

CITY OF CROWLEY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2013



GMS

CERTIFIED PUBLIC
ACCOUNTANTS

GEORGE | MORGAN | SNEED

CITY OF CROWLEY, TEXAS
Annual Financial Report
For the year ended September 30, 2013

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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, 2013, 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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, and Texas Municipal Retirement System Schedule of Funding Progress on pages 4 - 14 and pages 49 - 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards general

accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2014, 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.



Weatherford, Texas
February 11, 2014

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, 2013.

FINANCIAL HIGHLIGHTS

- The assets of the City of Crowley exceeded its liabilities at the close of the most recent fiscal year by \$29,284,340 (*net position*) compared to \$28,088,143 for the prior year. Of this amount, \$7,123,130 (*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 \$1,788,403. The City's governmental activities net position increased by \$1,201,036 and the business-type activities net position increased \$587,368.
- As of the close of the current year, the City of Crowley's governmental funds reported combined ending fund balances of \$10,461,450 compared to \$10,633,638 for the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$4,729,524, or 55% 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 and general capital projects fund, which are considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

Proprietary funds. Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The City maintains two types of proprietary funds.

The City uses enterprise funds to account for its water and sewer and stormwater utility operations.

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

Notes to the financial statements provide additional information that is necessary for a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 - 48 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets exceeded liabilities by \$29,284,340 as of September 30, 2013. Below is a summary of the City’s Statement of Net Position.

Condensed Statement of Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 11,682,950	\$ 12,493,814	\$ 5,361,043	\$ 6,279,461	\$ 17,043,993	\$ 18,773,275
Capital assets	31,342,444	31,597,253	12,643,685	11,613,803	43,986,129	43,211,056
Total Assets	<u>43,025,394</u>	<u>44,091,067</u>	<u>18,004,728</u>	<u>17,893,264</u>	<u>61,030,122</u>	<u>61,984,331</u>
Noncurrent liabilities	22,257,146	23,877,195	7,572,951	8,014,969	29,830,097	31,892,164
Other liabilities	821,990	1,020,404	1,083,776	978,701	1,905,766	1,999,105
Total liabilities	<u>23,079,136</u>	<u>24,897,599</u>	<u>8,656,727</u>	<u>8,993,670</u>	<u>31,735,863</u>	<u>33,891,269</u>
Total deferred inflows	<u>9,919</u>	<u>4,919</u>	<u>-</u>	<u>-</u>	<u>9,919</u>	<u>4,919</u>
Net position						
Invested in capital assets						
net of related debt	12,929,892	12,688,116	6,971,597	7,364,768	19,901,489	20,052,884
Restricted	2,201,273	1,984,975	58,448	63,843	2,259,721	2,048,818
Unrestricted	4,805,174	4,515,458	2,317,956	1,470,983	7,123,130	5,986,441
Total net position	<u>\$ 19,936,339</u>	<u>\$ 19,188,549</u>	<u>\$ 9,348,001</u>	<u>\$ 8,899,594</u>	<u>\$ 29,284,340</u>	<u>\$ 28,088,143</u>

The largest portion of the City’s net position (68%) reflects its investment in capital assets (e.g. land, buildings and improvements, infrastructure/utility systems and equipment and furniture); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City’s net position (8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$7,123,130 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	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 2,627,213	\$ 2,496,214	\$ 5,168,326	\$ 4,983,530	\$ 7,795,538	\$ 7,479,744
Operating grants and contributions	322,399	284,935	-	-	322,399	284,935
Capital grants and contributions	392,900	-	-	78,470	392,900	78,470
General revenues:						
Property taxes	4,841,713	4,689,754	-	-	4,841,713	4,689,754
Sales taxes	2,479,678	2,044,806	-	-	2,479,678	2,044,806
Franchise taxes	742,800	775,773	-	-	742,800	775,773
Oil & gas royalties	660,324	453,096	-	-	660,324	453,096
Investment earnings	11,832	14,739	3,136	4,300	14,968	19,039
Other revenue	116,159	66,763	-	-	116,159	66,763
Total revenues	<u>12,195,017</u>	<u>10,826,080</u>	<u>5,171,462</u>	<u>5,066,300</u>	<u>17,366,479</u>	<u>15,892,380</u>
Expenses						
Administration and finance	822,034	891,567			822,034	891,567
Municipal court	270,217	229,546			270,217	229,546
Library	399,878	440,356			399,878	440,356
Senior citizens	33,841	29,055			33,841	29,055
Public safety	3,107,357	2,834,973			3,107,357	2,834,973
Fire and ambulance	2,203,125	1,858,857			2,203,125	1,858,857
Public works	960,428	975,890			960,428	975,890
Parks	425,033	406,044			425,033	406,044
Recreation center	672,933	577,883			672,933	577,883
Animal control	233,376	195,105			233,376	195,105
Code enforcement	45,629	-			45,629	-
Community development	280,604	330,684			280,604	330,684
Sanitation	619,095	586,930			619,095	586,930
Economic development	113,486	83,391			113,486	83,391
Nondepartmental	425,481	446,416			425,481	446,416
Interest and fiscal charges	831,019	723,724			831,019	723,724
Bond insurance cost	6,369	-			6,369	-
Water and Sewer			4,128,173	3,924,817	4,128,173	3,924,817
Total expenses	<u>11,449,904</u>	<u>10,610,421</u>	<u>4,128,173</u>	<u>3,924,817</u>	<u>15,578,077</u>	<u>14,535,238</u>
Increase (decrease) in net position before transfers	745,113	215,659	1,043,289	1,141,483	1,788,402	1,357,142
Transfers	455,922	497,397	(455,922)	(497,397)	-	-
Increase (decrease) in net position	<u>1,201,035</u>	<u>713,056</u>	<u>587,367</u>	<u>644,086</u>	<u>1,788,402</u>	<u>1,357,142</u>
Net position-beginning as restated*	<u>18,735,303</u>	<u>18,475,493</u>	<u>8,760,634</u>	<u>8,255,508</u>	<u>27,495,937</u>	<u>26,731,001</u>
Net position-ending	<u>\$ 19,936,338</u>	<u>\$ 19,188,549</u>	<u>\$ 9,348,001</u>	<u>\$ 8,899,594</u>	<u>\$ 29,284,339</u>	<u>\$ 28,088,143</u>

* Net position of the 2012 governmental activities and business-type activities have been restated (see Note 15, page 48).

Governmental Activities. Governmental activities increased the City’s net position by \$1,201,036 in the current year compared with a \$713,056 increase in the prior year.

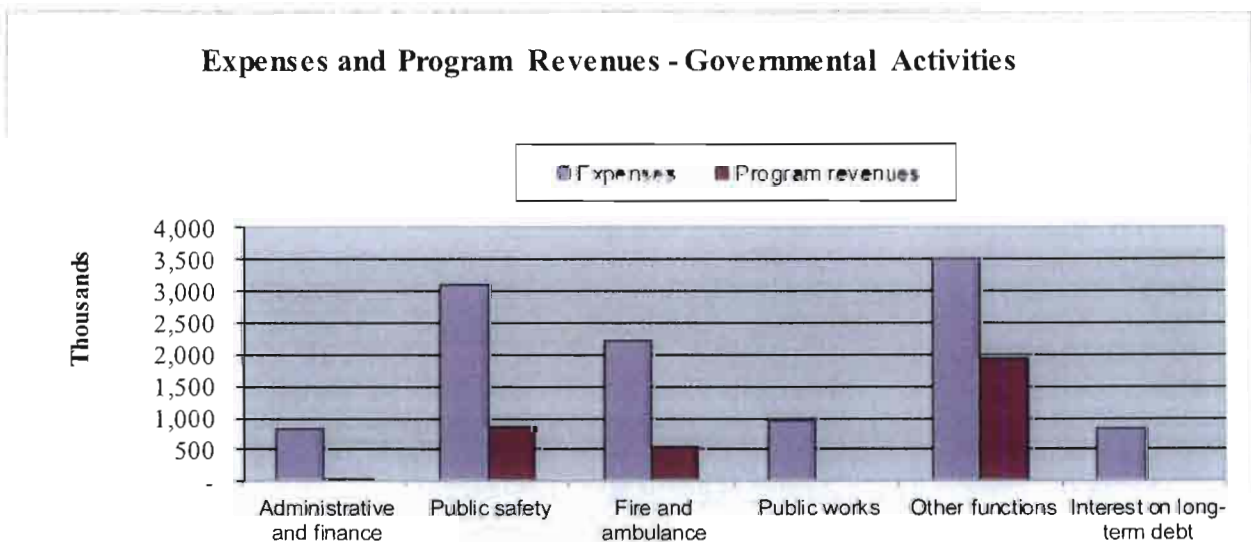
Total governmental activities revenues increased \$1,368,937 (13%) to \$12,195,017. Key factors contributing to this increase are as follows:

