

ANNUAL FINANCIAL REPORT

CITY OF CROSBYTON, TEXAS

FOR THE FISCAL YEAR ENDED MARCH 31, 2018

CITY OF CROSBYTON
Crosbyton, Texas

ANNUAL FINANCIAL REPORT
For the Year Ended March 31, 2018

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Crosbyton, Texas

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INTRODUCTORY SECTION

CITY OF CROSBYTON
Crosbyton, Texas

March 31, 2018

CITY COUNCIL

Dusty Cornelius

Mayor

Jim Justus

Councilmember

Abel Reyna

Councilmember

Heidi Hays

Councilmember

Doyle Parrish

Councilmember

Alva Rodriguez

Councilmember

Brad Thornhill

Councilmember

ADMINISTRATIVE STAFF

Margot Hardin
Jodie House

City Administrator
City Secretary

FINANCIAL SECTION

Terry & King, CPAs, P.C.

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P.O. Box 93550

Lubbock, TX 79493-3550

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Randel J. Terry, CPA

Ryan R. King, CPA

Independent Auditors' Report

Honorable Mayor and City Council
City of Crosbyton, Texas
221 W. Main
Crosbyton, Texas 79322

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Crosbyton, Texas, as of and for the year ended March 31, 2018, 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 disclosures 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 accounting 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Crosbyton, Texas, as of March 31, 2018, 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.



Independent Auditors' Report
Page 2

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, identified as Required Supplementary Information in the table of contents, 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.

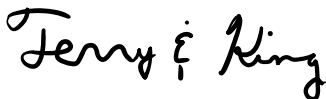
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Crosbyton's basic financial statements. The accompanying other schedules listed in the table of contents as Other Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2018, on our consideration of the City of Crosbyton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 effectiveness of the City's 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 Crosbyton's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Terry & King". The signature is written in a cursive, flowing style.

Terry & King, CPAs, P.C.
Lubbock, Texas
August 14, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Crosbyton's financial performance provides an overview of the City's financial activities for the fiscal year ended March 31, 2018. Please read this in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's net position increased as a result of this year's operations. While net position of our business-type activities increased by \$84,736, net position of our governmental activities increased by \$130,082.
- During the year, the City had expenses that were \$65,177 less than the \$968,024 generated in tax and other revenues for governmental programs before transfers.
- In the City's business type activities, charges for services increased \$13,028 to \$776,805 (or 2%) while operating expenses increased \$17,637 to \$668,089.
- The General Fund reported a surplus this year of \$3,624 prior to inter-fund transfers.
- The resources available for appropriation were \$15,229 more than budgeted for the General Fund. Expenditures for the General Fund were less than the budgeted amounts by \$53,146.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole -- The Statement of Net Position and the Statement of Activities

Our analysis of the City as a whole begins on page 6. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net position* and changes in it. You can think of the City's net position—the differences between assets and liabilities—as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including the ambulance, fire, police, sanitation, streets, cemetery, and parks departments, and general administration. Property taxes, franchise taxes, charges to customers, and state and federal grants finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover the cost of certain services it provides. The City's water and sewer services are reported here.

Reporting the City's Most Significant Funds – Fund Financial Statements

Our analysis of the City's major funds begins on page 10. The fund financial statements begin on page 15 and provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. At times a city council may establish other funds to help it control and manage money for particular purposes, such as special projects or to show that it is meeting legal responsibilities for using certain Federal or State grants. Currently the City's governmental funds consist of the General Fund, Airport Fund, Court Technology Fee Fund, and the Community Technology and Economic Development Center Fund. The City's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- *Governmental funds*—Most of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The Governmental fund statements provide a detailed *short-term view* of the City’s general government operations and the basic services it provides. Governmental fund information 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. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in reconciliation on Exhibits C-1R and C-3.
- *Proprietary funds*—When the City charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City’s enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

THE CITY AS A WHOLE

The City’s combined net position was \$4,087,865. Our following analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City’s government and business-type activities.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was \$4,087,865 at March 31, 2018. (See Table A-1).

Table A-1
City of Crosbyton's Net Position

	Governmental Activities			Business-type Activities			Total Primary Government		
	2018	2017	Percentage Change	2018	2017	Percentage Change	2018	2017	Percentage Change
Current assets:									
Cash in Bank - Unrestricted	611,928	535,705	14%	228,271	152,577	50%	840,199	688,282	22%
Accounts Receivable-Utilities, net	24,174	21,525	12%	66,275	58,452	13%	90,449	79,977	13%
Taxes Receivable, net	66,786	72,904	-8%	-	-	0%	66,786	72,904	-8%
Paving Liens Receivable, net	3,024	3,024	0%	-	-	0%	3,024	3,024	0%
Accrued Interest	912	711	28%	-	-	0%	912	711	28%
Due from Other Governments	10,733	26,136	-59%	-	-	0%	10,733	26,136	-59%
Internal Balances	11,087	32,385	-66%	2,128	(18,972)	-111%	13,215	13,413	-1%
Total current assets:	728,644	692,390	5%	296,674	192,057	54%	1,025,318	884,447	16%
Noncurrent assets:									
Net Pension Asset	74,850	23,477	219%	27,342	5,376	100%	102,192	28,853	254%
Unamortized Water Contract Costs	-	-	0%	157,335	163,587	-4%	157,335	163,587	-4%
Capital Assets, net	1,258,753	1,227,766	3%	1,802,621	1,831,184	-2%	3,061,374	3,058,950	0%
Restricted Assets:									
Cash-Cemetery Contributions	71,693	68,224	5%	-	-	0%	71,693	68,224	5%
Total noncurrent assets	1,405,296	1,319,467	7%	1,987,298	2,000,147	-1%	3,392,594	3,319,614	2%
Total Assets	2,133,940	2,011,857	6%	2,283,972	2,192,204	4%	4,417,912	4,204,061	5%
	-	-		-	-		-	-	
Deferred Outflows of Resources:									
Deferred Outflows - Pensions	48,939	67,814	-28%	15,881	21,862	-27%	64,820	89,676	-28%
Total Deferred Outflows of Resources	48,939	67,814	-28%	15,881	21,862	-27%	64,820	89,676	-28%
Current liabilities:									
Accounts Payable	34,141	35,321	-3%	26,586	29,046	-8%	60,727	64,367	-6%
Compensated Absences	9,965	15,793	-37%	3,568	7,455	-52%	13,533	23,248	-42%
Total current liabilities	44,106	51,114	-14%	30,154	36,501	-17%	74,260	87,615	-15%
Noncurrent liabilities:									
Customer Deposits	-	-	0%	44,721	43,906	2%	44,721	43,906	2%
Net Pension Liability	28,802	42,818	-33%	-	-	0%	28,802	42,818	-33%
Due within one year	-	10,155	-100%	4,395	9,269	-53%	4,395	19,424	-77%
Due in more than one year	-	13,339	-100%	160,344	164,739	-3%	160,344	178,078	-10%
Total noncurrent liabilities	28,802	66,312	-57%	209,460	217,914	-4%	238,262	284,226	-16%
Deferred Inflows of Resources:									
Deferred Insurance Proceeds	-	19,430	-100%	-	-	0%	-	19,430	-100%
Deferred Inflows - Pensions	59,789	22,715	163%	22,556	6,704	236%	82,345	29,419	180%
Total Deferred Inflows of Resources	59,789	42,145	42%	22,556	6,704	236%	82,345	48,849	69%
Net Position:									
Net investment in capital assets	1,258,753	1,204,272	5%	1,795,217	1,820,763	-1%	3,053,970	3,025,035	1%
Restricted For:									
Cemetery Perpetual Care	71,693	68,224	5%	-	-	0%	71,693	68,224	5%
Specific Purposes	2,027	462	339%	-	-	0%	2,027	462	339%
Unrestricted	717,709	647,142	11%	242,466	132,184	83%	960,175	779,326	23%
Total Net Position	2,050,182	1,920,100	7%	2,037,683	1,952,947	4%	4,087,865	3,873,047	6%

Net position of the City's governmental activities increased (\$2,050,182 compared to \$1,920,100). Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - changed from \$647,142 at March 31, 2017 to \$717,709 at the end of this year. Net position of the City's business-type activities increased from \$1,952,947 to \$2,037,683.

