately \$109,000 from the previous year. Of this amount, approximately \$63,000 was due to the increase in salaries, taxes and benefits.
- Economic development expenses increased approximately \$83,000 because during the year the City obtained economic development services to develop and implement an action plan for attracting new development and redevelopment to the City.
- Public safety expenses increased approximately \$94,000 from previous year. Of this amount, approximately \$26,000 was due to the increase in salaries, taxes and benefits.

Below are two graphs summarizing governmental revenue and expense:



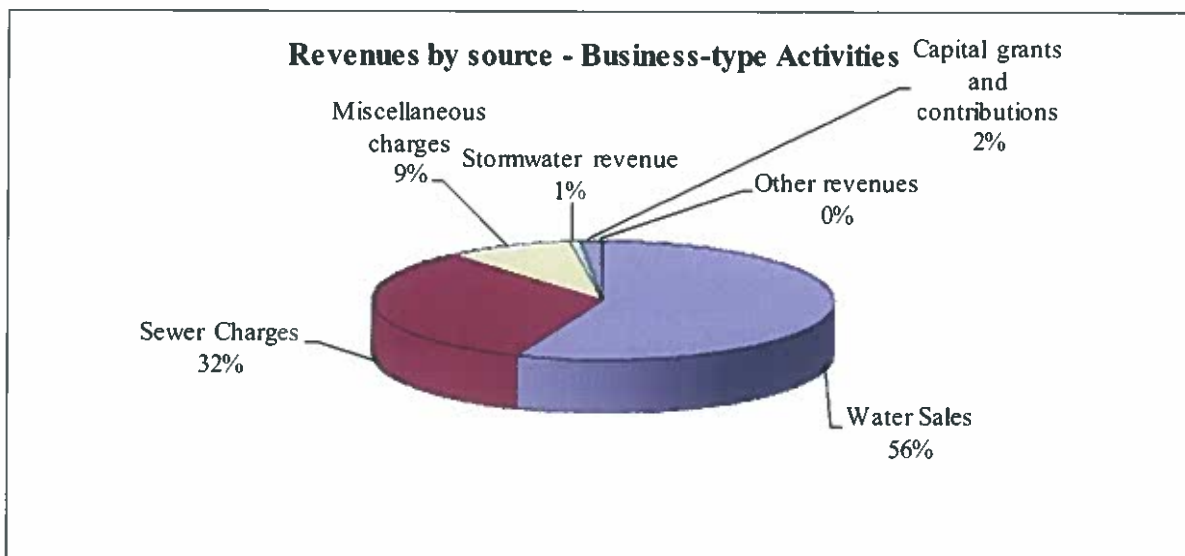
Revenues by Source - Governmental Activities

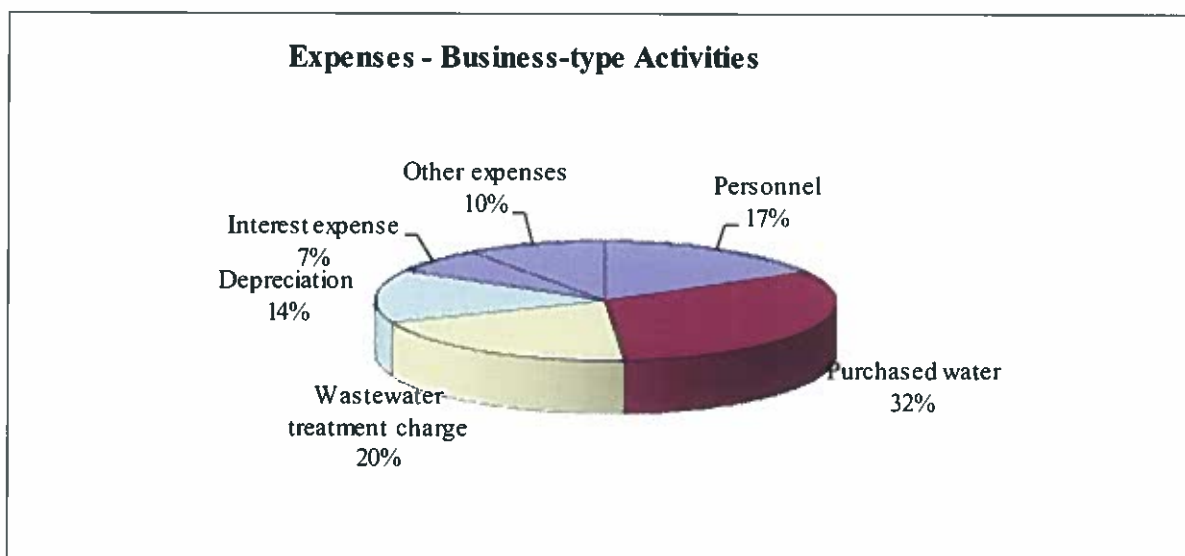


Business-type activities. Business-type activities increased the City's net assets by \$644,086 in the current year compared to an increase in net assets of \$555,554 in the prior year. The business-type activities total revenues increased \$152,276 (3%) to \$5,066,300 and total expenses increased \$63,744 (2%). Key elements of these changes are as follows.

- Charges for services increased \$126,132. Stormwater drainage utility fees increased \$35,159 because during the year, the City levied the fees effective July 1, 2012. Miscellaneous charges increased \$152,798 because impact fees increased approximately \$79,000 and bulk sales water increased approximately \$50,000. Sewer revenues increased \$27,668. Water revenues decreased \$89,491 primarily due to decrease in water consumption by 54,952,110 gallons.
- Capital grants and contributions consist of water improvements on McCurdy Street funded with CDBG grant through Tarrant County.
- Water purchased in the current year from the City of Fort Worth decreased \$21,375 due to a decrease in gallons sold.
- Wastewater treatment charges from the City of Fort Worth increased \$80,595.

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





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 \$10,633,638. \$3,987,639 (38%) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted.

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 \$3,987,639. The fund balance of the general fund increased \$368,131. Below is a comparison of the general fund's net change in fund balance for 2012 and 2011.

	<u>9/30/2011</u>	<u>9/30/2012</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
REVENUES				
Taxes:				
Property	\$ 3,074,932	\$ 3,094,061	\$ 19,129	0.62%
Sales	902,587	1,062,586	159,999	17.73%
Franchise	732,582	760,221	27,639	3.77%
Charges for service	1,060,253	1,334,106	273,853	25.83%
Fees and Fines	630,357	745,303	114,946	18.24%
Licenses and permits	277,291	366,055	88,764	32.01%
Grants and contributions	270,422	243,568	(26,854)	-9.93%
Oil & Gas Revenue	379,540	453,096	73,556	19.38%
Investment Earnings	17,856	13,440	(4,416)	-24.73%
Other revenue	65,692	80,284	14,592	22.21%
Total revenues	<u>7,411,512</u>	<u>8,152,720</u>	<u>741,208</u>	<u>10.00%</u>
EXPENDITURES				
Administrative and finance	611,104	726,691	115,587	18.91%
Municipal court	208,428	212,538	4,110	1.97%
Library	345,532	388,280	42,748	12.37%
Senior citizens	31,035	29,055	(1,980)	-6.38%
Public safety	2,437,851	2,494,488	56,637	2.32%
Fire and ambulance	1,625,257	1,586,539	(38,718)	-2.38%
Public works	445,820	441,592	(4,228)	-0.95%
Parks	241,911	241,599	(312)	-0.13%
Recreation Center	77,304	335,492	258,188	100.00%
Animal Control and code enforcement	120,874	137,558	16,684	13.80%
Community development	280,174	344,036	63,862	22.79%
Sanitation	571,555	586,930	15,375	2.69%
Nondepartmental	540,826	471,952	(68,874)	-12.73%
Capital outlay	510,677	1,160,390	649,713	127.23%
Total expenditures	<u>8,048,348</u>	<u>9,157,140</u>	<u>1,108,792</u>	<u>13.78%</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease	-	957,493	957,493	100.00%
Transfers in	531,331	497,397	(33,934)	-6.39%
Transfers out	(700)	(82,339)	(81,639)	11662.71%
NET CHANGE IN FUND BALANCES	<u>\$ (106,205)</u>	<u>\$ 368,131</u>	<u>\$ (483,157)</u>	<u>454.93%</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 assets of the proprietary funds at the end of the year amounted to \$1,470,983. Total net assets increased \$644,086. 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 once. General fund appropriations were increased \$42,761 in the recreation center primarily for salaries, taxes and benefits. These increases were funded with increases in the recreation center revenues.