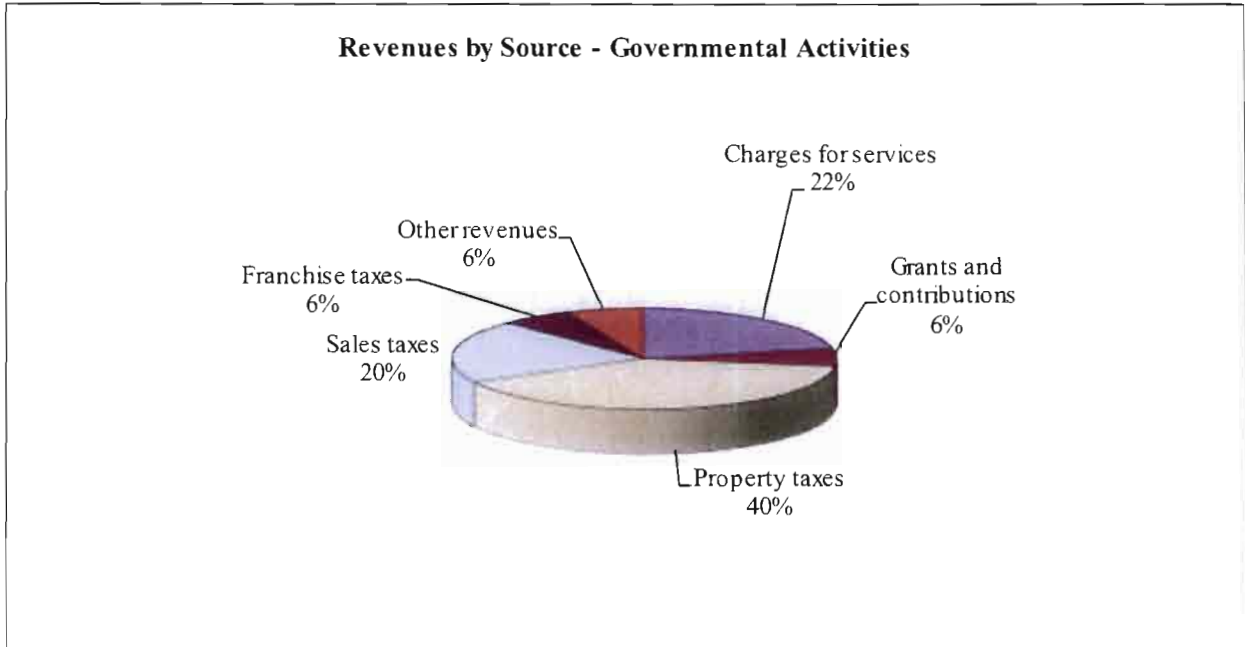
- \$130,999 increase in charges for services primarily due to \$98,048 increase in fire and ambulance revenue, \$36,199 increase in recreation center revenue, \$40,029 decrease in community development revenue and \$36,320 increase in sanitation revenue.
- Sales tax revenue increased \$434,872(21%) and oil and gas royalties increased \$207,228 (46%) from the prior year.
- Capital grants and contributions increased \$392,900 and other revenue increased \$49,396.
- \$151,959 increase in property tax revenue due to increase in tax rate. Appraised value decreased by \$6 million from the prior year.

Total governmental activities expenses increased \$839,482 (8%) from the prior year. Key elements of this increase are as follows.

- Fire and ambulance expenses increased approximately \$344,000 primarily due to increase in payroll cost and benefits of six new firefighters, purchase of bunker gears and increase in vehicle maintenance.
- Recreation center expenses increased approximately \$95,000 from the previous year. Of this amount, approximately \$42,000 increase in salaries was primarily due to seasonal and part-time employees.
- Interest and fiscal charges increased approximately \$107,000.
- Public safety expenses increased approximately \$272,000 from previous year. Of this amount, approximately \$99,000 was due to the increases in salaries, taxes and benefits, depreciation increased \$55,000

Below are two graphs summarizing governmental revenue and expense:

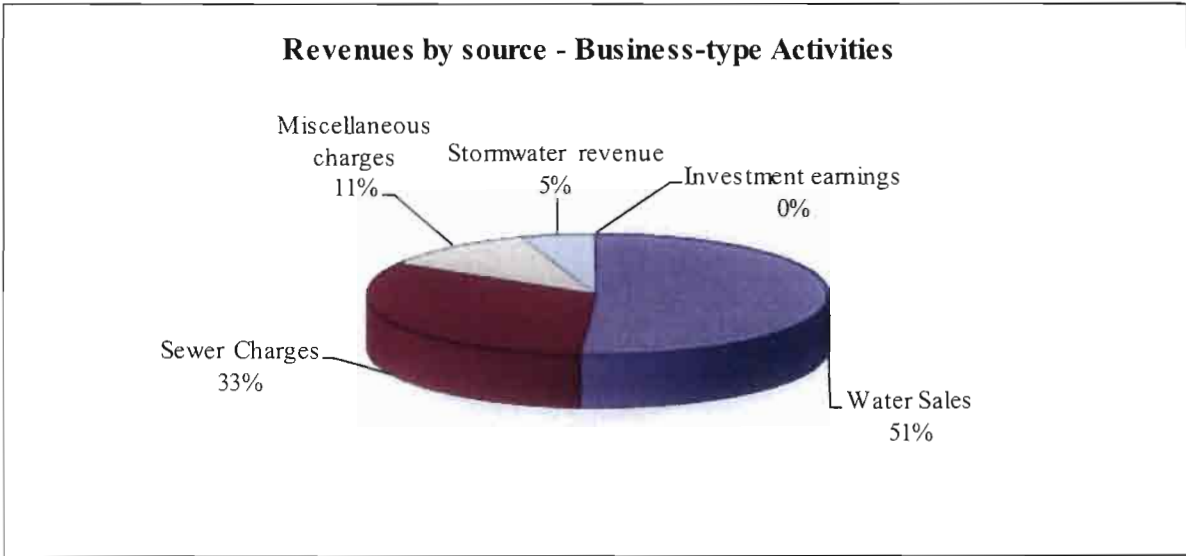


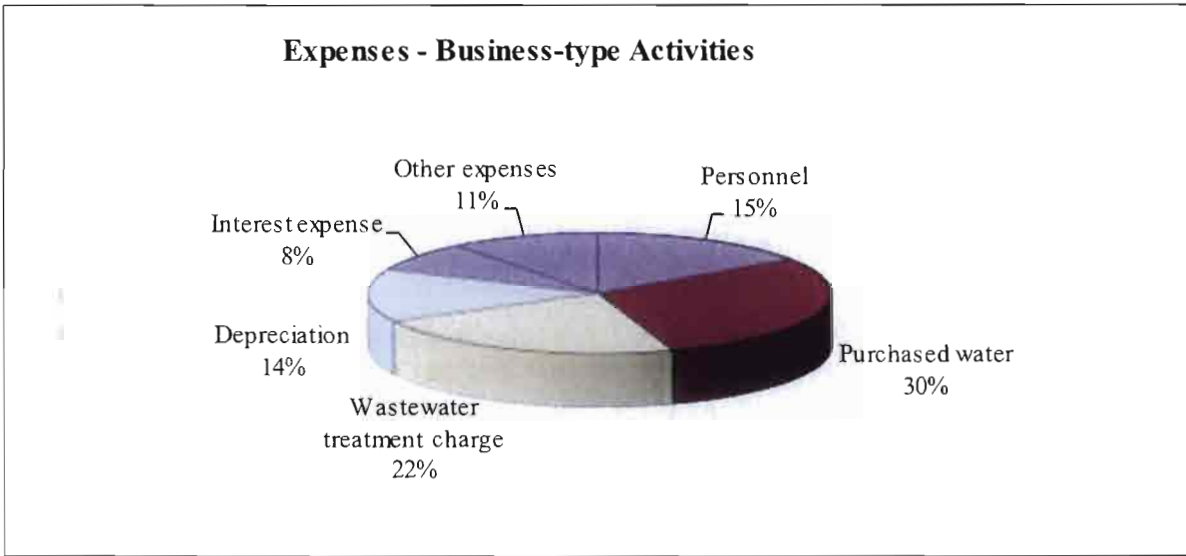


Business-type activities. Business-type activities increased the City's net position by \$587,367 in the current year compared to an increase in net position of \$644,086 in the prior year. The business-type activities total revenues increased \$105,162 (2%) to \$5,171,462 and total expenses increased \$203,356 (5%) to \$4,128,173. Key elements of these changes are as follows.

- Charges for services increased \$184,796 primarily due to increase in stormwater utility fees by \$232,695 because in the current year the fees were collected for twelve months compared to three months in the prior year. Water and sewer sales decreased \$170,219 primarily due to decrease in water consumption. Miscellaneous water charges increased \$122,320 primarily due to increase in bulk water sales.
- Total expenses increased \$203,356 primarily due to increase in wastewater treatment charges by 129,075.

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





Financial Analysis of the Government’s Funds

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

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

At year end, the City’s governmental funds reported combined ending fund balances of \$10,461,450. \$4,729,524 (45%) 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 \$4,729,524. The fund balance of the general fund increased \$750,371. Below is a comparison of the general fund's net change in fund balance for 2013 and 2012.

