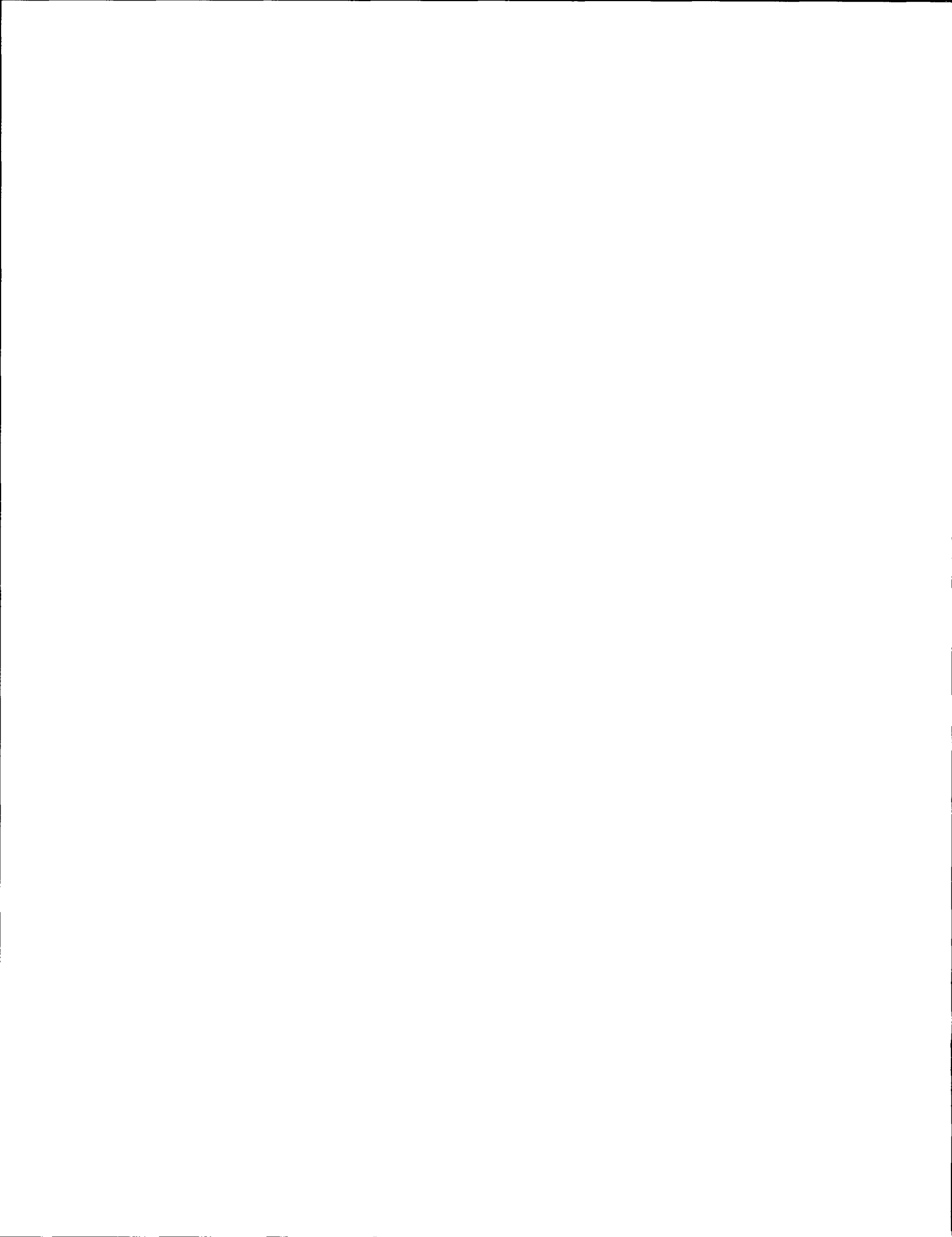


CITY OF CROWLEY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2015



CITY OF CROWLEY, TEXAS
 Annual Financial Report
 For the year ended September 30, 2015

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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, 2015, 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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability and schedule of contributions on pages 4 - 14 and pages 50 - 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2016, on our consideration of the City of Crowley, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Crowley, Texas' internal control over financial reporting and compliance.

George Morgan Sneed, P.C.

Weatherford, Texas
February 10, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of The City of Crowley, Texas, we offer readers of The City of Crowley's financial statements this narrative overview and analysis of the financial activities of The City of Crowley for the fiscal year ended September 30, 2015.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Crowley exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$30,389,490 (*net position*) compared to \$30,344,363 for the prior year. Of this amount, \$8,338,458 (*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 \$1,178,614. The City's governmental activities net position increased by \$1,289,533 and the business-type activities net position decreased by \$110,919. Net position was decreased by a \$1,133,487 prior period adjustment as a result of implementing new accounting standards. See Note 15 to the financial statements for a description of the new standards.
- As of the close of the current year, the City of Crowley's governmental funds reported combined ending fund balances of \$9,694,446 compared to \$10,326,824 for the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$5,814,602, or 64% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements.

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

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

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

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

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

Fund financial statements.

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

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

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

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, general capital projects fund, economic development corporation and crime control and prevention district, which are considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for the general fund, debt service fund, Economic Development Corporation, Crime Control and Prevention District and water and sewer fund. A budgetary comparison schedule has been provided for the general fund, Economic Development Corporation and Crime Control and Prevention District 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 - 49 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$30,389,490 as of September 30, 2015. Below is a summary of the City's Statement of Net Position.

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 11,038,591	\$ 11,398,798	\$ 4,459,519	\$ 4,244,475	\$ 15,498,110	\$ 15,643,273
Capital assets	29,899,466	30,230,979	13,154,668	13,826,940	43,054,134	44,057,919
Total Assets	<u>40,938,057</u>	<u>41,629,777</u>	<u>17,614,187</u>	<u>18,071,415</u>	<u>58,552,244</u>	<u>59,701,192</u>
Deferred outflows of resources	477,536	-	47,229	-	524,765	-
Current liabilities	561,738	649,802	1,136,324	931,822	1,698,062	1,581,624
Noncurrent liabilities	20,092,861	20,691,239	6,641,576	7,069,290	26,734,437	27,760,529
Total liabilities	<u>20,654,599</u>	<u>21,341,041</u>	<u>7,777,900</u>	<u>8,001,112</u>	<u>28,432,499</u>	<u>29,342,153</u>
Deferred inflows resources	232,068	14,676	22,952	-	255,020	14,676
Net position						
Invested in capital assets net of related debt	13,956,537	12,598,302	6,628,231	6,916,947	20,584,768	19,515,249
Restricted	1,430,048	2,403,415	208,159	159,573	1,638,207	2,562,988
Unrestricted	5,142,341	5,272,343	3,024,174	2,993,783	8,166,515	8,266,126
Total net position	<u>\$ 20,528,926</u>	<u>\$ 20,274,060</u>	<u>\$ 9,860,564</u>	<u>\$ 10,070,303</u>	<u>\$ 30,389,490</u>	<u>\$ 30,344,363</u>

The largest portion of the City's net position (67%) 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 (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$8,338,458 may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,789,539	\$ 2,588,217	\$ 5,335,545	\$ 4,910,981	\$ 8,125,084	\$ 7,499,198
Operating grants and contributions	449,160	297,103	-	-	449,160	297,103
Capital grants and contributions	27,600	5,814	-	630,889	27,600	636,703
General revenues:						
Property taxes	5,408,004	5,181,083	-	-	5,408,004	5,181,083
Sales taxes	2,687,866	2,567,590	-	-	2,687,866	2,567,590
Franchise taxes	863,956	819,478	-	-	863,956	819,478
Oil & gas royalties	282,464	534,365	-	-	282,464	534,365
Investment earnings	6,188	4,237	573	1,014	6,761	5,251
Gain on disposal of capital assets		-		2,204	-	2,204
Other revenue	44,158	60,969	-	-	44,158	60,969
Total revenues	<u>12,558,935</u>	<u>12,058,856</u>	<u>5,336,118</u>	<u>5,545,088</u>	<u>17,895,053</u>	<u>17,603,944</u>
Expenses						
Administration and finance	884,644	900,254			884,644	900,254
Municipal court	256,545	264,331			256,545	264,331
Library	456,522	466,036			456,522	466,036
Senior citizens	36,119	34,605			36,119	34,605
Public safety	3,301,569	3,361,530			3,301,569	3,361,530
Fire and ambulance	2,479,069	2,391,409			2,479,069	2,391,409
Public works	915,208	1,018,225			915,208	1,018,225
Parks	452,707	448,867			452,707	448,867
Recreation center	651,191	639,508			651,191	639,508
Animal control	262,735	249,097			262,735	249,097
Code enforcement	33,515	47,832			33,515	47,832
Community development	254,465	273,615			254,465	273,615
Sanitation	678,518	653,910			678,518	653,910
Economic development	97,868	98,136			97,868	98,136
Nondepartmental	501,397	563,096			501,397	563,096
Interest and fiscal charges	587,796	784,576			587,796	784,576
Bond insurance cost	-	33,882			-	33,882
Stormwater utility			26,373	20,388	26,373	20,388
Water and Sewer			4,840,198	4,294,624	4,840,198	4,294,624
Total expenses	<u>11,849,868</u>	<u>12,228,909</u>	<u>4,866,571</u>	<u>4,315,012</u>	<u>16,716,439</u>	<u>16,543,921</u>
Increase (decrease) in net position before transfers	709,067	(170,053)	469,547	1,230,076	1,178,614	1,060,023
Transfers	580,466	507,774	(580,466)	(507,774)	-	-
Increase (decrease) in net position	<u>1,289,533</u>	<u>337,721</u>	<u>(110,919)</u>	<u>722,302</u>	<u>1,178,614</u>	<u>1,060,023</u>
Net position-beginning	20,274,060	19,936,339	10,070,303	9,348,001	30,344,363	29,284,340
Prior period adjustment	(1,034,667)	-	(98,820)	-	(1,133,487)	-
Net position-ending	<u>\$ 20,528,926</u>	<u>\$ 20,274,060</u>	<u>\$ 9,860,564</u>	<u>\$ 10,070,303</u>	<u>\$ 30,389,490</u>	<u>\$ 30,344,363</u>

Governmental Activities. Governmental activities increased the City's net position by \$1,289,533 in the current year compared with a \$337,721 increase in the prior year.