Actual expenditures of the general fund were \$1,055,893 more than budgeted. \$202,897 expenditures for capital outlay funded with the 2005 bond and gas well proceeds were not budgeted. \$957,493 expenditures for radio equipment acquired through capital lease were not budgeted.

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of September 30, 2012, amounts to \$43,211,056 (net of accumulated depreciation).

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

Governmental Activities:

- Radio equipment for \$957,493.
- Purchased Laserfische software program for \$48,683.
- Metal building for \$110,658.
- Purchased three police vehicles for \$149,019.
- Bicentennial decorative lights for \$38,700.
- Construction for the year were the following:
 - Main Street utility relocation - \$323,925.
 - Bicentennial/Teeter Trail - \$70,645.
 - Street reconstruction - \$201,343.
 - Public works building - \$1,251,612.
 - Fire station #1 remodel - \$852,808.

Business-type activities:

- Trail street sewer replacement for 272,363.
- Purchased Bobcat excavator for \$49,443.
- Purchased two trucks for \$34,496.

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 1,092,417	\$ 1,092,417	\$ 34,751	\$ 34,751	\$ 1,127,168	\$ 1,127,168
Construction in progress	2,846,550	168,952	2,113,516	315,797	4,960,066	484,749
Buildings and improvements	15,658,321	16,185,613	96,626	100,007	15,754,947	16,285,620
Infrastructure/utility system	9,093,340	9,598,247	8,940,233	8,969,961	18,033,573	18,568,208
Equipment and furniture	2,906,625	2,197,462	428,677	387,066	3,335,302	2,584,528
Total	<u>\$ 31,597,253</u>	<u>\$ 29,242,691</u>	<u>\$ 11,613,803</u>	<u>\$ 9,807,582</u>	<u>\$ 43,211,056</u>	<u>\$ 39,050,273</u>

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

Long-Term Debt

City of Crowley's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	\$ 4,387,524	\$ 3,645,183	\$ 630,000	\$ 725,000	\$ 5,017,524	\$ 4,370,183
Certificates of Obligation	18,188,270	14,065,000	7,316,432	7,693,655	25,504,702	21,758,655
Capital lease	957,493	-	-	-	957,493	-
Tax Notes	-	1,265,000	-	-	-	1,265,000
Total	<u>\$ 23,533,287</u>	<u>\$ 18,975,183</u>	<u>\$ 7,946,432</u>	<u>\$ 8,418,655</u>	<u>\$ 31,479,719</u>	<u>\$ 27,393,838</u>

During the year the City issued the \$1,855,000 General Obligation Refunding Bonds, Series 2012, to refund \$775,000 of the General Obligation Bonds, Series 2002 and \$1,075,000 of the Tax Notes Series 2002.

The City also issued the \$4,890,000 of Certificates of Obligation, Series 2012, for the purpose of making public improvements.

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

In the 2013 fiscal year budget, general fund revenues are scheduled to increase by about 5% (\$397,327) from the 2012 fiscal year budget. The adopted tax rate is \$.669019 per \$100 of taxable value. Property tax revenue is scheduled to increase 3% (\$83,125). Sales tax revenue is expected to increase 22% (\$260,500). Municipal court revenue is expected to increase 28% (\$100,000). General fund expenditures are expected to increase 5% (\$394,829) over the prior year. The largest increase is on the fire department \$380,448 (24%) on salaries, taxes, benefits, maintenance, capital outlay and training.

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.

THIS PAGE INTENTIONALLY LEFT BLANK

BASIC FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF CROWLEY, TEXAS

Statement of Net Assets

September 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 731,464	\$ 109,391	\$ 840,855
Investments	10,138,243	404,080	10,542,323
Receivables (Net of allowances for uncollectibles)			
Property taxes	155,884	-	155,884
Other taxes	668,261		668,261
Accounts	249,561	722,526	972,087
Miscellaneous	97,180	27,869	125,049
Internal balances	(26)	26	-
Inventory	-	6,160	6,160
Restricted assets:			
Cash and cash equivalents	-	419,211	419,211
Investments	-	4,451,238	4,451,238
Deferred charges	453,247	138,960	592,207
Capital assets:			
Nondepreciable	3,938,967	2,148,268	6,087,235
Depreciable, net of accumulated depreciation	27,658,286	9,465,535	37,123,821
Total Assets	44,091,067	17,893,264	61,984,331
LIABILITIES:			
Accounts payable	702,093	508,298	1,210,391
Accrued payroll liabilities	130,958	22,297	153,255
Due to other governments	71,715	-	71,715
Deferred revenues	4,919	-	4,919
Interest payable	115,638	39,446	155,084
Current Liabilities Payable from Restricted Assets:			
Customer deposits	-	408,660	408,660
Noncurrent liabilities:			
Due Within One Year	1,777,215	511,102	2,288,317
Due in More Than One Year	22,099,980	7,503,867	29,603,847
Total Liabilities	24,902,518	8,993,670	33,896,188
NET ASSETS:			
Investments in Capital Assets, Net of Debt	12,688,116	7,364,768	20,052,884
Restricted for (Expendable):			
Capital improvements	-	63,843	63,843
Debt service	500,620		500,620
Public safety	550,127		550,127
Economic development	837,055		837,055
Grant projects	25,623		25,623
Community program	71,550		71,550
Unrestricted Net Assets	4,515,458	1,470,983	5,986,441
Total Net Assets	\$ 19,188,549	\$ 8,899,594	\$ 28,088,143

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, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Administration and finance	\$ 891,567	\$ 1,310	\$ -	\$ -
Municipal court	229,546	35,273	-	-
Library	440,356	14,806	12,332	-
Senior citizens	29,055	-	-	-
Public safety	2,834,973	870,087	15,608	-
Fire and ambulance	1,858,857	204,287	247,683	-
Public works	975,890	-	-	-
Parks	406,044	72,733	-	-
Recreation Center	577,883	204,775	-	-
Animal control and code enforcement	195,105	9,863	-	-
Community development	330,684	454,430	-	-
Sanitation	586,930	628,650	-	-
Economic development	83,391	-	-	-
Nondepartmental	446,416	-	9,312	-
Interest and fiscal charges	723,724	-	-	-
Total governmental activities	<u>10,610,421</u>	<u>2,496,214</u>	<u>284,935</u>	<u>-</u>
Business-type activities:				
Water and sewer	3,924,817	4,983,530	-	78,470
Total business-type activities	<u>3,924,817</u>	<u>4,983,530</u>	<u>-</u>	<u>78,470</u>
Total primary government	\$ <u>14,535,238</u>	\$ <u>7,479,744</u>	\$ <u>284,935</u>	\$ <u>78,470</u>

General Revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales

Franchise

Oil and gas royalties

Investment Earnings

Other revenue

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

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

Exhibit B-1

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (890,257)	\$	\$ (890,257)
(194,273)		(194,273)
(413,218)		(413,218)
(29,055)		(29,055)
(1,949,278)		(1,949,278)
(1,406,887)		(1,406,887)
(975,890)		(975,890)
(333,311)		(333,311)
(373,108)		(373,108)
(185,242)		(185,242)
123,746		123,746
41,720		41,720
(83,391)		(83,391)
(437,104)		(437,104)
(723,724)		(723,724)
<u>(7,829,272)</u>	<u>-</u>	<u>(7,829,272)</u>
-	1,137,183	1,137,183
<u>-</u>	<u>1,137,183</u>	<u>1,137,183</u>
\$ <u>(7,829,272)</u>	\$ <u>1,137,183</u>	\$ <u>(6,692,089)</u>
\$ 3,120,704	\$ -	\$ 3,120,704
1,569,050		1,569,050
2,044,806	-	2,044,806
775,773	-	775,773
453,096	-	453,096
14,739	4,300	19,039
66,763	-	66,763
497,397	(497,397)	-
<u>8,542,328</u>	<u>(493,097)</u>	<u>8,049,231</u>
713,056	644,086	1,357,142
<u>18,475,493</u>	<u>8,255,508</u>	<u>26,731,001</u>
\$ <u>19,188,549</u>	\$ <u>8,899,594</u>	\$ <u>28,088,143</u>