	<u>9/30/2013</u>	<u>9/30/2012</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
REVENUES				
Taxes:				
Property	\$ 3,219,022	\$ 3,094,061	\$ 124,961	4.04%
Sales	1,275,515	1,062,586	212,929	20.04%
Franchise	725,292	760,221	(34,929)	-4.59%
Charges for service	1,489,990	1,334,106	155,884	11.68%
Fees and Fines	671,212	745,303	(74,091)	-9.94%
Licenses and permits	371,852	366,055	5,797	1.58%
Grants and contributions	254,393	243,568	10,825	4.44%
Oil & Gas Revenue	660,324	453,096	207,228	45.74%
Investment Earnings	10,551	13,440	(2,889)	-21.49%
Other revenue	126,375	80,284	46,091	57.41%
Total revenues	<u>8,804,526</u>	<u>8,152,720</u>	<u>651,806</u>	<u>7.99%</u>
EXPENDITURES				
Administrative and finance	605,316	726,691	(121,375)	-16.70%
Municipal court	231,093	212,538	18,555	8.73%
Library	332,822	388,280	(55,458)	-14.28%
Senior citizens	33,841	29,055	4,786	16.47%
Public safety	2,602,156	2,494,488	107,668	4.32%
Fire and ambulance	1,906,603	1,586,539	320,064	20.17%
Public works	417,691	441,592	(23,901)	-5.41%
Parks	250,790	241,599	9,191	3.80%
Recreation Center	425,023	335,492	89,531	26.69%
Animal Control	176,238	137,558	38,680	28.12%
Code enforcement	45,610	-	45,610	0.00%
Community development	277,250	344,036	(66,786)	-19.41%
Sanitation	619,095	586,930	32,165	5.48%
Nondepartmental	425,481	471,952	(46,471)	-9.85%
Capital outlay	224,661	1,160,390	(935,729)	-80.64%
Total expenditures	<u>8,573,670</u>	<u>9,157,140</u>	<u>(583,470)</u>	<u>-6.37%</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease	-	957,493	(957,493)	-100.00%
Transfers in	519,515	497,397	22,118	4.45%
Transfers out	-	(82,339)	82,339	-100.00%
NET CHANGE IN FUND BALANCES	<u>\$ 750,371</u>	<u>\$ 368,131</u>	<u>\$ 382,240</u>	<u>103.83%</u>

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

Unrestricted net position of the proprietary funds at the end of the year amounted to \$2,317,956. Total net position increased \$587,367. 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 \$13,000 in the recreation center primarily for salaries, taxes and benefits of seasonal employees. These increases were funded with increases in the recreation center revenues.

Actual expenditures of the general fund were \$64,594 more than budgeted. Actual expenditures budgetary basis for public safety, public works, sanitation and capital outlay exceeded appropriations.

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of September 30, 2013, amounts to \$43,986,129 (net of accumulated depreciation).

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

Governmental Activities:

- Purchased five vehicles and a motorcycle for \$158,879.
- Purchased software and various equipment for \$300,347.
- Construction for the year were the following:
 - Bicentennial park pavilion and recreation center trail/sidewalk - \$135,853.
 - Library parking lot - \$143,375.
 - Veteran's memorial - \$216,536.
 - Mains street utility - \$131,225.
 - Street reconstruction - \$114,380.

Business-type activities:

- Purchased dump truck, backhoe loader, tractor loader and mower for a total cost of \$276,164.
- Purchased and installed water meters at total cost of \$293,705.
- Construction for the year were the following:
 - Elevated storage tank - \$164,622.
 - Sanitary sewer projects - \$369,238.
 - Waterline rehabilitation projects - \$489,279.

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 1,092,417	\$ 1,092,417	\$ 34,751	\$ 34,751	\$ 1,127,168	\$ 1,127,168
Construction in progress	900,847	2,846,550	-	2,113,516	900,847	4,960,066
Buildings and improvements	17,097,943	15,658,321	1,930,068	96,626	19,028,011	15,754,947
Infrastructure/utility system	9,247,074	9,093,340	9,812,457	8,940,233	19,059,531	18,033,573
Equipment and furniture	3,004,163	2,906,625	866,409	428,677	3,870,572	3,335,302
Total	\$ 31,342,444	\$ 31,597,253	\$ 12,643,685	\$ 11,613,803	\$ 43,986,129	\$ 43,211,056

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

Debt Administration

At the end of the current year, the City had a total bonded debt and capital leases payable of \$28,982,728. Of this amount, \$7,081,393 comprises bonded debt backed by the full faith and credit of the government and \$21,548,317 are certificates of obligation secured by ad valorem taxes and surplus revenues of the water and sewer revenues. The capital leases of 753,018 pertains to radio equipment being financed by lease/purchase financing. Outstanding at year-end are as follows:

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	\$ 4,606,393	\$ 4,387,524	\$ 2,475,000	\$ 630,000	\$ 7,081,393	\$ 5,017,524
Certificates of Obligation	16,520,000	18,188,270	5,028,317	7,316,432	21,548,317	25,504,702
Capital lease	753,018	957,493	-	-	753,018	957,493
Total	\$ 21,879,411	\$ 23,533,287	\$ 7,503,317	\$ 7,946,432	\$ 29,382,728	\$ 31,479,719

The City's bond ratings are listed below:

	Standard & Poor's
General obligation bonds	
2012A General obligation refunding bonds	A+
2012 General obligation refunding bonds	AA-
2010 General obligation bonds	Not rated
2005 General obligation bonds	Not rated

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

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

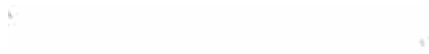
Economic factors and the Next Year's Budgets and Rates

In the 2014 fiscal year budget, general fund revenues are budgeted to increase by 11% (\$895,562) from the 2013 fiscal year budget. The adopted tax rate is \$.696829 per \$100 of taxable value which is up by \$.02781 from the prior year. Tax revenue is budgeted to increase by \$119,183 or 2%. Charges for services is budgeted to increase \$258,390 or 20% and intergovernmental revenue is budgeted to increase by \$487,489. General fund expenditures are expected to increase by \$345,958 or 4% over the prior year. The largest increase is on the nondepartmental appropriations which increased \$229,097 and police department appropriations increased \$156,064.

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, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 610,074	\$ 1,053,749	\$ 1,663,823
Investments	9,885,352	324,191	10,209,543
Receivables (Net of allowances for uncollectibles)			
Property taxes	119,108	-	119,108
Other taxes	692,231	-	692,231
Accounts	190,730	674,771	865,501
Miscellaneous	176,969	5,246	182,214
Inventory	8,486	301,023	309,509
Restricted assets			
Investments	-	3,002,064	3,002,064
Capital assets			
Nondepreciable	1,993,263	34,751	2,028,014
Depreciable, net of accumulated depreciation	29,349,181	12,608,934	41,958,115
Total assets	<u>43,025,394</u>	<u>18,004,728</u>	<u>61,030,122</u>
LIABILITIES			
Accounts payable	507,435	592,282	1,099,717
Accrued payroll liabilities	153,272	17,372	170,644
Due to other governments	61,835	-	61,835
Internal balances	26	(26)	-
Interest payable	99,423	29,633	129,056
Current liabilities payable from restricted assets			
Customer deposits	-	444,514	444,514
Noncurrent liabilities			
Due within one year	1,902,630	531,378	2,434,008
Due in more than one year	20,354,516	7,041,573	27,396,089
Total liabilities	<u>23,079,136</u>	<u>8,656,727</u>	<u>31,735,863</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned grant revenue	9,919	-	9,919
Total deferred inflows of resources	<u>9,919</u>	<u>-</u>	<u>9,919</u>
NET POSITION			
Investments in capital assets, net of related debt	12,929,892	6,971,597	19,901,489
Restricted for:			
Capital improvements	-	58,448	58,448
Debt service	340,385	-	340,385
Public safety	615,782	-	615,782
Economic development	1,093,393	-	1,093,393
Grant program	57,836	-	57,836
Community program	93,877	-	93,877
Unrestricted net position	4,805,174	2,317,956	7,123,130
Total net position	<u>\$ 19,936,339</u>	<u>\$ 9,348,001</u>	<u>\$ 29,284,340</u>

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, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Administration and finance	\$ 822,034	\$ 3,449	\$ -	\$ -
Municipal court	270,217	32,931	-	-
Library	399,878	16,411	51,822	-
Senior citizens	33,841	-	-	-
Public safety	3,107,357	850,251	21,417	-
Fire and ambulance	2,203,124	302,335	240,872	-
Public works	960,428	-	-	-
Parks	425,033	90,088	-	-
Recreation Center	672,933	240,974	-	-
Animal control	233,376	11,402	1,653	-
Code enforcement	45,629	-	-	-
Community development	280,604	414,402	-	392,900
Sanitation	619,095	664,970	-	-
Economic development	113,486	-	-	-
Nondepartmental	425,481	-	6,635	-
Interest and fiscal charges	831,019	-	-	-
Bond issuance cost	6,369	-	-	-
Total governmental activities	<u>11,449,903</u>	<u>2,627,213</u>	<u>322,399</u>	<u>392,900</u>
Business-type activities:				
Water and sewer	4,128,173	4,900,472	-	-
Stormwater utility	-	267,854	-	-
Total business-type activities	<u>4,128,173</u>	<u>5,168,326</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 15,578,076</u>	<u>\$ 7,795,538</u>	<u>\$ 322,399</u>	<u>\$ 392,900</u>

General Revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales

Franchise

Oil and gas royalties

Investment earnings

Other revenue

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning, as restated (see Note 15 on page 48)

