



Annual Financial Report

For the Fiscal Year Ended September 30, 2016



CITY OF CROWLEY, TEXAS
Annual Financial Report
For the year ended September 30, 2016

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Crowley, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Crowley, Texas, (the "City") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability and schedule of contributions on pages 4 - 14 and pages 52 - 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2017, on our consideration of the City of Crowley, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Crowley, Texas' internal control over financial reporting and compliance.

George Morgan Smith, P.C.

Weatherford, Texas

February 8, 2017

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, 2016.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Crowley exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$31,478,953 (*net position*) compared to \$30,389,490 for the prior year. Of this amount, \$7,234,163 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,089,463. The City's governmental activities net position increased by \$1,296,852 and the business-type activities net position decreased by \$207,389.
- As of the close of the current year, the City of Crowley's governmental funds reported combined ending fund balances of \$13,506,353 compared to \$9,694,446 for the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$6,361,547, or 66% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements.

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

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

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base.

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

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

Fund financial statements.

The fund financial statements provide more detailed information about the City's most significant funds-not the City as a whole. Funds are used by the City to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

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

Governmental funds. Most of the City's basic services are included in governmental funds, which focus on (1) short-term inflows and outflows of spendable resources and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide a reconciliation that explains the relationship (or differences) between them.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, capital projects fund and economic development corporation, 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, Economic Development Corporation and water and sewer fund. A budgetary comparison schedule has been provided for the general fund and Economic Development Corporation to demonstrate compliance with this budget.

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

Proprietary funds. Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The City maintains two types of proprietary funds. The City uses enterprise funds to account for its water and sewer and stormwater utility operations.

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$31,478,953 as of September 30, 2016. Below is a summary of the City's Statement of Net Position.

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 15,124,072	\$ 11,038,591	\$ 6,763,183	\$ 4,459,519	\$ 21,887,255	\$ 15,498,110
Capital assets	31,122,668	29,899,466	13,025,340	13,154,668	44,148,008	43,054,134
Total Assets	<u>46,246,740</u>	<u>40,938,057</u>	<u>19,788,523</u>	<u>17,614,187</u>	<u>66,035,263</u>	<u>58,552,244</u>
Deferred outflows of resources	<u>1,232,772</u>	<u>477,536</u>	<u>135,625</u>	<u>47,229</u>	<u>1,368,397</u>	<u>524,765</u>
Current liabilities	919,542	561,738	1,006,416	1,136,324	1,925,958	1,698,062
Noncurrent liabilities	24,555,662	20,092,861	9,247,554	6,641,576	33,803,216	26,734,437
Total liabilities	<u>25,475,204</u>	<u>20,654,599</u>	<u>10,253,970</u>	<u>7,777,900</u>	<u>35,729,174</u>	<u>28,432,499</u>
Deferred inflows resources	<u>178,530</u>	<u>232,068</u>	<u>17,003</u>	<u>22,952</u>	<u>195,533</u>	<u>255,020</u>
Net position						
Net investment in capital assets	14,512,454	13,956,537	7,773,039	6,628,231	22,285,493	20,584,768
Restricted	1,922,822	1,430,048	36,475	208,159	1,959,297	1,638,207
Unrestricted	5,390,502	5,142,341	1,843,661	3,024,174	7,234,163	8,166,515
Total net position	<u>\$ 21,825,778</u>	<u>\$ 20,528,926</u>	<u>\$ 9,653,175</u>	<u>\$ 9,860,564</u>	<u>\$ 31,478,953</u>	<u>\$ 30,389,490</u>

The largest portion of the City's net position (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 position (6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$7,234,163 may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 2,634,128	\$ 2,789,539	\$ 5,512,007	\$ 5,335,545	\$ 8,146,135	\$ 8,125,084
Operating grants and contributions	383,764	449,160	-	-	383,764	449,160
Capital grants and contributions	326,941	27,600	133,783	-	460,724	27,600
General revenues:						
Property taxes	5,796,776	5,408,004	-	-	5,796,776	5,408,004
Sales taxes	2,881,333	2,687,866	-	-	2,881,333	2,687,866
Franchise taxes	797,294	863,956	-	-	797,294	863,956
Oil & gas royalties	290,643	282,464	-	-	290,643	282,464
Investment earnings	33,803	6,188	1,801	573	35,604	6,761
Gain on disposal of capital assets	12,189	-	3,418	-	15,607	-
Other revenue	36,621	44,158	-	-	36,621	44,158
Total revenues	13,193,492	12,558,935	5,651,009	5,336,118	18,844,501	17,895,053
Expenses						
Administration and finance	945,021	884,644			945,021	884,644
Municipal court	276,323	256,545			276,323	256,545
Library	469,984	456,522			469,984	456,522
Senior citizens	33,362	36,119			33,362	36,119
Public safety	3,472,068	3,301,569			3,472,068	3,301,569
Fire and ambulance	2,570,601	2,479,069			2,570,601	2,479,069
Public works	928,403	915,208			928,403	915,208
Parks	475,700	452,707			475,700	452,707
Recreation center	688,476	651,191			688,476	651,191
Animal control	276,722	262,735			276,722	262,735
Code enforcement	44,053	33,515			44,053	33,515
Community development	278,359	254,465			278,359	254,465
Sanitation	687,741	678,518			687,741	678,518
Economic development	115,279	97,868			115,279	97,868
Nondepartmental	470,974	501,397			470,974	501,397
Interest and fiscal charges	744,040	587,796			744,040	587,796
Stormwater utility			22,329	26,373	22,329	26,373
Water and Sewer			5,255,603	4,840,198	5,255,603	4,840,198
Total expenses	12,477,106	11,849,868	5,277,932	4,866,571	17,755,038	16,716,439
Increase (decrease) in net position before transfers	716,386	709,067	373,077	469,547	1,089,463	1,178,614
Transfers	580,466	580,466	(580,466)	(580,466)	-	-
Increase (decrease) in net position	1,296,852	1,289,533	(207,389)	(110,919)	1,089,463	1,178,614
Net position-beginning	20,528,926	19,239,393	9,860,564	9,971,483	30,389,490	29,210,876
Net position-ending	\$ 21,825,778	\$ 20,528,926	\$ 9,653,175	\$ 9,860,564	\$ 31,478,953	\$ 30,389,490

Governmental Activities. Governmental activities increased the City's net position by \$1,296,852 in the current year compared with a \$1,289,533 increase in the prior year.

Total governmental activities revenues increased \$634,557 (5%) to \$13,193,492. Key factors contributing to this increase are as follows:

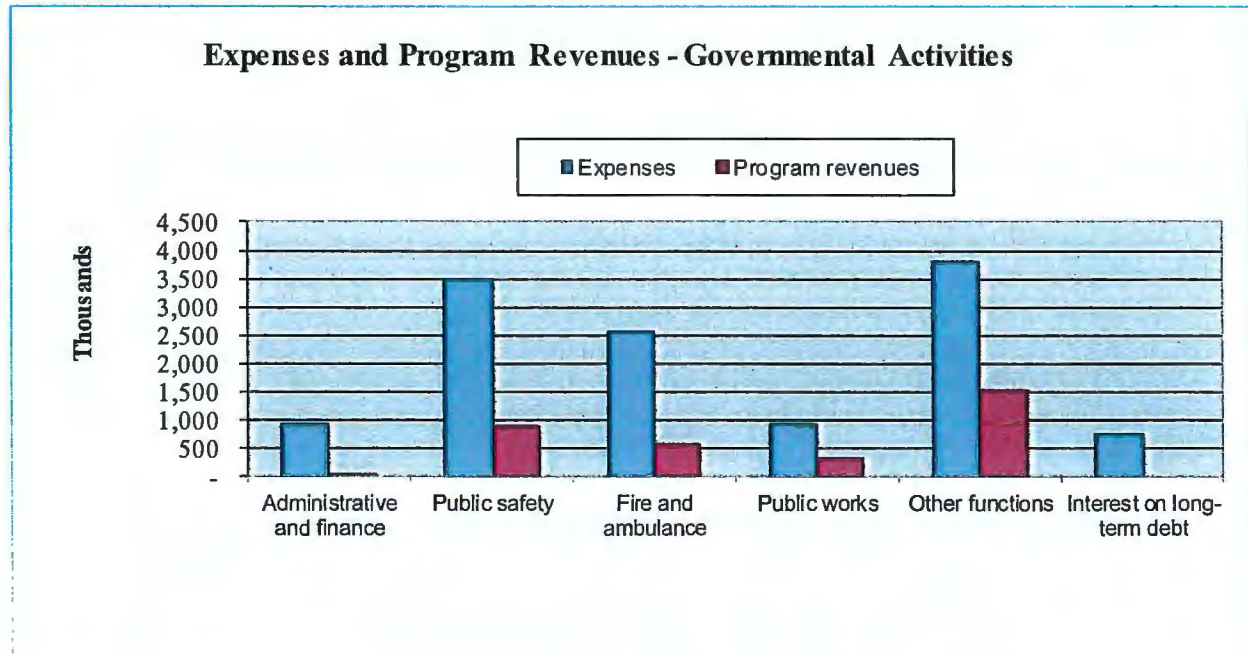
- \$556,023 (6%) increase in general revenues primarily due to \$193,467 (7%) increase in sales tax revenue, \$8,179 increase in oil and gas royalties and \$27,615 increase in investment earnings. Property taxes increased \$388,772 due to increase in property tax values (\$9.9 Million) and increase in tax rates. However, franchise tax revenue decreased \$66,662 (8%).
- \$155,411 (6%) decrease in charges for services primarily due to \$264,785 decrease in fire and ambulance related to EMS revenues, \$63,249 decrease in public safety related to school resource officer services and \$20,093 decrease in parks revenues. However, community development revenues increased \$140,259 related to licenses and permits, economic development revenues increased \$22,102 related to commercial building rental, sanitation revenue increased \$8,121 and recreation center revenues increased \$21,364.
- Grant and contributions (operating and capital) increased \$233,945 primarily due to grants from Green Ribbon Project of the Texas Department of Transportation.