Total governmental activities revenues increased \$500,079 (4%) to \$12,558,935. Key factors contributing to this increase are as follows:

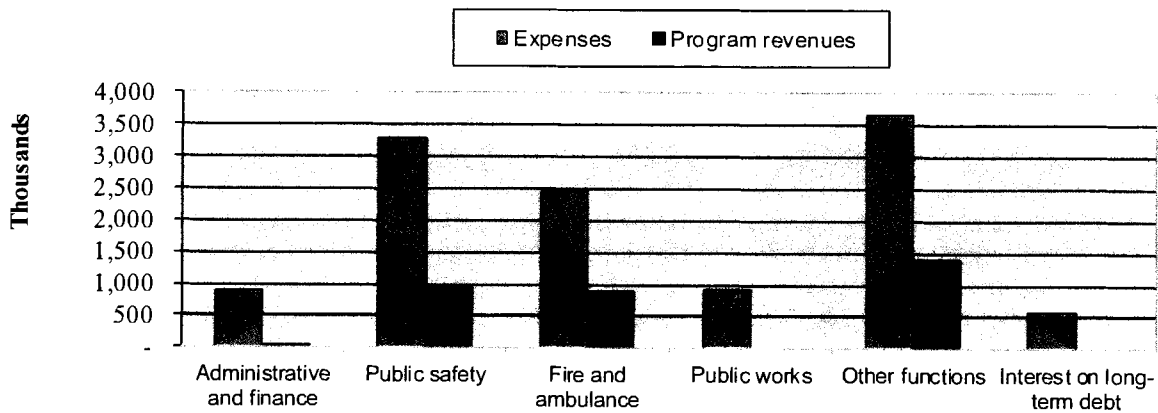
- \$201,322 (8%) increase in charges for services primarily due to \$222,673 increase in fire and ambulance, \$33,159 increase in public safety, \$26,705 increase in sanitation, \$23,247 decrease in recreation center and \$65,492 decrease in community development.
- \$124,914 (1%) increase in general revenues primarily due to \$120,276 (5%) increase in sales tax revenue and \$44,478 (5%) increase in franchise tax revenue. Property taxes increased \$226,921 due to increase in property tax values while tax rates remain the same. However, oil and gas revenue decreased \$251,901 (47%) due to oil prices and other revenue decreased \$16,811.
- Grant and contributions (operating and capital) increased \$173,843 because the City received approximately \$119,000 grant for ambulance and equipment from Tarrant County. County Fire District grant also increased by approximately \$30,000.

Total governmental activities expenses decreased \$379,041 (3%) to \$11,849,868. Key elements of this decrease are as follows.

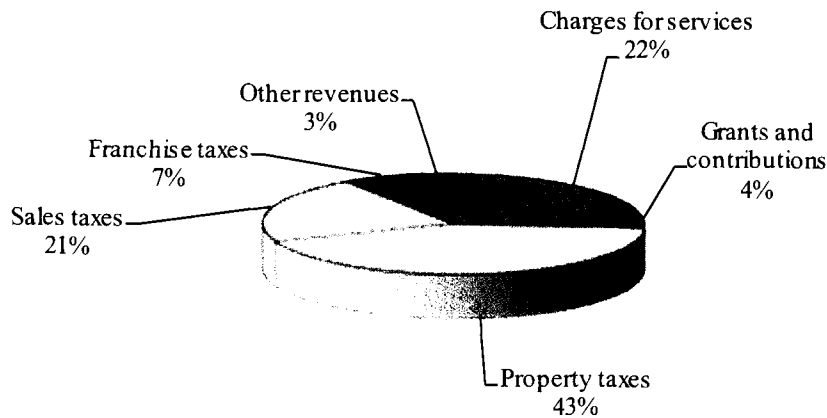
- Public safety expenses decreased approximately \$60,000 primarily due to a decrease in depreciation by approximately \$22,000 and in operating and maintenance by approximately \$43,000. Payroll costs and benefits increased by approximately \$5,000.
- Fire and ambulance expenses increased approximately \$87,000 primarily due to increase in payroll costs and benefits by \$125,000, increase in depreciation expense by \$2,000 and a decrease in operating and maintenance by \$40,000.
- Public works expenses decreased approximately \$103,000 primarily due to decrease in payroll costs and benefits by \$20,000, decrease in depreciation expense by \$24,000 and decrease in operating and maintenance by \$59,000.
- Nondepartmental expenses decreased approximately \$61,000 primarily due to decrease in attorney fees by \$32,000 and in the prior year the City paid approximately \$72,000 in settlement cost. Professional services increased \$30,000 and workers compensation increased \$16,000.
- Interest expense decreased by approximately \$196,000.

Below are two graphs summarizing governmental revenue and expense:

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



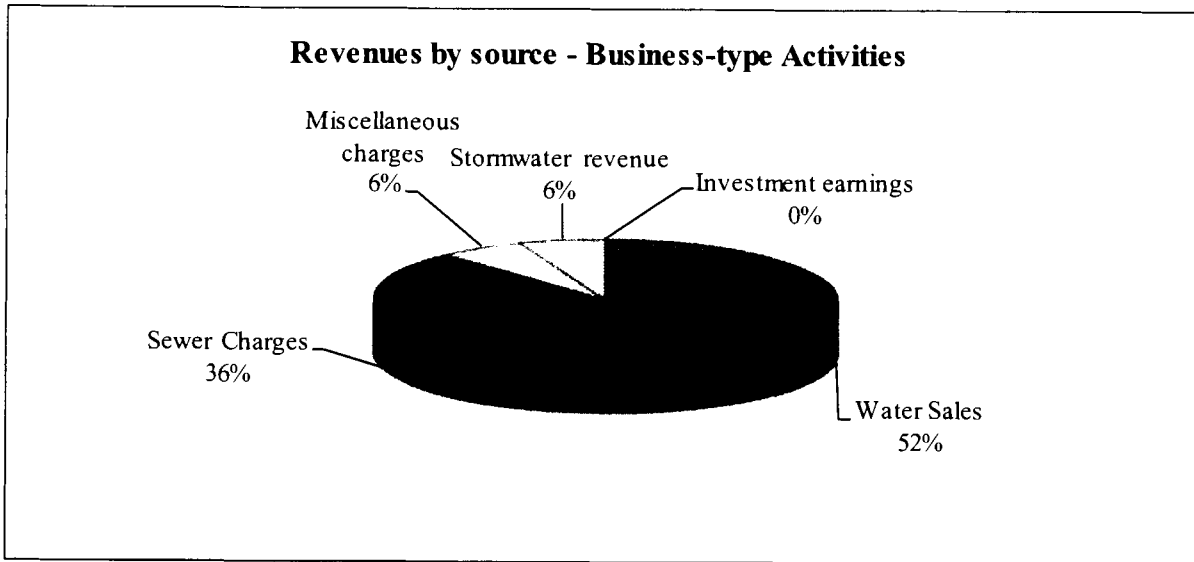
Business-type activities. Business-type activities decreased the City's net position by \$110,919 in the current year compared to an increase in net position of \$722,302 in the prior year. The business-type activities total revenues decreased \$208,970 (4%) to \$5,336,118 and total expenses increased \$551,559 (13%) to \$4,866,571. Key elements of these changes are as follows.

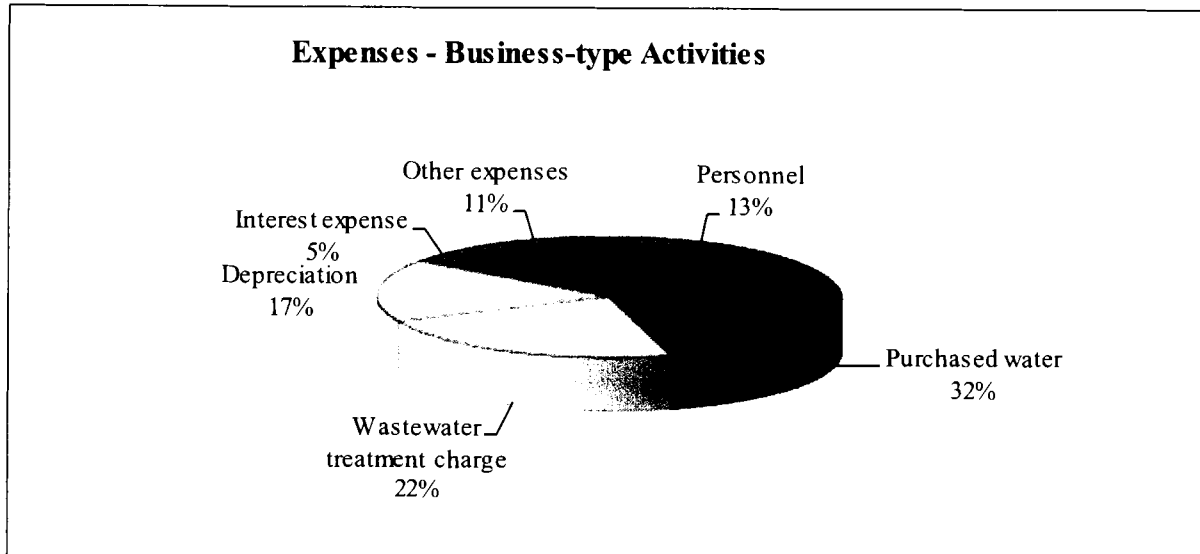
- Charges for services increased \$424,564 primarily due to increase in water sales by approximately \$224,000 because of increase in water rates, however, consumption in gallons decreased. Sewer sales increased approximately \$215,000 due to increase in sewer rates. Miscellaneous water charges decreased \$49,000 primarily due to decrease in water and sewer

impact fees because of less projects or applications in the current year. Stormwater utility revenues increased approximately \$34,000 due to increase in rate.