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
\$ (818,585)	\$	(818,585)
(237,286)		(237,286)
(331,646)		(331,646)
(33,841)		(33,841)
(2,235,689)		(2,235,689)
(1,659,917)		(1,659,917)
(960,428)		(960,428)
(334,945)		(334,945)
(431,959)		(431,959)
(220,321)		(220,321)
(45,629)		(45,629)
526,698		526,698
45,875		45,875
(113,486)		(113,486)
(418,846)		(418,846)
(831,019)		(831,019)
(6,369)		(6,369)
<u>(8,107,392)</u>	<u>-</u>	<u>(8,107,392)</u>
-	772,299	772,299
-	267,854	267,854
-	1,040,153	1,040,153
<u>\$ (8,107,392)</u>	<u>\$ 1,040,153</u>	<u>\$ (7,067,239)</u>
\$ 3,207,327	\$ -	\$ 3,207,327
1,634,386		1,634,386
2,479,678	-	2,479,678
742,800	-	742,800
660,324	-	660,324
11,832	3,136	14,968
116,159	-	116,159
455,922	(455,922)	-
<u>9,308,428</u>	<u>(452,786)</u>	<u>8,855,642</u>
1,201,036	587,367	1,788,403
<u>18,735,303</u>	<u>8,760,634</u>	<u>27,495,937</u>
<u>\$ 19,936,339</u>	<u>\$ 9,348,001</u>	<u>\$ 29,284,340</u>

CITY OF CROWLEY, TEXAS
Balance Sheet
Governmental Funds
September 30, 2013

	<u>General</u>	<u>Debt Service</u>	<u>General Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 557,362	\$ -	\$ -	\$ 52,712	\$ 610,074
Investments	4,195,549	399,236	3,683,756	1,606,811	9,885,352
Receivables (Net of allowances for uncollectibles)					
Property taxes	78,535	40,573	-	-	119,108
Other taxes	473,597	-	-	218,634	692,231
Accounts	190,730	-	-	-	190,730
Miscellaneous	160,073	-	-	16,896	176,969
Inventory	8,486	-	-	-	8,486
Due from other funds	31,553	-	-	8,445	39,998
Total assets	<u>\$ 5,695,885</u>	<u>\$ 439,809</u>	<u>\$ 3,683,756</u>	<u>\$ 1,903,498</u>	<u>\$ 11,722,947</u>
LIABILITIES					
Accounts payable	\$ 281,510	\$ -	\$ 216,902	\$ 9,023	\$ 507,435
Interest payable	-	3,538	-	-	3,538
Accrued payroll liabilities	153,272	-	-	-	153,272
Due to other governments	61,835	-	-	-	61,835
Due to other funds	8,471	-	-	31,553	40,024
Total liabilities	<u>505,088</u>	<u>3,538</u>	<u>216,902</u>	<u>40,575</u>	<u>766,103</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred revenues	452,787	40,573	-	2,035	495,395
Total deferred inflows of resources	<u>452,787</u>	<u>40,573</u>	<u>-</u>	<u>2,035</u>	<u>495,395</u>
FUND BALANCES					
Nonspendable					
Inventory	8,486	-	-	-	8,486
Restricted	-	395,697	3,466,854	1,860,888	5,723,439
Unassigned	4,729,524	-	-	-	4,729,524
Total fund balances	<u>4,738,010</u>	<u>395,697</u>	<u>3,466,854</u>	<u>1,860,888</u>	<u>10,461,450</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,695,885</u>	<u>439,809</u>	<u>3,683,756</u>	<u>1,903,498</u>	<u>\$ 11,722,947</u>

CITY OF CROWLEY, TEXAS
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
September 30, 2013

Total fund balances - governmental funds	\$ 10,461,450
Capital assets used in governmental activities are not financial resources and therefore are reported in the governmental funds. The cost of these assets was \$49,678,657 and the accumulated depreciation was \$18,336,213. The net effect of including the ending balances of capital assets (net of depreciation) in the governmental activities is to increase net position.	31,342,444
Long-term liabilities, including \$21,879,411 bonds and capital lease payable, \$158,075 net pension obligation and \$219,660 compensated absences payable are not due and payable in the current period, and, therefore are not reported as liabilities in the fund financial statements.	(22,257,146)
Interest payable is not expected to be liquidated with available financial resources and is not reported as a liability in the fund financial statements.	(95,884)
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.	485,476
Net position of governmental activities	<u>\$ 19,936,339</u>

CITY OF CROWLEY, TEXAS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2013

	General	Debt Service	General Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes					
Property	\$ 3,219,022	\$ 1,659,468	\$ -	\$ -	\$ 4,878,489
Sales	1,275,515	-	-	1,204,163	2,479,678
Franchise	725,292	-	-	26,600	751,891
Charges for service	1,489,990	-	-	-	1,489,990
Fees and fines	671,212	-	-	29,602	700,815
Licenses and permits	371,852	-	-	-	371,852
Grants and contributions	254,393	-	-	67,627	322,020
Oil & gas revenue	660,324	-	-	-	660,324
Investment earnings	10,551	-	232	1,048	11,832
Other revenue	126,375	-	-	380	126,755
Total revenues	<u>8,804,526</u>	<u>1,659,468</u>	<u>232</u>	<u>1,329,420</u>	<u>11,793,646</u>
EXPENDITURES					
Administrative and finance	605,316	-	-	-	605,316
Municipal court	231,093	-	-	46,949	278,042
Library	332,822	-	-	8,690	341,512
Senior citizens	33,841	-	-	-	33,841
Public safety	2,602,156	-	-	205,531	2,807,687
Fire and ambulance	1,906,604	-	-	10,207	1,916,811
Public works	417,691	-	-	-	417,691
Parks	250,790	-	-	-	250,790
Recreation center	425,023	-	-	-	425,023
Animal control	176,238	-	-	-	176,238
Code enforcement	45,610	-	-	-	45,610
Community development	277,250	-	-	-	277,250
Sanitation	619,095	-	-	-	619,095
Economic development	-	-	-	113,486	113,486
Nondepartmental	425,481	-	-	-	425,481
Capital outlay	224,661	-	978,701	-	1,203,362
Debt service					
Principal	-	1,055,000	204,475	380,000	1,639,475
Interest and fiscal charges	-	706,136	-	147,842	853,977
Bond issuance costs	-	6,369	-	-	6,369
Total expenditures	<u>8,573,670</u>	<u>1,767,505</u>	<u>1,183,176</u>	<u>912,704</u>	<u>12,437,056</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 230,856</u>	<u>\$ (108,037)</u>	<u>\$ (1,182,944)</u>	<u>\$ 416,716</u>	<u>(643,410)</u>
OTHER FINANCING SOURCES (USES)					
Refunding bonds issued	-	635,298	-	-	635,298
Payment to refunded bond escrow agent	-	(620,000)	-	-	(620,000)
Transfers in	519,515	-	40,171	(40,183)	519,503
Transfers out	-	(49,060)	(14,521)	-	(63,581)
Total other financing sources (uses)	<u>519,515</u>	<u>(33,762)</u>	<u>25,649</u>	<u>(40,183)</u>	<u>471,220</u>
Net change in fund balances	750,371	(141,799)	(1,157,294)	376,533	(172,189)
Fund balances - beginning	<u>3,987,639</u>	<u>537,496</u>	<u>4,624,148</u>	<u>1,484,355</u>	<u>10,633,638</u>
Fund balances - ending	<u>\$ 4,738,010</u>	<u>\$ 395,697</u>	<u>\$ 3,466,854</u>	<u>\$ 1,860,888</u>	<u>\$ 10,461,449</u>

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

CITY OF CROWLEY, TEXAS
Reconciliation of Statement of Revenues,
Expenditures and Changes in Fund Balances of
The Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2013

Total net change in fund balances - governmental funds	\$ (172,189)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including \$1,314,325 of capital outlays and \$1,639,475 of debt principal payments is to increase net position.	2,953,800
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, disposals and transfers between activities) is to decrease net position.	(6,254)
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.	(1,955,780)
Capital asset donations are revenues in the government-wide financial statements but are not reported in the governmental fund financial statements.	392,900
Current year refunding bonds proceeds and payments to the refunding bond escrow agent are other financing sources (uses) in the fund financial statements. The net effect of the \$15,298 increase in long-term debt is a decrease in net position.	(15,298)
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	14,725
Current year interest payable, net pension obligation and compensated absences of the governmental funds are not due and payable in the current period and debt issuance costs are not financial resources of the current period, and, therefore are not reported as liabilities or assets in the funds. Changes in these balances are reported as expenses in the governmental activities of the statement of activities.	(10,868)
Change in net position of governmental activities	<u>\$ 1,201,036</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, 2013