Table A-2
Changes in City of Crosbyton's Net Position

	Governmental Activities			Business-type Activities			Total Primary Government		
	2018	2017	Percentage Change	2018	2017	Percentage Change	2018	2017	Percentage Change
Program Revenues:									
Charges for Services	294,838	301,446	-2%	776,805	763,777	2%	1,071,643	1,065,223	1%
Grants & Contributions	93,944	163,794	-43%	40,925	160,173	-74%	134,869	323,967	-58%
General Revenues:									
Property Taxes	281,943	276,255	2%	-	-	0%	281,943	276,255	2%
Nonproperty Taxes	234,793	228,752	3%	-	-	0%	234,793	228,752	3%
Investment Earnings	1,881	1,630	15%	-	-	0%	1,881	1,630	15%
Other	60,625	15,837	283%	-	-	0%	60,625	15,837	283%
	<u>968,024</u>	<u>987,714</u>	<u>-2%</u>	<u>817,730</u>	<u>923,950</u>	<u>-11%</u>	<u>1,785,754</u>	<u>1,911,664</u>	<u>-7%</u>
Expenses:									
General Government	238,878	252,848	-6%	-	-	0%	238,878	252,848	-6%
Public Safety	200,661	254,102	-21%	-	-	0%	200,661	254,102	-21%
Streets	37,219	30,722	21%	-	-	0%	37,219	30,722	21%
Sanitation	249,086	233,454	7%	-	-	0%	249,086	233,454	7%
Health	57,930	40,694	42%	-	-	0%	57,930	40,694	42%
Culture and Recreation	72,134	81,922	-12%	-	-	0%	72,134	81,922	-12%
Airport	10,875	10,224	6%	-	-	0%	10,875	10,224	6%
Community Technology & Economic Development Center	35,837	30,917	16%	-	-	0%	35,837	30,917	16%
Interest on L-T Debt	227	1,301	-83%	-	-	0%	227	1,301	-83%
Water and Sewer	-	-	0%	668,089	650,452	3%	668,089	650,452	3%
	<u>902,847</u>	<u>936,184</u>	<u>-4%</u>	<u>668,089</u>	<u>650,452</u>	<u>3%</u>	<u>1,570,936</u>	<u>1,586,636</u>	<u>-1%</u>
Excess (Deficiency) Before Other Resources, Uses & Transfers	65,177	51,530	-26%	149,641	273,498	-45%	214,818	325,028	-34%
Other Resources (Uses)	-	-	0%	-	-	0%	-	-	0%
Transfers In (Out)	64,905	45,000	44%	(64,905)	(45,000)	-44%	-	-	0%
Increase (Decrease) in Net Position	130,082	96,530	-35%	84,736	228,498	-63%	214,818	325,028	-34%
Net Position - Beginning	1,920,100	1,823,570	5%	1,952,947	1,724,449	13%	3,873,047	3,548,019	9%
Net Position - Ending	<u>2,050,182</u>	<u>1,920,100</u>	<u>7%</u>	<u>2,037,683</u>	<u>1,952,947</u>	<u>4%</u>	<u>4,087,865</u>	<u>3,873,047</u>	<u>6%</u>

The City's total revenues were \$1,785,754. A significant portion, 46%, of the City's total revenue comes from the water and sewer operations. Revenues available to fund governmental activities consist of property taxes (29%), non-property taxes (24%), charges for services (30%), grants and contributions (10%) and other (7%).

The total cost of all programs and services was \$1,570,936; 43% of these costs were for water and sewer production and administration expenses. Expenses for governmental activities consisted of costs for general administration (26%), public safety (22%), streets and services (4%), sanitation (28%), health and welfare (6%), culture and recreation (8%), airport (1%), and the Community Technology and Economic Development Center (4%).

Governmental Activities

Revenues for the City's governmental activities decreased 2%, while total expenses decreased 4%.

- Property tax rates decreased from \$0.7841 to \$0.7758 per \$100 valuation. The ad valorem tax levy for the previous fiscal year was \$273,322, compared to \$276,765 for the current year. Total tax collections increased from \$256,430 in the prior year to \$274,395 in the current year.
- The cost of all *governmental* activities this year was \$902,847. As shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through tax collections was \$281,943 because some of the costs were paid by those who directly benefited from the programs (\$294,838), by nonproperty taxes (\$234,793), or proceeds from grants and contributions (\$93,944).
- Revenues from grants and contributions decreased \$69,850. The city received grants in the prior year in the amount of \$117,656 for the purchase of a fire truck and other equipment. In the current year, the fire department received \$39,846 for the purchase of equipment and supplies.

Business-type Activities

Revenues of the City's business-type activities (see table A-2) increased by 2% (\$776,805 from \$763,777) and expenses increased by 3% (\$668,089 from \$650,452).

THE CITY'S FUNDS

As the City completed the fiscal year, its governmental funds (as presented in the balance sheet on Exhibit C-1) reported a *combined* fund balance of \$699,410, which is an increase from the prior year's total of \$632,959. The following items effecting fund balance should be noted:

- In the prior year, expenditures were less than revenues by \$25,819 prior to transfers. In the current year, expenditures were less than revenues by \$3,624 prior to transfers.
- The revenues in the general fund decreased \$2,816 or less than 1% from the prior period and expenses for the general fund increased \$21,457 or 2% from the prior period.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City's budget several times. Even with these adjustments, actual revenues were \$15,229 more than budgeted amounts and expenditures were \$53,146 less than final budget amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the City had \$7,239,921 invested in a broad range of capital assets, including ambulance and fire equipment, buildings, furniture and equipment, and utilities facilities (see Table A-3). This amount represents a net increase (including additions and deductions) of \$181,833, or 3%, over last year.

Table A-3
Fixed Assets

Governmental Activities:	Balance 04-01-17	Additions	Deletions/ Reclassifications	Balance 03-31-18
Land	\$ 151,215	-	-	151,215
Infrastructure	372,507	38,060	-	410,567
Buildings& Improvements	1,428,211	39,621	-	1,467,832
Furniture & Equipment	1,297,282	48,227	-	1,345,509
Accumulated Depreciation	<u>(2,021,450)</u>	<u>(94,920)</u>	<u>-</u>	<u>(2,116,370)</u>
Net Capital Assets	<u>\$ 1,227,765</u>	<u>\$ 30,988</u>	<u>\$ -</u>	<u>\$ 1,258,753</u>

Business-Type Activities:	Balance 04-01-17	Additions	Deletions/ Reclassifications	Balance 03-31-18
Land	\$ 2,608	-	-	2,608
Buildings& Improvements	85,007	-	-	85,007
Vehicles & Equipment	3,721,258	55,925	-	3,777,183
Accumulated Depreciation	<u>(1,977,690)</u>	<u>(84,495)</u>	<u>-</u>	<u>(2,062,185)</u>
Net Capital Assets	<u>\$ 1,831,183</u>	<u>\$ (28,570)</u>	<u>\$ -</u>	<u>\$ 1,802,613</u>

More detailed information about the City's capital assets is presented in the notes to the financial statements.

Debt

A municipal government can finance activities such as capital improvements and acquisitions through general tax bonds or revenue bonds. Additionally, a government may purchase items through the use of capital leases or notes payable with a financial institution.

The City carried two notes at Citizens National Bank, Crosbyton, Texas for the acquisition of vehicles. The City also carried another note with Citizens National Bank, Crosbyton, Texas for the purchase of water meter systems. These notes were all extinguished in the current fiscal year.

The City has a contractual agreement along with 3 other cities to purchase water from White River Municipal Water District. Additionally, each of the 4 cities has a contractual obligation to provide the funding necessary to retire \$1,055,000 of bonded indebtedness held by White River Municipal Water District. Each City is required to pay a monthly fee to fund the retirement of the indebtedness. The City accounts for these payments in the proprietary fund for water & sewer activities. The interest charged to expense in the current fiscal year was \$7,051.

<u>Governmental Activities:</u>	<u>Balance 04-01-17</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance 03-31-18</u>	<u>Due Within One Year</u>
2014 Tahoe	\$ 11,135	-	11,135	-	-
2015 Chevy Silverado	<u>12,359</u>	<u>-</u>	<u>12,359</u>	<u>-</u>	<u>-</u>
Total Notes Payable	<u>\$ 23,494</u>	<u>\$ -</u>	<u>\$ 23,494</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Business-Type Activities:</u>	<u>Balance 04-01-17</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance 03-31-18</u>	<u>Due Within One Year</u>
Water Meter System	\$ 4,508	\$ -	\$ 4,508	\$ -	\$ -
WRMWD Debt	<u>169,500</u>	<u>-</u>	<u>\$ 4,761</u>	<u>164,739</u>	<u>4,395</u>
Total Notes Payable	<u>\$ 174,008</u>	<u>\$ -</u>	<u>\$ 9,269</u>	<u>\$ 164,739</u>	<u>\$ 4,395</u>

More detailed information about the City's long-term obligations is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected officials considered many factors when setting the fiscal year 2019 budget, tax rates, and fees. Factors considered include the current economy, property tax values and the needs of the City in the coming year. The Council has adopted tax rates, budgets and set fees accordingly.

If these estimates are realized, the City's budgetary general fund fund balance is not expected to change appreciably by the close of 2019.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Administrator at the City's office located in Crosbyton, Texas.