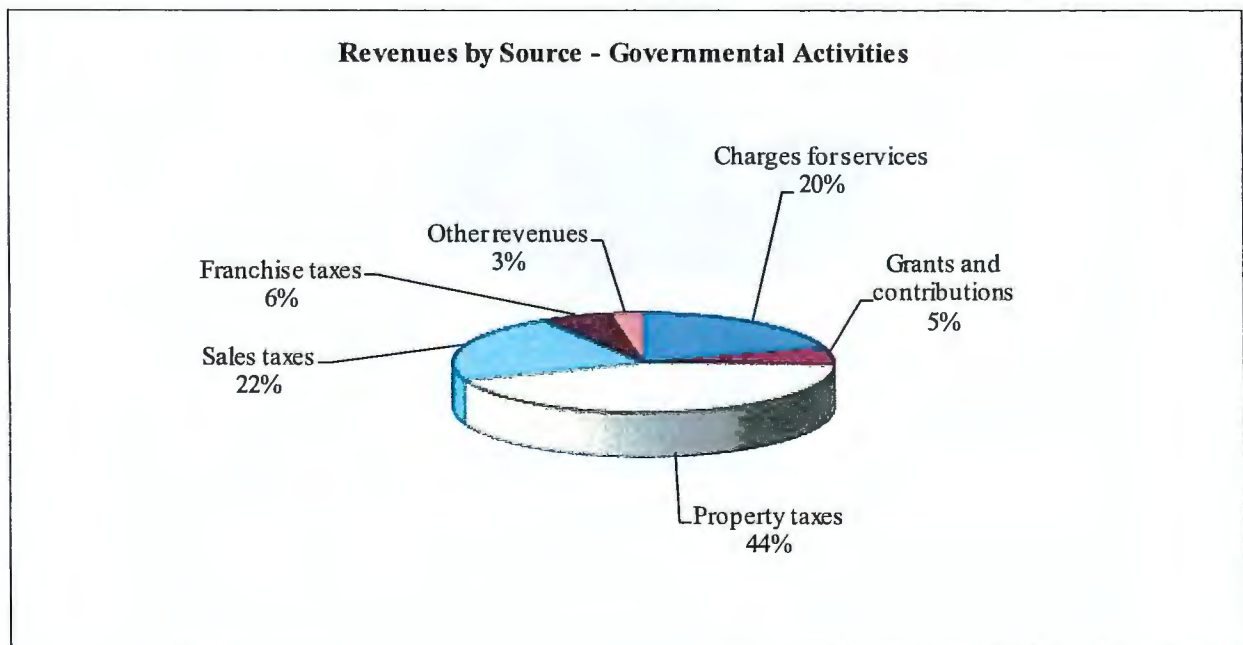
Total governmental activities expenses increased \$627,238 (5%) to \$12,477,106. Key elements of this decrease are as follows.

- Administrative and finance expenses increased \$60,377 primarily due to increase in payroll costs and benefits, including pension and insurance by \$67,707, increase in depreciation by \$16,662 and decrease in operating and maintenance by \$23,982.
- Municipal court expenses increased \$19,778 primarily due to increase in payroll costs and benefits, including pension and insurance by \$14,290, increase in operating and maintenance by \$8,662 and decrease in depreciation expense by \$3,174.
- Library expenses \$13,462 primarily due to increase in payroll cost and benefits, including pension and insurance by \$20,798, decrease in depreciation by \$820 and decrease in operating and maintenance by \$6,516.
- Public safety expenses increased \$170,499 primarily due to an increase in payroll costs and benefits, including pension and insurance by \$91,467, increase in operating and maintenance by \$77,617 and decrease in depreciation by \$1,415.
- Fire and ambulance expenses increased \$91,532 primarily due to increase in payroll costs and benefits, including pension and insurance by \$132,149 and increase in operating and maintenance by \$6,593. Depreciation expense decreased by \$47,210.
- Public works expenses increased \$13,195 primarily due to increase in operating and maintenance by \$38,196, decrease in payroll costs and benefits, including pension and insurance by \$8,737 and decrease in depreciation expense by \$16,264.

- Recreation center expenses increased \$37,285 primarily due to increase in payroll cost and benefits, including pension and insurance by \$10,087, increase in depreciation by \$3,599 and increase in operating and maintenance by \$23,599.
- Interest expense and fiscal charges, including bond issuance cost increased \$156,244.

Below are two graphs summarizing governmental revenues and expenses:

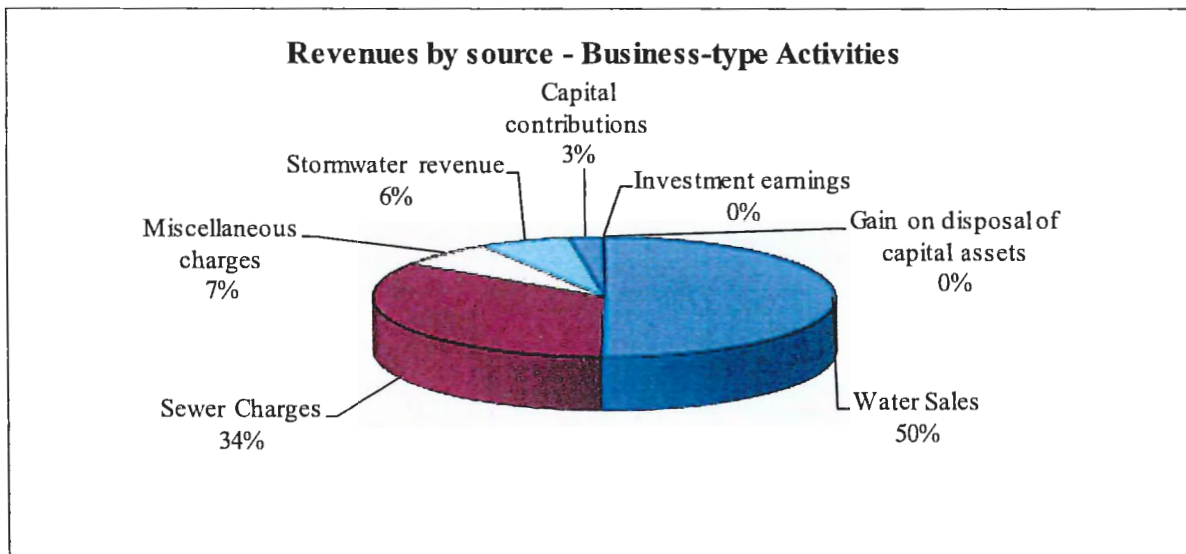




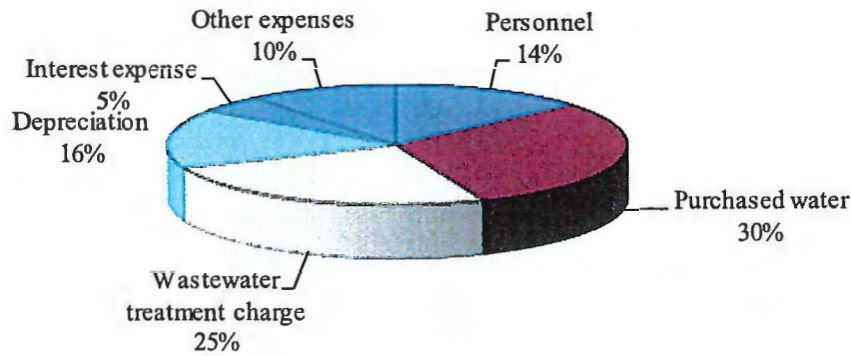
Business-type activities. Business-type activities decreased the City's net position by \$207,389 in the current year compared to a decrease in net position of \$110,919 in the prior year. The business-type activities total revenues increased \$314,891 (6%) to \$5,651,009 and total expenses increased \$411,361 (8%) to \$5,277,932. Key elements of these changes are as follows.

- Charges for services increased \$176,462 primarily due to an increase in water sales by \$38,412 because of increase in water consumption however water rates remain the same. Sewer sales increased \$35,710. Miscellaneous water charges increased \$70,658 primarily due to increase in water and sewer impact fees because of new construction of subdivisions and duplexes in the current year. Stormwater utility revenues increased approximately \$31,680 due to increase in rates.
- In the current year, the City received grants and contributions totaling \$133,783 from Tarrant County for sewer improvements.
- Total expenses increased \$411,361 (8%) primarily due to increases in salaries, benefits and insurance in the water department (\$41,118), sewer department (\$8,096) and in customer service department (\$19,606). Purchased water increased \$27,309 due to increase in gallons purchased (2.2 million gallons) and in increase in water rates. Wastewater treatment charge increased \$227,984 because of increased wastewater flow volumes (37 million gallons) and increases in rates. Depreciation expense increased \$20,751 and interest expense decreased by approximately \$28,497.

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



Expenses - Business-type Activities



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 \$13,506,353. \$6,361,547 (47%) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted and nonspendable.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,361,547. The fund balance of the general fund increased \$521,010. Below is a comparison of the general fund's net change in fund balance for 2016 and 2015.

REVENUES	9/30/2016	9/30/2015	Increase (Decrease)	Percent Increase (Decrease)
Taxes:				
Property	\$ 4,014,384	\$ 3,741,229	\$ 273,155	7.30%
Sales	1,491,561	1,382,474	109,087	7.89%
Franchise	777,685	827,508	(49,823)	-6.02%
Charges for service	1,697,325	1,690,088	7,237	0.43%
Fees and Fines	643,173	647,875	(4,702)	-0.73%
Licenses and permits	308,830	134,290	174,540	129.97%
Grants and contributions	294,333	297,432	(3,099)	-1.04%
Oil & Gas Revenue	290,643	282,464	8,179	2.90%
Investment Earnings	30,746	5,363	25,383	473.30%
Other revenue	63,163	44,158	19,005	43.04%
Total revenues	<u>9,611,843</u>	<u>9,052,881</u>	<u>558,962</u>	<u>6.17%</u>
EXPENDITURES				
Administrative and finance	738,625	704,100	34,525	4.90%
Municipal court	242,744	228,875	13,869	6.06%
Library	382,066	379,827	2,239	0.59%
Senior citizens	33,362	36,119	(2,757)	-7.63%
Public safety	2,935,179	2,699,142	236,037	8.74%
Fire and ambulance	2,406,417	2,176,320	230,097	10.57%
Public works	412,051	370,857	41,194	11.11%
Parks	317,942	326,787	(8,845)	-2.71%
Recreation Center	444,646	397,536	47,110	11.85%
Animal Control	219,785	209,228	10,557	5.05%
Code enforcement	43,174	33,761	9,413	0.00%
Community development	271,156	255,561	15,595	6.10%
Sanitation	687,741	678,518	9,223	1.36%
Nondepartmental	513,490	537,568	(24,078)	-4.48%
Capital outlay	589	34,454	(33,865)	-98.29%
Total expenditures	<u>9,648,967</u>	<u>9,068,653</u>	<u>580,314</u>	<u>6.40%</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	580,466	580,466	-	0.00%
Transfers out	(22,332)	-	(22,332)	0.00%
NET CHANGE IN FUND BALANCE	<u>\$ 521,010</u>	<u>\$ 564,694</u>	<u>\$ (43,684)</u>	<u>-7.74%</u>

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

Unrestricted net position of the proprietary funds at the end of the year amounted to \$1,843,661. Total net position decreased \$207,389. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

During the fiscal year the City amended its budget. General fund appropriations were increased \$921,610 including public safety (\$114,700), fire and ambulance (\$190,610), public works (\$25,000), parks (\$25,000), recreation center (\$66,300) and nondepartmental (\$500,000). These increases were funded with increases in the property tax, sales tax, oil and gas royalties and other revenues.