	Water and Sewer Fund	Stormwater Utility	Totals
ASSETS			
Current Assets			
Cash and cash equivalents	781,628	\$ 272,121	\$ 1,053,749
Investments	324,191	-	324,191
Receivables (Net of allowance for uncollectibles):			
Accounts	644,760	30,011	674,771
Miscellaneous	5,246	-	5,246
Due from other funds	26	-	26
Inventory	301,023	-	301,023
Restricted Assets			
Investments	3,002,064	-	3,002,064
Total current assets	<u>5,058,937</u>	<u>302,132</u>	<u>5,361,069</u>
Noncurrent Assets			
Capital assets, at cost			
Non-depreciable assets	34,752	-	34,752
Depreciable assets, net of accumulated depreciation	12,608,933	-	12,608,933
Total noncurrent assets	<u>12,643,685</u>	<u>-</u>	<u>12,643,685</u>
Total assets	<u>17,702,622</u>	<u>302,132</u>	<u>18,004,754</u>
LIABILITIES			
Current Liabilities			
Accounts payable	592,282	-	592,282
Accrued payroll liabilities	17,372	-	17,372
Current portion of long-term liabilities	531,378	-	531,378
Interest payable	29,633	-	29,633
Current Liabilities Payable from Restricted Assets			
Customer deposits payable	444,514	-	444,514
Total current liabilities	<u>1,615,180</u>	<u>-</u>	<u>1,615,180</u>
Noncurrent Liabilities			
Compensated absences	14,147	-	14,147
Net pension obligation	19,108	-	19,108
Bonds payable	7,008,318	-	7,008,318
Total noncurrent liabilities	<u>7,041,573</u>	<u>-</u>	<u>7,041,573</u>
Total liabilities	<u>8,656,753</u>	<u>-</u>	<u>8,656,753</u>
NET POSITION			
Investment in capital assets, net of debt	6,971,597	-	6,971,597
Restricted for impact fees for capital improvements (Expendable)	58,448	-	58,448
Unrestricted	2,015,824	302,132	2,317,956
Total net position	<u>\$ 9,045,869</u>	<u>\$ 302,132</u>	<u>\$ 9,348,001</u>

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

CITY OF CROWLEY, TEXAS
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2013

	Water and Sewer Fund	Stormwater Utility	Totals
Operating revenues			
Water Sales	\$ 2,643,136	\$ -	\$ 2,643,136
Sewer charges	1,679,137	-	1,679,137
Stormwater revenue	-	267,854	267,854
Miscellaneous	578,199	-	578,199
Total operating revenue	<u>4,900,472</u>	<u>267,854</u>	<u>5,168,326</u>
Operating expenses			
Personnel	636,112	-	636,112
Professional services	49,095	-	49,095
Purchased water	1,215,152	-	1,215,152
Wastewater treatment charge	923,561	-	923,561
Contractual services	134,566	-	134,566
Insurance	36,592	-	36,592
Administrative	15,653	-	15,653
Repairs and maintenance	65,963	-	65,963
Utilities	135,143	-	135,143
Depreciation	590,003	-	590,003
Total operating expenses	<u>3,801,840</u>	<u>-</u>	<u>3,801,840</u>
Operating income (loss)	<u>1,098,632</u>	<u>267,854</u>	<u>1,366,486</u>
Nonoperating revenues (expenses)			
Investment earnings	3,136	-	3,136
Interest expense	(326,333)	-	(326,333)
Total nonoperating revenues (expenses)	<u>(323,197)</u>	<u>-</u>	<u>(323,197)</u>
Income (loss) before transfers	775,435	267,854	1,043,289
Transfers			
Transfers out	<u>(455,922)</u>	<u>-</u>	<u>(455,922)</u>
Change in net position	319,513 ✓	267,854 ✓	587,367
Net position - beginning, as restated (see Note 15, page 48)	<u>8,726,355</u>	<u>34,279</u>	<u>8,760,634</u>
Net position - ending	<u>\$ 9,045,869</u>	<u>\$ 302,132</u>	<u>\$ 9,348,001</u>

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

CITY OF CROWLEY, TEXAS
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2013

	Water and Sewer Fund	Stormwater Utility	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 5,026,355	\$ 248,293	\$ 5,274,647
Cash paid to suppliers	(2,759,089)	(25)	(2,759,114)
Cash paid to employees	(639,942)	-	(639,942)
Net cash provided by operating activities	1,627,324	248,268	1,875,592
Cash flow from noncapital financing activities:			
Transfers to other funds	(504,982)	-	(504,982)
Net cash provided used by noncapital financing activities	(504,982)	-	(504,982)
Cash flow from capital and related financing activities:			
Principal payments on long-term debt	(475,000)	-	(475,000)
Capital expenditures	(1,647,373)	-	(1,647,373)
Interest paid on bonds	(255,201)	-	(255,201)
Net cash used by capital and related financing activities	(2,377,574)	-	(2,377,574)
Cash flow from investing activities:			
Sale of investments	3,891,095	-	3,891,095
Purchase of investments	(2,362,119)	-	(2,362,119)
Investment earnings	3,136	-	3,136
Net cash provided by investing activities	1,532,112	-	1,532,112
Net increase (decrease) in cash and cash equivalents	276,880	248,268	525,148
Cash and cash equivalents, beginning	504,748	23,854	528,602
Cash and cash equivalents, ending	\$ 781,628	\$ 272,122	\$ 1,053,750
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ 1,098,632	\$ 267,854	\$ 1,366,486
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	590,003	-	590,003
(Increase) decrease in accounts receivable	67,316	(19,561)	47,755
(Increase) decrease in miscellaneous receivables	22,712	-	22,712
(Increase) decrease in inventory	(294,863)	-	(294,863)
Increase (decrease) in accounts payable	111,498	(25)	111,473
Increase (decrease) in accrued payroll liabilities	(4,925)	-	(4,925)
Increase (decrease) in customer meter deposits	35,854	-	35,854
Increase (decrease) in net pension obligation	713	-	713
Increase (decrease) in compensated absences payable	383	-	383
Total adjustments	528,692	(19,586)	509,106
Net cash provided by operating activities	\$ 1,627,324	\$ 248,268	\$ 1,875,592
Noncash Investing, Capital and Financing Activities			
Issued General Obligation Refunding Bonds, Series 2012A	\$ 1,945,000	\$ -	\$ 1,945,000
Refunded Certificates of Obligation, Series 2003	2,055,000	-	2,055,000

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

Blended Component Units

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

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

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2013

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, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major enterprise fund:

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

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. 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.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

1. Cash and Investments

The City pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable.

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

2. Interfund Receivables and Payables

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

3. Unbilled Service

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

4. Inventory

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

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2013

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 \$326,333. 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, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. *Fund Balance – Governmental Funds*

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

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

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

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

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

Unassigned – All amounts not included in other spendable classifications.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	General Fund	Debt Service Fund	General Capital Projects	Other Governmental Funds	Total Governmental Funds
Nonspendable					
Inventory	\$ 8,486	\$ -	\$ -	\$ -	\$ 8,486
Restricted					
Debt Service	-	395,697	-	-	395,697
Capital Projects	-	-	3,466,854	-	3,466,854
Public Safety - Police	-	-	-	531,494	531,494
Public Safety - Court	-	-	-	84,288	84,288
Economic Development	-	-	-	1,093,393	1,093,393
Grant programs	-	-	-	57,836	57,836
Public, Educational, and Government Access (PEG)	-	-	-	93,877	93,877
Unassigned	4,729,524	-	-	-	4,729,524
	<u>\$ 4,738,010</u>	<u>\$ 395,697</u>	<u>\$ 3,466,854</u>	<u>\$ 1,860,888</u>	<u>\$ 10,461,450</u>

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

9. Net Position

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

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Fund Balance (Exhibit C-1)	\$ 5,723,439
Adjustments	
Accrued interest payable restricted for debt service	(95,885)
Deferred property tax revenue restricted for debt service	40,573
Unspent proceeds from bonds reclassified to investment in capital assets, net of debt	(3,466,854)
Total adjustments	<u>(3,522,166)</u>
Restricted net position (Exhibit A-1)	<u>\$ 2,201,273</u>

10. *Use of Estimates*

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

11. *Reclassifications*

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

NOTE 2: DEPOSITS AND INVESTMENTS

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

The City's investment policy authorizes the City to invest in U.S. Treasury obligations, U.S. government agency and instrumentality obligations, certificates of deposit, investment-grade obligations of state, provincial and local governments and public authorities, money market mutual funds regulated by the SEC and local government investment pools wither state-administered or developed through joint powers statutes and other intergovernmental agreement legislation. During the year ended September 30, 2013, the City did not own any types of securities other than those permitted by statute.