BASIC FINANCIAL STATEMENTS

CITY OF CROSBYTON
Crosbyton, Texas

STATEMENT OF NET POSITION
March 31, 2018

	Primary Government				
	Governmental Activities	Business-type Activities	Total	Component Unit	Total Reporting Entity
ASSETS:					
Cash in Bank - Unrestricted	\$ 611,928	\$ 228,271	\$ 840,199	\$ 268,788	\$ 1,108,987
Accounts Receivable-Utilities, net	24,174	66,275	90,449	-	90,449
Taxes Receivable, net	66,786	-	66,786	-	66,786
Paving Liens, net	3,024	-	3,024	-	3,024
Accrued Interest	912	-	912	385	1,297
Internal Balances	(2,128)	2,128	-	-	-
Internal Balances - Component Unit	13,215	-	13,215	(13,215)	-
Due from Other Governments	10,733	-	10,733	-	10,733
Noncurrent Assets:					
Net Pension Asset	74,850	27,342	102,192	12,447	114,639
Unamortized Water Contract Costs	-	157,335	157,335	-	157,335
Land	151,214	2,608	153,822	14,135	167,957
Construction in Progress	-	-	-	-	-
Infrastructure	329,786	-	329,786	-	329,786
Buildings & Improvements, net	586,874	25,745	612,619	817,370	1,429,989
Furniture & Equipment, net	190,879	1,774,268	1,965,147	29,695	1,994,842
Restricted Assets:					
Cash - Collateralized	-	-	-	276,190	276,190
Cash - Cemetery Contributions	71,693	-	71,693	-	71,693
TOTAL ASSETS	\$ 2,133,940	\$ 2,283,972	\$ 4,417,912	\$ 1,405,795	\$ 5,823,707
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred Outflows - Pensions	\$ 48,939	\$ 15,881	\$ 64,820	\$ 2,674	\$ 67,494
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 48,939	\$ 15,881	\$ 64,820	\$ 2,674	\$ 67,494
LIABILITIES:					
Current Liabilities:					
Accounts Payable	\$ 34,141	\$ 26,586	\$ 60,727	\$ 1,535	\$ 62,262
Accrued Interest Expense	-	-	-	998	998
Compensated Absences	9,965	3,568	13,533	-	13,533
Noncurrent Liabilities:					
Net Pension Liability	28,802	-	28,802	-	28,802
Customer Deposits	-	44,721	44,721	-	44,721
Due within one year	-	4,395	4,395	26,310	30,705
Due in more than one year	-	160,344	160,344	249,880	410,224
Total Liabilities	\$ 72,908	\$ 239,614	\$ 312,522	\$ 278,723	\$ 591,245
DEFERRED INFLOWS OF RESOURCES:					
Deferred Inflows - Pensions	\$ 59,789	\$ 22,556	\$ 82,345	\$ 9,389	\$ 91,734
Total Deferred Inflows of Resources	\$ 59,789	\$ 22,556	\$ 82,345	\$ 9,389	\$ 91,734
NET POSITION					
Net Investment in capital assets	\$ 1,258,753	\$ 1,795,217	\$ 3,053,970	\$ 585,010	\$ 3,638,980
Restricted For:					
Cemetery Perpetual Care	71,693	-	71,693	-	71,693
Court Technology	463	-	463	-	463
Swimming Pool Donations	1,564	-	1,564	-	1,564
Debt Service	-	-	-	276,190	276,190
Unrestricted	717,709	242,466	960,175	259,157	1,219,332
Total Net Position	\$ 2,050,182	\$ 2,037,683	\$ 4,087,865	\$ 1,120,357	\$ 5,208,222

The accompanying notes are an integral part of this statement.

CITY OF CROSBYTON
Crosbyton, Texas

STATEMENT OF ACTIVITIES
Year Ended March 31, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit	Total Reporting Entity
		Fees, Fines, Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				
					Governmental Activities	Business-type Activities	Total		
Government Activities:									
General Government	\$ 238,878	\$ 10,399	\$ -	\$ -	\$ (228,479)	-	(228,479)	-	(228,479)
Public Safety	200,661	9,743	23,200	39,846	(127,872)	-	(127,872)	-	(127,872)
Streets	37,219	175	-	-	(37,044)	-	(37,044)	-	(37,044)
Sanitation	249,086	239,214	-	-	(9,872)	-	(9,872)	-	(9,872)
Health and Welfare	57,930	17,057	-	-	(40,873)	-	(40,873)	-	(40,873)
Culture and Recreation	72,134	7,516	2,898	-	(61,720)	-	(61,720)	-	(61,720)
Airport	10,875	10,734	-	-	(141)	-	(141)	-	(141)
Community Technology and Economic Development Center	35,837	-	28,000	-	(7,837)	-	(7,837)	-	(7,837)
Interest on Long-Term Debt	227	-	-	-	(227)	-	(227)	-	(227)
<u>Total Governmental Activities</u>	<u>902,847</u>	<u>294,838</u>	<u>54,098</u>	<u>39,846</u>	<u>(514,065)</u>	<u>-</u>	<u>(514,065)</u>	<u>-</u>	<u>(514,065)</u>
Business-type Activities									
Water and Sewer	668,089	776,805	-	40,925	-	149,641	149,641	-	149,641
Total Primary Government	\$ 1,570,936	\$ 1,071,643	\$ 54,098	\$ 80,771	\$ (514,065)	\$ 149,641	\$ (364,424)	\$ -	\$ (364,424)
Component Unit:									
Pioneer Memorial Museum	\$ 186,088	\$ 7,383	\$ 215,964	\$ -				\$ 37,259	\$ 37,259
General Revenues:									
Property Taxes, Levied for General Purpose:					281,943	-	281,943	-	281,943
Sales Taxes					133,132	-	133,132	-	133,132
Franchise Taxes					96,733	-	96,733	-	96,733
Other Taxes					4,928	-	4,928	-	4,928
Unrestricted Investment Earnings					1,881	-	1,881	1,749	3,630
Miscellaneous					20,802	-	20,802	-	20,802
Insurance Proceeds					39,823	-	39,823	-	39,823
Transfers					64,905	(64,905)	-	-	-
Total General Revenues and Transfers					644,147	(64,905)	579,242	1,749	580,991
Change in Net Position					130,082	84,736	214,818	39,008	253,826
Net Position -- Beginning, as restated					1,920,100	1,952,947	3,873,047	1,081,349	4,954,396
Net Position -- Ending					\$ 2,050,182	\$ 2,037,683	\$ 4,087,865	\$ 1,120,357	\$ 5,208,222

The accompanying notes are an integral part of this statement.

CITY OF CROSBYTON
Crosbyton, Texas

BALANCE SHEET -- GOVERNMENTAL FUNDS
March 31, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 592,625	\$ 19,303	\$ 611,928
Taxes Receivable, net	66,786	-	66,786
Accounts Receivable, net (allowance for uncollectible accounts of \$3,321)	24,174	-	24,174
Paving Liens, net	3,024	-	3,024
Accrued Interest	912	-	912
Due from Other Funds	4,042	4,001	8,043
Due from Component Unit	13,215	-	13,215
Due from Other Governments	10,733	-	10,733
Restricted Assets:			
Cash Cemetery Contributions	71,693	-	71,693
<u>TOTAL ASSETS</u>	<u>\$ 787,204</u>	<u>\$ 23,304</u>	<u>\$ 810,508</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 34,053	\$ 88	\$ 34,141
Due to Other Funds	6,129	4,042	10,171
<u>Total Liabilities</u>	<u>40,182</u>	<u>4,130</u>	<u>44,312</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable Revenue - Property Taxes	66,786	-	66,786
<u>Total Deferred Inflows of Resources</u>	<u>66,786</u>	<u>-</u>	<u>66,786</u>
FUND BALANCES:			
Restricted For:			
Cemetery Perpetual Care	71,693	-	71,693
Swimming Pool Donations	1,564	-	1,564
Court Technology	-	463	463
Committed for:			
Airport	-	14,989	14,989
Community Technology & EDC	-	3,722	3,722
Assigned for:			
Property Management	9,138	-	9,138
Unassigned	597,841	-	597,841
<u>Total Fund Equities</u>	<u>680,236</u>	<u>19,174</u>	<u>699,410</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>	<u>\$ 787,204</u>	<u>\$ 23,304</u>	<u>\$ 810,508</u>

The accompanying notes are an integral part of this statement.

CITY OF CROSBYTON
Crosbyton, Texas

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
March 31, 2018

Total Fund Balances -- Governmental Funds Balance Sheet	\$ 699,410
Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds	66,786
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,258,753
Compensated absences liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities	(9,965)
Some liabilities, including notes payable are not due and payable in the current period and therefore are not reported in the funds	-
Included in the items related to noncurrent assets is the recognition of the City's proportionate share of the net pension asset required by GASB 68 in the amount of \$74,850, a net pension liability of \$28,802, a deferred resource outflow related to Pensions in the amount of \$48,939, and a deferred resource inflow in the amount of \$59,789. This resulted in an increase in net position by \$35,198.	<u>35,198</u>
Net Position of Governmental Activities -- Statement of Net Position	<u>\$ 2,050,182</u>

The accompanying notes are an integral part of this statement.