Overall, actual expenditures of the general fund were \$729,032 under budget. Actual expenditures budgetary basis for administrative and community development exceeded appropriations.

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of September 30, 2016, amounts to \$44,148,008 (net of accumulated depreciation).

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

Governmental Activities:

- Acquired real estate property at 1130 E. Main Street and Roberts Road at a total cost of \$2,134,841.
- Purchased four vehicles for police, parks and public works at a total cost of \$152,283.
- Purchased various equipment (emergency warning siren, ticket writers, voice recorder and palm scan station) for a total cost of \$268,961.
- Major capital improvements such repair of roof at police and fire stations and carpet at hall and banquet rooms for a total cost of \$188,694.
- The City received grants for the Green Ribbon Project from Texas Department of Transportation at a value of \$326,941.

Business-type activities:

- Installed water meters at a total cost of \$90,128.
- Water and sewer extension at FM 1187 at a cost of \$486,613.
- The City received grant from Tarrant County for the E. Hampton Road sewer improvements at a value of \$133,783.

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 4,416,378	2,281,537	34,751	34,751	4,451,129	2,316,288
Construction in progress	126,553	61,352	-	-	126,553	61,352
Buildings and improvements	16,156,388	16,819,362	1,716,208	1,786,240	17,872,596	18,605,602
Infrastructure/utility system	8,282,465	8,389,461	10,504,101	10,423,762	18,786,566	18,813,223
Equipment and furniture	2,140,884	2,347,754	770,280	909,915	2,911,164	3,257,669
Total	<u>31,122,668</u>	<u>29,899,466</u>	<u>13,025,340</u>	<u>13,154,668</u>	<u>44,148,008</u>	<u>43,054,134</u>

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

Debt Administration

At the end of the year, the City had a total bonded debt and capital leases payable of \$30,788,099. Of this amount, \$7,960,949 comprises bonded debt backed by the full faith and credit of the government, \$20,297,294 are certificates of obligation secured by ad valorem taxes and surplus revenues of the water and sewer revenues and \$2,332,089 are revenue bonds secured by sale tax revenue. The capital leases of

\$197,770 pertains to radio equipment being financed by lease/purchase financing. Outstanding at year-end are as follows:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$ 6,214,278	\$ 7,376,007	\$ 1,746,668	\$ 2,049,075	\$ 7,960,946	\$ 9,425,082
Certificates of Obligation	13,080,588	10,594,258	7,216,706	4,415,835	20,297,294	15,010,093
Revenue Bonds	2,332,089	-	-	-	2,332,089	-
Capital lease	197,770	389,056	-	-	197,770	389,056
Total	<u>\$ 21,824,725</u>	<u>\$ 18,359,321</u>	<u>\$ 8,963,374</u>	<u>\$ 6,464,910</u>	<u>\$ 30,788,099</u>	<u>\$ 24,824,231</u>

The City's bond ratings are listed below:

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

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

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

Economic factors and the Next Year's Budgets and Rates

General fund revenues are budgeted to decrease 6% (\$597,188) in fiscal year 2016-2017 when compared to the 2015-2016 budget to \$9,786,964. The adopted tax rate is \$.73927 per \$100 of taxable value which is the same rate in the prior year. Charges for services are budgeted to increase \$49,964 (3%), franchise tax revenue is budgeted to increase \$9,518 (1%), fees and fines are budgeted to increase \$3,200, license and permits are budgeted to increase \$1,315, intergovernmental revenues are budgeted to increase \$4,800 and other revenues are budgeted to increase \$44,104. However, property tax revenue is budgeted to decrease \$204,233, sales tax revenue is budgeted to decrease \$856, oil and gas royalties are budgeted to decrease \$500,000 and investment earnings are budgeted to decrease \$5,000.

General fund expenditures are budgeted to decrease 6% (\$591,647) when compared to the prior year to \$9,786,352. The largest decreases are \$23,648 in administrative and finance appropriations, \$134,420 in public safety appropriations, \$65,460 in fire and ambulance appropriations, \$97,837 in public works appropriations, \$57,650 in recreation center appropriations, \$25,118 in community development appropriations and \$193,559 in nondepartmental appropriations. The largest increase is the library appropriations (\$16,474).

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers and all investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, you may contact the City Offices at 201 E Main St or by telephone at 817-297-2201.

BASIC FINANCIAL STATEMENTS

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CITY OF CROWLEY, TEXAS

Statement of Net Position

September 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 388,191	\$ 1,860,917	\$ 2,249,108
Investments	13,140,058	482,268	13,622,326
Receivables (net of allowance for uncollectibles)			
Property taxes	150,131	-	150,131
Other taxes	870,846	-	870,846
Accounts	395,252	679,780	1,075,032
Miscellaneous	172,120	4,479	176,599
Inventory	7,474	27,817	35,291
Restricted assets			
Investments	-	3,707,922	3,707,922
Capital assets			
Nondepreciable	4,542,931	34,751	4,577,682
Depreciable, net of accumulated depreciation	26,579,737	12,990,589	39,570,326
Total Assets	46,246,740	19,788,523	66,035,263
Deferred Outflows of Resources			
Deferred outflow related to TMRS pension	1,232,772	135,625	1,368,397
Total Deferred Outflows of Resources	1,232,772	135,625	1,368,397
LIABILITIES			
Accounts payable	486,644	465,508	952,152
Accrued payroll liabilities	255,212	26,346	281,558
Due to other governments	57,239	-	57,239
Unearned revenue	4,527	-	4,527
Internal balances	26	(26)	-
Interest payable	115,894	30,252	146,146
Current liabilities payable from restricted assets			
Customer deposits payable	-	484,336	484,336
Noncurrent liabilities:			
Due within one year	2,259,459	599,696	2,859,155
Due in more than one year	22,296,203	8,647,858	30,944,061
Total liabilities	25,475,204	10,253,970	35,729,174
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow related to TMRS pension	178,530	17,003	195,533
Total deferred inflows of resources	178,530	17,003	195,533
NET POSITION			
Net investment in capital assets	14,512,454	7,773,039	22,285,493
Restricted for:			
Capital improvements	-	36,475	36,475
Debt service	169,892	-	169,892
Public safety	699,885	-	699,885
Economic development	850,278	-	850,278
Grant program	36,206	-	36,206
Community program	166,561	-	166,561
Unrestricted	5,390,502	1,843,661	7,234,163
Total net position	\$ 21,825,778	\$ 9,653,175	\$ 31,478,953

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, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Administration and finance	\$ 945,021	\$ 1,909	\$ -	\$ -
Municipal court	276,323	27,633	-	-
Library	469,984	14,764	9,988	-
Senior citizens	33,362	-	-	-
Public safety	3,472,068	873,945	27,973	-
Fire and ambulance	2,570,601	257,605	331,992	-
Public works	928,403	-	-	326,941
Parks	475,700	83,399	130	-
Recreation Center	688,476	224,773	-	-
Animal control	276,722	14,475	7,156	-
Code enforcement	44,053	-	-	-
Community development	278,359	375,648	-	-
Sanitation	687,741	737,875	-	-
Economic development	115,279	22,102	-	-
Nondepartmental	470,974	-	6,525	-
Interest and fiscal charges	744,040	-	-	-
Total governmental activities	12,477,106	2,634,128	383,764	326,941
Business-type activities:				
Water and sewer	5,255,603	5,159,578	-	133,783
Stormwater utility	22,329	352,429	-	-
Total business-type activities	5,277,932	5,512,007	-	133,783
Total primary government	\$ 17,755,038	\$ 8,146,135	\$ 383,764	\$ 460,724

General Revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales taxes

Franchise

Oil and gas royalties

Investment earnings

Gain on disposal of capital assets

Other revenue

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

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

Exhibit B-1

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (943,112)	\$ -	\$ (943,112)
(248,690)		(248,690)
(445,232)		(445,232)
(33,362)		(33,362)
(2,570,150)		(2,570,150)
(1,981,004)		(1,981,004)
(601,462)		(601,462)
(392,171)		(392,171)
(463,703)		(463,703)
(255,091)		(255,091)
(44,053)		(44,053)
97,289		97,289
50,134		50,134
(93,177)		(93,177)
(464,449)		(464,449)
(744,040)		(744,040)
<u>(9,132,273)</u>	<u>-</u>	<u>(9,132,273)</u>
-	37,758	37,758
-	330,100	330,100
-	367,858	367,858
<u>\$ (9,132,273)</u>	<u>\$ 367,858</u>	<u>\$ (8,764,415)</u>
\$ 4,020,822	-	4,020,822
1,775,954	-	1,775,954
2,881,333	-	2,881,333
797,294	-	797,294
290,643	-	290,643
33,803	1,801	35,604
12,189	3,418	15,607
36,621	-	36,621
580,466	(580,466)	-
<u>10,429,125</u>	<u>(575,247)</u>	<u>9,853,878</u>
1,296,852	(207,389)	1,089,463
<u>20,528,926</u>	<u>9,860,564</u>	<u>30,389,490</u>
<u>\$ 21,825,778</u>	<u>\$ 9,653,175</u>	<u>\$ 31,478,953</u>

CITY OF CROWLEY, TEXAS

Balance Sheet
Governmental Funds
September 30, 2016

	General	Debt Service	Capital Projects	Economic Development Corporation	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 255,381	\$ 11,588	\$ -	\$ 4,259	\$ 116,963	\$ 388,191
Investments	6,315,599	163,409	5,214,510	730,605	715,935	13,140,058
Receivables (Net of allowances for uncollectibles)						
Property taxes	104,158	45,973	-	-	-	150,131
Other taxes	588,566	-	-	160,172	122,108	870,846
Accounts	395,252	-	-	-	-	395,252
Miscellaneous	172,107	-	-	-	13	172,120
Inventory	7,474	-	-	-	-	7,474
Prepaid expenses	-	-	-	-	-	-
Due from other funds	85,982	-	-	-	8,545	94,527
Total assets	<u>7,924,519</u>	<u>220,970</u>	<u>5,214,510</u>	<u>895,036</u>	<u>963,564</u>	<u>15,218,599</u>
LIABILITIES						
Accounts payable	475,898	-	-	-	10,745	486,643
Accrued payroll liabilities	255,212	-	-	-	-	255,212
Interest payable	-	5,106	-	6,807	-	11,913
Unearned revenue	2,492	-	-	-	2,035	4,527
Due to other governments	57,239	-	-	-	-	57,239
Due to other funds	8,471	-	-	37,951	48,132	94,554
Total liabilities	<u>799,312</u>	<u>5,106</u>	<u>-</u>	<u>44,758</u>	<u>60,912</u>	<u>910,088</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	756,186	45,972	-	-	-	802,158
Total deferred inflows of resources	<u>756,186</u>	<u>45,972</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>802,158</u>
FUND BALANCES						
Nonspendable						
Inventory	7,474	-	-	-	-	7,474
Restricted	-	169,892	5,214,510	850,278	902,652	7,137,332
Unassigned	6,361,547	-	-	-	-	6,361,547
Total fund balances	<u>6,369,021</u>	<u>169,892</u>	<u>5,214,510</u>	<u>850,278</u>	<u>902,652</u>	<u>13,506,353</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,924,519</u>	<u>\$ 220,970</u>	<u>\$ 5,214,510</u>	<u>\$ 895,036</u>	<u>\$ 963,564</u>	<u>\$ 15,218,599</u>