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

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2013

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

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, 2013, 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, 2013 included the following:

<u>Investment</u>	<u>Credit Rating</u>	<u>Weighted Average Maturities</u>	<u>Percentage of Total Investments</u>	<u>Cost</u>	<u>Fair Value</u>
TexSTAR	AAAm	52 days	0.50%	\$ 65,713	\$ 65,713
Investment in Tex-Pool	AAAm	60 days	99.50%	13,145,894	13,145,894
				<u>\$ 13,211,607</u>	<u>\$ 13,211,607</u>

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

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
Business-type Activities			
Customer deposits	\$ -	\$ 395,948	\$ 395,948
Bonds construction accounts	-	2,606,116	2,606,116
Total	<u>\$ -</u>	<u>\$ 3,002,064</u>	<u>\$ 3,002,064</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2013

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 36%, 76% and 85%, of the outstanding balances at September 30. The allowance for water, and sewer trade accounts receivable is equal to the accounts receivable that are inactive (final billed) as of September 30. Receivables as of year-end for the City's major and nonmajor funds, including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Water and Sewer</u>	<u>Stormwater Utility</u>
Receivables:					
Property taxes	\$ 129,491	\$ 66,899	\$ -	\$ -	\$ -
Other taxes	473,597	-	218,634	-	-
Accounts	398,881	-	-	848,367	30,011
Miscellaneous	613,773	-	16,896	5,246	-
Gross receivables	<u>1,615,743</u>	<u>66,899</u>	<u>235,530</u>	<u>853,613</u>	<u>30,011</u>
Less: allowance					
for uncollectibles	<u>(712,808)</u>	<u>(26,326)</u>	<u>-</u>	<u>(203,607)</u>	<u>-</u>
Net total receivables	<u><u>\$ 902,935</u></u>	<u><u>\$ 40,573</u></u>	<u><u>\$ 235,530</u></u>	<u><u>\$ 650,006</u></u>	<u><u>\$ 30,011</u></u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2013

NOTE 5: DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items that qualifies for reporting in this category. The first item, deferred revenues arises only under a modified accrual basis of accounting and is reported in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item, unearned grant revenue arises when grants received are not considered earned until expenditures are made under the provisions of the grant. The amounts are deferred and recognized as an inflow of resources in both governmental funds balance sheet and government-wide statement of net position. Deferred inflows of resources reported in the governmental funds deferred and unearned grant revenues are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
Deferred property tax revenue	\$ 78,535	\$ 40,573	\$ -	\$ 119,108
Deferred franchise tax revenue	195,778			195,778
Deferred EMS charges revenue	90,525			90,525
Deferred municipal court fees and fines	80,064			80,064
Unearned grant revenues	7,884		2,035	9,919
	<u>\$ 452,787</u>	<u>\$ 40,573</u>	<u>\$ 2,035</u>	<u>\$ 495,395</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, 2013, is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Purpose</u>
General	Water and Sewer	\$ 515,789	Use unrestricted revenues collected in the water and sewer fund to finance various general fund programs in accordance with budgetary authorizations.
	Capital projects fund	3,714	Transfer expenditures to proper fund.
Total governmental funds transfers in		<u>\$ 519,503</u>	

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2013

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers & Adjustments</u>	<u>Ending Balance</u>
Governmental activities:					
Non - Depreciable Assets:					
Land	\$ 1,092,417	\$ -	\$ -	\$ -	\$ 1,092,417
Construction in Progress	2,846,550	1,081,301	-	(3,027,005)	900,846
Total non-depreciable assets	<u>3,938,967</u>	<u>1,081,301</u>	<u>-</u>	<u>(3,027,005)</u>	<u>1,993,263</u>
Depreciable Assets:					
Building and improvements	18,993,728	135,853	-	2,047,642	21,177,223
Infrastructure/utility system	18,352,889	-	-	848,843	19,201,732
Equipment and furniture	6,946,545	490,071	(260,697)	130,520	7,306,439
Total capital assets being depreciated	<u>44,293,162</u>	<u>625,924</u>	<u>(260,697)</u>	<u>3,027,005</u>	<u>47,685,394</u>
Accumulated Depreciation:					
Building and improvements	(3,335,407)	(743,873)	-	-	(4,079,280)
Infrastructure/utility system	(9,259,549)	(516,798)	-	-	(9,776,347)
Equipment and furniture	(4,039,920)	(695,109)	254,443	-	(4,480,586)
Total accumulated depreciation	<u>(16,634,876)</u>	<u>(1,955,780)</u>	<u>254,443</u>	<u>-</u>	<u>(18,336,213)</u>
Governmental activities capital assets, net	<u>\$31,597,253</u>	<u>\$ (248,555)</u>	<u>\$ (6,254)</u>	<u>\$ -</u>	<u>\$31,342,444</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2013

NOTE 7: CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Transfers & Adjustments	Ending Balance
Business-type activities:					
Non - Depreciable Assets:					
Land	\$ 34,751	\$ -	\$ -	\$ -	\$ 34,751
Construction in Progress	2,113,516	1,037,692	-	(3,151,208)	-
Total non-depreciable assets	<u>2,148,267</u>	<u>1,037,692</u>	<u>-</u>	<u>(3,151,208)</u>	<u>34,751</u>
Depreciable Assets:					
Building and improvements	364,565	7,100	(3,600)	1,841,894	2,209,959
Infrastructure/utility system	15,125,559	-	-	1,309,314	16,434,873
Equipment and furniture	1,777,371	575,093	(89,861)	-	2,262,603
Total capital assets being depreciated	<u>17,267,495</u>	<u>582,193</u>	<u>(93,461)</u>	<u>3,151,208</u>	<u>20,907,435</u>
Accumulated Depreciation:					
Building and improvements	(267,939)	(15,552)	3,600	-	(279,891)
Infrastructure/utility system	(6,185,326)	(437,090)	-	-	(6,622,416)
Equipment and furniture	(1,348,694)	(137,361)	89,861	-	(1,396,194)
Total accumulated depreciation	<u>(7,801,959)</u>	<u>(590,003)</u>	<u>93,461</u>	<u>-</u>	<u>(8,298,501)</u>
Business-type activities capital assets, net	<u>\$11,613,803</u>	<u>\$ 1,029,882</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$12,643,685</u>

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

Governmental activities:	
General government	\$ 179,258
Court	11,471
Library	64,926
Public safety	383,349
Fire and ambulance	287,006
Public works	542,472
Community development	3,183
Parks	179,332
Recreation center	247,772
Animal control	57,011
Total depreciation expense - governmental activities	<u>\$1,955,780</u>
Business-type activities:	
Water and sewer	\$ 590,003
Total depreciation expense - business-type activities	<u>\$ 590,003</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2013

NOTE 8: LONG-TERM LIABILITIES

A. Governmental Activities

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

Bond	Maturity Date	Interest Rate	Original Principal	Amount Outstanding
General Obligation Series 2005	2/1/2020	3.92%	2,880,000	\$ 1,530,000
General Obligation Refunding Bonds Series 2010	2/1/2017	1.05% - 2.30%	580,000	390,000
General Obligation Refunding Bonds Series 2012	2/1/2020	2.00% - 3.00%	1,855,000	1,600,000
General Obligation Refunding Bonds Series 2012A	2/1/2023	2.00% - 3.00%	590,000	590,000
				4,110,000
Certificates of Obligation Series 2004	2/1/2024	3.50% - 4.60%	3,595,000	2,295,000
Certificates of Obligation Series 2005	8/1/2025	3.25% - 4.50%	4,000,000	2,765,000
Certificates of Obligation Series 2009	2/1/2029	3.00% - 5.25%	8,000,000	6,715,000
Certificates of Obligation Series 2012	2/1/2032	2.00% - 3.50%	4,890,000	4,745,000
				16,520,000
				\$ 20,630,000

The Certificates of Obligation Series 2005 is paid by the Crime District. The Certificates of Obligation Series 2009 is paid by the debt service fund (73%) and water and sewer fund (27%). The General Obligation Refunding Bonds Series 2012 is paid by the Economic Development Corporation (86%) and debt service fund (14%). The General Obligation Refunding Bonds Series 2012A is paid by the debt service fund (27%) and water and sewer fund (73%).

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2013

NOTE 8: LONG-TERM LIABILITIES (Continued)

The annual debt service requirements to maturity for general obligation bonds and certificates of obligation outstanding as of September 30, 2013 are as follows:

Year Ending September 30,	<u>General Obligation</u>		<u>Certificates of Obligation</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2014	\$ 680,000	\$ 110,685	\$ 860,000	\$ 640,025	\$ 2,290,710
2015	700,000	91,937	890,000	612,525	2,294,462
2016	725,000	72,238	920,000	583,538	2,300,776
2017	670,000	53,242	965,000	551,275	2,239,517
2018	400,000	36,924	970,000	785,605	2,192,529
2019 - 2023	935,000	56,768	5,455,000	1,975,193	8,421,961
2024 - 2028	-	-	4,635,000	861,673	5,496,673
2029 - 2032	-	-	1,825,000	104,211	1,929,211
	<u>\$ 4,110,000</u>	<u>\$ 421,794</u>	<u>\$16,520,000</u>	<u>\$ 6,114,045</u>	<u>\$27,165,839</u>

B. Business-type Activities

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

<u>Bond</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Principal</u>	<u>Amount Outstanding</u>
General Obligation Series 2005	2/1/2020	3.92%	1,025,000	\$ 530,000
General Obligation Refunding Bonds Series 2012A	2/1/2023	2.00% - 3.00%	1,945,000	1,945,000
				<u>2,475,000</u>
Certificates of Obligation Series 2009	2/1/2029	3.00% - 5.25%	3,000,000	2,490,000
Certificates of Obligation Series 2011	2/1/2031	2.00% - 4.50%	2,500,000	2,270,000
				<u>4,760,000</u>
				<u>\$ 7,235,000</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2013

NOTE 8: LONG-TERM LIABILITIES (Continued)

The annual debt service requirements to maturity for general obligation bonds and certificates of obligation outstanding as of September 30, 2013, are as follows:

Year Ending September 30,	<u>General Obligation</u>		<u>Certificates of Obligation</u>		Total
	Principal	Interest	Principal	Interest	
2014	\$ 270,000	\$ 68,518	\$ 225,000	\$ 188,207	\$ 751,725
2015	280,000	63,954	225,000	182,532	751,486
2016	290,000	53,094	230,000	176,632	749,726
2017	280,000	45,330	250,000	169,832	745,162
2018	290,000	36,760	260,000	161,532	748,292
2019 - 2023	1,065,000	82,125	1,290,000	666,222	3,103,347
2024 - 2028	-	-	1,590,000	381,019	1,971,019
2029 - 2031	-	-	690,000	20,382	710,382
	<u>\$ 2,475,000</u>	<u>\$ 349,781</u>	<u>\$ 4,760,000</u>	<u>\$ 1,946,358</u>	<u>\$ 9,531,139</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, 2013.