CITY OF CROSBYTON
Crosbyton, Texas

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
GOVERNMENTAL FUNDS
For the Year Ended March 31, 2018

	General Fund	Other Governmental Fund	Total Governmental Funds
REVENUES:			
Property Taxes (Including Penalty & Interest)	\$ 288,061	\$ -	\$ 288,061
Sales Taxes	133,132	-	133,132
Franchise Taxes	96,733	-	96,733
Other Taxes	4,928	-	4,928
Fees and Fines	16,743	-	16,743
Licenses and Permits	2,958	-	2,958
Charges for Services	256,865	-	256,865
Rents and Concessions	516	10,734	11,250
Investment Income	1,880	1	1,881
Intergovernmental	23,200	28,000	51,200
Grants	31,346	-	31,346
Donations	11,399	-	11,399
Property Management	7,021	-	7,021
Insurance Proceeds	39,823	-	39,823
Miscellaneous	20,801	-	20,801
<u>Total Revenues</u>	<u>935,406</u>	<u>38,735</u>	<u>974,141</u>
EXPENDITURES			
Current			
General Government	237,843	-	237,843
Public Safety	197,334	-	197,334
Streets	16,398	-	16,398
Sanitation	250,633	-	250,633
Health and Welfare	55,744	-	55,744
Culture and Recreation	51,391	-	51,391
Community Technology and Economic Development Center	10,000	25,837	35,837
Airport	-	14,976	14,976
Capital Outlay	88,718	-	88,718
Debt Service:			
Principal	23,494	-	23,494
Interest	227	-	227
<u>Total Expenditures</u>	<u>931,782</u>	<u>40,813</u>	<u>972,595</u>
Excess of Revenues Over (Under) Expenditures	3,624	(2,078)	1,546
OTHER FINANCING SOURCES (USES)			
Transfers In/(Out)	64,905	-	64,905
Proceeds from Long-Term Debt	-	-	-
<u>Total Other Sources (Uses)</u>	<u>64,905</u>	<u>-</u>	<u>64,905</u>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	68,529	(2,078)	66,451
Fund Balance--Beginning of Year	611,707	21,252	632,959
<u>Fund Balance--End of Year</u>	<u>\$ 680,236</u>	<u>\$ 19,174</u>	<u>\$ 699,410</u>

The accompanying notes are an integral part of this statement.

CITY OF CROSBYTON
Crosbyton, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2018

Net Change in Fund Balances -- Total Governmental Funds	\$ 66,451
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Amounts reported for governmental activities in the statement of activities ("SOA") are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount of capital outlays during the current period.	125,908
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The depreciation of capital assets is not reported in the funds. This is the amount of current depreciation on these assets.	(94,921)
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Certain property tax revenues are unavailable in the funds. These are the amounts that have not been collected and are therefore do not provide current financial resources. This is the amount that these accounts have changed during the current period.	(6,118)
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Under the modified accrual basis of accounting used in the governmental funds compensated absences are recognized when paid. In the statement of activities, however, which is presented on the accrual basis, compensated absences are reported as it accrues.	5,828
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Proceeds from the issuance of long-term debt, such as notes payable are reported as other resources in the governmental funds. In the statement of net position, these amounts are reflected as an increase to the long-term debt section.	-
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Repayment of debt principal is an expenditure in the governmental funds, but is a reduction of long-term debt in the statement of net position. This amount is the total debt principal repaid on long-term debt.	23,494
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The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date caused the change in the ending net position to increase in the amount of \$7,377. Contributions made before the measurement date and during the 2017 fiscal year were also expended in the 2017 fiscal year and recorded as an increase in net pension expense for the District. This caused a decrease in the change in net position totaling \$5,727. The District's proportionate share of the pension expense on the plan as a whole had to be recorded as an expense. The net pension expense increased the change in net position \$7,790. The result of these amounts is to increase the change in net position by \$9,440.	9,440
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Change in Net Position -- Statement of Activities	<u>\$ 130,082</u>
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The accompanying notes are an integral part of this statement.

CITY OF CROSBYTON
Crosbyton, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUND
March 31, 2018

	Business-Type Activities-- Enterprise Funds
	Water & Sewer
ASSETS	
<u>Current Assets:</u>	
Cash	\$ 228,271
Accounts Receivable, net (allowance for uncollectible accounts of \$10,652)	66,275
Due from Other Funds	2,128
<u>Total Current Assets</u>	<u>296,674</u>
<u>Noncurrent Assets:</u>	
Net Pension Asset	27,342
Unamortized Water Contract Costs	157,335
Land	2,608
Construction in Progress	-
Buildings and Improvements, net	25,745
Vehicles, Equipment and Furniture, net	1,774,268
<u>Total Noncurrent Assets</u>	<u>1,987,298</u>
<u>TOTAL ASSETS</u>	<u>\$ 2,283,972</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows - Pension	\$ 15,881
<u>TOTAL DEFERRED OUTFLOWS OF RESOURCES</u>	<u>\$ 15,881</u>
LIABILITIES	
<u>Current Liabilities</u>	
Accounts Payable	\$ 26,586
Due to Other Funds	-
Compensated Absences	3,568
Customer Deposits	44,721
<u>Total Current Liabilities</u>	<u>74,875</u>
<u>Noncurrent Liabilities</u>	
Net Pension Liability	-
Due within one year	4,395
Due in more than one year	160,344
<u>Total Noncurrent Liabilities</u>	<u>164,739</u>
<u>TOTAL LIABILITIES</u>	<u>239,614</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows - Pension	\$ 22,556
<u>TOTAL DEFERRED INFLOWS OF RESOURCES</u>	<u>\$ 22,556</u>
NET POSITION	
Net investment in capital assets	1,795,217
Unrestricted	242,466
<u>Total Net Position</u>	<u>2,037,683</u>

The accompanying notes are an integral part of this statement.

EXHIBIT D-2

CITY OF CROSBYTON
Crosbyton, Texas

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION--
PROPRIETARY FUNDS

For the Year Ended March 31, 2018

	Business-Type Activities-- Enterprise Funds
	<u>Water & Sewer</u>
<u>Operating Revenues</u>	
Water Sales	\$ 609,753
Sewer Charges	140,519
Tapping Fees and Late Payment Penalties	21,982
Other	4,551
<u>Total Operating Revenues</u>	<u>776,805</u>
<u>Operating Expenses</u>	
Production Expenses	255,543
Distribution Expenses	199,912
Administrative Expenses	114,835
Amortization	6,252
Depreciation	84,496
<u>Total Operating Expenses</u>	<u>661,038</u>
<u>Operating Income (Loss)</u>	115,767
<u>Non-Operating Revenues (Expenses)</u>	
Interest Expense	(7,051)
<u>Total Non-Operating Revenues (Expenses)</u>	<u>(7,051)</u>
<u>Income Before Contributions and Transfers</u>	<u>108,716</u>
<u>Contributions and Transfers</u>	
Capital Contribution - Grants	40,925
Transfer from/(to) Other Funds	(64,905)
<u>Total Contributions and Transfers</u>	<u>(23,980)</u>
Change in Net Position	84,736
NET POSITION	
Net Position - Beginning, as Restated	1,952,947
Net Position, End of Year	<u>\$ 2,037,683</u>

The accompanying notes are an integral part of this statement.

CITY OF CROSBYTON
Crosbyton, Texas

STATEMENT OF CASH FLOWS--
PROPRIETARY FUNDS
For the Year Ended March 31, 2018

	Business-Type Activities-- Enterprise Funds
	<u>Water & Sewer</u>
<u>Cash Flows from Operating Activities:</u>	
Receipts from Customers	\$ 769,797
Payments to Suppliers	(428,164)
Payments to Employees	(148,606)
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>193,027</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Transfers to Other Funds	(64,905)
Change in Due to Other Funds	(21,100)
<u>Net Cash Provided (Used) by Non-Capital Financing Activities</u>	<u>(86,005)</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Acquisition of Capital Assets	(55,925)
Payments on Debt Acquired for Capital Assets	(16,328)
Contributed Capital	40,925
<u>Net Cash Provided (Used) by Capital & Related Financing Activities</u>	<u>(31,328)</u>
Net Increase (Decrease) in Cash & Cash Equivalents	75,694
Cash & Cash Equivalents--Beginning of Year	<u>152,577</u>
<u>Cash & Cash Equivalents--End of Year</u>	<u>\$ 228,271</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Operating Income (Loss)	\$ 115,767
Adjustments to Reconcile to Net Cash Provided (Used) by Operating Activities:	
Amortization	6,252
Depreciation	84,496
(Increase) Decrease in Receivables	(7,823)
(Increase) Decrease in Net Pension Asset	(21,966)
Increase (Decrease) in Liabilities	(5,532)
Increase (Decrease) in Deferred Outflows	5,981
Increase (Decrease) in Deferred Inflows	15,852
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>\$ 193,027</u>

The accompanying notes are an integral part of this statement.

CITY OF CROSBYTON
Crosbyton, Texas

NOTES TO FINANCIAL STATEMENTS
March 31, 2018

Note A: Summary of Significant Accounting Policies

The basic financial statements of the City of Crosbyton have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB") and the American Institute of Certified Public Accountants (AICPA).

1. The Reporting Entity

The City of Crosbyton, Texas was chartered under the provisions of the State of Texas on November 21, 1917. The citizens elect the mayor at large and six council members by wards. The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the over-reporting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all of taxes, are presented as general revenues.