CITY OF CROWLEY, TEXAS
Balance Sheet
Governmental Funds
September 30, 2012

	<u>General</u>	<u>Debt Service</u>	<u>General Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Assets:					
Cash and cash equivalents	\$ 468,894	\$ -	\$ 223,049	\$ 39,521	\$ 731,464
Investments	3,669,511	563,990	4,654,762	1,249,980	10,138,243
Receivables (Net of allowances for uncollectibles)					
Property taxes	103,616	52,268	-	-	155,884
Other taxes	463,579	-	-	204,682	668,261
Accounts	249,561	-	-	-	249,561
Miscellaneous	97,169	-	-	11	97,180
Due from other funds	25,299			73,595	98,894
Total assets	<u>\$ 5,077,629</u>	<u>\$ 616,258</u>	<u>\$ 4,877,811</u>	<u>\$ 1,567,789</u>	<u>\$ 12,139,487</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 392,330	\$ -	\$ 253,663	\$ 56,100	\$ 702,093
Interest payable	-	26,494	-	-	26,494
Accrued payroll liabilities	130,958	-	-	-	130,958
Due to other governments	71,715	-	-	-	71,715
Due to other funds	73,621	-	-	25,299	98,920
Deferred revenue	421,366	52,268	-	2,035	475,669
Total liabilities	<u>1,089,990</u>	<u>78,762</u>	<u>253,663</u>	<u>83,434</u>	<u>1,505,849</u>
Fund Balances:					
Restricted		537,496	4,624,148	1,484,355	6,645,999
Unassigned	3,987,639	-			3,987,639
Total fund balances	<u>3,987,639</u>	<u>537,496</u>	<u>4,624,148</u>	<u>1,484,355</u>	<u>10,633,638</u>
Total liabilities and fund balances	<u>\$ 5,077,629</u>	<u>616,258</u>	<u>4,877,811</u>	<u>1,567,789</u>	<u>\$ 12,139,487</u>

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

CITY OF CROWLEY, TEXAS
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Assets
September 30, 2012

Total Fund Balances - Governmental Funds	\$ 10,633,638
Capital assets used in governmental activities are not financial resources and therefore are reported in the governmental funds. The cost of these assets was \$48,232,129 and the accumulated depreciation was \$16,634,876.	31,597,253
Capitalized bond issuance costs related to governmental activity debt are not financial resources and therefore are not reported in the governmental funds.	453,247
Long-term liabilities, including \$23,533,287 bonds and tax notes payable, \$152,602 net pension obligation and \$191,306 compensated absences payable are not due and payable in the current period, and, therefore are not reported as liabilities in the fund financial statements.	(23,877,195)
Interest payable is not expected to be liquidated with available financial resources and is not reported as a liability in the fund financial statements.	(89,144)
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.	470,750
Net Assets of Governmental Activities	<u><u>\$ 19,188,549</u></u>

CITY OF CROWLEY, TEXAS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2012

	General	Debt Service	General Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property	\$ 3,094,061	\$ 1,560,798	\$ -	\$ -	\$ 4,654,859
Sales	1,062,586	-	-	982,220	2,044,806
Franchise	760,221	-	-	25,100	785,321
Charges for service	1,334,106	-	-	-	1,334,106
Fees and fines	745,303	-	-	32,594	777,897
Licenses and permits	366,055	-	-	-	366,055
Grants and contributions	243,568	-	-	41,073	284,641
Oil & gas revenue	453,096	-	-	-	453,096
Investment earnings	13,440	-	301	998	14,739
Other revenue	80,284	-	-	294	80,578
Total revenues	<u>8,152,720</u>	<u>1,560,798</u>	<u>301</u>	<u>1,082,279</u>	<u>10,796,098</u>
EXPENDITURES					
Administrative and finance	726,691	-	-	-	726,691
Municipal court	212,538	-	-	41,039	253,577
Library	388,280	-	-	1,797	390,077
Senior citizens	29,055	-	-	-	29,055
Public safety	2,494,488	-	-	175,433	2,669,921
Fire and ambulance	1,586,539	-	-	30,534	1,617,073
Public works	441,592	-	-	-	441,592
Parks	241,599	-	-	-	241,599
Recreation center	335,492	-	-	-	335,492
Animal control and code enforcement	137,558	-	-	-	137,558
Community development	344,036	-	-	-	344,036
Sanitation	586,930	-	-	-	586,930
Economic development	-	-	-	83,391	83,391
Nondepartmental	471,952	-	-	-	471,952
Capital outlay	1,160,390	-	2,758,249	-	3,918,639
Debt service:					
Principal	-	1,245,000	-	360,000	1,605,000
Interest and fiscal charges	-	566,923	-	175,616	742,539
Bond issuance costs	-	28,494	149,688	40,599	218,781
Total expenditures	<u>9,157,140</u>	<u>1,840,417</u>	<u>2,907,937</u>	<u>908,409</u>	<u>14,813,903</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (1,004,420)</u>	<u>\$ (279,619)</u>	<u>\$ (2,907,636)</u>	<u>\$ 173,870</u>	<u>(4,017,805)</u>
OTHER FINANCING SOURCES (USES)					
Refunding bonds issued	-	803,494	-	1,115,599	1,919,093
Bond issued	-	-	5,149,688	-	5,149,688
Capital lease	957,493	-	-	-	957,493
Payment to refunded bond escrow agent	-	(775,000)	-	(1,075,000)	(1,850,000)
Transfers in	497,397	-	-	87,849	585,246
Transfers out	(82,339)	(5,510)	-	-	(87,849)
Total other financing sources (uses)	<u>1,372,551</u>	<u>22,984</u>	<u>5,149,688</u>	<u>128,448</u>	<u>6,673,671</u>
NET CHANGE IN FUND BALANCES	<u>368,131</u>	<u>(256,635)</u>	<u>2,242,052</u>	<u>302,318</u>	<u>2,655,866</u>
FUND BALANCE OCTOBER 1, 2011	<u>3,619,508</u>	<u>794,131</u>	<u>2,382,096</u>	<u>1,182,037</u>	<u>7,977,772</u>
FUND BALANCE SEPTEMBER 30, 2012	<u>\$ 3,987,639</u>	<u>\$ 537,496</u>	<u>\$ 4,624,148</u>	<u>\$ 1,484,355</u>	<u>\$ 10,633,638</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, 2012

Total Net Change in Fund Balances - Governmental Funds	\$ 2,655,866
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 \$4,222,071 of capital outlays and \$1,605,000 of debt principal payments is to increase net assets.	5,827,071
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, disposals and transfers between activities) is to decrease net assets.	(6,162)
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 assets.	(1,861,347)
Current year capital lease proceeds, bond issuance proceeds, refunding bonds proceeds and payments to the refunding bond escrow agent are other financing sources (uses) in the fund financial statements and debt issuance costs are expenditures in the fund financial statements. The net effect of the \$6,176,274 increase in long-term debt and \$218,781 increase in other assets is a decrease in net assets.	(5,957,493)
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	36,144
Current year interest payable, net pension obligation and compensated absences of the governmental funds are not due and payable in the current period and debt issuance costs are not financial resources of the current period, and, therefore are not reported as liabilities or assets in the funds. Changes in these balances are reported as expenses in the governmental activities of the Statement of Activities.	18,977
Change in Net Assets of Governmental Activities	<u>\$ 713,056</u>