CITY OF CROWLEY, TEXAS
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
September 30, 2016

Total fund balances - governmental funds	\$ 13,506,353
Capital assets used in governmental activities are not financial resources and therefore are reported in the governmental funds. The cost of these assets was \$54,427,712 and the accumulated depreciation was \$23,847,975. The net effect of including the ending balances of capital assets (net of depreciation) in the governmental activities is to increase net position.	31,122,668
Long-term liabilities, including \$21,626,954 bonds, \$197,770 capital lease payable and \$338,364 compensated absences payable are not due and payable in the current period, and, therefore are not reported as liabilities in the fund financial statements.	(22,163,088)
Included in the items related to noncurrent liabilities is the recognition of the City's net pension liability required by GASB 68 in the amount of \$2,392,574, deferred resource outflows related to TMRS pension of \$1,232,772 and a deferred resource inflow related to TMRS pension in the amount of \$178,530. The result is to decrease net position.	(1,338,332)
Interest payable is not expected to be liquidated with available financial resources and is not reported as a liability in the fund financial statements.	(103,981)
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.	802,158
Net position of governmental activities	<u><u>\$ 21,825,778</u></u>

CITY OF CROWLEY, TEXAS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2016

	General	Debt Service	Capital Projects	Economic Development Corporation	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes						
Property	\$ 4,014,384	\$ 1,771,699	\$ -	\$ -	\$ -	\$ 5,786,083
Sales	1,491,561	-	-	743,153	646,619	2,881,333
Franchise taxes	777,685	-	-	-	28,886	806,571
Charges for service	1,697,325	-	-	-	-	1,697,325
Fees and fines	643,173	-	-	-	24,108	667,281
Licenses and permits	308,830	-	-	-	-	308,830
Grants and contributions	294,333	-	-	-	86,264	380,597
Oil and gas revenue	290,643	-	-	-	-	290,643
Investment earnings	30,746	-	98	2,138	821	33,803
Other revenue	63,163	-	-	22,102	3,268	88,533
Total revenues	<u>9,611,843</u>	<u>1,771,699</u>	<u>98</u>	<u>767,393</u>	<u>789,966</u>	<u>12,940,999</u>
EXPENDITURES						
Current:						
Administrative and finance	738,625	-	-	35,850	-	774,475
Municipal court	242,744	-	-	-	23,121	265,865
Library	382,066	-	-	-	7,458	389,524
Senior citizens center	33,362	-	-	-	-	33,362
Public safety	2,935,179	-	-	-	427,897	3,363,076
Fire and ambulance	2,406,417	-	-	-	25,071	2,431,488
Public works	412,051	-	-	-	-	412,051
Parks	317,942	-	-	-	-	317,942
Recreation center	444,646	-	-	-	-	444,646
Animal control	219,785	-	-	-	-	219,785
Code enforcement	43,174	-	-	-	-	43,174
Community development	271,156	-	-	-	14,578	285,734
Sanitation	687,741	-	-	-	-	687,741
Economic development	-	-	-	2,255,566	-	2,255,566
Nondepartmental	513,490	-	-	-	-	513,490
Capital outlay	589	-	-	16,650	-	17,239
Debt service:						
Principal	-	1,240,000	191,286	225,000	220,000	1,876,286
Interest and fiscal charges	-	512,076	13,189	6,950	48,399	580,614
Bond issuance costs	-	40,168	-	132,089	-	172,257
Total expenditures	<u>9,648,967</u>	<u>1,792,244</u>	<u>204,475</u>	<u>2,672,105</u>	<u>766,524</u>	<u>15,084,315</u>
Excess (deficiency) of revenues over expenditures	<u>(37,124)</u>	<u>(20,545)</u>	<u>(204,377)</u>	<u>(1,904,712)</u>	<u>23,442</u>	<u>(2,143,316)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	580,466	-	3,002,500	22,332	-	3,605,298
Transfers out	(22,332)	(3,002,500)	-	-	-	(3,024,832)
Bond issued	-	2,970,000	-	2,180,000	-	5,150,000
Premium on bond issued	-	72,668	-	152,089	-	224,757
Total other financing sources (uses)	<u>558,134</u>	<u>40,168</u>	<u>3,002,500</u>	<u>2,354,421</u>	<u>-</u>	<u>5,955,223</u>
Net change in fund balances	521,010	19,623	2,798,123	449,709	23,442	3,811,907
Fund balances - beginning	<u>5,848,011</u>	<u>150,269</u>	<u>2,416,387</u>	<u>400,569</u>	<u>879,210</u>	<u>9,694,446</u>
Fund balances - ending	<u>\$ 6,369,021</u>	<u>\$ 169,892</u>	<u>\$ 5,214,510</u>	<u>\$ 850,278</u>	<u>\$ 902,652</u>	<u>\$13,506,353</u>

CITY OF CROWLEY, TEXAS
Reconciliation of Statement of Revenues,
Expenditures and Changes in Fund Balances of
The Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2016

Total net change in fund balances - governmental funds	\$ 3,811,907
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including \$2,809,979 of capital outlays and \$1,876,286 of debt principal payments is to increase net position.	4,686,265
Current year proceeds from the sale of bonds are other financing sources in the fund financial statements. The net effect of the increase in certificates of obligation is a decrease in net position.	(5,374,757)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(1,880,083)
The net effect of various miscellaneous transactions involving capital assets (i.e. disposal and donations) is to increase net position.	293,306
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(59,994)
GASB 68 required the City to recognize their net pension liability, deferred resource inflow related to TMRS pension, and deferred resource outflow related to TMRS pension. The changes in these balances decreased net position.	(186,072)
Current year interest payable and compensated absences of the governmental funds are not due and payable in the current period, and, therefore are not reported as liabilities or assets in the funds. The \$24,236 increase in interest payable and \$2,551 increase in compensated absences and \$33,067 amortization of premiums increase net position.	6,280
Change in net position of governmental activities	<u><u>\$ 1,296,852</u></u>

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

CITY OF CROWLEY, TEXAS
Statement of Net Position
Proprietary Funds
September 30, 2016

	Water and Sewer Fund	Stormwater Utility	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 860,597	\$ 1,000,320	\$ 1,860,917
Investments	482,268	-	482,268
Receivables (Net of allowance for uncollectibles):			
Accounts	639,363	40,417	679,780
Miscellaneous	4,479	-	4,479
Due from other funds	26	-	26
Inventory	27,817	-	27,817
Restricted Assets			
Investments	3,707,922	-	3,707,922
Total current assets	<u>5,722,472</u>	<u>1,040,737</u>	<u>6,763,209</u>
Noncurrent Assets:			
Capital assets, at cost			
Non-depreciable assets	34,751	-	34,751
Depreciable assets, net of accumulated depreciation	12,838,875	151,714	12,990,589
Total noncurrent assets	<u>12,873,626</u>	<u>151,714</u>	<u>13,025,340</u>
Total assets	<u>18,596,098</u>	<u>1,192,451</u>	<u>19,788,549</u>
Deferred Outflows of Resources			
Deferred outflows related to TMRS pension	135,625	-	135,625
Total Deferred Outflows of Resources	<u>\$ 135,625</u>	<u>\$ -</u>	<u>\$ 135,625</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 465,508	\$ -	\$ 465,508
Accrued payroll liabilities	26,346	-	26,346
Compensated absences	25,492	-	25,492
Current portion of long-term liabilities	574,204	-	574,204
Interest payable	30,252	-	30,252
Current Liabilities Payable from Restricted Assets			
Customer deposits payable	484,336	-	484,336
Total current liabilities	<u>1,606,138</u>	<u>-</u>	<u>1,606,138</u>
Noncurrent Liabilities			
Compensated absences	9,913	-	9,913
Net pension liability	248,775	-	248,775
Bonds payable	8,389,170	-	8,389,170
Total noncurrent liabilities	<u>8,647,858</u>	<u>-</u>	<u>8,647,858</u>
Total liabilities	<u>10,253,996</u>	<u>-</u>	<u>10,253,996</u>
Deferred Inflows of Resources			
Deferred inflow related to TMRS pension	17,003	-	17,003
Total Deferred Inflows of Resources	<u>17,003</u>	<u>-</u>	<u>17,003</u>
NET POSITION			
Net investment in capital assets	7,621,325	151,714	7,773,039
Restricted for impact fees for capital improvements (Expendable)	36,475	-	36,475
Unrestricted	802,924	1,040,737	1,843,661
Total net position	<u>\$ 8,460,724</u>	<u>\$ 1,192,451</u>	<u>\$ 9,653,175</u>

CITY OF CROWLEY, TEXAS
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2016

	Water and Sewer Fund	Stormwater Utility	Totals
Operating revenues			
Charges for services:			
Water Sales	\$ 2,837,849	\$ -	\$ 2,837,849
Sewer charges	1,933,531	-	1,933,531
Stormwater revenue	-	352,429	352,429
Miscellaneous water charges	388,198	-	388,198
Total operating revenue	<u>5,159,578</u>	<u>352,429</u>	<u>5,512,007</u>
Operating expenses			
Personnel services	716,579	-	716,579
Professional services	72,685	-	72,685
Purchased water	1,601,103	-	1,601,103
Wastewater treatment charge	1,314,582	-	1,314,582
Contractual services	170,438	-	170,438
Insurance	45,247	-	45,247
Administrative	54,238	2,100	56,338
Repairs and maintenance	121,209	-	121,209
Utilities	88,624	-	88,624
Depreciation	819,623	20,229	839,852
Total operating expenses	<u>5,004,328</u>	<u>22,329</u>	<u>5,026,657</u>
Operating income (loss)	<u>155,250</u>	<u>330,100</u>	<u>485,350</u>
Nonoperating revenues (expenses):			
Investment earnings	1,801	-	1,801
Gain on disposal of capital assets	3,418	-	3,418
Interest expense	(251,275)	-	(251,275)
Total nonoperating revenues (expenses)	<u>(246,056)</u>	<u>-</u>	<u>(246,056)</u>
Income (loss) before capital contributions and transfers	(90,806)	330,100	239,294
Capital contributions	133,783	-	133,783
Transfers out	<u>(580,466)</u>	<u>-</u>	<u>(580,466)</u>
Change in net position	(537,489)	330,100	(207,389)
Net position - beginning	8,998,213	862,351	9,860,564
Net position - ending	<u>\$ 8,460,724</u>	<u>\$ 1,192,451</u>	<u>\$ 9,653,175</u>