- In the prior year, the City received grants and contributions totaling \$630,900 from Tarrant County for the waterline improvements.
- Total expenses increased \$551,559 (13%) primarily due to increase in purchased water (\$307,000) and wastewater treatment charge (\$186,000) because of increases in rates. Water main breaks also attributed to the increase in purchased water. Depreciation expense increased approximately \$66,000 and interest expense decreased by approximately \$13,000.

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 \$9,694,446. \$5,814,602 (60%) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted and nonspendable.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,814,602. The fund balance of the general fund increased \$564,694. Below is a comparison of the general fund's net change in fund balance for 2015 and 2014.

	9/30/2015	9/30/2014	Increase (Decrease)	Percent Increase (Decrease)
REVENUES				
Taxes:				
Property	\$ 3,741,229	\$ 3,561,362	\$ 179,867	5.05%
Sales	1,382,474	1,321,712	60,762	4.60%
Franchise	827,508	767,377	60,131	7.84%
Charges for service	1,690,088	1,629,859	60,229	3.70%
Fees and Fines	647,875	652,944	(5,069)	-0.78%
Licenses and permits	134,290	240,203	(105,913)	-44.09%
Grants and contributions	297,432	264,838	32,594	12.31%
Oil & Gas Revenue	282,464	534,365	(251,901)	-47.14%
Investment Earnings	5,363	3,770	1,593	42.25%
Other revenue	44,158	65,007	(20,849)	-32.07%
Total revenues	<u>9,052,881</u>	<u>9,041,437</u>	<u>11,444</u>	<u>0.13%</u>
EXPENDITURES				
Administrative and finance	704,100	767,923	(63,823)	-8.31%
Municipal court	228,875	226,586	2,289	1.01%
Library	379,827	394,548	(14,721)	-3.73%
Senior citizens	36,119	34,605	1,514	4.38%
Public safety	2,699,142	2,741,823	(42,681)	-1.56%
Fire and ambulance	2,176,320	1,966,695	209,625	10.66%
Public works	370,857	435,432	(64,575)	-14.83%
Parks	326,787	287,261	39,526	13.76%
Recreation Center	397,536	388,389	9,147	2.36%
Animal Control	209,228	191,857	17,371	9.05%
Code enforcement	33,761	47,772	(14,011)	0.00%
Community development	255,561	270,212	(14,651)	-5.42%
Sanitation	678,518	653,910	24,608	3.76%
Nondepartmental	537,568	571,191	(33,623)	-5.89%
Capital outlay	34,454	37,271	(2,817)	-7.56%
Total expenditures	<u>9,068,653</u>	<u>9,015,475</u>	<u>53,178</u>	<u>0.59%</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	580,466	519,345	61,121	11.77%
NET CHANGE IN FUND BALANCES	<u>\$ 564,694</u>	<u>\$ 545,307</u>	<u>\$ 19,387</u>	<u>3.56%</u>

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

Unrestricted net position of the proprietary funds at the end of the year amounted to \$3,196,117. Total net position decreased \$110,919. 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 \$193,124 in the administrative and finance (\$55,867), fire and ambulance (\$55,100), parks (\$49,820), recreation center (\$1,510), police (\$3,411), public works (\$6,523), animal control (\$2,753), library (\$11,479) and community development (\$6,661). These increases were funded with increases in the property tax revenues.

Overall, actual expenditures of the general fund were \$400,601 under budget. Actual expenditures budgetary basis for parks, 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, 2015, amounts to \$43,054,134 (net of accumulated depreciation).

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

Governmental Activities:

- Acquired real estate property at 320 E. Main Street at a cost of \$1,161,520.
- Purchased police vehicle for \$53,967.
- Purchased software, servers and accessories for a total cost of \$102,545.
- Purchased copy machines, bunker gear, mowers and dual band radios for total cost of \$77,190.

Business-type activities:

- Installed water meters for a total cost of \$112,430.

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 2,281,537	\$ 1,092,417	\$ 34,751	\$ 34,751	\$ 2,316,288	\$ 1,127,168
Construction in progress	61,352	453,182	-	-	61,352	453,182
Buildings and improvements	16,819,362	17,016,192	1,786,240	1,858,154	18,605,602	18,874,346
Infrastructure/utility system	8,389,461	8,899,642	10,423,762	10,935,813	18,813,223	19,835,455
Equipment and furniture	2,347,754	2,769,546	909,915	998,222	3,257,669	3,767,768
Total	\$ 29,899,466	\$ 30,230,979	\$ 13,154,668	\$ 13,826,940	\$ 43,054,134	\$ 44,057,919

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 \$24,824,230. Of this amount, \$9,475,264 comprises bonded debt backed by the full faith and credit of the government and \$14,959,910 are certificates of obligation secured by ad valorem taxes and surplus revenues of the water and sewer revenues. The capital leases of \$389,056 pertains to radio equipment being financed by lease/purchase financing. Outstanding at year-end are as follows:

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$ 7,550,264	\$ 8,693,328	\$ 1,925,000	\$ 2,205,000	\$ 9,475,264	\$ 10,898,328
Certificates of Obligation	10,420,000	10,945,000	4,539,910	4,784,115	14,959,910	15,729,115
Capital lease	389,056	574,070	-	-	389,056	574,070
Total	\$ 18,359,320	\$ 20,212,398	\$ 6,464,910	\$ 6,989,115	\$ 24,824,230	\$ 27,201,513

The City's bond ratings are listed below:

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

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

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

Economic factors and the Next Year's Budgets and Rates

General fund revenues are budgeted to increase approximately 2% (\$204,961) in fiscal year 2015-2016 when compared to the 2014-2015 budget to \$9,468,750. The adopted tax rate is \$.73927 per \$100 of taxable value which is an increase of approximately \$.04 from the prior year. Property tax revenue is budgeted to increase by \$119,541 (3%). Sales tax revenue is budgeted to increase \$39,000 (3%), charges for services are budgeted to increase \$54,565 (3%) and franchise tax revenue is budgeted to increase \$14,182 (2%). However, fees and fines were budgeted to decrease \$34,860 and license and permits are budgeted to decrease \$18,080.

General fund expenditures are budgeted to decrease approximately \$12,865 over the prior year to \$9,456,389. The largest decreases are \$55,800 in administrative and finance appropriations, \$39,853 in public works appropriations, \$19,770 in parks appropriations and \$27,760 in recreation center appropriations. The largest increases are \$46,000 in sanitation appropriation, \$31,370 in fire and ambulance appropriations, \$13,863 in animal control appropriations, \$12,250 in police appropriations and \$20,985 in nondepartmental appropriations.

Request for Information

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

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BASIC FINANCIAL STATEMENTS

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CITY OF CROWLEY, TEXAS
Statement of Net Position
September 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 392,311	\$ 1,761,637	\$ 2,153,948
Investments	9,089,076	902,533	9,991,609
Receivables (Net of allowances for uncollectibles)			
Property taxes	139,438	-	139,438
Other taxes	772,919	-	772,919
Accounts	445,611	730,348	1,175,959
Miscellaneous	165,827	4,586	170,413
Inventory	13,255	122,340	135,595
Prepaid expenses	20,154	9,621	29,775
Restricted assets			
Investments	-	928,454	928,454
Capital assets			
Nondepreciable	2,342,889	34,751	2,377,640
Depreciable, net of accumulated depreciation	27,556,577	13,119,917	40,676,494
Total Assets	<u>40,938,057</u>	<u>17,614,187</u>	<u>58,552,244</u>
Deferred Outflows of Resources			
Deferred outflow related to TMRS pension	477,536	47,229	524,765
Total Deferred Outflows of Resources	<u>477,536</u>	<u>47,229</u>	<u>524,765</u>
LIABILITIES			
Accounts payable	377,404	623,792	1,001,196
Accrued payroll liabilities	42,030	12,091	54,121
Due to other governments	58,306	-	58,306
Unearned revenue	4,227	-	4,227
Internal balances	26	(26)	-
Interest payable	79,745	25,269	105,014
Current liabilities payable from restricted assets			
Customer deposits	-	475,198	475,198
Noncurrent liabilities			
Due within one year	2,118,071	552,669	2,670,740
Due in more than one year	17,974,790	6,088,907	24,063,697
Total liabilities	<u>20,654,599</u>	<u>7,777,900</u>	<u>28,432,499</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow related to TMRS pension	232,068	22,952	255,020
Total deferred inflows of resources	<u>232,068</u>	<u>22,952</u>	<u>255,020</u>
NET POSITION			
Investments in capital assets, net of related debt	13,956,537	6,628,231	20,584,768
Restricted for:			
Capital improvements	-	208,159	208,159
Debt service	150,269	-	150,269
Public safety	699,877	-	699,877
Economic development	400,569	-	400,569
Grant program	27,080	-	27,080
Community program	152,253	-	152,253
Unrestricted net position	5,142,341	3,024,174	8,166,515
Total net position	<u>\$ 20,528,926</u>	<u>\$ 9,860,564</u>	<u>\$ 30,389,490</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, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Administration and finance	\$ 884,644	\$ 2,152	\$ -	\$ -
Municipal court	256,545	28,041	-	-
Library	456,522	13,914	13,772	-
Senior citizens	36,119	-	-	-
Public safety	3,301,569	937,194	25,375	-
Fire and ambulance	2,479,069	522,390	383,829	-
Public works	915,208	-	-	-
Parks	452,707	103,492	15,039	-
Recreation Center	651,191	203,409	-	-
Animal control	262,735	13,804	6,720	-
Code enforcement	33,515	-	-	-
Community development	254,465	235,389	-	-
Sanitation	678,518	729,754	-	-
Economic development	97,868	-	-	27,600
Nondepartmental	501,397	-	4,425	-
Interest and fiscal charges	587,796	-	-	-
Total governmental activities	<u>11,849,868</u>	<u>2,789,539</u>	<u>449,160</u>	<u>27,600</u>
Business-type activities:				
Water and sewer	4,840,198	5,014,795	-	-
Stormwater utility	26,373	320,750	-	-
Total business-type activities	<u>4,866,571</u>	<u>5,335,545</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 16,716,439</u>	<u>\$ 8,125,084</u>	<u>\$ 449,160</u>	<u>\$ 27,600</u>

General Revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales taxes

Franchise

Oil and gas royalties

Investment earnings

Other revenue

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Prior period adjustment

Net position - ending

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

Exhibit B-1

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (882,492)	\$	\$ (882,492)
(228,504)		(228,504)
(428,836)		(428,836)
(36,119)		(36,119)
(2,339,000)		(2,339,000)
(1,572,850)		(1,572,850)
(915,208)		(915,208)
(334,176)		(334,176)
(447,782)		(447,782)
(242,211)		(242,211)
(33,515)		(33,515)
(19,076)		(19,076)
51,236		51,236
(70,268)		(70,268)
(496,972)		(496,972)
(587,796)		(587,796)
<u>(8,583,569)</u>	<u>-</u>	<u>(8,583,569)</u>
-	174,597	174,597
-	294,377	294,377
-	468,974	468,974
\$ <u>(8,583,569)</u>	\$ <u>468,974</u>	\$ <u>(8,114,595)</u>
\$ 3,790,030	\$ -	\$ 3,790,030
1,617,974	-	1,617,974
2,687,866	-	2,687,866
863,956	-	863,956
282,464	-	282,464
6,188	573	6,761
44,158	-	44,158
580,466	(580,466)	-
<u>9,873,102</u>	<u>(579,893)</u>	<u>9,293,209</u>
1,289,533	(110,919)	1,178,614
20,274,060	10,070,303	30,344,363
(1,034,667)	(98,820)	(1,133,487)
\$ <u>20,528,926</u>	\$ <u>9,860,564</u>	\$ <u>30,389,490</u>

CITY OF CROWLEY, TEXAS
Balance Sheet
Governmental Funds
September 30, 2015

	General	Debt Service	Capital Projects	Economic Development Corporation	Crime Control and Prevention District	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 173,927	\$ 11,588	\$ 100,000	\$ 5,617	\$ 2,199	\$ 98,980	\$ 392,311
Investments	5,617,316	138,681	2,316,387	285,000	569,253	162,439	9,089,076
Receivables (Net of allowances for uncollectibles)							
Property taxes	97,721	41,717	-	-	-	-	139,438
Other taxes	529,605	-	-	125,285	109,483	8,546	772,919
Accounts	445,611	-	-	-	-	-	445,611
Miscellaneous	165,814	-	-	-	-	13	165,827
Inventory	13,255	-	-	-	-	-	13,255
Prepaid expenses	20,154	-	-	-	-	-	20,154
Due from other funds	88,832	-	-	-	-	8,445	97,277
Total assets	\$ 7,152,235	\$ 191,986	\$ 2,416,387	\$ 415,902	\$ 680,935	\$ 278,423	\$ 11,135,868
LIABILITIES							
Accounts payable	\$ 372,790	\$ -	\$ -	\$ 1	\$ -	\$ 4,612	\$ 377,403
Accrued payroll liabilities	42,030	-	-	-	-	-	42,030
Unearned revenue	2,192	-	-	-	-	2,035	4,227
Due to other governments	58,306	-	-	-	-	-	58,306
Due to other funds	8,471	-	-	15,332	73,501	-	97,304
Total liabilities	483,789	-	-	15,333	73,501	6,647	579,270
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	820,435	41,717	-	-	-	-	862,152
Total deferred inflows of resources	820,435	41,717	-	-	-	-	862,152
FUND BALANCES							
Nonspendable							
Inventory	13,255	-	-	-	-	-	13,255
Prepaid expenses	20,154	-	-	-	-	-	20,154
Restricted	-	150,269	2,416,387	400,569	607,434	271,776	3,846,435
Unassigned	5,814,602	-	-	-	-	-	5,814,602
Total fund balances	5,848,011	150,269	2,416,387	400,569	607,434	271,776	9,694,446
Total liabilities, deferred inflows of resources and fund balances	\$ 7,152,235	\$ 191,986	\$ 2,416,387	\$ 415,902	\$ 680,935	\$ 278,423	\$ 11,135,868

CITY OF CROWLEY, TEXAS
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
September 30, 2015

Total fund balances - governmental funds	\$ 9,694,446
Capital assets used in governmental activities are not financial resources and therefore are reported in the governmental funds. The cost of these assets was \$52,221,812 and the accumulated depreciation was \$22,322,346. The net effect of including the ending balances of capital assets (net of depreciation) in the governmental activities is to increase net position.	29,899,466
Long-term liabilities, including \$18,359,320 bonds and capital lease payable and \$335,813 compensated absences payable are not due and payable in the current period, and, therefore are not reported as liabilities in the fund financial statements.	(18,695,133)
Included in the items related to noncurrent liabilities is the recognition of the City's net pension liability required by GASB 68 in the amount of \$1,397,728, deferred resource outflows related to TMRS pension of \$477,536 and a deferred resource inflow related to TMRS pension in the amount of \$232,068. The result is to decrease net position.	(1,152,260)
Interest payable is not expected to be liquidated with available financial resources and is not reported as a liability in the fund financial statements.	(79,745)
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.	862,152
Net position of governmental activities	<u>\$ 20,528,926</u>

CITY OF CROWLEY, TEXAS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2015

	General	Debt Service	General Capital Projects	Economic Development Corporation	Crime Control and Prevention District	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Taxes							
Property	\$ 3,741,229	\$ 1,597,060	\$ -	\$ -	\$ -	\$ -	\$ 5,338,289
Sales	1,382,474	-	-	688,932	616,460	-	2,687,866
Franchise	827,508	-	-	-	-	27,894	855,402
Charges for service	1,690,088	-	-	-	-	-	1,690,088
Fees and fines	647,875	-	-	-	-	25,026	672,901
Licenses and permits	134,290	-	-	-	-	-	134,290
Grants and contributions	297,432	-	-	-	-	148,002	445,434
Oil and gas revenue	282,464	-	-	-	-	-	282,464
Investment earnings	5,363	-	-	669	156	-	6,188
Other revenue	44,158	-	-	-	-	3,726	47,884
Total revenues	<u>9,052,881</u>	<u>1,597,060</u>	<u>-</u>	<u>689,601</u>	<u>616,616</u>	<u>204,648</u>	<u>12,160,806</u>
EXPENDITURES							
Administrative and finance	704,100	-	-	21,721	-	-	725,821
Municipal court	228,875	-	-	-	-	19,126	248,001
Library	379,827	-	-	-	-	-	379,827
Senior citizens center	36,119	-	-	-	-	-	36,119
Public safety	2,699,142	-	-	-	339,052	20,497	3,058,691
Fire and ambulance	2,176,320	-	-	-	-	32,749	2,209,069
Public works	370,857	-	-	-	-	-	370,857
Parks	326,787	-	-	-	-	-	326,787
Recreation center	397,536	-	-	-	-	-	397,536
Animal control	209,228	-	-	-	-	-	209,228
Code enforcement	33,761	-	-	-	-	-	33,761
Community development	255,561	-	-	-	-	-	255,561
Sanitation	678,518	-	-	-	-	-	678,518
Economic development	-	-	-	1,320,740	-	-	1,320,740
Nondepartmental	537,568	-	-	-	-	-	537,568
Capital outlay	34,454	-	58,855	47,001	-	-	140,310
Debt service							
Principal	-	1,200,000	185,014	220,000	215,000	-	1,820,014
Interest and fiscal charges	-	543,766	19,461	8,853	53,162	-	625,242
Total expenditures	<u>9,068,653</u>	<u>1,743,766</u>	<u>263,330</u>	<u>1,618,315</u>	<u>607,214</u>	<u>72,372</u>	<u>13,373,650</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(15,772)</u>	<u>(146,706)</u>	<u>(263,330)</u>	<u>(928,714)</u>	<u>9,402</u>	<u>132,276</u>	<u>(1,212,844)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	580,466	-	100,000	-	-	-	680,466
Transfers out	-	-	-	-	-	(100,000)	(100,000)
Total other financing sources (uses)	<u>580,466</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>580,466</u>
Net change in fund balances	564,694	(146,706)	(163,330)	(928,714)	9,402	32,276	(632,378)
Fund balances - beginning	<u>5,283,317</u>	<u>296,975</u>	<u>2,579,717</u>	<u>1,329,283</u>	<u>598,032</u>	<u>239,500</u>	<u>10,326,824</u>
Fund balances - ending	<u>\$ 5,848,011</u>	<u>\$ 150,269</u>	<u>\$ 2,416,387</u>	<u>\$ 400,569</u>	<u>\$ 607,434</u>	<u>\$ 271,776</u>	<u>\$ 9,694,446</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, 2015