CITY OF CROWLEY, TEXAS
Statement of Net Assets
Proprietary Funds
September 30, 2012

	Water and Sewer Fund	Stormwater Utility	Totals
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 85,537	\$ 23,854	\$ 109,391
Investments	404,080	-	404,080
Receivables (Net of allowance for uncollectibles):			
Accounts	712,076	10,450	722,526
Miscellaneous	27,869	-	27,869
Due from other funds	26	-	26
Inventory	6,160	-	6,160
Restricted Assets:			
Cash and cash equivalents	419,211	-	419,211
Investments	4,451,238	-	4,451,238
Total current assets	<u>6,106,197</u>	<u>34,304</u>	<u>6,140,501</u>
Noncurrent Assets:			
Deferred Charges	138,960	-	138,960
Capital assets, at cost:			
Non-depreciable assets	2,148,268	-	2,148,268
Depreciable assets, net of accumulated depreciation	9,465,535	-	9,465,535
Total noncurrent assets	<u>11,752,763</u>	<u>-</u>	<u>11,752,763</u>
Total assets	<u>17,858,960</u>	<u>34,304</u>	<u>17,893,264</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable	508,273	25	508,298
Accrued payroll liabilities	22,297	-	22,297
Current portion of long-term liabilities	511,102	-	511,102
Interest payable	39,446	-	39,446
Current Liabilities Payable from Restricted Assets:			
Customer deposits payable	408,660	-	408,660
Total current liabilities	<u>1,489,778</u>	<u>25</u>	<u>1,489,803</u>
Noncurrent Liabilities:			
Compensated absences	14,040	-	14,040
Net pension obligation	18,395	-	18,395
Bonds payable	7,471,432	-	7,471,432
Total noncurrent liabilities	<u>7,503,867</u>	<u>-</u>	<u>7,503,867</u>
Total liabilities	<u>8,993,645</u>	<u>25</u>	<u>8,993,670</u>
NET ASSETS:			
Investment in capital assets, net of debt	7,364,768	-	7,364,768
Restricted for impact fees for capital improvements (Expendable)	63,843	-	63,843
Unrestricted	1,436,704	34,279	1,470,983
Total net assets	<u>\$ 8,865,315</u>	<u>\$ 34,279</u>	<u>\$ 8,899,594</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 Assets
Proprietary Funds
For the Year Ended September 30, 2012

	Water and Sewer Fund	Stormwater Utility	Totals
Operating revenues:			
Water Sales	\$ 2,844,191	\$ -	\$ 2,844,191
Sewer charges	1,648,301	-	1,648,301
Stormwater revenue	-	35,159	35,159
Miscellaneous	455,879	-	455,879
Total operating revenue	<u>4,948,371</u>	<u>35,159</u>	<u>4,983,530</u>
Operating expenses:			
Personnel	661,794	-	661,794
Professional services	49,810	-	49,810
Purchased water	1,246,213	-	1,246,213
Wastewater treatment charge	794,486	-	794,486
Contractual services	121,922	-	121,922
Insurance	30,436	-	30,436
Administrative	8,636	880	9,516
Repairs and maintenance	65,177	-	65,177
Utilities	112,009	-	112,009
Depreciation	564,732	-	564,732
Total operating expenses	<u>3,655,215</u>	<u>880</u>	<u>3,656,095</u>
Operating income (loss)	<u>1,293,156</u>	<u>34,279</u>	<u>1,327,435</u>
Nonoperating revenues (expenses):			
Investment earnings	4,300	-	4,300
Interest expense	(268,722)	-	(268,722)
Total nonoperating revenues (expenses)	<u>(264,422)</u>	<u>-</u>	<u>(264,422)</u>
Income (loss) before contributions and transfers	1,028,734	34,279	1,063,013
Capital contributions and transfers:			
Capital Contributions	78,470	-	78,470
Transfers out	(497,397)	-	(497,397)
Change in Net Assets	609,807	34,279	644,086
Net Assets October 1, 2011	<u>8,255,508</u>	<u>-</u>	<u>8,255,508</u>
Net Assets September 30, 2012	<u>\$ 8,865,315</u>	<u>\$ 34,279</u>	<u>\$ 8,899,594</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, 2012

	Water and Sewer Fund	Stormwater Utility	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 4,889,167	\$ 24,709	\$ 4,913,876
Cash paid to suppliers	(2,411,594)	(855)	(2,412,449)
Cash paid to employees	(628,831)	-	(628,831)
Net cash provided by operating activities	<u>1,848,742</u>	<u>23,854</u>	<u>1,872,596</u>
Cash flow from noncapital financing activities:			
Transfers to other funds	(497,397)	-	(497,397)
Net cash provided (used) by noncapital financing activities	<u>(497,397)</u>	<u>-</u>	<u>(497,397)</u>
Cash flow from capital and related financing activities:			
Principal payments on long-term debt	(465,000)	-	(465,000)
Capital expenditures	(2,056,370)	-	(2,056,370)
Interest paid on bonds	(326,354)	-	(326,354)
Net cash provided (used) by capital and related financing activities	<u>(2,847,724)</u>	<u>-</u>	<u>(2,847,724)</u>
Cash flow from investing activities:			
Sale of investments	3,206,228	-	3,206,228
Purchase of investments	(1,775,907)	-	(1,775,907)
Investment earnings	4,300	-	4,300
Net cash provided (used) by investing activities	<u>1,434,621</u>	<u>-</u>	<u>1,434,621</u>
Net increase (decrease) in cash and cash equivalents	(61,758)	23,854	(37,904)
Cash and cash equivalents, beginning	<u>566,506</u>	<u>-</u>	<u>566,506</u>
Cash and cash equivalents, ending	<u>\$ 504,748</u>	<u>\$ 23,854</u>	<u>\$ 528,602</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ 1,293,156	\$ 34,279	\$ 1,327,435
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	564,732	-	564,732
(Increase) decrease in accounts receivable	(52,003)	(10,450)	(62,453)
(Increase) decrease in miscellaneous receivables	(21,628)	-	(21,628)
(Increase) decrease in inventory	22,580	-	22,580
Increase (decrease) in accounts payable	(5,485)	25	(5,460)
Increase (decrease) in accrued payroll liabilities	5,029	-	5,029
Increase (decrease) in customer meter deposits	14,427	-	14,427
Increase (decrease) in net pension obligation	3,106	-	3,106
Increase (decrease) in compensated absences payable	24,828	-	24,828
Total adjustments	<u>555,586</u>	<u>(10,425)</u>	<u>545,161</u>
Net cash provided by operating activities	<u>\$ 1,848,742</u>	<u>\$ 23,854</u>	<u>\$ 1,872,596</u>
Noncash Investing, Capital and Financing Activities			
CDBG water and sewer improvements	\$ 78,470	\$ -	\$ 78,470
	<u>\$ 78,470</u>	<u>\$ -</u>	<u>\$ 78,470</u>

CITY OF CROWLEY, TEXAS

Notes to Financial Statements

September 30, 2012

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. The Corporation's primary expenditure is debt payments on the 2002 tax notes that financed improvements to City facilities.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2012

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 assets 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 fiscal 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, 2012

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 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.

The City applies all GASB pronouncements as well as FASB Statements and Interpretations issued on or before November 30, 1989, in accounting and reporting for its government-wide and proprietary fund financial statements, unless those FASB Statements and Interpretations conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private sector-guidance for their business-type activities and enterprise funds subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are 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.

CITY OF CROWLEY, TEXAS

Notes to Financial Statements

September 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds, distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the 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 and Net Assets or Equity

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, 2012

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 \$1,000 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 \$307,616. Of this amount \$38,894 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. No sick pay benefits are paid upon separation from service and therefore have not been accrued in the financial statements. All vacation 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 assets. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance cost, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. *Fund Balance – Governmental Funds*

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

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

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

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

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

Unassigned – All amounts not included in other spendable classifications.