CITY OF CROWLEY, TEXAS
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2016

	Water and Sewer Fund	Stormwater Utility	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 5,213,842	\$ 348,733	\$ 5,562,575
Cash paid to suppliers	(3,496,828)	(2,100)	(3,498,928)
Cash paid to employees	(705,348)	-	(705,348)
Net cash provided by operating activities	<u>1,011,666</u>	<u>346,633</u>	<u>1,358,299</u>
Cash flow from noncapital financing activities:			
Transfers to other funds	(580,466)	-	(580,466)
Net cash provided (used) by noncapital financing activities	<u>(580,466)</u>	<u>-</u>	<u>(580,466)</u>
Cash flow from capital and related financing activities:			
Principal paid on capital debt	(520,000)	-	(520,000)
Capital asset expenditures	(576,740)	-	(576,740)
Interest paid on capital debt	(230,433)	-	(230,433)
Proceeds from sale of capital assets	3,418	-	3,418
Net cash used by capital and related financing activities	<u>(1,323,755)</u>	<u>-</u>	<u>(1,323,755)</u>
Cash flow from investing activities:			
Proceeds from sale of investments	2,069,001	-	2,069,001
Purchase of investments	(1,425,600)	-	(1,425,600)
Investment earnings	1,801	-	1,801
Net cash provided by investing activities	<u>645,202</u>	<u>-</u>	<u>645,202</u>
Net increase (decrease) in cash and cash equivalents	(247,353)	346,633	99,280
Cash and cash equivalents, beginning	<u>1,107,950</u>	<u>653,687</u>	<u>1,761,637</u>
Cash and cash equivalents, ending	<u>\$ 860,597</u>	<u>\$ 1,000,320</u>	<u>\$ 1,860,917</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ 155,250	\$ 330,100	\$ 485,350
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	819,623	20,229	839,852
(Increase) decrease in accounts receivable	54,264	(3,696)	50,568
(Increase) decrease in miscellaneous receivables	107	-	107
(Increase) decrease in inventory	94,523	-	94,523
(Increase) decrease in prepaid expenses	9,621	-	9,621
Increase (decrease) in accounts payable	(158,284)	-	(158,284)
Increase (decrease) in accrued payroll liabilities	14,255	-	14,255
Increase (decrease) in customer meter deposits	9,138	-	9,138
Increase (decrease) in net pension balances	16,193	-	16,193
Increase (decrease) in compensated absences payable	(3,024)	-	(3,024)
Total adjustments	<u>856,416</u>	<u>16,533</u>	<u>872,949</u>
Net cash provided by operating activities	<u>\$ 1,011,666</u>	<u>\$ 346,633</u>	<u>\$ 1,358,299</u>
Water and Sewer Fund recorded CDBG grant for sewer improvements	<u>\$ 133,783</u>	<u>\$ -</u>	<u>\$ 133,783</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

Blended Component Units

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

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

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures generally are recorded when the related fund liability is incurred, however, debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized when payment is due.

Property taxes, sales taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when the government receives payment.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2016

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

The City reports the following major enterprise fund:

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

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

Amounts reported as program revenues include 1) charges for customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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

1. *Cash and Investments*

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

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

2. *Interfund Receivables and Payables*

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

3. *Unbilled Service*

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

4. *Inventory*

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

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. *Capital Assets*

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities and proprietary funds is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the water and sewer fund during the current fiscal year was \$251,275. Of this amount \$0 was included as part of the cost of capital assets under construction in connection with water and sewer construction projects.

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

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

6. *Compensated Absences*

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

7. *Long-term Obligations*

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. *Fund Balance – Governmental Funds*

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

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

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

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

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

Unassigned – All amounts not included in other spendable classifications.

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

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	General Fund	Debt Service Fund	Capital Projects	Economic Development Corporation	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable						
Inventory	\$ 7,474	\$ -	\$ -	\$ -	\$ -	\$ 7,474
Restricted						
Debt Service	-	169,892	-	-	-	169,892
Capital Projects	-	-	5,214,510	-	-	5,214,510
Public Safety - Police	-	-	-	-	606,455	606,455
Public Safety - Court	-	-	-	-	93,430	93,430
Economic Development	-	-	-	850,278	-	850,278
Grant programs	-	-	-	-	36,206	36,206
Public Education Grant	-	-	-	-	166,561	166,561
Unassigned	6,361,547	-	-	-	-	6,361,547
	<u>\$ 6,369,021</u>	<u>\$ 169,892</u>	<u>\$ 5,214,510</u>	<u>\$ 850,278</u>	<u>\$ 902,652</u>	<u>\$ 13,506,353</u>

9. Net Position

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

Restricted Fund Balance (Exhibit C-1)	\$ 7,137,332
Adjustment:	
Unspent proceeds from bonds reclassified to net investment in capital assets	(5,214,510)
Total adjustments	(5,214,510)
Restricted net position (Exhibit A-1)	<u>\$ 1,922,822</u>

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

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2016

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. *Pensions*

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

NOTE 2: DEPOSITS AND INVESTMENTS

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

The City's investment policy authorizes the City to invest in U.S. Treasury obligations, U.S. government agency and instrumentality obligations, certificates of deposit, investment-grade obligations of state, provincial and local governments and public authorities, money market mutual funds regulated by the SEC and local government investment pools wither state-administered or developed through joint powers statutes and other intergovernmental agreement legislation. During the year ended September 30, 2016, the City did not own any types of securities other than those permitted by statute.

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

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2016

NOTE 2: DEPOSITS AND INVESTMENTS (continued)

The City's investments are as follows:

<u>Investment</u>	<u>Credit Rating (1)</u>	<u>Weighted Average Maturities</u>	<u>Percentage of Total Investments</u>	<u>Cost</u>	<u>Fair Value</u>
Investment in TexPool	AAAm	44 days	100.00%	\$ 17,330,248	\$ 17,330,248

(1) Per Standard and Poor's

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's funds are required to be deposited and invested under the terms of a depository contract. The City's deposits are required to be collateralized with securities held by the pledging institution's trust department or agent in the City's name. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") Insurance. At September 30, 2016, the City's deposits were covered by FDIC Insurance or collateralized with securities held by the bank's agent in the City's name.

Credit Risk– Investments

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

Interest Rate Risk – Investments

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

The City's investments at September 30, 2016 included the following:

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

	<u>Investments</u>
Business-type Activities	
Customer deposits	\$ 395,948
Bonds construction accounts	3,311,974
Total	<u>\$ 3,707,922</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2016

NOTE 3: PROPERTY TAX

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

NOTE 4: RECEIVABLES

All receivables are shown net of an allowance for uncollectible accounts. The allowances for uncollectible accounts are based upon historical experience. Property tax, EMS and municipal court allowances for uncollectible accounts are equal to approximately 37%, 76% and 85% of the outstanding balances, respectively, at September 30. The allowance for water, and sewer trade accounts receivable is equal to the accounts receivable that are inactive (final billed) as of September 30. Receivables as of year-end for the City's major and nonmajor funds, including the applicable allowances for uncollectible accounts are as follows:

	General	Debt Service	EDC	Nonmajor Governmental	Water and Sewer	Stormwater Utility
Receivables:						
Property taxes	\$ 165,545	\$ 73,067	\$ -	\$ -	\$ -	\$ -
Other taxes	588,566	-	160,172	122,108	864,749	-
Accounts	1,468,919	-	-	-	-	40,417
Miscellaneous	833,377	-	-	13	4,479	-
Gross receivables	3,056,407	73,067	160,172	122,121	869,228	40,417
Less: allowance for uncollectibles	(1,796,324)	(27,094)	-	-	(225,386)	-
Net total receivables	<u>\$ 1,260,083</u>	<u>\$ 45,973</u>	<u>\$ 160,172</u>	<u>\$ 122,121</u>	<u>\$ 643,842</u>	<u>\$ 40,417</u>

NOTE 5: DEFERRED INFLOWS OF RESOURCES

In addition to assets, the statement of financial position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. The deferred outflows related to Texas Municipal Retirement System (TMRS) pension has been reported in the government-wide statement of net position (\$1,232,772) and proprietary fund statement of net position (\$135,625).

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2016

NOTE 5: DEFERRED INFLOWS OF RESOURCES (continued)

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items that qualifies for reporting in this category. Unavailable revenues for governmental funds and deferred inflows related to TMRS pensions in the government-wide statement of net position (\$178,530) and proprietary fund statement of net position (\$17,003) are reported as deferred inflows of resources. At the end of the fiscal year the components of deferred inflows in the governmental funds were as follows:

	General	Debt Service	Nonmajor Governmental	Total Governmental Funds
Deferred property tax revenue	\$ 104,158	\$ 45,972	\$ -	\$ 150,130
Deferred franchise tax revenue	216,675			216,675
Deferred EMS charges revenue	318,646			318,646
Deferred municipal court fees and fines	116,707			116,707
	<u>\$ 756,186</u>	<u>\$ 45,972</u>	<u>\$ -</u>	<u>\$ 802,158</u>

NOTE 6: INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS

The composition of interfund transfers for the City's individual major funds and nonmajor funds at September 30, 2016, is as follows:

Transfer In	Transfer Out	Amount	Purpose
General	Water and sewer	\$ 580,466	Use unrestricted revenues collected in the water and sewer fund to finance various general fund programs in accordance with budgetary authorizations.
Capital projects	Debt service	3,002,500	Transfer bond proceeds.
EDC	General	22,332	Transfer EDC expenses.
Total governmental funds transfers in		<u>\$ 3,605,298</u>	

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2016

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Transfers & Adjustments	Ending Balance
Governmental activities:					
Non - Depreciable Assets:					
Land	\$ 2,281,537	\$ 2,134,841	\$ -	\$ -	\$ 4,416,378
Construction in Progress	61,352	65,201	-	-	126,553
Total non-depreciable assets	<u>2,342,889</u>	<u>2,200,042</u>	<u>-</u>	<u>-</u>	<u>4,542,931</u>
Depreciable Assets:					
Building and improvements	22,507,980	188,694	-	(76,916)	22,619,758
Infrastructure/utility system	19,201,732	326,941	-	76,916	19,605,589
Equipment and furniture	8,169,211	421,243	(388,089)	-	8,202,365
Total capital assets being depreciated	<u>49,878,923</u>	<u>936,878</u>	<u>(388,089)</u>	<u>-</u>	<u>50,427,712</u>
Accumulated Depreciation:					
Building and improvements	(5,688,618)	(778,597)	-	3,845	(6,463,370)
Infrastructure/utility system	(10,812,271)	(507,008)	-	(3,845)	(11,323,124)
Equipment and furniture	(5,821,457)	(594,478)	354,454	-	(6,061,481)
Total accumulated depreciation	<u>(22,322,346)</u>	<u>(1,880,083)</u>	<u>354,454</u>	<u>-</u>	<u>(23,847,975)</u>
Governmental activities capital assets, net	<u>\$29,899,466</u>	<u>\$ 1,256,837</u>	<u>\$ (33,635)</u>	<u>\$ -</u>	<u>\$31,122,668</u>