C. Refunding Bonds

On November 13, 2012, the City issued \$2,535,000 of General Obligation Refunding Bonds, Series 2012A with an interest rates ranging from 2.00% to 3.00%. The net proceeds were used to refund the Certificates of Obligation, Series 2003. The refunding reduced debt service payments for the City and resulted in a net present value savings (economic gain) of 319,225.

D. Capital Lease Payable

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

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2013

NOTE 8: LONG-TERM LIABILITIES (Continued)

Capital assets acquired through capital lease:

	<u>Governmental Activities</u>
Assets:	
Equipment	\$ 957,493
Less: accumulated depreciation	<u>(143,624)</u>
Total	<u><u>\$ 813,869</u></u>

The future minimum lease obligations and net present value of these minimum lease payments as of September 30, 2013, were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>
2014	\$ 204,475
2015	204,475
2016	204,475
2017	<u>204,475</u>
Total debt service requirement	817,900
Less: interest portion	<u>64,882</u>
Obligations under capital lease	<u><u>\$ 753,018</u></u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2013

E. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 4,130,000	\$ 590,000	\$ 610,000	\$ 4,110,000	\$ 680,000
Bond premiums	480,794	45,298	29,699	496,393	-
Certificates of obligation	17,965,000	-	1,445,000	16,520,000	860,000
Capital lease	957,493	-	204,475	753,018	204,475
Net pension obligation	152,602	438,384	432,911	158,075	-
Compensated absences	191,306	171,728	143,374	219,660	158,155
Total Governmental Activities	\$ 23,877,195	\$ 1,245,410	\$ 2,865,459	\$ 22,257,146	\$ 1,902,630
Business-type Activities:					
General obligation bonds	\$ 630,000	\$ 1,945,000	\$ 100,000	\$ 2,475,000	\$ 270,000
Certificates of obligation	7,190,000	-	2,430,000	4,760,000	225,000
Bond premiums	126,432	150,140	8,255	268,317	-
Net pension obligation	18,395	59,780	59,067	19,108	-
Compensated absences	50,142	44,956	44,573	50,525	36,378
Total Business-type Activities	\$ 8,014,969	\$ 2,199,876	\$ 2,641,895	\$ 7,572,950	\$ 531,378
Total Long-term Liabilities	\$ 31,892,164	\$ 3,445,286	\$ 5,507,354	\$ 29,830,096	\$ 2,434,008

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

NOTE 9: RISK MANAGEMENT

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

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2013

NOTE 10: RETIREMENT PLAN

Plan Description

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

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows for both the 2012 and 2013 plan years:

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

Contributions

Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

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

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2013

NOTE 10: RETIREMENT PLAN (Continued)

The annual pension cost (APC) and net pension obligation (NPO) are as follows:

Annual Required Contribution (ARC)	\$ 502,669
Interest on Net Pension Obligation	11,970
Adjustment to ARC	<u>(10,289)</u>
Annual Pension Cost	504,350
Contributions Made	<u>(498,164)</u>
Increase (Decrease) in Net Pension Obligation	6,186
Net Pension Obligation/(Asset), beginning of year	170,997
Net Pension Obligation/(Asset), end of year	<u><u>\$ 177,183</u></u>
 Contributions as a percentage of ARC	 98.8%

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

General System-wide Actuarial Assumptions

Actuarial Valuation Date	<u>12/31/10</u>	<u>12/31/11</u>	<u>12/31/12</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payoll	Level Percent of Payoll	Level Percent of Payoll
GASB 25 Equivalent Single Amortization Period	27.5 Years-Closed	26.5 Years-Closed	25.7 Years-Closed
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed	10-year Smoothed	10-year Smoothed
Actuarial Assumptions:			
Investment Rate of Return*	7.0%	7.0%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
*Includes Inflation At	3.0%	3.0%	3.0%
Cost of Living Adjustments	2.1%	2.1%	2.1%

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2013

NOTE 10: RETIREMENT PLAN (Continued)

Funding Status and Funding Progress

The funded status as of December 31, 2012, under the most recent actuarial valuation date, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2012	10,031,728	11,570,166	86.7%	1,538,438	4,571,135	33.7%

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

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

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS

Supplemental Death Benefits Fund

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

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

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2013

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Your city offers supplemental death to:	Plan Year 2012	Plan Year 2013
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2013, 2012 and 2011 were \$4,755, \$6,356 and \$8,555, respectively, which equaled the required contributions each year.

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

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

NOTE 12: CONTINGENT LIABILITIES

Federal and State Programs

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

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

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

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2013

NOTE 12: 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 13: CONTRACTS AND COMMITMENTS

A. Water and Sewer Contracts

The City has separate contracts with the City of Fort Worth, Texas for the purchase of treated water and for the treatment of wastewater, which expire in 2031 and 2017, respectively. The contracts require the City to pay varying amounts based on the costs associated with water purchased and treated. Purchases during 2013 of treated water were \$1,215,152 and for the treatment of wastewater were \$923,561.

B. Construction Commitments

January 3, 2013, the City Council awarded a \$262,601 contract for the Veteran's Memorial project. As of September 30, 2013, \$208,675, has been expended on the project leaving a balance of \$53,926. The project is funded with proceeds of the 2004 bond money and general fund.

NOTE 14: SUBSEQUENT EVENTS

November 21, 2013, the City Council authorized the City to proceed with the necessary steps to issue the general obligation refunding bonds, series 2013 for \$4,920,000.

Subsequent events were evaluated through February 11, 2014, which is the date the financial statements were available to be issued.

NOTE 15: ACCOUNTING CHANGES AND ACCOUNTING STANDARDS

In fiscal year 2013, the City implemented Governmental Accounting Standards (GASB) Statement 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and Statement 65 "Items Previously Reported as Assets and Liabilities". Statement 63 will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government's net position. The objective of Statement 65 is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2013

NOTE 15: ACCOUNTING CHANGES AND ACCOUNTING STANDARDS (continued)

The implementation of Statement 65 resulted in the reclassification of the beginning net position of the governmental activities and business-type activities in the government-wide financial statements.

	Governmental Activities	Business-type Activities Water and Sewer Fund
Net position at September 30, 2012	\$ 19,188,549	\$ 8,899,594
Change in reporting for deferred charges for debt issuance costs	(453,246)	(138,960)
Net position at September 30, 2013, restated	\$ 18,735,303	\$ 8,760,634

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

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

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, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 3,109,365	\$ 3,109,365	\$ 3,219,022	\$ 109,657
Sales	1,441,300	1,441,300	1,275,515	(165,785)
Franchise	755,000	755,000	725,292	(29,708)
Charges for service	1,321,664	1,321,664	1,489,990	168,326
Fees and fines	716,600	716,600	671,212	(45,388)
Licenses and permits	341,350	341,350	371,852	30,502
Grants and contributions	261,300	261,300	254,393	(6,907)
Oil & gas revenue	-	-	660,324	660,324
Investment earnings	15,000	15,000	10,551	(4,449)
Other revenue	21,350	21,350	126,375	105,025
Total revenues	<u>7,982,929</u>	<u>7,982,929</u>	<u>8,804,526</u>	<u>821,597</u>
EXPENDITURES				
Administrative and finance	654,116	654,116	605,316	48,800
Municipal court	237,506	237,506	231,093	6,413
Library	363,694	363,694	332,822	30,872
Senior center	33,990	33,990	33,841	149
Public safety	2,502,255	2,502,255	2,602,156	(99,901)
Fire and ambulance	1,965,021	1,965,021	1,906,604	58,417
Public works	408,655	408,655	417,691	(9,036)
Parks	262,127	262,127	250,790	11,337
Recreation Center	451,257	464,257	425,023	39,234
Animal Control	191,230	191,230	176,238	14,992
Code enforcement	-	48,394	45,610	2,784
Community development	334,811	286,417	277,250	9,167
Sanitation	525,000	525,000	619,095	(94,095)
Nondepartmental	566,414	566,414	425,481	140,933
Capital outlay	-	-	224,661	(224,661)
Total expenditures	<u>8,496,076</u>	<u>8,509,076</u>	<u>8,573,670</u>	<u>(64,595)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(513,147)</u>	<u>(526,147)</u>	<u>230,856</u>	<u>757,002</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	515,789	515,789	519,515	3,726
Total other financing sources (uses)	<u>515,789</u>	<u>515,789</u>	<u>519,515</u>	<u>3,726</u>
NET CHANGE IN FUND BALANCES	2,642	(10,358)	750,371	760,728
FUND BALANCE - BEGINNING	<u>3,987,639</u>	<u>3,987,639</u>	<u>3,987,639</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 3,990,281</u>	<u>\$ 3,977,281</u>	<u>\$ 4,738,010</u>	<u>\$ 760,729</u>

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

Exhibit E-2

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/13/2010	\$ 7,860,631	\$ 9,683,694	81.2%	\$ 1,823,063	\$ 4,249,878	42.9%
12/13/2011	8,945,018	10,800,875	82.8%	1,855,857	4,349,123	42.7%
12/31/2012	10,031,728	11,570,166	86.7%	1,538,438	4,571,135	33.7%

CITY OF CROWLEY
Notes to the Required Supplementary Information
For the Year Ended September 30, 2013

Budget

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

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

Excess of Expenditures over Appropriations

In the general fund, public safety, public works, sanitation and capital outlay actual expenditures budgetary basis exceeded appropriations. Total actual expenditures exceeded appropriations by \$64,594. Amounts were funded by excess revenues.