CITY OF CROWLEY, TEXAS

Notes to Financial Statements

September 30, 2012

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	Other Governmental Funds	Total Governmental Funds
Restricted:					
Debt Service	\$ -	\$ 537,496	\$ -	\$ -	\$ 537,496
Capital Projects			4,624,148		4,624,148
Public Safety - Police				448,492	448,492
Public Safety - Court				101,635	101,635
Economic Development				837,055	837,055
Grant projects				25,623	25,623
Public, Educational, and Government Access (PEG)				71,550	71,550
Unassigned	3,987,639				3,987,639
	<u>\$ 3,987,639</u>	<u>\$ 537,496</u>	<u>\$ 4,624,148</u>	<u>\$ 1,484,355</u>	<u>\$ 10,633,638</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 Assets

Net assets represent the difference between assets and liabilities. Net assets 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 assets are 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 assets of the governmental activities reported in the government-wide financial statements.

Restricted Fund Balance (Exhibit C-1)	\$ 6,645,999
Adjustments	
Accrued interest payable restricted for debt service	(89,144)
Deferred property tax revenue restricted for debt service	52,268
Unspent proceeds from bonds reclassified to investment in capital assets, net of debt	(4,624,148)
Total adjustments	<u>(4,661,024)</u>
Restricted Net Assets (Exhibit A-1)	<u>\$ 1,984,975</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2012

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, 2012, 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) and TexSTAR 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, 2012, 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, 2012

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, 2012 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>
TexSTAR	AAAm	62 days	1.55%	\$ 232,822	\$ 232,822
Investment in Tex-Pool	AAAm	81 days	98.45%	14,760,739	14,760,739
				<u>\$ 14,993,561</u>	<u>\$ 14,993,561</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	419,211	4,055,290	4,474,501
Total	<u>\$ 419,211</u>	<u>\$ 4,451,238</u>	<u>\$ 4,870,449</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, 2012

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 36%, 76% 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:

	General	Debt Service	Nonmajor Governmental	Water and Sewer
Receivables:				
Property taxes	\$ 156,991	\$ 79,192	\$ -	\$ -
Other taxes	463,579	-	204,682	-
Accounts	394,182	-	-	902,875
Miscellaneous	463,773	-	11	27,869
Gross Receivables	1,478,525	79,192	204,693	930,744
Less: allowance for uncollectibles	(564,600)	(26,924)	-	(190,799)
Net total receivables	<u>\$ 913,925</u>	<u>\$ 52,268</u>	<u>\$ 204,693</u>	<u>\$ 739,945</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	General	Debt Service	Nonmajor Governmental	Total Governmental Funds
Deferred property taxes receivable	\$ 103,616	\$ 52,268	\$ -	\$ 155,884
Franchise tax receivable	204,868			204,868
EMS charges receivable	45,304			45,304
Municipal Court fees and fines receivable	64,694			64,694
Other unearned revenue	2,884		2,035	4,919
	<u>\$ 421,366</u>	<u>\$ 52,268</u>	<u>\$ 2,035</u>	<u>\$ 475,669</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2012

NOTE 5: INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS

The composition of interfund transfers for the City's individual major funds and nonmajor funds at September 30, 2012, is as follows:

Transfer In	Transfer Out	Amount	Purpose
General	Water and Sewer	\$ 497,397	Use unrestricted revenues collected in the water and sewer fund to finance various general fund programs in accordance with budgetary authorizations.
Other Governmental	General	35,889	4B Economic Development Corporation
	General	46,450	Public, Educational, and Government Access (PEG)
	4B EDC	5,510	Debt Service
Total Governmental Funds Transfers In		<u>\$ 585,246</u>	

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Transfers & Adjustments	Ending Balance
Governmental activities:					
Non - Depreciable Assets:					
Land	\$ 1,092,417	\$ -	\$ -	\$ -	\$ 1,092,417
Construction in Progress	168,952	2,742,038	-	(64,440)	2,846,550
Total non-depreciable assets	<u>1,261,369</u>	<u>2,742,038</u>	<u>-</u>	<u>(64,440)</u>	<u>3,938,967</u>
Depreciable Assets:					
Building and improvements	18,792,364	136,924	-	64,440	18,993,728
Infrastructure/utility system	18,352,889	-	-	-	18,352,889
Equipment and furniture	5,634,212	1,343,109	(30,776)	-	6,946,545
Total capital assets being depreciated	<u>42,779,465</u>	<u>1,480,033</u>	<u>(30,776)</u>	<u>64,440</u>	<u>44,293,162</u>
Accumulated Depreciation:					
Building and improvements	(2,606,751)	(728,656)	-	-	(3,335,407)
Infrastructure/utility system	(8,754,642)	(504,907)	-	-	(9,259,549)
Equipment and furniture	(3,436,750)	(627,784)	24,614	-	(4,039,920)
Total accumulated depreciation	<u>(14,798,143)</u>	<u>(1,861,347)</u>	<u>24,614</u>	<u>-</u>	<u>(16,634,876)</u>
Governmental activities capital assets, net	<u>\$29,242,691</u>	<u>\$ 2,360,724</u>	<u>\$ (6,162)</u>	<u>\$ -</u>	<u>\$31,597,253</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2012

NOTE 6: CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Transfers & Adjustments	Ending Balance
Business-type activities:					
Non - Depreciable Assets:					
Land	\$ 34,751	\$ -	\$ -	\$ -	\$ 34,751
Construction in Progress	315,797	1,797,719	-	-	2,113,516
Total non-depreciable assets	350,548	1,797,719	-	-	2,148,267
Depreciable Assets:					
Building and improvements	357,709	6,856	-	-	364,565
Infrastructure/utility system	14,740,090	385,469	-	-	15,125,559
Equipment and furniture	1,659,464	180,908	(63,001)	-	1,777,371
Total capital assets being depreciated	16,757,263	573,233	(63,001)	-	17,267,495
Accumulated Depreciation:					
Building and improvements	(257,702)	(10,237)			(267,939)
Infrastructure/utility system	(5,770,129)	(415,197)		-	(6,185,326)
Equipment and furniture	(1,272,398)	(139,297)	63,001		(1,348,694)
Total accumulated depreciation	(7,300,229)	(564,731)	63,001	-	(7,801,959)
Business-type activities capital assets, net	\$ 9,807,582	\$ 1,806,221	\$ -	\$ -	\$11,613,803

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

Governmental activities:	
General government	\$ 184,540
Court	10,489
Library	61,717
Public safety	328,092
Fire and ambulance	278,185
Public works	532,805
Community development	1,592
Parks	165,166
Recreation center	241,750
Animal control and code enforcement	57,011
Total depreciation expense - governmental activities	<u>\$1,861,347</u>
Business-type activities:	
Water and sewer	\$ 564,731
Total depreciation expense - business-type activities	<u>\$ 564,731</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2012

NOTE 7: 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	\$ 1,790,000
General Obligation Refunding Bonds Series 2010	2/1/2017	1.05% - 2.30%	580,000	485,000
General Obligation Refunding Bonds Series 2012	2/1/2020	2.00% - 3.00%	1,855,000	1,855,000
				<u>4,130,000</u>
Certificates of Obligation Series 2003	2/1/2023	3.00% - 5.00%	1,000,000	665,000
Certificates of Obligation Series 2004	2/1/2024	3.50% - 4.60%	3,595,000	2,455,000
Certificates of Obligation Series 2005	8/1/2025	3.25% - 4.50%	4,000,000	2,940,000
Certificates of Obligation Series 2009	2/1/2029	3.00% - 5.25%	8,000,000	7,015,000
Certificates of Obligation Series 2012	2/1/2032	2.00% - 3.50%	4,890,000	4,890,000
				<u>17,965,000</u>
				<u>\$ 22,095,000</u>

The Certificates of Obligation Series 2005 is paid by the Crime District and \$1,090,000 (59%) of the General Obligation Refunding Bonds Series 2012 is paid by the Economic Development Corporation. The remaining general obligation bonds and certificates of obligation are paid by the debt service fund.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2012