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

Governmental activities:	
General government	\$ 151,088
Court	6,454
Library	76,871
Public safety	345,469
Fire and ambulance	283,646
Public works	530,138
Community development	3,183
Parks	173,000
Recreation center	258,051
Animal control	52,183
Total depreciation expense - governmental activities	<u>\$1,880,083</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2016

NOTE 7: CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Transfers & Adjustments	Ending Balance
Business-type activities:					
Non - Depreciable Assets:					
Land	\$ 34,751	\$ -	\$ -	\$ -	\$ 34,751
Total non-depreciable assets	<u>34,751</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,751</u>
Depreciable Assets:					
Building and improvements	2,209,959	-	-	-	2,209,959
Infrastructure/utility system	17,541,318	620,396	(14,007)	-	18,147,707
Equipment and furniture	2,603,865	90,128	(44,721)	-	2,649,272
Total capital assets being depreciated	<u>22,355,142</u>	<u>710,524</u>	<u>(58,728)</u>	<u>-</u>	<u>23,006,938</u>
Accumulated Depreciation:					
Building and improvements	(423,719)	(70,032)	-	-	(493,751)
Infrastructure/utility system	(7,117,556)	(540,057)	14,007	-	(7,643,606)
Equipment and furniture	<u>(1,693,950)</u>	<u>(229,763)</u>	<u>44,721</u>	<u>-</u>	<u>(1,878,992)</u>
Total accumulated depreciation	<u>(9,235,225)</u>	<u>(839,852)</u>	<u>58,728</u>	<u>-</u>	<u>(10,016,349)</u>
Business-type activities capital assets, net	<u>\$13,154,668</u>	<u>\$ (129,328)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$13,025,340</u>

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

Business-type activities:	
Water and sewer	\$ 819,623
Stormwater utility	<u>20,229</u>
Total depreciation expense - business-type activities	<u>\$ 839,852</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2016

NOTE 8: GOVERNMENTAL ACTIVITIES LONG-TERM DEBT

The General Obligation Bonds and Certificates of Obligation Bonds principal and interest are paid by the debt service fund. Capital Leases principal and interest are paid by the capital projects fund.

In September 2016, the City issued \$5,935,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016 for various permanent public improvements. The proceeds were allocated \$2,970,000 governmental activities and \$2,965,000 business-type activities.

In June 2016, the City issued \$2,180,000 Sales Tax Revenue Bonds, Taxable Series 2016 for various public improvements to attract new businesses and to promote new or expanded business development in the City.

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

	<u>9/30/2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>9/30/2016</u>	<u>Due Within One Year</u>
General Obligation Bonds					
\$2,880,000; General Obligation Refunding Bonds, Series 2005 due in semi-annual installments from 2/1/2005; 3.92% until 2/1/2020.	\$ 975,000	\$ -	\$ 295,000	\$ 680,000	\$ 215,000
\$580,000; General Obligation Refunding Bonds, Series 2010, due in semi-annual installments from 2/1/2012; 1.05% - 2.30% until 2/1/17.	200,000	-	100,000	100,000	100,000
\$1,855,000; General Obligation Refunding Bonds, Series 2012; due in semi-annual installments from 2/1/2013; 2.00% - 3.00% until 2/1/2022.	1,065,000	-	275,000	790,000	300,000
Series 2012 unamortized bond premium	218,572	-	12,984	205,588	12,984
\$590,000; General Obligation Refunding Bonds, Series 2012A; due in semi-annual installments from 2/1/2014; 2.00% 3.00% until 2/1/2023.	490,000	-	55,000	435,000	55,000
Series 2012A unamortized bond premium	37,435	-	3,745	33,690	3,745
\$4,920,000; General Obligation Refunding Bonds, Series 2013, due in semi-annual installments from 2/1/2014; 2.19% until 9/30/2025.	4,390,000	-	420,000	3,970,000	455,000
Total General Obligation Bonds	<u>\$ 7,376,007</u>	<u>\$ -</u>	<u>\$ 1,161,729</u>	<u>\$ 6,214,278</u>	<u>\$ 1,141,729</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2016

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

	<u>9/30/2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>9/30/2016</u>	<u>Due Within One Year</u>
Certificates of Obligation					
\$8,000,000; Certificates of Obligation, Series 2009 due in semi-annual installments from 2/1/2011; 3.00% - 5.25% until 2/1/2029.	\$ 6,095,000	\$ -	\$ 330,000	\$ 5,765,000	\$ 340,000
Series 2009 unamortized bond premium	113,056	-	8,173	104,883	8,173
\$4,890,000; Certificates of Obligation, Series 2012 due in semi-annual installments from 2/1/2013; 2.00% - 3.50% until 2/1/2032.	4,325,000	-	210,000	4,115,000	200,000
Series 2012 unamortized premium	61,202	-	8,165	53,037	8,165
\$2,970,000; Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016 due in annual installments from 2/1/17; 2.00% - 3.00% until 2/1/2025.	-	2,970,000	-	2,970,000	70,000
Series 2016 unamortized premium	-	72,668	-	72,668	-
Total Certificates of Obligation	<u>\$ 10,594,258</u>	<u>\$ 3,042,668</u>	<u>\$ 556,338</u>	<u>\$ 13,080,588</u>	<u>\$ 626,338</u>
Revenue Bonds					
\$2,180,000; Sales Tax Revenue Bonds, Taxable Series 2016 due in annual installments from 8/1/17; 3.00% - 5.00% until 8/1/2031.	-	2,180,000	-	2,180,000	50,000
Series 2016 unamortized premium	-	152,089	-	152,089	-
Total Revenue Bonds	<u>\$ -</u>	<u>\$ 2,332,089</u>	<u>\$ -</u>	<u>\$ 2,332,089</u>	<u>\$ 50,000</u>
Capital Leases Payable					
\$957,493 Lease payable to Motorola Credit Corp in 5 annual payments of \$204,475 including interest at 3.39%. Secured by radio equipment.	389,056	-	191,286	197,770	197,770
Total Capital Leases	<u>\$ 389,056</u>	<u>\$ -</u>	<u>\$ 191,286</u>	<u>\$ 197,770</u>	<u>\$ 197,770</u>
Net pension liability	<u>\$ 1,397,728</u>	<u>\$ 994,845</u>	<u>\$ -</u>	<u>\$ 2,392,573</u>	<u>\$ -</u>
Compensated absences	<u>\$ 335,813</u>	<u>\$ 290,435</u>	<u>\$ 287,884</u>	<u>\$ 338,364</u>	<u>\$ 243,622</u>
Total Governmental Activities	<u>\$ 20,092,862</u>	<u>\$ 6,660,037</u>	<u>\$ 2,197,237</u>	<u>\$ 24,555,662</u>	<u>\$ 2,259,459</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2016

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

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

Year Ending September 30,	General Obligation		Certificates of Obligation		Sales Tax Revenue Bonds		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2017	\$ 1,125,000	\$ 135,203	\$ 610,000	\$ 448,785	\$ 50,000	\$ 105,875	\$ 2,474,863
2018	835,000	109,139	660,000	433,425	120,000	89,250	2,246,814
2019	715,000	88,143	710,000	410,375	125,000	85,650	2,134,168
2020	725,000	69,133	735,000	386,500	125,000	81,900	2,122,533
2021	620,000	52,115	530,000	251,600	130,000	78,150	1,661,865
2022 - 2026	1,955,000	74,371	4,185,000	1,394,331	725,000	315,250	8,648,952
2027 - 2031	-	-	3,885,000	507,605	905,000	140,250	5,437,855
2032 - 2036	-	-	1,535,000	68,993	-	-	1,603,993
<hr/>							
Total debt Service							
Requirements	5,975,000	528,104	12,850,000	3,901,614	2,180,000	896,325	26,331,043
Add: Unamortized							
Premium	239,278	-	230,588	-	152,089	-	621,955
	<u>\$ 6,214,278</u>	<u>\$ 528,104</u>	<u>\$13,080,588</u>	<u>\$ 3,901,614</u>	<u>\$ 2,332,089</u>	<u>\$ 896,325</u>	<u>\$ 26,952,998</u>

Four debt issues of the City are allocated between the governmental activities and business-type activities. The Certificates of Obligation Series 2005 were allocated \$2,880,000 governmental activities and \$1,025,000 business-type activities. The General Obligation Refunding Bonds Series 2012A were allocated \$1,855,000 governmental activities and \$1,945,000 business-type activities. The Certificates of Obligation Series 2009 were allocated \$8,000,000 governmental activities and \$3,000,000 business-type activities.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2016

NOTE 9: BUSINESS-TYPE LONG-TERM DEBT

	<u>9/30/2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>9/30/2016</u>	<u>Due Within One Year</u>
General Obligation Bonds					
\$1,025,000; General Obligation Refunding Bonds, Series 2005 due in semi-annual installments from 2/1/2005; 3.92% until 2/1/2020.	\$ 315,000	\$ -	\$ 115,000	\$ 200,000	\$ 100,000
\$1,945,000; General Obligation Refunding Bonds, Series 2012A; due in semi-annual installments from 2/1/2014; 2.00% 3.00% until 2/1/2023.	1,610,000	-	175,000	1,435,000	180,000
Series 2012A unamortized bond premium	124,075	-	12,407	111,668	12,407
Total General Obligation Bonds	<u>\$ 2,049,075</u>	<u>\$ -</u>	<u>\$ 302,407</u>	<u>\$ 1,746,668</u>	<u>\$ 292,407</u>
Certificates of Obligation					
\$3,000,000; Certificates of Obligation, Series 2009 due in semi-annual installments from 2/1/2011; 3.00% - 5.25% until 2/1/2029.	\$ 2,255,000	\$ -	\$ 120,000	\$ 2,135,000	\$ 125,000
Series 2009 unamortized bond premium	42,396	-	3,065	39,331	3,065
\$2,500,000; Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011 due in annual installments from 2/1/2012; 2.00% - 4.50% until 2/1/2029.	2,055,000	-	110,000	1,945,000	125,000
Series 2011 unamortized premium	63,439	-	3,732	59,707	3,732
\$2,965,000; Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016 due in annual installments from 2/1/17; 2.00% - 3.00% until 2/1/2025.	-	2,965,000	-	2,965,000	25,000
Series 2016 unamortized premium	-	72,668	-	72,668	-
Total Certificates of Obligation	<u>\$ 4,415,835</u>	<u>\$ 3,037,668</u>	<u>\$ 236,797</u>	<u>\$ 7,216,706</u>	<u>\$ 281,797</u>
Net pension liability	<u>\$ 138,237</u>	<u>\$ 110,538</u>	<u>\$ -</u>	<u>\$ 248,775</u>	<u>\$ -</u>
Compensated absences	<u>\$ 38,429</u>	<u>\$ 29,836</u>	<u>\$ 32,860</u>	<u>\$ 35,405</u>	<u>\$ 25,492</u>
Total Business-Type Activities	<u>\$ 6,641,576</u>	<u>\$ 3,178,042</u>	<u>\$ 572,064</u>	<u>\$ 9,247,554</u>	<u>\$ 599,696</u>

CITY OF CROWLEY, TEXAS

Notes to Financial Statements

September 30, 2016

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

The aggregate debt service requirements to maturity for business-type activities general obligation bonds and certificates of obligation outstanding as of September 30, 2016, are as follows:

Year Ending September 30,	<u>General Obligation</u>		<u>Certificates of Obligation</u>		Total
	Principal	Interest	Principal	Interest	
2017	\$ 280,000	\$ 45,330	\$ 275,000	\$ 231,941	\$ 832,271
2018	290,000	36,760	285,000	228,696	840,456
2019	200,000	28,950	390,000	218,146	837,096
2020	205,000	22,875	405,000	206,028	838,903
2021	210,000	16,650	420,000	192,196	838,846
2022 - 2026	450,000	13,650	2,215,000	720,728	3,399,378
2027 - 2031	-	-	2,170,000	269,875	2,439,875
2032 - 2036	-	-	885,000	46,074	931,074
	<u>\$ 1,635,000</u>	<u>\$ 164,215</u>	<u>\$ 7,045,000</u>	<u>\$ 2,113,684</u>	<u>\$10,957,899</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, 2016.