CITY OF CROBYTON
Crosbyton, Texas

NOTES TO FINANCIAL STATEMENTS, Page 2
March 31, 2018

Note A: Summary of Significant Accounting Policies (Continued)

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

General Fund: This is the primary operating fund of the City. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

In addition, the City reports the following fund types:

Enterprise Funds: Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Component Unit: This fund reports the activities of the Pioneer Memorial Museum. The city council appoints the Museum's board of directors and approves its annual budgets. The Component Unit is discretely presented because the Component Unit's board of trustees is comprised of board members only from the primary government and those who were appointed by the primary government. Also, the Component Unit has the potential to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

b. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

CITY OF CROSBYTON
Crosbyton, Texas

NOTES TO FINANCIAL STATEMENTS, Page 3
March 31, 2018

Note A: Summary of Significant Accounting Policies--Continued

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims, and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus utilizing the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The fund equity is segregated in net investment in capital assets, restricted net position, and unrestricted net position.

c. Fund Balance Classification

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Currently, the City's restricted fund balances are made up of \$71,693 restricted by donors for Cemetery perpetual care, \$1,564 restricted for swimming pool donations, and \$463 restricted for Court Technology.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. Currently, the City has fund balances committed of \$14,989 for the airport and \$3,722 committed for the Community Technology and Economic Development Center.

CITY OF CROSBYTON
Crosbyton, Texas

NOTES TO FINANCIAL STATEMENTS, Page 4
March 31, 2018

Note A: Summary of Significant Accounting Policies (continued)

c. Fund Balance Classification (continued)

Unassigned: This classification includes the residual fund balance for the General Fund.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

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

The District reserves the right to selectively spend Unassigned/Unrestricted resources first to defer the use of these other classified funds.

3. Financial Statement Amounts

a. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

For purposes of the statement of cash flows, the City considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents.

Investments for the City are reported at fair value.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1st for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1st of the year following the year in which imposed. On January 1st of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. As of March 31, 2018, the amount deemed uncollectible by this estimate was \$65,661. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

CITY OF CROSBYTON
Crosbyton, Texas

NOTES TO FINANCIAL STATEMENTS, Page 5
March 31, 2018

Note A: Summary of Significant Accounting Policies (continued)

c. Inventories and Prepaid Items

The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

Certain payments to vendors reflect cost applicable to future periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair market value at the date of the donation. The City has elected not to retroactively report its infrastructure assets. Infrastructure assets acquired after the implementation of GASB 34 will be capitalized. The cost of normal maintenance and repairs that do not add to the value of the assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	50
Buildings	40-50
Building Improvements	20-25
Vehicles	5-10
Office Equipment and Furniture	5-10
Computer Equipment	3

e. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of the period end.

CITY OF CROSBYTON
Crosbyton, Texas

NOTES TO FINANCIAL STATEMENTS, Page 6
March 31, 2018

Note A: Summary of Significant Accounting Policies (continued)

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

h. Compensated Absences

The liability for compensated absences reported in the government-wide consists of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for employees eligible or expected to become eligible in the future to receive such payments upon termination are included.

i. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position 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 currently has one item which qualifies for reporting in this category related to pensions.

Governmental Funds: In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period when the amounts become available.

CITY OF CROSBYTON
Crosbyton, Texas

NOTES TO FINANCIAL STATEMENTS, Page 7
March 31, 2018

Note B: Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures", violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violations</u>	<u>Action Taken</u>
None Reported	Not Applicable

Note C: Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. 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.

Cash Deposits

At March 31, 2018, the carrying amount of the City's deposits (cash, certificates of deposit, and interest bearing saving accounts included in temporary investments) was \$1,456,870 and the bank balance was \$1,456,959. The City's cash deposits at March 31 and during the year then ended, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports an establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

CITY OF CROSBYTON
Crosbyton, Texas

NOTES TO FINANCIAL STATEMENTS, Page 8
March 31, 2018

Note C: Deposits and Investments (continued)

State statutes and Council policy authorize the City to invest in 1) obligations of the U.S. or its agencies and instrumentalities; 2) obligations of state, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent; 3) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas; 4) obligations of the state of Texas or its agencies; 5) other obligations guaranteed by the U.S. or the state of Texas or their agencies and instrumentalities; 6) fully collateralized repurchase agreements; and 7) public funds investment pools. Temporary investments are reported at cost, which approximates market, and are secured, when necessary, by the FDIC or obligations of items 1-4 above at 102% of the investment's market value.

The City's investments at March 31, 2018 included certificates of deposit (\$793,525), and investment pools (\$5,555).

<u>Investment Pool</u>	<u>Fund Rating (Standard & Poor's)</u>	<u>Wtd Average Maturity</u>	<u>Amount</u>
Texpool	AAAm	35 Days	\$ 5,555

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of now lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

CITY OF CROSBYTON
Crosbyton, Texas

NOTES TO FINANCIAL STATEMENTS, Page 9
March 31, 2018

Note C: Deposits and Investments (continued)

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

CITY OF CROSBYTON
Crosbyton, Texas

NOTES TO FINANCIAL STATEMENTS, Page 10
March 31, 2018

Note D: Capital Assets

Capital asset activity for the period ended March 31, 2018, was as follows:

Governmental Activities:	Balance 4-01-17	Additions	Deletions/ Reclassifications	Balance 3-31-18
Land	\$ 151,215	-	-	\$ 151,215
Infrastructure	372,507	38,060	-	410,567
Buildings& Improvements	1,428,211	39,621	-	1,467,832
Furniture & Equipment	1,297,282	48,227	-	1,345,509
Total Capital Assets	<u>\$ 3,249,215</u>	<u>\$125,908</u>	<u>\$ -</u>	<u>\$ 3,375,123</u>

Less Accumulated
Depreciation:

Infrastruture	\$ 68,941	\$ 11,840	-	\$ 80,781
Buildings& Improvements	846,875	34,083	-	880,958
Furniture & Equipment	<u>1,105,634</u>	<u>48,997</u>	<u>-</u>	<u>1,154,631</u>
Total Accumulated Depreciation	<u>\$ 2,021,450</u>	<u>\$ 94,920</u>	<u>\$ -</u>	<u>\$ 2,116,370</u>
Net Capital Assets	<u>\$ 1,227,765</u>	<u>\$ 30,988</u>	<u>\$ -</u>	<u>\$ 1,258,753</u>

Business-Type Activities:	Balance 4-01-17	Additions	Deletions/ Reclassifications	Balance 3-31-18
Land	\$ 2,608	-	-	\$ 2,608
Buildings& Improvements	85,007	-	-	85,007
Vehicles, Machinery & Furniture & Fixtures	<u>3,721,258</u>	<u>55,925</u>	<u>-</u>	<u>3,777,183</u>
Total Capital Assets	<u>\$ 3,808,873</u>	<u>\$ 55,925</u>	<u>\$ -</u>	<u>\$ 3,864,798</u>

CITY OF CROSBYTON
Crosbyton, Texas

NOTES TO FINANCIAL STATEMENTS, Page 11
March 31, 2018

Note D: Capital Assets (continued)

<u>Less Accumulated Depreciation:</u>	<u>Balance 4-01-17</u>	<u>Additions</u>	<u>Deletions/ Reclassifications</u>	<u>Balance 3-31-18</u>
Buildings& Improvements	\$ 57,371	\$ 1,892	-	\$ 59,263
Vehicles, Machinery & Furniture & Fixtures	<u>1,920,319</u>	<u>82,603</u>	<u>-</u>	<u>2,002,922</u>
Total Accumulated Depreciation	<u>\$ 1,977,690</u>	<u>\$ 84,495</u>	<u>\$ -</u>	<u>\$2,062,185</u>
Net Capital Assets	<u>\$ 1,831,183</u>	<u>\$ (28,570)</u>	<u>\$ -</u>	<u>\$1,802,613</u>

<u>Component Unit:</u>	<u>Balance 4-01-17</u>	<u>Additions</u>	<u>Deletions/ Reclassifications</u>	<u>Balance 3-31-18</u>
Land	\$ 14,135	-	-	\$ 14,135
Buildings& Improvements	1,305,474	14,126	-	1,319,600
Vehicles, Machinery & Furniture & Fixtures	<u>218,175</u>	<u>-</u>	<u>-</u>	<u>218,175</u>
Total Capital Assets	<u>\$ 1,537,784</u>	<u>\$ 14,126</u>	<u>\$ -</u>	<u>\$ 1,551,910</u>

<u>Less Accumulated Depreciation:</u>	<u>Balance 4-01-17</u>	<u>Additions</u>	<u>Deletions/ Reclassifications</u>	<u>Balance 3-31-18</u>
Buildings& Improvements	\$ 466,555	\$ 35,675	-	\$ 502,230
Vehicles, Machinery & Furniture & Fixtures	<u>179,958</u>	<u>8,522</u>	<u>-</u>	<u>188,480</u>
Total Accumulated Depreciation	<u>\$ 646,513</u>	<u>\$ 44,197</u>	<u>\$ -</u>	<u>\$ 690,710</u>
Net Capital Assets	<u>\$ 891,271</u>	<u>\$ (30,071)</u>	<u>\$ -</u>	<u>\$ 861,200</u>

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

General Government	\$ 5,269
Public Safety	37,667
Streets	20,820
Sanitation	656
Health & Welfare	2,186
Culture and Recreation	20,742
Airport	7,580
Water and Sewer	<u>84,495</u>
	<u>\$179,415</u>

CITY OF CROSBYTON
Crosbyton, Texas

NOTES TO FINANCIAL STATEMENTS, Page 12
March 31, 2018

Note E: Interfund Balances and Activities

Interfund balances at March 31, 2018 consisted of the following individual fund balances:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<u>General Fund:</u>		
Special Revenue Funds	\$ 4,042	\$ 4,001
Proprietary Fund	-	2,128
Component Unit	<u>13,215</u>	<u>-</u>
<u>Total General Fund</u>	<u>17,257</u>	<u>6,129</u>
<u>Special Revenue Fund:</u>		
General Fund	<u>4,001</u>	<u>4,042</u>
<u>Proprietary Fund:</u>		
General Fund	<u>2,128</u>	<u>-</u>
<u>Component Unit:</u>		
General Fund	<u>-</u>	<u>13,215</u>
<u>Total</u>	<u>\$ 23,386</u>	<u>\$ 23,386</u>

These interfund receivables and payables arise out of the normal course of business where the general fund is owed for operating expenses paid for the other funds. All balances are expected to be paid within one year.