NOTE 7: LONG-TERM LIABILITIES (Continued)

The annual debt service requirements to maturity for general obligation bonds and certificates of obligation outstanding as of September 30, 2012 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>	
2013	\$ 610,000	\$ 126,432	\$ 825,000	\$ 742,145	\$ 2,303,577
2014	630,000	95,585	910,000	663,670	2,299,255
2015	650,000	77,837	940,000	634,395	2,302,232
2016	670,000	59,188	975,000	603,490	2,307,678
2017	615,000	41,292	1,020,000	569,165	2,245,457
2018 - 2022	955,000	58,742	5,580,000	2,235,248	8,828,990
2023 - 2027	-	-	5,055,000	1,125,857	6,180,857
2028 - 2032	-	-	2,660,000	149,099	2,809,099
	<u>\$ 4,130,000</u>	<u>\$ 459,076</u>	<u>\$17,965,000</u>	<u>\$ 6,723,069</u>	<u>\$29,277,145</u>

B. Business-type Activities

General Obligation Bonds, Certificates of Obligation and Tax notes outstanding are as follows:

General Obligation Series 2005	2/1/2020	3.92%	1,025,000	<u>\$ 630,000</u>
Certificates of Obligation Series 2003	2/1/2023	3.00% - 5.00%	3,300,000	2,210,000
Certificates of Obligation Series 2009	2/1/2029	3.00% - 5.25%	3,000,000	2,600,000
Certificates of Obligation Series 2011	2/1/2031	2.00% - 4.50%	2,500,000	2,380,000
				<u>7,190,000</u>
				<u>\$ 7,820,000</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2012

NOTE 7: LONG-TERM LIABILITIES (Continued)

The annual debt service requirements to maturity for general obligation bonds and certificates of obligation outstanding as of September 30, 2012, are as follows:

Year Ending September 30,	<u>General Obligation</u>		<u>Certificates of Obligation</u>		Total
	Principal	Interest	Principal	Interest	
2013	\$ 100,000	\$ 22,736	\$ 375,000	\$ 278,926	\$ 776,662
2014	105,000	18,718	385,000	266,676	775,394
2015	110,000	14,504	395,000	255,141	774,645
2016	115,000	10,094	410,000	242,851	777,945
2017	100,000	5,880	440,000	229,111	774,991
2018 - 2022	100,000	1,960	2,370,000	887,298	3,359,258
2023 - 2027	-	-	1,775,000	463,930	2,238,930
2028 - 2029	-	-	1,040,000	55,050	1,095,050
	<u>\$ 630,000</u>	<u>\$ 73,892</u>	<u>\$ 7,190,000</u>	<u>\$ 2,678,983</u>	<u>\$10,572,875</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, 2012.

C. Refunding Bonds

On April 5, 2012, the City issued \$1,855,000 of General Obligation Refunding Bonds, Series 2012 with an interest rates ranging from 2.00% to 3.00%. The net proceeds were used to refund the remaining \$775,000 of the General Obligation Bonds, Series 2002 and \$1,075,000 of the Tax Notes Series 2002. The refunding reduced debt service payments for the City by \$88,507 and resulted in a net present value savings (economic gain) of 115,619.

D. Certificates of Obligation

On April 5, 2012, the City issued \$4,890,000 of Certificates of Obligation, Series 2012 with an interest rates ranging from 2.00% to 3.50%. The net proceeds will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes including constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the City's public works facility, parks and recreation facility, library facility, fire station improvements, public safety equipment, street improvements (including sidewalks) and drainage improvements incidental thereto.

CITY OF CROWLEY, TEXAS

Notes to Financial Statements

September 30, 2012

NOTE 7: LONG-TERM LIABILITIES (Continued)

E. 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.

Capital assets acquired through capital lease:

	Governmental Activities
Assets:	
Equipment	\$ 957,493
Less: accumulated depreciation	(47,875)
Total	<u>\$ 909,618</u>

The future minimum lease obligations and net present value of these minimum lease payments as of September 30, 2012, were as follows:

Year Ending September 30,	Governmental Activities
2013	\$ 204,475
2014	204,475
2015	204,475
2016	204,475
2017	204,475
Total debt service requirement	1,022,375
Less: interest portion	64,882
Obligations under capital lease	<u>\$ 957,493</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2012

F. Changes in Long-term Liabilities

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 3,475,000	\$ 1,855,000	\$ 1,200,000	\$ 4,130,000	\$ 610,000
Bond Premiums	170,183	323,781	13,170	480,794	-
Certificates of Obligation	14,065,000	4,890,000	990,000	17,965,000	825,000
Tax notes	1,265,000	-	1,265,000	-	-
Capital lease	-	957,493	-	957,493	204,475
Net pension obligation	126,197	427,817	401,412	152,602	-
Compensated absences	217,873	143,374	169,941	191,306	137,740
Total Governmental Activities	\$ 19,319,253	\$ 8,597,465	\$ 4,039,523	\$ 23,877,195	\$ 1,777,215
Business-type Activities:					
General obligation bonds	\$ 725,000	\$ -	\$ 95,000	\$ 630,000	\$ 100,000
Certificates of obligation	7,560,000	-	370,000	7,190,000	375,000
Bond Premiums	133,655	-	7,223	126,432	-
Net pension obligation	15,289	50,326	47,220	18,395	-
Compensated absences	25,314	44,573	19,745	50,142	36,102
Total Business-type Activities	\$ 8,459,258	\$ 94,899	\$ 539,188	\$ 8,014,969	\$ 511,102
Total Long-term Liabilities	\$ 27,778,511	\$ 8,692,364	\$ 4,578,711	\$ 31,892,164	\$ 2,288,317

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 8: 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, 2012

NOTE 9: 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.

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 2011 and 2012 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 Projected Unit Credit actuarial cost method. 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 finances the portion of an active member's projected benefit allocated annually; 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.

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:

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2012

NOTE 9: RETIREMENT PLAN (Continued)

Fiscal Year	2010	2011	2012
Annual Required Contribution (ARC)	\$ 420,532	\$ 449,642	\$ 476,311
Interest on Net Pension Obligation	3,081	6,891	10,611
Adjustment to ARC	(2,509)	(5,702)	(8,780)
Annual Pension Cost	421,104	450,831	478,142
Contributions Made	(370,306)	(401,228)	(448,632)
Increase (Decrease) in Net Pension Obligation	50,798	49,603	29,510
Net Pension Obligation/(Asset), beginning of year	41,085	91,883	141,486
Net Pension Obligation/(Asset), end of year	<u>\$ 91,883</u>	<u>\$ 141,486</u>	<u>\$ 170,996</u>
Contributions as a percentage of ARC	87.9%	89.0%	93.8%

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

General System-wide Actuarial Assumptions

Actuarial Valuation Date	12/31/09	12/31/10	12/31/11
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	28.1 Years-Closed	27.5 Years-Closed	26.5 Years-Closed
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed	10-year Smoothed	10-year Smoothed
Actuarial Assumptions:			
Investment Rate of Return	7.5%	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, 2012

NOTE 9: RETIREMENT PLAN (Continued)

Funding Status and Funding Progress

The funded status as of December 31, 2011, under the most recent actuarial valuation date, is presented as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (ALL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/13/2011	8,945,018	10,800,875	82.8%	1,855,857	4,349,123	42.7%

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.

NOTE 10. 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.

CITY OF CROWLEY, TEXAS

Notes to Financial Statements

September 30, 2012

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 2012 and 2011 were \$6,356 and \$8,555, respectively, which equaled the required contributions each year.