NOTE 10: CAPITAL LEASE PAYABLE

In June 2012, the City entered into a municipal lease-purchase agreement for the purchase of radio equipment.

Assets under lease and related accumulated depreciation are as follows:

	<u>Governmental Activities</u>
Assets:	
Equipment	\$ 957,493
Less: accumulated depreciation	(430,872)
Total	<u>\$ 526,621</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2016

NOTE 10: CAPITAL LEASE PAYABLE continued

The future minimum lease obligations and net present value of these minimum lease payments as of September 30, 2016, were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>
2017	\$ 204,475
Total debt service requirement	204,475
Less: interest portion	6,705
Obligations under capital lease	<u>\$ 197,770</u>

NOTE 11: 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.

NOTE 12: DEFINED BENEFIT PENSION PLANS

Plan Description

The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2016

NOTE 12: DEFINED BENEFIT PENSION PLANS (continued)

Benefits Provided

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

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

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

	<u>Plan Year 2016</u>
Employee deposit rate	6%
Matching ratio (city to employee)	2-1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Active employees	108
Inactive employees or beneficiaries currently receiving benefits	43
Inactive employees entitled to but not yet receiving benefits	70
	<u>221</u>

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 10.62% and 10.26 in calendar years 2015 and 2016, respectively. The city's contributions to TMRS for the year ended September 30, 2016, were \$543,838, and were equal to the required contributions.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2016

NOTE 12: DEFINED BENEFIT PENSION PLANS (continued)

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. For cities with fewer than twenty employees, more conservative methods and assumptions are used. The rates were projected on a fully generational basis by scale BB to account to future mortality improvements. For disable annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015, valuation were based on results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2016

NOTE 12: DEFINED BENEFIT PENSION PLANS (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.65%
Real Return	10.00%	4.03%
Real Estate	10.00%	5.00%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	8.00%
Total	100.00%	

Discount Rate

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

CITY OF CROWLEY, TEXAS

Notes to Financial Statements

September 30, 2016

NOTE 12: DEFINED BENEFIT PENSION PLANS (continued)

Changes in the Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/14	\$ 14,565,918	\$ 13,029,953	\$ 1,535,965
Changes for the year:			
Service cost	737,801	-	737,801
Interest	1,028,535	-	1,028,535
Changes in net benefit terms	-	-	-
Difference between expected and actual experience	199,815	-	199,815
Change of assumptions	22,670	-	22,670
Contributions - employer	-	560,076	(560,076)
Contributions - employee	-	316,426	(316,426)
Net investment income	-	19,225	(19,225)
Benefit payments, including refunds of employee contributions	(482,919)	(482,919)	-
Administrative expense	-	(11,712)	11,712
Other changes	-	(578)	578
Net changes	<u>1,505,902</u>	<u>400,518</u>	<u>1,105,384</u>
Balance at 12/31/15	<u>\$ 16,071,820</u>	<u>\$ 13,430,471</u>	<u>\$ 2,641,349</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$5,297,376	\$2,641,349	\$500,228

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2016, the City recognized pension expense of \$746,103.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2016

NOTE 12: DEFINED BENEFIT PENSION PLANS (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ 158,013	\$ 195,533
Difference in assumption changes	17,927	-
Difference in projected and actual earnings	805,406	-
Contributions subsequent to the measurement date	387,051	-
Total	<u>\$ 1,368,397</u>	<u>\$ 195,533</u>

\$348,346 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:

2016	\$ 196,001
2017	196,001
2018	196,002
2019	197,809
2020	-
Thereafter	-
	<u>\$ 785,813</u>

NOTE 13. OTHER POSTEMPLOYMENT BENEFITS

Supplemental Death Benefits Fund

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

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

Your city offers supplemental death to:	Plan Year 2015	Plan Year 2016
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

CITY OF CROWLEY, TEXAS

Notes to Financial Statements

September 30, 2016

NOTE 13. 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 2016, 2015 and 2014 were \$6,823, \$6,835 and \$6,484, respectively, which equaled the required contributions each year.

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

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2012	0.01%	0.01%	100.0%
2013	0.01%	0.01%	100.0%
2014	0.01%	0.01%	100.0%
2015	0.01%	0.01%	100.0%
2016	0.01%	0.01%	100.0%

NOTE 14: 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.

CITY OF CROWLEY, TEXAS

Notes to Financial Statements

September 30, 2016

NOTE 14: CONTINGENT LIABILITIES continued

Litigation

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

NOTE 15: 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 2016 of treated water were \$1,601,103 and for the treatment of wastewater were \$1,314,582.

B. Economic Development Agreement

On April 4, 2016, the City of Crowley EDC entered into an economic development agreement with a retail real estate developer to construct and operate a 70,000 square foot retail center to promote economic development in the City. The agreement calls for the EDC to purchase the property for the development and the retail developer to pay for the construction and operation of all phases of the development. EDC has determined that substantial economic benefits and the creation of new employment opportunities will accrue to the City. EDC has acquired the property and is currently working on acquiring a piece of property for access point. Once this access point is acquired, the developer will start construction.

NOTE 16: SUBSEQUENT EVENTS

Subsequent events were evaluated through February 8, 2017, which is the date the financial statements were available to be issued.

NOTE 15: NEW ACCOUNTING PRONOUNCEMENTS

The Government Accounting Standards Board has issued several statements that will be effective in future years. The City has not yet determined the effect these statements will have on its financial reporting.

CITY OF CROWLEY, TEXAS

Notes to Financial Statements

September 30, 2016

NOTE 15: NEW ACCOUNTING PRONOUNCEMENTS (continued)

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* replaces the requirements of Statements No. 45 and No. 57 for accounting and financial reporting of postemployment benefits other than pensions. This Statement is effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 77, *Tax Abatement Disclosures* will improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial users. This Statement is effective for fiscal years beginning after December 15, 2015.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF CROWLEY, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended September 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes:				
Property	\$ 3,836,323	\$ 4,197,773	\$ 4,014,384	\$ (183,389)
Sales	1,365,000	1,421,856	1,491,561	69,705
Franchise	793,182	793,182	777,685	(15,497)
Charges for service	1,661,619	1,661,619	1,697,325	35,706
Fees and fines	628,940	628,940	643,173	14,233
Licenses and permits	313,820	313,820	308,830	(4,990)
Grants and contributions	268,200	268,200	294,333	26,133
Oil & gas revenue	-	500,000	290,643	(209,357)
Investment earnings	5,000	5,000	30,746	25,746
Other revenue	16,200	19,504	63,163	43,659
Total revenues	<u>8,888,284</u>	<u>9,809,894</u>	<u>9,611,843</u>	<u>(198,051)</u>
EXPENDITURES				
Administrative and finance	724,938	724,938	738,625	(13,687)
Municipal court	241,971	241,971	242,744	(773)
Library	397,479	397,479	382,066	15,413
Senior center	34,338	34,338	33,362	976
Public safety	2,821,612	2,936,312	2,935,179	1,133
Fire and ambulance	2,236,557	2,427,167	2,406,417	20,750
Public works	396,444	421,444	412,051	9,393
Parks	297,229	322,229	317,942	4,287
Recreation Center	422,912	489,212	444,646	44,566
Animal Control	218,439	218,439	219,785	(1,346)
Code enforcement	45,002	45,002	43,174	1,828
Community development	253,231	253,231	271,156	(17,925)
Sanitation	695,000	695,000	687,741	7,259
Nondepartmental	671,237	1,171,237	513,490	657,747
Capital outlay	-	-	589	(589)
Total expenditures	<u>9,456,389</u>	<u>10,377,999</u>	<u>9,648,967</u>	<u>729,032</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(568,105)</u>	<u>(568,105)</u>	<u>(37,124)</u>	<u>530,981</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	580,466	580,466	580,466	-
Transfers out	-	-	(22,332)	(22,332)
Total other financing sources (uses)	<u>580,466</u>	<u>580,466</u>	<u>558,134</u>	<u>(22,332)</u>
Net change in fund balances	12,361	12,361	521,010	508,649
Fund balance - beginning	<u>5,848,011</u>	<u>5,848,011</u>	<u>5,848,011</u>	<u>-</u>
Fund balance - ending	<u>\$ 5,860,372</u>	<u>\$ 5,860,372</u>	<u>\$ 6,369,021</u>	<u>\$ 508,649</u>

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

CITY OF CROWLEY, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Economic Development Corporation
For the Year Ended September 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Sales taxes	\$ 630,000	\$ 630,000	\$ 743,153	\$ 113,153
Investment earnings	500	500	2,138	1,638
	-	-	22,102	22,102
Total revenues	630,500	630,500	767,393	136,893
EXPENDITURES				
Administrative and finance	109,720	109,720	35,850	73,870
Economic development	104,000	104,000	2,255,566	(2,151,566)
Capital outlay	-	-	16,650	(16,650)
Debt service				
Principal	225,000	225,000	225,000	-
Interest and fiscal charges	6,750	6,750	6,950	(200)
Bond issuance costs	-	-	132,089	(132,089)
Total expenditures	445,470	445,470	2,672,105	(2,226,635)
Excess (deficiency) of revenues over (under) expenditures	185,030	185,030	(1,904,712)	(2,089,742)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	22,332	22,332
Bond issued	-	-	2,180,000	2,180,000
Premium on bond issued	-	-	152,089	152,089
Total other financing sources (uses)	-	-	2,354,421	2,354,421
Net change in fund balance	185,030	185,030	449,709	264,679
Fund balance - beginning	400,569	400,569	400,569	-
Fund balance - ending	\$ 585,599	\$ 585,599	\$ 850,278	\$ 264,679

The accompanying notes to the required supplementary information are an integral part of this statement.