Total net change in fund balances - governmental funds	\$ (632,378)
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 \$1,602,804 of capital outlays and \$1,820,014 of debt principal payments is to increase net position.	3,422,818
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.	(1,961,917)
Capital asset donations are revenues in the government-wide financial statements but are not reported in the governmental fund financial statements.	27,600
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	370,529
GASB 68 required the City to recognize their net pension liability, deferred resource inflow related to TMRS pension, and deferred resource outflow related to TMRS pension. The changes in these balances increased net position by \$50,081.	50,081
Current year interest payable and compensated absences of the governmental funds are not due and payable in the current period, and, therefore are not reported as liabilities or assets in the funds. The \$4,382 decrease in interest payable and \$24,646 increase in compensated absences and \$33,064 amortization of premiums increase net position.	12,800
Change in net position of governmental activities	<u>\$ 1,289,533</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, 2015

	Water and Sewer Fund	Stormwater Utility	Totals
ASSETS			
Current Assets			
Cash and cash equivalents	1,107,950	\$ 653,687	\$ 1,761,637
Investments	902,533	-	902,533
Receivables (Net of allowance for uncollectibles):			
Accounts	693,627	36,721	730,348
Miscellaneous	4,586	-	4,586
Due from other funds	26	-	26
Inventory	122,340	-	122,340
Prepaid expenses	9,621	-	9,621
Restricted Assets			
Investments	928,454	-	928,454
Total current assets	<u>3,769,137</u>	<u>690,408</u>	<u>4,459,545</u>
Noncurrent Assets			
Capital assets, at cost			
Non-depreciable assets	34,751	-	34,751
Depreciable assets, net of accumulated depreciation	12,947,974	171,943	13,119,917
Total noncurrent assets	<u>12,982,725</u>	<u>171,943</u>	<u>13,154,668</u>
Total assets	<u>16,751,862</u>	<u>862,351</u>	<u>17,614,213</u>
Deferred Outflows of Resources			
Deferred outflows related to TMRS pension	47,229	-	47,229
Total Deferred Outflows of Resources	<u>47,229</u>	<u>-</u>	<u>47,229</u>
LIABILITIES			
Current Liabilities			
Accounts payable	623,792	-	623,792
Accrued payroll liabilities	12,091	-	12,091
Current portion of long-term liabilities	552,669	-	552,669
Interest payable	25,269	-	25,269
Current Liabilities Payable from Restricted Assets			
Customer deposits payable	475,198	-	475,198
Total current liabilities	<u>1,689,019</u>	<u>-</u>	<u>1,689,019</u>
Noncurrent Liabilities			
Compensated absences	10,760	-	10,760
Net pension liability	138,237	-	138,237
Bonds payable	5,939,910	-	5,939,910
Total noncurrent liabilities	<u>6,088,907</u>	<u>-</u>	<u>6,088,907</u>
Total liabilities	<u>7,777,926</u>	<u>-</u>	<u>7,777,926</u>
Deferred Inflows of Resources			
Deferred inflow related to TMRS pension	22,952	-	22,952
Total Deferred Inflows of Resources	<u>22,952</u>	<u>-</u>	<u>22,952</u>
NET POSITION			
Investment in capital assets, net of debt	6,456,288	171,943	6,628,231
Restricted for impact fees for capital improvements (Expendable)	208,159	-	208,159
Unrestricted	2,333,766	690,408	3,024,174
Total net position	<u>\$ 8,998,213</u>	<u>\$ 862,351</u>	<u>\$ 9,860,564</u>

CITY OF CROWLEY, TEXAS
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2015

	Water and Sewer Fund	Stormwater Utility	Totals
Operating revenues			
Water Sales	\$ 2,799,436	\$ -	\$ 2,799,436
Sewer charges	1,897,820	-	1,897,820
Stormwater revenue	-	320,750	320,750
Miscellaneous	317,539	-	317,539
Total operating revenue	<u>5,014,795</u>	<u>320,750</u>	<u>5,335,545</u>
Operating expenses			
Personnel	648,528	-	648,528
Professional services	71,870	-	71,870
Purchased water	1,573,794	-	1,573,794
Wastewater treatment charge	1,086,598	-	1,086,598
Contractual services	175,030	-	175,030
Insurance	42,081	-	42,081
Administrative	35,510	6,144	41,654
Repairs and maintenance	92,706	-	92,706
Utilities	92,431	-	92,431
Depreciation	798,872	20,229	819,101
Total operating expenses	<u>4,617,420</u>	<u>26,373</u>	<u>4,643,793</u>
Operating income (loss)	<u>397,375</u>	<u>294,377</u>	<u>691,752</u>
Nonoperating revenues (expenses)			
Investment earnings	573	-	573
Interest expense	(222,778)	-	(222,778)
Total nonoperating revenues (expenses)	<u>(222,205)</u>	<u>-</u>	<u>(222,205)</u>
Income (loss) before transfers	175,170	294,377	469,547
Transfers out	<u>(580,466)</u>	<u>-</u>	<u>(580,466)</u>
Change in net position	(405,296)	294,377	(110,919)
Net position - beginning	9,502,329	567,974	10,070,303
Prior period adjustment	(98,820)	-	(98,820)
Net position - ending	<u>\$ 8,998,213</u>	<u>\$ 862,351</u>	<u>\$ 9,860,564</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, 2015

	Water and Sewer Fund	Stormwater Utility	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 4,929,627	\$ 316,624	\$ 5,246,251
Cash paid to suppliers	(2,851,473)	(7,020)	(2,858,493)
Cash paid to employees	(679,304)	-	(679,304)
Net cash provided by operating activities	<u>1,398,850</u>	<u>309,604</u>	<u>1,708,454</u>
Cash flow from noncapital financing activities:			
Transfers to other funds	(580,466)	-	(580,466)
Net cash provided (used) by noncapital financing activities	<u>(580,466)</u>	<u>-</u>	<u>(580,466)</u>
Cash flow from capital and related financing activities:			
Principal payments on long-term debt	(505,000)	-	(505,000)
Capital expenditures	(146,831)	-	(146,831)
Interest paid on bonds	(244,194)	-	(244,194)
Net cash used by capital and related financing activities	<u>(896,025)</u>	<u>-</u>	<u>(896,025)</u>
Cash flow from investing activities:			
Sale of investments	1,766,143	-	1,766,143
Purchase of investments	(983,794)	-	(983,794)
Investment earnings	573	-	573
Net cash provided by investing activities	<u>782,922</u>	<u>-</u>	<u>782,922</u>
Net increase (decrease) in cash and cash equivalents	705,281	309,604	1,014,885
Cash and cash equivalents, beginning	<u>402,669</u>	<u>344,083</u>	<u>746,752</u>
Cash and cash equivalents, ending	<u>\$ 1,107,950</u>	<u>\$ 653,687</u>	<u>\$ 1,761,637</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ 397,375	\$ 294,377	\$ 691,752
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	798,872	20,229	819,101
(Increase) decrease in accounts receivable	(89,737)	(4,126)	(93,863)
(Increase) decrease in miscellaneous receivables	173	-	173
(Increase) decrease in inventory	111,643	-	111,643
(Increase) decrease in prepaid expenses	(459)	-	(459)
Increase (decrease) in accounts payable	207,363	(876)	206,487
Increase (decrease) in accrued payroll liabilities	(4,171)	-	(4,171)
Increase (decrease) in customer meter deposits	4,396	-	4,396
Increase (decrease) in net pension balances	(4,953)	-	(4,953)
Increase (decrease) in compensated absences payable	(21,652)	-	(21,652)
Total adjustments	<u>1,001,475</u>	<u>15,227</u>	<u>1,016,702</u>
Net cash provided by operating activities	<u>\$ 1,398,850</u>	<u>\$ 309,604</u>	<u>\$ 1,708,454</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

Blended Component Units

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

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

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2015

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, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City reports the following major governmental funds:

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

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

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

The *special revenue funds (economic development corporation and crime control and prevention district)* are used to account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative actions.

The City reports the following major enterprise fund:

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

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

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

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

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

1. Cash and Investments

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

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments that are highly liquid with maturity within three months or less when purchased. Amounts invested in Tex-Pool 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, 2015

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 \$222,778. 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, 2015

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, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	General Fund	Debt Service Fund	General Capital Projects	Economic Development Corporation	Crime Control and Prevention District	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable							
Inventory	\$ 13,255	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,255
Prepaid expenses	20,154	-	-	-	-	-	20,154
Restricted							
Debt Service	-	150,269	-	-	-	-	150,269
Capital Projects	-	-	2,416,387	-	-	-	2,416,387
Public Safety - Police	-	-	-	-	607,434	-	607,434
Public Safety - Court	-	-	-	-	-	92,443	92,443
Economic Development	-	-	-	400,569	-	-	400,569
Grant programs	-	-	-	-	-	27,080	27,080
Public, Educational, and Government Access (PEG)	-	-	-	-	-	152,253	152,253
Unassigned	5,814,602	-	-	-	-	-	5,814,602
	<u>\$ 5,848,011</u>	<u>\$ 150,269</u>	<u>\$ 2,416,387</u>	<u>\$ 400,569</u>	<u>\$ 607,434</u>	<u>\$ 271,776</u>	<u>\$ 9,694,446</u>

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

9. Net Position

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

Restricted Fund Balance (Exhibit C-1)	\$ 3,846,435
Adjustments	
Unspent proceeds from bonds reclassified to investment in capital assets, net of debt	(2,416,387)
Total adjustments	<u>(2,416,387)</u>
Restricted net position (Exhibit A-1)	<u>\$ 1,430,048</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. *Use of Estimates*

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

11. *Reclassifications*

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

12. *Pensions*

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

NOTE 2: DEPOSITS AND INVESTMENTS

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

The City's investment policy authorizes the City to invest in U.S. Treasury obligations, U.S. government agency and instrumentality obligations, certificates of deposit, investment-grade obligations of state, provincial and local governments and public authorities, money market mutual funds regulated by the SEC and local government investment pools wither state-administered or developed through joint powers statutes and other intergovernmental agreement legislation. During the year ended September 30, 2015, the City did not own any types of securities other than those permitted by statute.