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

<u>Plan/ Calendar Year</u>	<u>Annual Required Contribution (Rate)</u>	<u>Actual Contribution Made (Rate)</u>	<u>Percentage of ARC Contributed</u>
2010	0.01%	0.01%	100.0%
2011	0.01%	0.01%	100.0%
2012	0.01%	0.01%	100.0%

NOTE 11: CONTINGENT LIABILITIES

Federal and State Programs

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

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

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

Litigation

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

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2012

NOTE 11: CONTINGENT LIABILITIES (Continued)

Oncor Franchise Fees

The City participates in the Steering Committee of Cities Served by Oncor and in 2011 received \$37,123 in retrospective franchise fees from Oncor Electric Delivery Company. The retrospective franchise fee may be subject to future refund/offset depending upon the final resolution of franchise tax issues in the court of appeals.

NOTE 12: 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 2012 of treated water were \$1,246,213 and for the treatment of wastewater were \$794,486.

B. Construction Commitments

September 15, 2011, the City Council awarded a \$1,367,000 contract, including change order, for the construction of a .5 million gallon water storage tank. As of September 30, 2012 \$1,250,408 has been expended on the project leaving a balance of \$116,592. The project is funded with proceeds of the 2009 Certificates of Obligation.

February 2, 2012, the City Council awarded a \$1,008,508 contract for the Public Works Facility project. As of September 30, 2012 \$958,195 has been expended on the project leaving a balance of \$50,313. The project is funded with proceeds of the 2012 Certificates of Obligation.

February 2, 2012, the City Council awarded a \$353,903 contract for the Fire Department No. 1 remodel project. As of September 30, 2012 \$320,579 has been expended on the project leaving a balance of \$33,327. The project is funded with proceeds of the 2012 Certificates of Obligation.

April 19, 2012, the City Council awarded a \$496,345 contract for the Sanitary Sewer Improvements. As of September 30, 2012 \$143,448 has been expended on the project leaving a balance of \$352,897. The project is funded with proceeds of the 2009 Certificates of Obligation.

August 2, 2012, the City has an interlocal agreement with Tarrant County for the reconstruction of five city streets and parking area of the new Public Works facility. The City supplies the materials and Tarrant County provides the manpower and equipment. As of September 30, 2012 \$201,343 has been expended by the City on the project. The project is funded with proceeds of the 2009 Certificates of Obligation.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2012

NOTE 13: SUBSEQUENT EVENTS

November 13, 2012, the City Council authorized the City to proceed with the necessary steps to issue the general obligation refunding bonds, series 2012A. \$2,535,000 in general obligation refunding bonds was issued in December 2012.

Subsequent events were evaluated through February 12, 2013, which is the date the financial statements were available to be issued.

NOTE 14: NEW PRONOUNCEMENTS

In November 2010, the GASB issued Statement No. 61, Financial Reporting Entity: Omnibus – an amendment to GASB Statements No. 14 and No. 34. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. The provisions of the Statement are effective for financial statement periods beginning after June 15, 2012. The City has not yet determined the effect this Statement will have on its financial statements.

In June 2011, the GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This Statement provides guidance for deferred outflows of resources and deferred inflows of resources as introduced and defined in Concepts Statement No. 4, Elements of Financial Statements. Concepts No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. The provisions of this Statement are effective for financial statements for periods beginning after December 31, 2011. The City has not yet determined the effect this Statement will have on its financial statements.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The City has not yet determined the effect this Statement will have on its financial statements.

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.

THIS PAGE INTENTIONALLY LEFT BLANK

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF CROWLEY, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 3,056,240	\$ 3,056,240	\$ 3,094,061	\$ 37,821
Sales	1,180,800	1,180,800	1,062,586	(118,214)
Franchise	758,500	758,500	760,221	1,721
Charges for service	1,322,243	1,365,004	1,334,106	(30,898)
Fees and Fines	610,700	610,700	745,303	134,603
Licenses and permits	321,950	321,950	366,055	44,105
Grants and contributions	261,300	261,300	243,568	(17,732)
Oil & Gas Revenue	-	-	453,096	453,096
Investment Earnings	21,000	21,000	13,440	(7,560)
Other revenue	28,500	28,500	80,284	51,784
Total revenues	<u>7,561,233</u>	<u>7,603,994</u>	<u>8,152,720</u>	<u>548,726</u>
EXPENDITURES				
Administrative and finance	673,967	673,967	726,691	(52,724)
Municipal court	222,781	222,781	212,538	10,243
Library	352,755	352,755	388,280	(35,525)
Senior citizens	37,978	37,978	29,055	8,923
Public safety	2,521,648	2,521,648	2,494,488	27,160
Fire and ambulance	1,589,273	1,589,273	1,586,539	2,734
Public works	470,889	470,889	441,592	29,297
Parks	261,228	261,228	241,599	19,629
Recreation Center	425,042	467,803	335,492	132,311
Animal Control and code enforcement	137,323	137,323	137,558	(235)
Community development	343,285	343,285	344,036	(751)
Sanitation	525,000	525,000	586,930	(61,930)
Nondepartmental	497,317	497,317	471,952	25,365
Capital outlay	-	-	1,160,390	(1,160,390)
Total expenditures	<u>8,058,486</u>	<u>8,101,247</u>	<u>9,157,140</u>	<u>(1,055,893)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(497,253)</u>	<u>(497,253)</u>	<u>(1,004,420)</u>	<u>(507,167)</u>
OTHER FINANCING SOURCES (USES)				
Capital lease	-	-	957,493	957,493
Transfers in	497,397	497,397	497,397	-
Transfers out	-	-	(82,339)	(82,339)
Total other financing sources (uses)	<u>497,397</u>	<u>497,397</u>	<u>1,372,551</u>	<u>875,154</u>
NET CHANGE IN FUND BALANCES	<u>144</u>	<u>144</u>	<u>368,131</u>	<u>367,987</u>
FUND BALANCE OCTOBER 1, 2011	<u>3,619,508</u>	<u>3,619,508</u>	<u>3,619,508</u>	<u>-</u>
FUND BALANCE SEPTEMBER 30, 2012	<u>\$ 3,619,652</u>	<u>\$ 3,619,652</u>	<u>\$ 3,987,639</u>	<u>\$ 367,987</u>

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

Exhibit E-2

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (ALL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2009	6,323,287	8,129,194	77.8%	1,805,907	4,024,512	44.9%
12/13/2010	7,860,631	9,683,694	81.2%	1,823,063	4,249,878	42.9%
12/13/2011	8,945,018	10,800,875	82.8%	1,855,857	4,349,123	42.7%

CITY OF CROWLEY
Notes to the Required Supplementary Information
For the Year Ended September 30, 2012

Budget

The City Council adopts an annual budget on a basis consistent with generally accepted accounting principles for the general fund and debt service 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

General fund actual expenditures exceeded appropriations by \$1,055,893. Capital outlays funded with the 2005 bond and gas well proceeds were not budgeted. \$957,493 expenditures for radio equipment acquired through capital lease were not budgeted.

Factors Affecting TMRS Schedule of Funding Progress

In June 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May 2011 meeting. For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report. These changes were used to perform the December 31, 2010 actuarial valuation.