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COMBINING FINANCIAL STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS

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CITY OF CROWLEY, TEXAS
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2013

	Special Revenue Funds		
	Crime District	Court Technology & Security	4B Economic Development
Assets			
Cash and cash equivalents	\$ 2,199	\$ -	\$ 1,309
Investments	459,707	76,091	978,985
Receivables (Net of allowances for uncollectibles)			
Other taxes	101,140	-	115,646
Miscellaneous	-	(14)	-
Due from other funds	-	8,445	-
Total assets	<u>\$ 563,046</u>	<u>\$ 84,522</u>	<u>\$ 1,095,940</u>
Liabilities			
Accounts payable	\$ -	\$ 234	\$ 2,547
Due to other funds	31,553	-	-
Total liabilities	<u>31,553</u>	<u>234</u>	<u>2,547</u>
Deferred inflows of resources			
Deferred revenue	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance			
Restricted	531,494	84,288	1,093,393
Total fund balances	<u>531,494</u>	<u>84,288</u>	<u>1,093,393</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 563,046</u>	<u>\$ 84,522</u>	<u>\$ 1,095,940</u>

Exhibit F-1

Grant	LEOSE Training	PEG Fee	Total Nonmajor Funds
\$ 42,157	\$ 7,046	\$ -	\$ 52,712
-	-	92,028	1,606,811
-	-	1,849	218,634
16,910	-	-	16,896
-	-	-	8,445
<u>\$ 59,067</u>	<u>\$ 7,046</u>	<u>\$ 93,877</u>	<u>\$ 1,903,498</u>
\$ 5,704	\$ 537	\$ -	\$ 9,023
-	-	-	31,553
<u>5,704</u>	<u>537</u>	<u>-</u>	<u>40,575</u>
2,035	-	-	2,035
<u>2,035</u>	<u>-</u>	<u>-</u>	<u>2,035</u>
51,327	6,509	93,877	1,860,888
<u>51,327</u>	<u>6,509</u>	<u>93,877</u>	<u>1,860,888</u>
<u>\$ 59,067</u>	<u>\$ 7,046</u>	<u>\$ 93,877</u>	<u>\$ 1,903,498</u>

CITY OF CROWLEY, TEXAS
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended September 30, 2013

	Special Revenue Funds			
	Crime District	Court Technology & Security	4B Economic Development	Grant
Revenues				
Sales tax	\$ 567,066	\$ -	\$ 637,098	\$ -
Fees and fines	-	29,602	-	-
Franchise fees	-	-	-	-
Grants and contributions	-	-	-	67,627
Investment earnings	270	-	757	-
Other	-	-	-	-
Total revenue	<u>567,336</u>	<u>29,602</u>	<u>637,854</u>	<u>67,627</u>
Expenditures				
Current				
Municipal court	-	46,949	-	-
Library	-	-	-	8,690
Public safety	188,635	-	-	16,896
Fire and ambulance	-	-	-	9,081
Economic development	-	-	113,486	-
Debt Service				
Principal	175,000	-	205,000	-
Interest and fiscal charges	120,700	-	27,142	-
Total expenditures	<u>484,335</u>	<u>46,949</u>	<u>345,628</u>	<u>34,667</u>
Excess (deficiency) of revenues over (under) expenditures	<u>83,002</u>	<u>(17,347)</u>	<u>292,227</u>	<u>32,960</u>
Other financing sources (uses)				
Transfers in	-	-	(35,889)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(35,889)</u>	<u>-</u>
Net change in fund balances	83,002	(17,347)	256,338	32,960
Fund balances - beginning	448,492	101,635	837,055	18,367
Fund balances - ending	<u>\$ 531,494</u>	<u>\$ 84,288</u>	<u>\$ 1,093,393</u>	<u>\$ 51,327</u>

Exhibit F-2

LEOSE Training	Public, Educational, and Government Access (PEG)	Total Nonmajor Funds
\$ -	\$ -	\$ 1,204,163
-	-	29,602
-	26,600	26,600
-	-	67,627
-	21	1,048
380	-	380
<u>380</u>	<u>26,621</u>	<u>1,329,420</u>
-	-	46,949
-	-	8,690
-	-	205,531
1,126	-	10,207
-	-	113,486
-	-	380,000
-	-	147,842
<u>1,126</u>	<u>-</u>	<u>912,704</u>
<u>(747)</u>	<u>26,621</u>	<u>416,716</u>
-	(4,294)	(40,183)
-	(4,294)	(40,183)
(747)	22,327	376,533
7,256	71,550	1,484,355
<u>\$ 6,509</u>	<u>\$ 93,877</u>	<u>\$ 1,860,888</u>

OTHER SUPPLEMENTARY INFORMATION

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CITY OF CROWLEY, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Debt Service Fund
For the Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 1,611,936	1,611,936	1,659,468	\$ 47,532
Total revenues	<u>1,611,936</u>	<u>1,611,936</u>	<u>1,659,468</u>	<u>47,532</u>
EXPENDITURES				
Debt service				
Principal	1,055,000	1,055,000	1,055,000	-
Interest and fiscal charges	706,966	706,966	706,136	831
Bond issuance costs	-	-	6,369	(6,369)
Total debt service	<u>1,761,966</u>	<u>1,761,966</u>	<u>1,767,505</u>	<u>(5,539)</u>
Total expenditures	<u>1,761,966</u>	<u>1,761,966</u>	<u>1,767,505</u>	<u>(5,539)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(150,030)	(150,030)	(108,037)	41,993
OTHER FINANCING SOURCES (USES)				
Refunding bonds issued	-	-	635,298	635,298
Payment to refunded bond escrow agent	-	-	(620,000)	(620,000)
Transfers out	-	-	(49,060)	(49,060)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(33,762)</u>	<u>(33,762)</u>
NET CHANGE IN FUND BALANCES	(150,030)	(150,030)	(141,799)	8,231
FUND BALANCE - BEGINNING	<u>537,496</u>	<u>537,496</u>	<u>537,496</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 387,466</u>	<u>\$ 387,466</u>	<u>\$ 395,697</u>	<u>\$ 8,231</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, 2013

	<u>Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Operating revenues:			
Water sales	\$ 2,695,500	\$ 2,643,136	\$ (52,364)
Sewer charges	1,595,500	1,679,137	83,637
Miscellaneous	268,800	578,199	309,399
Total operating revenue	<u>4,559,800</u>	<u>4,900,472</u>	<u>340,672</u>
Operating expenses:			
Personnel	628,287	636,112	(7,825)
Professional services	67,000	49,095	17,905
Purchased water	1,000,000	1,215,152	(215,152)
Wastewater treatment charge	900,000	923,561	(23,561)
Contractual services	153,171	134,566	18,605
Insurance	44,752	36,592	8,160
Administrative	14,753	15,653	(900)
Repairs and maintenance	61,200	65,963	(4,763)
Utilities	154,230	135,142	19,088
Capital outlay	70,000	1,619,884	(1,549,884)
Total operating expenses	<u>3,093,393</u>	<u>4,831,720</u>	<u>(1,738,327)</u>
Operating income (loss)	<u>1,466,407</u>	<u>68,752</u>	<u>(1,397,655)</u>
Nonoperating revenues (expenses):			
Investment earnings	3,500	3,136	(364)
Debt service - principal	(475,000)	(475,000)	-
Interest expense	(302,362)	(326,333)	(23,971)
Total nonoperating revenues (expenses)	<u>(773,862)</u>	<u>(798,197)</u>	<u>(24,335)</u>
Income (loss) before contributions and transfers	692,545	(729,445)	(1,421,990)
Capital contributions and transfers:			
Transfers out	<u>(515,879)</u>	<u>(455,922)</u>	<u>59,957</u>
Change in net position	176,666	(1,185,367)	(1,362,033)
Net position - beginning	<u>8,726,355</u>	<u>8,726,355</u>	<u>-</u>
Net position - ending	<u>\$ 8,903,021</u>	<u>\$ 7,540,988</u>	<u>\$ (1,362,033)</u>
Reconciliation from Budgetary Basis to GAAP Basis:			
Capital outlay		1,619,884	
Depreciation		(590,003)	
Debt retirement		475,000	
		<u>\$ 9,045,869</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, 2013, 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 11, 2014.

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.

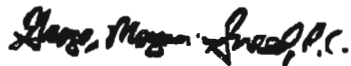
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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



Weatherford, Texas
February 11, 2014