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

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2015

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, 2015, 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, 2015 included the following:

<u>Investment</u>	<u>Credit Rating</u>	<u>Weighted Average Maturities</u>	<u>Percentage of Total Investments</u>	<u>Cost</u>	<u>Fair Value</u>
Investment in TexPool	AAAm	50 days	100.00%	<u>\$ 10,920,063</u>	<u>\$ 10,920,063</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	-	532,506	532,506
Total	<u>\$ -</u>	<u>\$ 928,454</u>	<u>\$ 928,454</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2015

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 52%, 64% and 85%, of the outstanding balances at September 30. The allowance for water, and sewer trade accounts receivable is equal to the accounts receivable that are inactive (final billed) as of September 30. Receivables as of year-end for the City's major and nonmajor funds, including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>EDC</u>	<u>Crime District</u>	<u>Nonmajor Governmental</u>	<u>Water and Sewer</u>	<u>Stormwater Utility</u>
Receivables:							
Property taxes	\$ 158,589	\$ 67,702	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	529,605	-	125,285	109,483	8,546	-	-
Accounts	865,279	-	-	-	-	920,398	36,721
Miscellaneous	766,431	-	-	-	13	4,586	-
Gross receivables	<u>2,319,904</u>	<u>67,702</u>	<u>125,285</u>	<u>109,483</u>	<u>8,559</u>	<u>924,984</u>	<u>36,721</u>
Less: allowance for uncollectibles	<u>(1,081,153)</u>	<u>(25,985)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(226,771)</u>	<u>-</u>
Net total receivables	<u><u>\$1,238,751</u></u>	<u><u>\$ 41,717</u></u>	<u><u>\$ 125,285</u></u>	<u><u>\$ 109,483</u></u>	<u><u>\$ 8,559</u></u>	<u><u>\$ 698,213</u></u>	<u><u>\$ 36,721</u></u>

NOTE 5: DEFERRED INFLOWS OF RESOURCES

In addition to assets, the statement of financial position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. The deferred outflows related to Texas Municipal Retirement System (TMRS) pension has been reported in the government-wide statement of net position (\$477,536) and proprietary fund statement of net position (\$47,229).

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2015

NOTE 5: DEFERRED INFLOWS OF RESOURCES (continued)

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items that qualifies for reporting in this category. Unavailable revenues for governmental funds and deferred inflows related to TMRS pensions in the government-wide statement of net position (\$232,068) and proprietary fund statement of net position (\$22,952) are reported as deferred inflows of resources. At the end of the fiscal of fiscal year the components of deferred inflows in the governmental funds were as follows:

	General	Debt Service	Nonmajor Governmental	Total Governmental Funds
Deferred property tax revenue	\$ 97,720	\$ 41,717	\$ -	\$ 139,437
Deferred franchise tax revenue	225,952			225,952
Deferred EMS charges revenue	390,773			390,773
Deferred municipal court fees and fines	105,990			105,990
	\$ 820,435	\$ 41,717	\$ -	\$ 862,152

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, 2015, is as follows:

Transfer In	Transfer Out	Amount	Purpose
General	Water and sewer	\$ 580,466	Use unrestricted revenues collected in the water and sewer fund to finance various general fund programs in accordance with budgetary authorizations.
Capital projects	Grant fund	100,000	Reimbursement from grant for cost of ambulance.
Total governmental funds transfers in		\$ 680,466	

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2015

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015 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	\$ 1,189,120	\$ -	\$ -	\$ 2,281,537
Construction in Progress	453,182	61,352	-	(453,182)	61,352
Total non-depreciable assets	<u>1,545,599</u>	<u>1,250,472</u>	<u>-</u>	<u>(453,182)</u>	<u>2,342,889</u>
Depreciable Assets:					
Building and improvements	21,910,401	146,231	(1,834)	453,182	22,507,980
Infrastructure/utility system	19,201,732	-	-	-	19,201,732
Equipment and furniture	7,937,413	233,701	(1,903)	-	8,169,211
Total capital assets being depreciated	<u>49,049,546</u>	<u>379,932</u>	<u>(3,737)</u>	<u>453,182</u>	<u>49,878,923</u>
Accumulated Depreciation:					
Building and improvements	(4,894,209)	(796,243)	1,834	-	(5,688,618)
Infrastructure/utility system	(10,302,090)	(510,181)	-	-	(10,812,271)
Equipment and furniture	(5,167,867)	(655,493)	1,903	-	(5,821,457)
Total accumulated depreciation	<u>(20,364,166)</u>	<u>(1,961,917)</u>	<u>3,737</u>	<u>-</u>	<u>(22,322,346)</u>
Governmental activities capital assets, net	<u>\$30,230,979</u>	<u>\$ (331,513)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$29,899,466</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2015

NOTE 7: CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers & Adjustments</u>	<u>Ending Balance</u>
Business-type activities:					
Non - Depreciable Assets:					
Land	\$ 34,751	\$ -	\$ -	\$ -	\$ 34,751
Total non-depreciable assets	<u>34,751</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,751</u>
Depreciable Assets:					
Building and improvements	2,209,959	-	-	-	2,209,959
Infrastructure/utility system	18,054,176	17,142	(530,000)	-	17,541,318
Equipment and furniture	2,550,901	129,689	(76,725)	-	2,603,865
Total capital assets being depreciated	<u>22,815,036</u>	<u>146,831</u>	<u>(606,725)</u>	<u>-</u>	<u>22,355,142</u>
Accumulated Depreciation:					
Building and improvements	(351,805)	(71,914)	-	-	(423,719)
Infrastructure/utility system	(7,118,363)	(529,193)	530,000	-	(7,117,556)
Equipment and furniture	(1,552,679)	(217,996)	76,725	-	(1,693,950)
Total accumulated depreciation	<u>(9,022,847)</u>	<u>(819,103)</u>	<u>606,725</u>	<u>-</u>	<u>(9,235,225)</u>
Business-type activities capital assets, net	<u>\$13,826,940</u>	<u>\$ (672,272)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$13,154,668</u>

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

Governmental activities:

General government	\$ 160,808
Court	9,628
Library	77,691
Public safety	344,054
Fire and ambulance	330,856
Public works	546,403
Community development	3,183
Parks	180,044
Recreation center	254,452
Animal control	54,798
Total depreciation expense - governmental activities	<u>\$1,961,917</u>

Business-type activities:

Water and sewer	\$ 798,874
Stormwater utility	20,229
Total depreciation expense - business-type activities	<u>\$ 819,103</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2015

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	\$ 975,000
General Obligation Refunding Bonds Series 2010	2/1/2017	1.05% - 2.30%	580,000	200,000
General Obligation Refunding Bonds Series 2012	2/1/2020	2.00% - 3.00%	1,855,000	1,065,000
General Obligation Refunding Bonds Series 2012A	2/1/2023	2.00% - 3.00%	590,000	490,000
General Obligation Refunding Bonds Series 2013	2/1/2025	2.19%	4,920,000	4,390,000
				7,120,000
Certificates of Obligation Series 2009	2/1/2029	3.00% - 5.25%	8,000,000	6,095,000
Certificates of Obligation Series 2012	2/1/2032	2.00% - 3.50%	4,890,000	4,325,000
				10,420,000
				\$ 17,540,000

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

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2015

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, 2015 are as follows:

Year Ending September 30,	<u>General Obligation</u>		<u>Certificates of Obligation</u>		<u>Total</u>
	Principal	Interest	Principal	Interest	
2016	\$ 1,145,000	\$ 163,780	\$ 540,000	\$ 403,788	\$ 2,252,568
2017	1,125,000	135,203	540,000	387,525	2,187,728
2018	835,000	109,139	560,000	368,550	1,872,689
2019	715,000	88,143	585,000	347,750	1,735,893
2020	725,000	69,133	605,000	326,425	1,725,558
2019 - 2023	2,575,000	126,485	3,375,000	1,266,975	7,343,460
2024 - 2028	-	-	3,570,000	473,769	4,043,769
2029 - 2032	-	-	645,000	22,663	667,663
	<u>\$ 7,120,000</u>	<u>\$ 691,883</u>	<u>\$10,420,000</u>	<u>\$ 3,597,445</u>	<u>\$21,829,328</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	\$ 315,000
General Obligation Refunding Bonds Series 2012A	2/1/2023	2.00% - 3.00%	1,945,000	<u>1,610,000</u>
				<u>1,925,000</u>
Certificates of Obligation Series 2009	2/1/2029	3.00% - 5.25%	3,000,000	2,255,000
Certificates of Obligation Series 2011	2/1/2031	2.00% - 4.50%	2,500,000	<u>2,055,000</u>
				<u>4,310,000</u>
				<u>\$ 6,235,000</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2015

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, 2015, are as follows:

Year Ending September 30,	General Obligation		Certificates of Obligation		Total
	Principal	Interest	Principal	Interest	
2016	\$ 290,000	\$ 53,094	\$ 230,000	\$ 176,632	\$ 749,726
2017	280,000	45,330	250,000	169,832	745,162
2018	290,000	36,760	260,000	161,532	748,292
2019	200,000	28,950	235,000	152,782	616,732
2020	205,000	22,875	245,000	143,813	616,688
2019 - 2023	660,000	30,300	1,395,000	558,741	2,644,041
2024 - 2028	-	-	1,530,000	208,575	1,738,575
2029 - 2031	-	-	165,000	3,713	168,713
	<u>\$ 1,925,000</u>	<u>\$ 217,309</u>	<u>\$ 4,310,000</u>	<u>\$ 1,575,620</u>	<u>\$ 8,027,929</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, 2015.