Note F: Interfund Transfers

Interfund transfers for the year ended March 31, 2018 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<u>General Fund:</u>		
Proprietary Fund	<u>64,905</u>	<u>-</u>
<u>Total General Fund</u>	<u>64,905</u>	<u>-</u>
<u>Proprietary Fund:</u>		
General Fund	<u>-</u>	<u>64,905</u>
<u>Total</u>	<u>\$ 64,905</u>	<u>\$ 64,905</u>

These interfund transfers represent cash flow transfers to the general fund in the normal course of business.

CITY OF CROSBYTON
Crosbyton, Texas

NOTES TO FINANCIAL STATEMENTS, Page 13
March 31, 2018

Note G: Long-Term Debt

Short term loans are accounted for through the applicable fund. General Fund proceeds from loans (except those issued and retired during the current year) are shown in the financial statements as Other Resources and principal payments as expenditures. Enterprise fund loans are shown in the appropriate fund.

The City has a contractual agreement along with 3 other cities to purchase water from White River Municipal Water District. Additionally, each of the 4 cities has a contractual obligation to provide the funding necessary to retire \$1,055,000 of bonded indebtedness held by White River Municipal Water District. Each City is required to pay a monthly fee to fund the retirement of the indebtedness. The City accounts for these payments in the proprietary fund for water & sewer activities. The interest charged to expense in the current fiscal year was \$7,051.

The City borrowed funds for the acquisition of a Tahoe for police department use and issued a note with Citizens National Bank, Crosbyton, Texas during the fiscal year ending March 31, 2014. The interest rate on this note is 4.50%.

The City borrowed funds for the acquisition of a pickup for general administrative use and issued a note with Citizens National Bank, Crosbyton, Texas during the fiscal year ending March 31, 2015. The interest rate on this note is 4.50%.

The City borrowed funds for the acquisition and installation of a new water meter system during the fiscal year ending March 31, 2013. This note is carried at Citizens National Bank, Crosbyton, Texas with an interest rate of 3.25% and is accounted for in the water and sewer fund.

Interest expense incurred during the current fiscal year was \$227 for governmental activities and \$0 for business-type activities. The component unit incurred \$3,172 of interest expense during the current fiscal year.

Changes in long-term obligations for the year ended March 31, 2018 are as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes Payable:					
Tahoe	\$ 11,135	\$ -	\$ 11,135	\$ -	\$ -
Chevy Silverado	<u>12,359</u>	<u>-</u>	<u>12,359</u>	<u>-</u>	<u>-</u>
<u>Total Governmental Funds:</u>	<u>\$ 23,494</u>	<u>\$ -</u>	<u>\$ 23,494</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF CROSBYTON
Crosbyton, Texas

NOTES TO FINANCIAL STATEMENTS, Page 14
March 31, 2018

Note G: Loans (continued)

<u>Business-Type Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
WRMWD Debt:					
Revenue Bonds-					
Series 2013	\$ 169,500	\$ -	\$ 4,761	\$ 164,739	\$ 4,395
Notes Payable:					
Water Meter System	<u>4,508</u>	<u>-</u>	<u>4,508</u>	<u>-</u>	<u>-</u>
<u>Total Business-Type Funds:</u>	<u>\$ 174,008</u>	<u>\$ -</u>	<u>\$ 9,269</u>	<u>\$ 164,739</u>	<u>\$ 4,395</u>

The general fund is used to liquidate the governmental activities long-term debt and the water and sewer fund liquidates the business-type activities long-term debt.

On March 27, 2013, the Pioneer Memorial Museum issued a note in the amount of \$300,158 with Citizens National Bank, Crosbyton, Texas to finance the purchase and remodeling of a building and to pay off the remaining balance of the construction note issued in fiscal year 2008. The note is secured with certificates of deposit placed at Citizens National Bank and accrues interest at 0.70% over the rate paid on the certificates of deposit. The interest rate in effect at March 31, 2018 was 1.1%. The note is payable in 15 annual payments beginning April 2014.

On September 23, 2016, the Pioneer Memorial Museum issued a note in the amount of \$103,928 with Citizens National Bank, Crosbyton, Texas to finance the purchase of air conditioning improvements to an existing building. The note is secured with certificates of deposit placed at Citizens National Bank and accrues interest at 0.70% over the rate paid on the certificates of deposit. The interest rate in effect at March 31, 2018 was 1.1%. The note is payable in 15 annual payments beginning September 2017.

<u>Component Unit:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Note Payable – L-T	\$ 243,711	\$ -	\$ 19,191	\$ 224,520	\$ 19,383
Note Payable – L-T	<u>75,007</u>	<u>-</u>	<u>23,337</u>	<u>51,670</u>	<u>6,927</u>
Total	<u>\$ 318,718</u>	<u>\$ -</u>	<u>\$ 42,528</u>	<u>\$ 276,190</u>	<u>\$ 26,310</u>

CITY OF CROSBYTON
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NOTES TO FINANCIAL STATEMENTS, Page 15
March 31, 2018

Note G: Loans (continued)

<u>Debt Service Requirements</u> Year Ending March 31,	<u>Proprietary Fund</u>		<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	4,395	6,446	26,310	2,825
2020	4,395	6,366	26,580	2,741
2021	4,395	6,269	26,854	2,469
2022	4,395	6,156	27,131	2,194
2023	4,395	6,031	27,411	1,994
2024-2028	25,418	27,810	120,222	5,714
2029-2033	31,498	22,477	21,682	218
2034-2038	37,724	15,428	-	-
2039-2043	47,246	6,558	-	-
2044	878	38	-	-
Total	<u>\$ 164,739</u>	<u>\$ 103,579</u>	<u>\$ 276,190</u>	<u>\$ 18,155</u>

Note H: TMRS-Pension Plan

Plan Description

The City of Crosbyton participates as one of 883 plans in the non-traditional, 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 publically 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 payment 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 CROSBYTON
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NOTES TO FINANCIAL STATEMENTS, Page 16
March 31, 2018

Note H: TMRS-Pension Plan (continued)

	<u>Plan Year 2017</u>	<u>Plan Year 2016</u>
Employee deposit rate	6.0%	6.0%
Matching ratio (City to employee)	1.5 to 1	1.5 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100%	100%
Annuity Increase (to retirees)	40% of CPI	40% of CPI

Employees covered by benefit terms

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	15
Active employees	<u>9</u>
Total	36

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 of Crosbyton were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Crosbyton were 5.41% and 5.39% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended March 31, 2018 were \$16,730 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

CITY OF CROSBYTON
Crosbyton, Texas

NOTES TO FINANCIAL STATEMENTS, Page 17
March 31, 2018

Note H: TMRS-Pension Plan (continued)

Actuarial assumptions:

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75% net of pension plan investment expense, including 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 Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%.

For Cities with fewer than twenty employees, more conservative methods and assumptions are used. First, lower termination rates are used for smaller cities, with maximum multipliers of 75% for employers with less than 6 members, 85% for employers with 6 to 10 members, and 100% for employers with 11 to 15 members, and 115% for employers with less than 100 members. There is also a load on the life expectancy for employers with less than 15 active members. The life expectancy will be loaded by decreasing the mortality rates by 1% for every active member less than 15. For example, an employer with 5 active members will have the baseline mortality tables multiplied by 90% (10 active members times 1%). For underfunded plans, the maximum amortization period for amortizing gains and losses is decreased from current levels by 1 year for each active member less than the 20 member threshold. For example, an employer with 8 active members and a current maximum amortization period of 25 will use $(25 - (20 - 8)) = 13$ year amortization period for the gain or loss in that year's valuation. Under this policy, the lowest amortization period will be $25 - (20 - 1) = 6$ years. Once the plan is overfunded, the amortization period will revert back to the standard 25 years.

The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal (EAN) actuarial cost method and a one-time change to the amortization policy. 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.

CITY OF CROSBYTON
Crosbyton, Texas

NOTES TO FINANCIAL STATEMENTS, Page 18
March 31, 2018

Note H: TMRS-Pension Plan (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.90%
Real Return	10.00%	3.80%
Real Estate	10.00%	4.50%
Absolute Return	10.00%	3.75%
Private Equity	<u>5.00%</u>	7.50%
Total	100.00%	

Discount Rate

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

CITY OF CROSBYTON
Crosbyton, Texas

NOTES TO FINANCIAL STATEMENTS, Page 19
March 31, 2018

Note H: TMRS-Pension Plan (continued)

Change in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/16	\$ 1,428,627	\$ 1,460,578	\$ (31,951)
Changes for the year:			
Service cost	36,039		36,039
Interest	93,616		93,616
Change of benefit terms			
Difference between expected and actual experience	21,997		21,997
Changes of assumptions	-		-
Contributions - employer		14,804	(14,804)
Contributions - employee		18,466	(18,466)
Net investment income		202,175	(202,175)
Benefit payments, including refunds of employee contributions	(119,497)	(119,497)	-
Administrative expense		(1,049)	1,049
Other changes		(54)	54
Net changes	32,155	114,845	(82,690)
Balance at 12/31/17	<u>\$ 1,460,782</u>	<u>\$ 1,575,423</u>	<u>\$ (114,641)</u>

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 21,066	\$ (114,641)	\$ (230,473)

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.tmr.com.