CITY OF CROWLEY
Schedule of Changes in Net Pension Liability and Related Ratios
Last Two Years

Total Pension Liability

	2014	2015
Service cost	\$ 689,124	\$ 737,801
Interest (on the Total Pension Liability)	961,835	1,028,535
Changes in net benefit terms	-	-
Difference between expected and actual experience	(314,507)	199,815
Change of assumptions	-	22,670
Benefit payments, including refunds of employee contributions	(332,931)	(482,919)
Net change in total pension liability	1,003,521	1,505,902
Total pension liability - beginning	13,562,397	14,565,918
	<u>\$ 14,565,918</u>	<u>\$ 16,071,820</u>

Plan Fiduciary Net Position

Contributions - employer	\$ 509,970	\$ 560,076
Contributions - employee	301,460	316,426
Net investment income	679,713	19,225
Benefit payments, including refunds of employee contributions	(332,931)	(482,919)
Administrative expense	(7,095)	(11,712)
Other	(583)	(578)
Net change in plan fiduciary net position	1,150,534	400,518
Plan fiduciary net position - beginning	11,879,419	13,029,953
Plan fiduciary net position - ending	<u>\$ 13,029,953</u>	<u>\$ 13,430,471</u>

Net Pension Liability

	<u>\$ 1,535,965</u>	<u>\$ 2,641,349</u>
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Plan fiduciary net position as a percentage of the total pension liability	89.46%	83.57%
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Covered-employee payroll	\$ 5,024,334	\$ 5,273,772
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Net pension liability as a percentage of covered employee payroll	30.57%	50.08%
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CITY OF CROWLEY
Schedule of Contributions
Last Three Years

	2014	2015	2016
Actuarially Determined Contributions	\$ 518,829	\$ 554,893	\$ 543,837
Contributions in relation to the actuarially determined contributions	505,650	551,534	543,837
Contribution deficiency (excess)	\$ 13,179	\$ 3,359	\$ -
Covered employee payroll	\$ 4,987,378	\$ 5,257,985	\$ 5,248,757
Contributions as a percentage of covered employee payroll	10.14%	10.49%	10.36%

CITY OF CROWLEY
Notes to the Required Supplementary Information
For the Year Ended September 30, 2016

Budget

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

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

Excess of Expenditures over Appropriations

In the general fund, Administrative and community development actual expenditures budgetary basis exceeded appropriations. Overall, total actual expenditures were under budget by \$729,032.

In the economic development corporation, actual economic development expenditures, capital outlay and debt service expenditures exceeded appropriations. Total actual expenditures exceeded appropriations by \$2,226,635 primarily due to the acquisition of the 1130 E. Main Street and Roberts Road properties. Amounts were funded from bond issuance proceeds.

COMBINING FINANCIAL STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS

CITY OF CROWLEY, TEXAS
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2016

	Nonmajor Special Revenue Funds		
	Court Technology & Security	Grant	LEOSE Training
Assets			
Cash and cash equivalents	\$ 311	\$ 30,765	\$ 13,205
Investments	89,159	-	-
Receivables (Net of allowances for uncollectibles)			
Other taxes	-	-	-
Miscellaneous	-	13	-
Due from other funds	8,445	-	-
Total assets	<u>\$ 97,915</u>	<u>\$ 30,778</u>	<u>\$ 13,205</u>
Liabilities			
Accounts payable	\$ 4,485	\$ 5,204	\$ 538
Due to other funds	-	-	-
Unearned revenue	-	2,035	-
Total liabilities	<u>4,485</u>	<u>7,239</u>	<u>538</u>
Fund balance			
Restricted	<u>93,430</u>	<u>23,539</u>	<u>12,667</u>
Total fund balances	<u>93,430</u>	<u>23,539</u>	<u>12,667</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 97,915</u>	<u>\$ 30,778</u>	<u>\$ 13,205</u>

Exhibit F-1

<u>Crime Control & Prevention District</u>	<u>Public, Educational, and Government Access (PEG)</u>	<u>Total Nonmajor Funds</u>
\$ 2,200	\$ 70,482	\$ 116,963
534,748	92,028	715,935
117,539	4,569	122,108
-	-	13
100	-	8,545
<u>\$ 654,587</u>	<u>\$ 167,079</u>	<u>\$ 963,564</u>
\$ -	\$ 518	\$ 10,745
48,132	-	48,132
	-	2,035
<u>48,132</u>	<u>518</u>	<u>60,912</u>
606,455	166,561	902,652
<u>606,455</u>	<u>166,561</u>	<u>902,652</u>
<u>\$ 654,587</u>	<u>\$ 167,079</u>	<u>\$ 963,564</u>

CITY OF CROWLEY, TEXAS**Nonmajor Governmental Funds****Combining Statement of Revenues, Expenditures and Changes in Fund Balance****For the Year Ended September 30, 2016**

	Nonmajor Special Revenue Funds		
	Court Technology & Security	Grant	LEOSE Training
Revenues			
Sales tax	\$ -	\$ -	\$ -
Fees and fines	24,108	-	-
Franchise fees	-	-	-
Grants and contributions	-	86,264	-
Investment earnings	-	-	-
Other	-	-	3,168
Total revenue	<u>24,108</u>	<u>86,264</u>	<u>3,168</u>
Expenditures			
Current			
Municipal court	23,121	-	-
Library	-	7,458	-
Public safety	-	47,777	-
Community development	-	-	-
Fire and ambulance	-	25,071	-
Debt Service			
Principal	-	-	-
Interst and fiscal charges	-	-	-
Total expenditures	<u>23,121</u>	<u>80,306</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	987	5,958	3,168
Fund balances - beginning	92,443	17,581	9,499
Fund balances - ending	<u>\$ 93,430</u>	<u>\$ 23,539</u>	<u>\$ 12,667</u>

Exhibit F-2

Crime Control & Prevention District	Public, Educational, and Government Access (PEG)	Total Nonmajor Funds
\$ 646,619	\$ -	\$ 646,619
-	-	24,108
-	28,886	28,886
-	-	86,264
821	-	821
100	-	3,268
<u>647,540</u>	<u>28,886</u>	<u>789,966</u>
-	-	23,121
-	-	7,458
380,120	-	427,897
-	14,578	14,578
-	-	25,071
220,000	-	220,000
48,399	-	48,399
<u>648,519</u>	<u>14,578</u>	<u>766,524</u>
(979)	14,308	23,442
607,434	152,253	879,210
<u>\$ 606,455</u>	<u>\$ 166,561</u>	<u>\$ 902,652</u>

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OTHER SUPPLEMENTARY INFORMATION

(Unaudited)

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CITY OF CROWLEY, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Debt Service Fund
For the Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 1,703,515	1,703,515	1,771,699	\$ 68,184
Total revenues	<u>1,703,515</u>	<u>1,703,515</u>	<u>1,771,699</u>	<u>68,184</u>
EXPENDITURES				
Debt service				
Principal	1,240,000	1,240,000	1,240,000	-
Interest and fiscal charges	513,519	513,519	512,076	1,443
	-	-	40,168	(40,168)
Total debt service	<u>1,753,519</u>	<u>1,753,519</u>	<u>1,792,244</u>	<u>(38,725)</u>
Total expenditures	<u>1,753,519</u>	<u>1,753,519</u>	<u>1,792,244</u>	<u>(38,725)</u>
Excess (deficiency) of revenues over expenditures	<u>(50,004)</u>	<u>(50,004)</u>	<u>(20,545)</u>	<u>29,459</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(3,002,500)	(3,002,500)
Bond issued	-	-	2,970,000	2,970,000
Premium on bond issued	-	-	72,668	72,668
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>40,168</u>	<u>40,168</u>
Net change in fund balance	(50,004)	(50,004)	19,623	69,627
FUND BALANCE - BEGINNING	<u>150,269</u>	<u>150,269</u>	<u>150,269</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 100,265</u>	<u>\$ 100,265</u>	<u>\$ 169,892</u>	<u>\$ 69,627</u>

CITY OF CROWLEY, TEXAS
Schedule of Revenues, Expenses, and Changes in Fund Net Position - Budget and Actual
Water and Sewer Fund
For the Year Ended September 30, 2015

	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)
Operating revenues:			
Water sales	\$ 2,863,887	\$ 2,837,849	\$ (26,038)
Sewer charges	1,918,423	1,933,531	15,108
Miscellaneous	259,780	388,198	128,418
Total operating revenue	<u>5,042,090</u>	<u>5,159,578</u>	<u>117,488</u>
Operating expenses:			
Personnel	701,891	716,579	(14,688)
Professional services	63,486	72,685	(9,199)
Purchased water	1,380,400	1,601,103	(220,703)
Wastewater treatment charge	940,600	1,314,582	(373,982)
Contractual services	173,653	170,438	3,215
Insurance	46,805	45,247	1,558
Administrative	60,700	54,238	6,462
Repairs and maintenance	93,508	121,209	(27,701)
Utilities	119,000	88,624	30,376
Capital outlay	20,000	-	20,000
Total operating expenses	<u>3,600,043</u>	<u>4,184,705</u>	<u>(584,662)</u>
Operating income (loss)	<u>1,442,047</u>	<u>974,873</u>	<u>(467,174)</u>
Nonoperating revenues (expenses):			
Investment earnings	3,500	1,801	(1,699)
Debt service - principal	(520,000)	(520,000)	-
Gain on disposal of capital assets	-	3,418	3,418
Interest expense	(230,426)	(251,275)	(20,849)
Total nonoperating revenues (expenses)	<u>(746,926)</u>	<u>(766,056)</u>	<u>(19,130)</u>
Income (loss) before capital contributions and transfers	695,121	208,817	(486,304)
Capital contributions	-	133,783	133,783
Transfers out	(580,466)	(580,466)	-
Change in net position	114,655	(237,866)	(352,521)
Net position - beginning	<u>8,998,213</u>	<u>8,998,213</u>	<u>-</u>
Net position - ending	<u>\$ 9,112,868</u>	<u>\$ 8,760,347</u>	<u>\$ (352,521)</u>
Reconciliation from Budgetary Basis to GAAP Basis:			
Capital outlay		-	
Depreciation		(819,623)	
Debt retirement		520,000	
Net Position - ending (GAAP Basis)		<u>\$ 8,460,724</u>	

**OVERALL COMPLIANCE AND INTERNAL CONTROL
SECTION**

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

To the City Council
City of Crowley, Texas

We have audited, in accordance with auditing standards general accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Crowley, Texas (the "City") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 8, 2017.

Internal Control over Financial Reporting

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

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

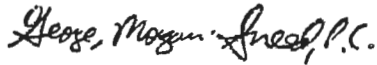
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

 George Morgan, P.C.

Weatherford, Texas
February 8, 2017