C. Capital Lease Payable

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

Capital assets acquired through capital lease:

	Governmental Activities
Assets:	
Equipment	\$ 957,493
Less: accumulated depreciation	(335,123)
Total	<u>\$ 622,370</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2015

NOTE 8: LONG-TERM LIABILITIES (Continued)

The future minimum lease obligations and net present value of these minimum lease payments as of September 30, 2015, were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>
2016	\$ 204,475
2017	204,475
Total debt service requirement	408,950
Less: interest portion	19,894
Obligations under capital lease	<u>\$ 389,056</u>

D. Changes in Long-Term Liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General obligation bonds	\$ 8,230,000	-	\$ 1,110,000	\$ 7,120,000	\$ 1,145,000
Bond premiums	463,328	-	33,064	430,264	-
Certificates of obligation	10,945,000	-	525,000	10,420,000	540,000
Capital lease	574,070	-	185,014	389,056	191,286
Net pension obligation	167,674	-	167,674	-	-
Net pension liability	-	1,397,728	-	1,397,728	-
Compensated absences	311,167	287,884	263,238	335,813	241,785
Total Governmental Activities	<u>\$ 20,691,239</u>	<u>\$ 1,685,612</u>	<u>\$ 2,283,990</u>	<u>\$ 20,092,861</u>	<u>\$ 2,118,071</u>
Business-type Activities:					
General obligation bonds	\$ 2,205,000	\$ -	\$ 280,000	\$ 1,925,000	\$ 290,000
Certificates of obligation	4,535,000	-	225,000	4,310,000	235,000
Bond premiums	249,115	-	19,205	229,910	-
Net pension obligation	20,094	-	20,094	-	-
Net pension liability	-	138,237	-	138,237	-
Compensated absences	60,081	32,860	54,512	38,429	27,669
Total Business-type Activities	<u>\$ 7,069,290</u>	<u>\$ 171,097</u>	<u>\$ 598,811</u>	<u>\$ 6,641,576</u>	<u>\$ 552,669</u>

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.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2015

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.

NOTE 10: DEFINED BENEFIT PENSION PLANS

Plan Description

The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

Benefits Provided

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

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

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2015

NOTE 10: DEFINED BENEFIT PENSION PLANS (continued)

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:

	Plan Year 2015
Employee deposit rate	6%
Matching ratio (city to employee)	2-1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Active employees	106
Inactive employees or beneficiaries currently receiving benefits	40
Inactive employees entitled to but not yet receiving benefits	62
	208

Contributions

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

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 10.15% and 10.62% in calendar years 2014 and 2015, respectively. The city's contributions to TMRS for the year ended September 30, 2015, were \$551,534, and were equal to the required contributions.

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

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

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2015

NOTE 10: DEFINED BENEFIT PENSION PLANS (continued)

Inflation	3% per year
Overall payroll growth	3% per year
Investment Rate of Return	7%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. For cities with fewer than twenty employees, more conservative methods and assumptions are used. These rates were projected on a fully generational basis by scale BB to account to future mortality improvements. For disable annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2015

NOTE 10: DEFINED BENEFIT PENSION PLANS (continued)

Assest Class	Target Allocation	Long-Term Expected Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.80%
International Equity	17.50%	6.05%
Core Fixed Income	30.00%	1.50%
Non-Core Fixed Income	10.00%	3.5%
Real Return	5.00%	1.75%
Real Estate	10.00%	5.25%
Absolute Return	5.00%	4.25%
Private Equity	5.00%	8.50%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/13	\$ 13,562,397	\$ 11,879,419	\$ 1,682,978
Changes for the year:			
Service cost	689,124	-	689,124
Interest	961,835	-	961,835
Changes in net benefit terms	-	-	-
Difference between expected and actual experience	(314,507)	-	(314,507)
Change of assumptions	-	-	-
Contributions - employer	-	509,970	(509,970)
Contributions - employee	-	301,460	(301,460)
Net investment income	-	679,713	(679,713)
Benefit payments, including refunds of employee contributions	(332,931)	(332,931)	-
Administrative expense	-	(7,095)	7,095
Other changes	-	(583)	583
Net changes	<u>1,003,521</u>	<u>1,150,534</u>	<u>(147,013)</u>
Balance at 12/31/14	<u>\$ 14,565,918</u>	<u>\$ 13,029,953</u>	<u>\$ 1,535,965</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2015

NOTE 10: DEFINED BENEFIT PENSION PLANS (continued)

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's Net Pension Liability	\$3,955,272	\$1,535,965	(\$415,453)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2015, the City recognized pension expense of \$496,500.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 255,020
Changes in actuarial assumptions	-	-
Differences between projected and actual investment earnings	121,477	-
Contributions subsequent to the measurement date	403,288	-
Total	\$ 524,765	\$ 255,020

\$403,288 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:

2016	\$	(29,118)
2017		(29,118)
2018		(29,118)
2019		(29,117)
2020		(17,072)
Thereafter		-
	\$	<u>(133,543)</u>

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2015

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.

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 2015, 2014 and 2013 were \$6,835, \$6,484 and \$7,132, respectively, which equaled the required contributions each year.

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

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

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2015

NOTE 12: CONTINGENT LIABILITIES

Federal and State Programs

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

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

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

Litigation

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

NOTE 13: CONTRACTS AND COMMITMENTS

A. Water and Sewer Contracts

The City has separate contracts with the City of Fort Worth, Texas for the purchase of treated water and for the treatment of wastewater, which expire in 2031 and 2017, respectively. The contracts require the City to pay varying amounts based on the costs associated with water purchased and treated. Purchases during 2015 of treated water were \$1,573,794 and for the treatment of wastewater were \$1,086,598.

NOTE 14: SUBSEQUENT EVENTS

Subsequent events were evaluated through February 10, 2016, which is the date the financial statements were available to be issued.

CITY OF CROWLEY, TEXAS
Notes to Financial Statements
September 30, 2015

NOTE 15: NEW ACCOUNTING PRONOUNCEMENTS

The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. This Statement was issued to improve the accounting and financial reporting by state and local governments for pensions. This Statement requires government-wide and propriety fund statements to recognize a liability equal to the net pension liability and changes in the net pension liability be included in pension expense in the period of change.

The City implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. This Statement addresses issues related to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability.

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

	Governmental Activities	Business-type Activities	Total
Net Pension Liability (12/31/13 measurement date)	\$ 1,531,510	\$ 151,468	\$ 1,682,978
Deferred outflows of resources	(329,169)	(32,554)	(361,723)
Net Pension Obligation at 9/30/14	(167,674)	(20,094)	(187,768)
Prior Period Adjustment	<u>\$ 1,034,667</u>	<u>\$ 98,820</u>	<u>\$ 1,133,487</u>

NOTE 16: FUTURE ACCOUNTING PRONOUNCEMENTS

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

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

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

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF CROWLEY, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 3,716,782	\$ 3,716,782	\$ 3,741,229	\$ 24,447
Sales	1,326,000	1,326,000	1,382,474	56,474
Franchise	779,000	779,000	827,508	48,508
Charges for service	1,587,854	1,587,854	1,690,088	102,234
Fees and fines	685,800	685,800	647,875	(37,925)
Licenses and permits	334,100	334,100	134,290	(199,810)
Grants and contributions	246,300	246,300	297,432	51,132
Oil & gas revenue	-	-	282,464	282,464
Investment earnings	5,000	5,000	5,363	363
Other revenue	16,350	16,350	44,158	27,808
Total revenues	<u>8,697,186</u>	<u>8,697,186</u>	<u>9,052,881</u>	<u>355,695</u>
EXPENDITURES				
Administrative and finance	724,871	780,738	704,100	76,638
Municipal court	235,861	235,861	228,875	6,986
Library	385,902	397,381	379,827	17,554
Senior center	35,928	35,928	36,119	(191)
Public safety	2,805,951	2,809,362	2,699,142	110,220
Fire and ambulance	2,150,087	2,205,187	2,176,320	28,867
Public works	429,774	436,297	370,857	65,440
Parks	267,179	316,999	326,787	(9,788)
Recreation Center	449,162	450,672	397,536	53,136
Animal Control	201,823	204,576	209,228	(4,652)
Code enforcement	42,951	42,951	33,761	9,190
Community development	247,389	254,050	255,561	(1,511)
Sanitation	649,000	649,000	678,518	(29,518)
Nondepartmental	650,252	650,252	537,568	112,684
Capital outlay	-	-	34,454	(34,454)
Total expenditures	<u>9,276,130</u>	<u>9,469,254</u>	<u>9,068,653</u>	<u>400,601</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(578,944)</u>	<u>(772,068)</u>	<u>(15,772)</u>	<u>756,296</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	580,466	580,466	580,466	-
Total other financing sources (uses)	<u>580,466</u>	<u>580,466</u>	<u>580,466</u>	<u>-</u>
NET CHANGE IN FUND BALANCES				
	1,522	(191,602)	564,694	756,296
FUND BALANCE - BEGINNING				
	<u>5,283,317</u>	<u>5,283,317</u>	<u>5,283,317</u>	<u>-</u>
FUND BALANCE - ENDING				
	<u>\$ 5,284,839</u>	<u>\$ 5,091,715</u>	<u>\$ 5,848,011</u>	<u>\$ 756,296</u>