CITY OF CROSBYTON
Crosbyton, Texas

NOTES TO FINANCIAL STATEMENTS, Page 20
March 31, 2018

Note H: TMRS-Pension Plan (continued)

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

For the year ended March 31, 2018, the city recognized pension expense of \$15,246.

At March 31, 2018, 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	\$ 10,887	\$ 8,866
Changes in actuarial assumptions	\$ 120	\$ -
Difference between projected and actual investment earnings	\$ 44,583	\$ 82,869
Contributions subsequent to the measure date December 31, 2016	\$ 4,245	\$ -
Total	\$ 59,835	\$ 91,735

\$4,245 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending March 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec 31:	
2018	\$ 3,719
2019	1,576
2020	(20,722)
2021	(20,718)
2022	-
Thereafter	-
Total	\$ (36,145)

CITY OF CROSBYTON
Crosbyton, Texas

NOTES TO FINANCIAL STATEMENTS, Page 21
March 31, 2018

Note I: TESRS-Pension

The City provides volunteer firefighters with pension coverage through the Texas Emergency Services Retirement System (TESRS).

Plan Description

The TESRS administers a cost-sharing multiple employer pension system (the System) established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. The System is governed by a nine member board of trustees, with at least five of the trustees being active members of the pension system, one of whom must represent emergency medical services personnel. The System issues a stand-alone financial report that is available to the public at www.tesrs.org. The System operates on a fiscal year ending August 31 with the fiscal year ending August 31, 2017 being the latest available financial data. At August 31, 2017, there were 235 contributing fire and/or emergency services department members participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department. On August 31, 2017, the pension system membership consisted of:

	<u>System</u>	<u>City of Crosbyton</u>
Retirees and beneficiaries currently receiving benefits	3104	0
Terminated members entitled to benefits but not yet receiving them	2208	0
Active participants (vested and nonvested)	<u>4046</u>	<u>12</u>
Total	9358	12

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse and dependent children.

CITY OF CROSBYTON
Crosbyton, Texas

NOTES TO FINANCIAL STATEMENTS, Page 22
March 31, 2018

Note I: TESRS-Pension (continued)

Funding Policy

Contributions are made by the City for the emergency services personnel. No contributions are required from the individuals who are members of the System, nor are they allowed. The City is required to make contributions for each month a member performs emergency services (this minimum contribution is \$36 per member and the City may make a higher monthly contribution for its volunteers). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impact future retiree annuities.

The State is required to contribute an amount necessary to make the System “actuarially sound” each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the State are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted every two years based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2016, the Part Two contributions were established by the board to be 2% of the Part One contributions beginning September 1, 2017.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

Contributions Required and Contributions Made

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2017, total contributions of \$5,012,131 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The State appropriated \$1,583,825 for the fiscal year ending August 31, 2017. The City contributed \$7,331 to the System during its fiscal year ending March 31, 2018.

The purpose of the biennial actuarial valuation is to determine if the contribution arrangement is adequate to pay the benefits that are promised. Actuarial assumptions are disclosed below.

CITY OF CROSBYTON
Crosbyton, Texas

NOTES TO FINANCIAL STATEMENTS, Page 23
March 31, 2018

Note I: TESRS-Pension (continued)

The most recently completed biennial actuarial valuation as of August 31, 2016 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state. The expected contributions from the state are state appropriations equal to (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately \$725,000 each year to pay for part of the System's administrative expenses.

Net Pension Liability

The System's net pension liability was measured as of August 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2016.

	<u>System</u>	<u>City of Crosbyton</u>
Total pension liability	\$ 129,121,466	\$ 154,946
Plan fiduciary net position	\$ 105,119,788	\$ 126,144
Net pension liability	\$ 24,001,678	\$ 28,802
Fiduciary net position as a percentage of the total pension liability	81.41%	81.41%

Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00% per year
Overall payroll growth	N/A
Investment Rate of Return	7.75% net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2024 by scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components 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 (currently 4.97%) and by adding expected inflation (3.00%). In addition, the final 7.75% assumption was selected by "rounding down" and thereby reflects a reduction of 0.22% for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF CROSBYTON
Crosbyton, Texas

NOTES TO FINANCIAL STATEMENTS, Page 24
March 31, 2018

Note I: TESRS-Pension (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Net Real Rate of Return</u>
Equities		
Large cap domestic	32.00%	5.72%
Small cap domestic	10.00%	5.96%
Developed international	21.00%	6.21%
Emerging Markets	6.00%	7.18%
Master limited partnership	5.00%	7.61%
Fixed income		
Domestic	21.00%	1.61%
International	5.00%	1.81%
Cash	0.00%	0.00%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. No projection of cash flows was used to determine the discount rate because the August 31, 2016 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. 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.

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

The following presents the net pension liability of the System, calculated using the discount rate of 7.75%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate:

	1% Decrease in Discount Rate (6.75%)	Discount Rate (7.75%)	1% Increase in Discount Rate (8.75%)
System's net pension liability	\$ 44,821,241	\$ 24,001,678	\$ 10,867,631
City's net pension liability	\$ 53,785	\$ 28,802	\$ 13,041

CITY OF CROSBYTON
Crosbyton, Texas

NOTES TO FINANCIAL STATEMENTS, Page 25
March 31, 2018

Note I: TESRS-Pension (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TESRS annual financial report. That report may be obtained on the internet at www.tesrs.org.

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

\$4,523 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending March 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Aug 31:		
2018	\$	1,356
2019		2,486
2020		(119)
2021		(587)
2022		-
Thereafter		-
Total	\$	3,136

CITY OF CROSBYTON
Crosbyton, Texas

NOTES TO FINANCIAL STATEMENTS, Page 26
March 31, 2018

Note I: TESRS-Pension (continued)

Change in Net Pension Liability

	Fiscal Year Ending 8/31/2017	
	System	City of Crosbyton (allocation 0.12%)
Total Pension Liability		
Service cost	1,593,479	1,912
Interest	9,468,133	11,362
Change of benefit terms	-	-
Difference between expected and actual experience	-	-
Changes of assumptions	-	-
Change in Proportionate Share of Pension Liability	-	(57,493)
Benefit payments	(5,032,257)	(6,039)
Net change in total pension liability	6,029,355	(50,258)
Total pension liability - beginning	123,092,111	205,204
Total pension liability - ending	\$ 129,121,466	\$ 154,946
Plan Fiduciary Net Position		
Contributions for members	5,012,131	6,015
Contributions by the State	1,583,825	1,901
Net investment income	9,776,395	11,732
Benefit payments	(5,032,257)	(6,039)
Administrative expense	(184,314)	(221)
Change in Proportionate Share	-	(49,630)
Net change in fiduciary net position	11,155,780	(36,242)
Plan fiduciary net position - beginning	93,964,008	162,386
Plan fiduciary net position - ending	\$ 105,119,788	\$ 126,144
Net pension liability - ending	\$ 24,001,678	\$ 28,802
Plan fiduciary net position as a percentage of the total pension liability	81.41%	81.41%

Schedule of Investment Returns

<u>Fiscal Year Ending</u>	<u>Annual Money-Weighted Net Real Rate of Return</u>
August 31, 2013	13.84%
August 31, 2014	14.92%
August 31, 2015	-3.58%
August 31, 2016	5.57%
August 31, 2017	10.32%

CITY OF CROSBYTON
Crosbyton, Texas

NOTES TO FINANCIAL STATEMENTS, Page 27
March 31, 2018

Note J: Supplemental Death Benefits Plan

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.

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 the employee's entire careers.

The City's contributions to the TMRS SDBF for the years ended 2018, 2017, and 2016 were \$1,920, \$1,734, and \$1,433, respectively, which equaled the required contributions each year.

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

<u>Plan/ Calendar Year</u>	<u>Annual Required Contribution Rate</u>	<u>Actual Contribution Made (Rate)</u>	<u>Percentage of ARC Contributed</u>
2014	0.38%	0.38%	100%
2015	0.41%	0.41%	100%
2016	0.50%	0.50%	100%
2017	0.60%	0.60%	100%
2018	0.68%	0.68%	100%

Note K: Litigation

There is no reportable litigation at March 31, 2018.

CITY OF CROSBYTON
Crosbyton, Texas

NOTES TO FINANCIAL STATEMENTS, Page 28
March 31, 2018

Note L: Prior Period Adjustment

The City determined that the long-term contract with White River Municipal Water District for the purchase of water constitutes an intangible right that requires capitalization on the City's financial statements and is subject to annual amortization treatment. Consequently, the City also determined that the required contractual payments to obtain the treated water constitutes a long-term obligation to the City's financial statements. As a result of recording both the intangible water rights net of accumulated amortization of \$163,587 and the corresponding long-term obligation for the water system construction of \$169,500, net position was decreased in the proprietary funds by \$5,913 at March 31, 2017.