THIS PAGE INTENTIONALLY LEFT BLANK

COMBINING FINANCIAL STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS

CITY OF CROWLEY, TEXAS
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2012

	Special Revenue Funds		
	Crime District	Court Technology & Security	4B Economic Development
Assets:			
Cash and cash equivalents	\$ 2,434	\$ 289	\$ 1,760
Investments	416,014	103,174	730,792
Receivables (Net of allowances for uncollectibles)			
Other taxes	91,232	-	107,050
Miscellaneous	-	(2)	-
Due from other funds	-	8,445	-
Total assets	\$ 509,680	\$ 111,906	\$ 839,602
Liabilities and fund balance:			
Liabilities:			
Accounts payable	\$ 35,889	\$ 10,271	\$ 2,547
Due to other funds	25,299	-	-
Deferred revenue	-	-	-
Total liabilities	61,188	10,271	2,547
Fund Balance:			
Restricted	448,492	101,635	837,055
Total fund balances	448,492	101,635	837,055
Total liabilities and fund balances	\$ 509,680	\$ 111,906	\$ 839,602

Exhibit F-1

<u>Grant</u>	<u>LEOSE Training</u>	<u>PEG Fee</u>	<u>Total Nonmajor Funds</u>
\$ 27,245	\$ 7,793	\$ -	\$ 39,521
-	-	-	1,249,980
-	-	6,400	204,682
13	-	-	11
-	-	65,150	73,595
<u>\$ 27,258</u>	<u>\$ 7,793</u>	<u>\$ 71,550</u>	<u>\$ 1,567,789</u>
\$ 6,855	\$ 538	\$ -	\$ 56,100
-	-	-	25,299
2,035	-	-	2,035
<u>8,890</u>	<u>538</u>	<u>-</u>	<u>83,434</u>
<u>18,368</u>	<u>7,255</u>	<u>71,550</u>	<u>1,484,355</u>
<u>18,368</u>	<u>7,255</u>	<u>71,550</u>	<u>1,484,355</u>
<u>\$ 27,258</u>	<u>\$ 7,793</u>	<u>\$ 71,550</u>	<u>\$ 1,567,789</u>

CITY OF CROWLEY, TEXAS**Nonmajor Governmental Funds****Combining Statement of Revenues, Expenditures and Changes in Fund Balance****For the Year Ended September 30, 2012**

	Special Revenue Funds			
	Crime District	Court Technology & Security	4B Economic Development	Grant
Revenues:				
Sales tax	\$ 451,073	\$ -	\$ 531,147	\$ -
Fees and fines	-	32,594	-	-
Franchise fees	-	-	-	-
Grants and contributions	-	-	-	41,073
Investment earnings	318	-	680	-
Other	-	-	-	-
Total revenue	451,391	32,594	531,827	41,073
Expenditures:				
Current:				
Municipal court	-	41,039	-	-
Library	-	-	-	1,797
Public Safety	167,309	-	-	8,124
Fire and ambulance	-	-	-	29,564
Economic development	-	-	83,391	-
Debt Service				
Principal	170,000	-	190,000	-
Interest and fiscal charges	127,500	-	48,116	-
Bond issuance costs	-	-	40,599	-
Total expenditures	464,809	41,039	362,106	39,485
Excess (deficiency) of revenues over (under) expenditures	(13,418)	(8,445)	169,721	1,588
Other financing sources (uses):				
Refunding bonds issued	-	-	1,115,599	-
Payment to refunded bond escrow agent	-	-	(1,075,000)	-
Transfers in	-	-	41,399	-
Total other financing sources (uses):	-	-	81,998	-
Net change in fund balances	(13,418)	(8,445)	251,719	1,588
Fund Balance October 1, 2011	461,910	110,080	585,336	16,780
Fund Balance September 30, 2012	\$ 448,492	\$ 101,635	\$ 837,055	\$ 18,368

Exhibit F-2

LEOSE Training	Public, Educational, and Government Access (PEG)	Total Nonmajor Funds
\$ -	\$ -	\$ 982,220
-	-	32,594
-	25,100	25,100
-	-	41,073
-	-	998
294	-	294
294	25,100	1,082,279
-	-	41,039
-	-	1,797
-	-	175,433
970	-	30,534
-	-	83,391
-	-	360,000
-	-	175,616
-	-	40,599
970	-	908,409
(676)	25,100	173,870
-	-	1,115,599
-	-	(1,075,000)
-	46,450	87,849
-	46,450	128,448
(676)	71,550	302,318
7,931	-	1,182,037
\$ 7,255	\$ 71,550	\$ 1,484,355

THIS PAGE INTENTIONALLY LEFT BLANK

OTHER SUPPLEMENTARY INFORMATION

THIS PAGE INTENTIONALLY LEFT BLANK

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, 2012

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 1,533,500	1,533,500	1,560,798	\$ 27,298
Total revenues	<u>1,533,500</u>	<u>1,533,500</u>	<u>1,560,798</u>	<u>27,298</u>
EXPENDITURES				
Debt service				
Principal	1,215,000	1,215,000	1,245,000	(30,000)
Interest and fiscal charges	568,587	568,587	566,923	1,664
Bond issuance costs	-	-	28,494	(28,494)
Total debt service	<u>1,783,587</u>	<u>1,783,587</u>	<u>1,840,417</u>	<u>(56,830)</u>
Total expenditures	<u>1,783,587</u>	<u>1,783,587</u>	<u>1,840,417</u>	<u>(56,830)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(250,087)	(250,087)	(279,619)	(29,532)
OTHER FINANCING SOURCES (USES)				
Refunding bonds issued	-	-	803,494	803,494
Payment to refunded bond escrow agent	-	-	(775,000)	(775,000)
Transfers out	-	-	(5,510)	(5,510)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>22,984</u>	<u>22,984</u>
NET CHANGE IN FUND BALANCES	(250,087)	(250,087)	(256,635)	(6,548)
FUND BALANCE OCTOBER 1, 2011	<u>794,131</u>	<u>794,131</u>	<u>794,131</u>	<u>-</u>
FUND BALANCE SEPTEMBER 30, 2012	<u>\$ 544,044</u>	<u>\$ 544,044</u>	<u>\$ 537,496</u>	<u>\$ (6,548)</u>

CITY OF CROWLEY, TEXAS
Schedule of Revenues, Expenses, and Changes in Fund Net Assets - Budget and Actual
Water and Sewer Fund
For the Year Ended September 30, 2012

	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)
Operating revenues:			
Water Sales	\$ 2,532,113	\$ 2,844,191	\$ 312,078
Sewer charges	1,547,283	1,648,301	101,018
Miscellaneous	295,860	455,878	160,018
Total operating revenue	<u>4,375,256</u>	<u>4,948,370</u>	<u>573,114</u>
Operating expenses:			
Personnel	594,744	661,794	(67,050)
Professional services	67,000	49,810	17,190
Purchased water	900,000	1,246,213	(346,213)
Wastewater treatment charge	900,000	794,486	105,514
Contractual services	116,792	121,922	(5,130)
Insurance	44,752	30,436	14,316
Administrative	10,768	8,636	2,132
Repairs and maintenance	129,100	65,177	63,923
Utilities	134,190	112,009	22,181
Capital outlay	152,700	2,292,481	(2,139,781)
Total operating expenses	<u>3,050,046</u>	<u>5,382,964</u>	<u>(2,332,918)</u>
Operating income (loss)	<u>1,325,210</u>	<u>(434,594)</u>	<u>(1,759,804)</u>
Nonoperating revenues (expenses):			
Investment earnings	2,000	4,300	2,300
Debt Service - Principal	(465,000)	(465,000)	-
Interest expense	(326,546)	(268,722)	57,824
Total nonoperating revenues (expenses)	<u>(789,546)</u>	<u>(729,422)</u>	<u>60,124</u>
Income (loss) before contributions and transfers	535,664	(1,164,016)	(1,699,680)
Capital contributions and transfers:			
Transfers out	<u>(497,367)</u>	<u>(497,397)</u>	<u>(30)</u>
Change in Net Assets	38,297	(1,661,413)	(1,699,710)
Net Assets October 1, 2011	<u>8,255,508</u>	<u>8,255,508</u>	<u>-</u>
Net Assets September 30, 2012	<u>\$ 8,293,805</u>	<u>\$ 6,594,095</u>	<u>\$ (1,699,710)</u>
Reconciliation from Budgetary Basis to GAAP Basis:			
Capital outlay		2,292,481	
Depreciation		(564,731)	
Debt retirement		465,000	
Capital contributions		78,470	
		<u>\$ 8,865,315</u>	

**OVERALL COMPLIANCE AND INTERNAL CONTROL
SECTION**

THIS PAGE INTENTIONALLY LEFT BLANK

**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 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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 12, 2013. 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.

Internal Control over Financial Reporting

Management of City of Crowley, Texas is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management in a separate letter dated February 12, 2013.

This report is intended solely for the information and use of the management, others within the organization, and the City Commission and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature in black ink, appearing to read "Gary Morgan, CPA".

Weatherford, Texas
February 12, 2013