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

CITY OF CROWLEY, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Economic Development Corporation
For the Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Sales taxes	\$ 582,400	\$ 582,400	\$ 688,932	\$ 106,532
Investment earnings	500	500	669	169
Total revenues	<u>582,900</u>	<u>582,900</u>	<u>689,601</u>	<u>106,701</u>
EXPENDITURES				
Administrative and finance	3,000	3,000	21,721	(18,721)
Economic development	84,000	84,000	1,320,740	(1,236,740)
Capital outlay	-	-	47,001	(47,001)
Debt service				
Principal	220,000	220,000	220,000	-
Interest and fiscal charges	11,200	11,200	8,853	2,347
Total expenditures	<u>318,200</u>	<u>318,200</u>	<u>1,618,315</u>	<u>(1,300,115)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	264,700	264,700	(928,714)	(1,193,414)
FUND BALANCE - BEGINNING	<u>1,329,283</u>	<u>1,329,283</u>	<u>1,329,283</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 1,593,983</u>	<u>\$ 1,593,983</u>	<u>\$ 400,569</u>	<u>\$ (1,193,414)</u>

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

CITY OF CROWLEY, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Crime Control and Prevention District
For the Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Sales taxes	\$ 545,900	\$ 545,900	\$ 616,460	\$ 70,560
Investment earnings	800	800	156	(644)
Total revenues	<u>546,700</u>	<u>546,700</u>	<u>616,616</u>	<u>69,916</u>
EXPENDITURES				
Public safety	245,667	245,667	339,052	(93,385)
Debt service				
Principal	215,000	215,000	215,000	-
Interest and fiscal charges	53,162	53,162	53,162	-
Total expenditures	<u>513,829</u>	<u>513,829</u>	<u>607,214</u>	<u>(93,385)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	32,871	32,871	9,402	(23,469)
FUND BALANCE - BEGINNING	<u>598,032</u>	<u>598,032</u>	<u>598,032</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 630,903</u>	<u>\$ 630,903</u>	<u>\$ 607,434</u>	<u>\$ (23,469)</u>

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

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

Total Pension Liability	December 31, 2014
Service cost	\$ 689,124
Interest (on the Total Pension Liability)	961,835
Changes in net benefit terms	-
Difference between expected and actual experience	(314,507)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	(332,931)
Net change in total pension liability	<u>1,003,521</u>
Total pension liability - beginning	13,562,397
	<u><u>\$ 14,565,918</u></u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 509,970
Contributions - employee	301,460
Net investment income	679,713
Benefit payments, including refunds of employee contributions	(332,931)
Administrative expense	(7,095)
Other	(583)
Net change in plan fiduciary net position	<u>1,150,534</u>
Plan fiduciary net position - beginning	11,879,419
Plan fiduciary net position - ending	<u><u>\$ 13,029,953</u></u>
Net Pension Liability	<u><u>\$ 1,535,965</u></u>
Plan fiduciary net position as a percentage of the total pension liability	89.46%
Covered-employee payroll	\$ 5,024,334
Net pension liability as a percentage of covered employee payroll	30.57%

CITY OF CROWLEY
 Schedule of Contributions
 Last Two Years

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

CITY OF CROWLEY
Notes to the Required Supplementary Information
For the Year Ended September 30, 2015

Budget

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

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

Excess of Expenditures over Appropriations

In the general fund, parks, animal control, community development, sanitation and capital outlay actual expenditures budgetary basis exceeded appropriations. Overall, total actual expenditures were under budget by \$400,601.

In the economic development corporation, actual economic development expenditures and administrative expenditures exceeded appropriations. Total actual expenditures exceeded appropriations by \$1,300,115 primarily due to the acquisition of the 320 E. Main Street property. Amounts were funded by excess sales tax revenue.

In the crime control and prevention district, actual public safety expenditures and debt service payments exceeded appropriations. Total actual expenditures exceeded appropriations by \$93,385. Amounts were funded by excess sales tax revenue.

CITY OF CROWLEY
Notes to the Required Supplementary Information
For the Year Ended September 30, 2015

Schedule of Contributions

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determined Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with Male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year.

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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, 2015

Exhibit F-1

	Nonmajor Special Revenue Funds				
	Court Technology & Security	Grant	LEOSE Training	PEG Fee	Total Nonmajor Funds
Assets					
Cash and cash equivalents	\$ 15,457	\$ 21,807	\$ 10,037	\$ 51,679	\$ 98,980
Investments	70,411	-	-	92,028	162,439
Receivables (Net of allowances for uncollectibles)					
Other taxes	-	-	-	8,546	8,546
Miscellaneous	-	13	-	-	13
Due from other funds	8,445	-	-	-	8,445
Total assets	<u>\$ 94,313</u>	<u>\$ 21,820</u>	<u>\$ 10,037</u>	<u>\$ 152,253</u>	<u>\$ 278,423</u>
Liabilities					
Accounts payable	\$ 1,870	\$ 2,204	\$ 538	\$ -	\$ 4,612
Unearned revenue		2,035			2,035
Total liabilities	<u>1,870</u>	<u>4,239</u>	<u>538</u>	<u>-</u>	<u>6,647</u>
Fund balance					
Restricted	<u>92,443</u>	<u>17,581</u>	<u>9,499</u>	<u>152,253</u>	<u>271,776</u>
Total fund balances	<u>92,443</u>	<u>17,581</u>	<u>9,499</u>	<u>152,253</u>	<u>271,776</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 94,313</u>	<u>\$ 21,820</u>	<u>\$ 10,037</u>	<u>\$ 152,253</u>	<u>\$ 278,423</u>

CITY OF CROWLEY, TEXAS
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended September 30, 2015

Exhibit F-2

	Court Technology & Security	Grant	LEOSE Training	Public, Educational, and Government Access (PEG)	Total Nonmajor Funds
Revenues					
Fees and fines	\$ 25,026	\$ -	\$ -	\$ -	\$ 25,026
Franchise fees	-	-	-	27,894	27,894
Grants and contributions	-	148,002	-	-	148,002
Other	-	-	3,726	-	3,726
Total revenue	<u>25,026</u>	<u>148,002</u>	<u>3,726</u>	<u>27,894</u>	<u>204,648</u>
Expenditures					
Current					
Municipal court	19,126	-	-	-	19,126
Library	-	-	-	-	-
Public safety	-	18,264	2,233	-	20,497
Fire and ambulance	-	32,299	450	-	32,749
Total expenditures	<u>19,126</u>	<u>50,563</u>	<u>2,683</u>	<u>-</u>	<u>72,372</u>
Excess (deficiency) of revenues over (under) expenditures	5,900	97,439	1,043	27,894	132,276
Other financing sources (uses)					
Transfers out	-	(100,000)	-	-	(100,000)
Net change in fund balances	5,900	(2,561)	1,043	27,894	32,276
Fund balances - beginning	86,543	20,142	8,456	124,359	239,500
Fund balances - ending	<u>\$ 92,443</u>	<u>\$ 17,581</u>	<u>\$ 9,499</u>	<u>\$ 152,253</u>	<u>\$ 271,776</u>

OTHER SUPPLEMENTARY INFORMATION

(Unaudited)

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CITY OF CROWLEY, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Debt Service Fund
For the Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 1,598,280	1,598,280	1,597,060	\$ (1,220)
Total revenues	<u>1,598,280</u>	<u>1,598,280</u>	<u>1,597,060</u>	<u>(1,220)</u>
EXPENDITURES				
Debt service				
Principal	1,200,000	1,200,000	1,200,000	-
Interest and fiscal charges	548,281	548,281	543,766	4,515
Total debt service	<u>1,748,281</u>	<u>1,748,281</u>	<u>1,743,766</u>	<u>4,515</u>
Total expenditures	<u>1,748,281</u>	<u>1,748,281</u>	<u>1,743,766</u>	<u>4,515</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(150,001)	(150,001)	(146,706)	3,295
FUND BALANCE - BEGINNING	<u>296,975</u>	<u>296,975</u>	<u>296,975</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 146,974</u>	<u>\$ 146,974</u>	<u>\$ 150,269</u>	<u>\$ 3,295</u>

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

	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)
Operating revenues:			
Water sales	\$ 2,881,837	\$ 2,799,436	\$ (82,401)
Sewer charges	1,773,500	1,897,820	124,320
Miscellaneous	300,600	317,539	16,939
Total operating revenue	<u>4,955,937</u>	<u>5,014,795</u>	<u>58,858</u>
Operating expenses:			
Personnel	716,763	648,528	68,235
Professional services	67,000	71,870	(4,870)
Purchased water	1,380,400	1,573,794	(193,394)
Wastewater treatment charge	940,600	1,086,598	(145,998)
Contractual services	172,930	175,030	(2,100)
Insurance	46,656	42,081	4,575
Administrative	38,606	35,510	3,096
Repairs and maintenance	84,778	92,706	(7,928)
Utilities	154,000	92,431	61,569
Capital outlay	20,000	146,831	(126,831)
Total operating expenses	<u>3,621,733</u>	<u>3,965,379</u>	<u>(343,646)</u>
Operating income (loss)	<u>1,334,204</u>	<u>1,049,416</u>	<u>(284,788)</u>
Nonoperating revenues (expenses):			
Investment earnings	3,500	573	(2,927)
Debt service - principal	(505,000)	(495,000)	10,000
Interest expense	(245,986)	(222,778)	23,208
Total nonoperating revenues (expenses)	<u>(747,486)</u>	<u>(717,205)</u>	<u>30,281</u>
Income (loss) before transfers	586,718	332,211	(254,507)
Transfers			
Transfers out	<u>(580,466)</u>	<u>(580,466)</u>	<u>-</u>
Change in net position	6,252	(248,255)	(254,507)
Net position - beginning	<u>9,403,509</u>	<u>9,403,509</u>	<u>-</u>
Net position - ending	<u>\$ 9,409,761</u>	<u>\$ 9,155,254</u>	<u>\$ (254,507)</u>
Reconciliation from Budgetary Basis to GAAP Basis:			
Capital outlay		146,831	
Depreciation		(798,872)	
Debt retirement		495,000	
		<u>\$ 8,998,213</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, 2015, 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 10, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

George Morgan Sneed, P.C.

Weatherford, Texas
February 10, 2016