	Net Position Water and Sewer <u>Proprietary Fund</u>
As previously stated March 31, 2017	\$ 1,958,860
Unamortized water contract costs	163,587
Long-term obligation	<u>(169,500)</u>
Net prior period adjustment	<u>(5,913)</u>
Beginning fund balance April 1, 2017 as restated	<u>\$ 1,952,947</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CROSBYTON
Crosbyton, Texas

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended March 31, 2018

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>				
Property Taxes (Including Penalty & Interest)	\$ 260,000	\$ 260,000	\$ 288,061	\$ 28,061
Sales Taxes	118,000	118,000	133,132	15,132
Franchise Taxes	125,000	125,000	96,733	(28,267)
Other Taxes	6,000	6,000	4,928	(1,072)
Fees and Fines	32,000	32,000	16,743	(15,257)
Licenses and Permits	2,200	2,200	2,958	758
Charges for Services	231,150	231,150	256,865	25,715
Rents and Concessions	17,000	17,000	516	(16,484)
Investment Income	15,000	15,000	1,880	(13,120)
Intergovernmental	15,000	21,000	23,200	2,200
Grants	26,000	57,346	31,346	(26,000)
Donations	3,000	3,000	11,399	8,399
Property Management	-	-	7,021	7,021
Insurance Proceeds	-	-	39,823	39,823
Miscellaneous	20,000	32,481	20,801	(11,680)
<u>Total Revenues</u>	<u>870,350</u>	<u>920,177</u>	<u>935,406</u>	<u>15,229</u>
<u>Expenditures</u>				
Current				
General Government	225,131	249,231	237,843	11,388
Public Safety	231,467	212,237	197,334	14,903
Streets	37,475	24,294	16,398	7,896
Sanitation	226,700	262,949	250,633	12,316
Health and Welfare	29,600	57,600	55,744	1,856
Culture and Recreation	77,598	55,998	51,391	4,607
Community Technology and Economic Development Center	10,000	10,000	10,000	-
Capital Outlay	46,179	88,898	88,718	180
Debt Service:				
Principal	9,200	23,494	23,494	-
Interest	2,000	227	227	-
<u>Total Expenditures</u>	<u>895,350</u>	<u>984,928</u>	<u>931,782</u>	<u>53,146</u>
<u>Other Financing Sources (Uses)</u>				
Transfer In/(Out)	25,000	64,751	64,905	154
Proceeds from Long-Term Debt	-	-	-	-
<u>Total Other Financing Sources (Uses)</u>	<u>25,000</u>	<u>64,751</u>	<u>64,905</u>	<u>154</u>
<u>Excess of Revenues and Other Sources</u>				
<u>Over (Under) Expenditures and Other Uses</u>	-	-	68,529	68,529
Fund Balance, Beginning of Year	611,707	611,707	611,707	-
<u>Fund Balance, End of Year</u>	<u>\$ 611,707</u>	<u>\$ 611,707</u>	<u>\$ 680,236</u>	<u>\$ 68,529</u>

CITY OF CROSBYTON
Crosbyton, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/ASSET
AND RELATED RATIOS - TMRS
(unaudited)

	December 31, 2017	December 31, 2016	December 31, 2015
Total Pension Liability			
Service Cost	\$ 36,039	\$ 39,263	\$ 35,735
Interest (on the Total Pension Liability)	93,616	96,340	100,974
Changes of benefit terms	-	-	-
Difference between expected and actual experience	21,997	(39,080)	(24,224)
Change of assumptions	-	-	36,273
Benefit payments, including refunds of employee contributions	(119,497)	(151,051)	(180,430)
Net change in Total Pension Liability	32,155	(54,528)	(31,672)
Total Pension Liability - Beginning	1,428,627	1,483,155	1,514,827
Total Pension Liability - Ending (a)	\$ 1,460,782	\$ 1,428,627	\$ 1,483,155
 Plan Fiduciary Net Position			
Contributions - employer	14,804	13,910	11,528
Contributions - employee	18,466	20,361	19,707
Net investment income	202,175	99,834	2,400
Benefit payments, including refunds of employee contributions	(119,497)	(151,051)	(180,430)
Administrative expense	(1,049)	(1,129)	(1,462)
Other	(54)	(61)	(72)
Net Change in Plan Fiduciary Net Position	114,845	(18,136)	(148,329)
Plan Fiduciary Net Position - Beginning	1,460,578	1,478,714	1,627,043
Plan Fiduciary Net Position - Ending (b)	\$ 1,575,423	\$ 1,460,578	\$ 1,478,714
 Net Pension Liability/(Asset) - Ending (a) - (b)	\$ (114,641)	\$ (31,951)	\$ 4,441
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	107.85%	102.24%	99.70%
 Covered Employee Payroll	\$ 307,764	\$ 339,348	\$ 328,449
 Net Pension Liability/(Asset) as a Percentage of Covered Payroll	-37.25%	-9.42%	1.35%

The accompanying notes are an integral part of this statement.

CITY OF CROSBYTON
Crosbyton, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/ASSET
AND RELATED RATIOS - TESRS
(unaudited)

	August 31, 2017	August 31, 2016	August 31, 2015
Total Pension Liability			
Service Cost	\$ 1,912	\$ 2,491	\$ 2,846
Interest (on the Total Pension Liability)	11,362	13,086	14,231
Changes of benefit terms	-	1,061	-
Difference between expected and actual experience	-	95	-
Change of assumptions	-	1,308	-
Change in Proportionate Share of Pension Liability	(57,493)	-	-
Benefit payments, including refunds of employee contributions	(6,039)	(6,912)	(7,558)
Net change in Total Pension Liability	(50,258)	11,129	9,519
Total Pension Liability - Beginning	205,204	194,075	184,556
Total Pension Liability - Ending (a)	\$ 154,946	\$ 205,204	\$ 194,075
 Plan Fiduciary Net Position			
Contributions - employer	6,015	5,091	5,906
Contributions - State	1,901	2,328	2,751
Net investment income	11,732	7,286	(5,532)
Benefit payments, including refunds of employee contributions	(6,039)	(6,912)	(7,558)
Administrative expense	(221)	(245)	(363)
Change in Proportionate Share of Plan Fiduciary Net Position	(49,630)	-	-
Other	-	5,606	-
Net Change in Plan Fiduciary Net Position	(36,242)	13,154	(4,796)
Plan Fiduciary Net Position - Beginning	162,386	149,232	154,028
Plan Fiduciary Net Position - Ending (b)	\$ 126,144	\$ 162,386	\$ 149,232
 Net Pension Liability/(Asset) - Ending (a) - (b)	\$ 28,802	\$ 42,818	\$ 44,843
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	81.41%	79.13%	76.89%
 Number of Active Members	12	14	17
 Net Pension Liability/(Asset) Per Active Member	\$ 2,400	\$ 3,058	\$ 2,638

The accompanying notes are an integral part of this statement.

CITY OF CROSBYTON
Crosbyton, Texas

SCHEDULE OF CONTRIBUTIONS - TMRS
(*unaudited*)

	<u>FYE 3/31/2018</u>	<u>FYE 3/31/2017</u>	<u>FYE 3/31/2016</u>
Actuarially Determined Contribution	\$ 16,725	\$ 14,135	\$ 13,549
Contributions in relation to the actuarially determined contribution	<u>16,725</u>	<u>14,135</u>	<u>13,549</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 309,533	\$ 331,356	\$ 330,894
Contributions as a percentage of covered employee payroll	5.40%	4.27%	4.09%

SCHEDULE OF CONTRIBUTIONS - TESRS
(*unaudited*)

	<u>FYE 3/31/2018</u>	<u>FYE 3/31/2017</u>	<u>FYE 3/31/2016</u>
Actuarially Determined Contribution	\$ 7,331	\$ 6,480	\$ 5,616
Contributions in relation to the actuarially determined contribution	<u>7,331</u>	<u>6,480</u>	<u>5,616</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

CITY OF CROSBYTON
Crosbyton, Texas

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
March 31, 2018

Schedule of Contributions – TMRS

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 Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP2000 Combined Healthy 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.

OTHER SUPPLEMENTARY INFORMATION

CITY OF CROSBYTON
Crosbyton, Texas

COMBINING BALANCE SHEET -- NONMAJOR SPECIAL REVENUE FUNDS
March 31, 2018

	Airport Fund	Municipal Court Technology Fee Fund	Community Technology & Economic Development Center	Total
ASSETS				
Cash	\$ 11,076	\$ 463	\$ 7,764	\$ 19,303
Due from Other Funds	4,001	-	-	4,001
<u>TOTAL ASSETS</u>	<u>\$ 15,077</u>	<u>\$ 463</u>	<u>\$ 7,764</u>	<u>\$ 23,304</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 88	\$ -	\$ -	\$ 88
Due to Other Funds	-	-	4,042	4,042
<u>Total Liabilities</u>	<u>88</u>	<u>-</u>	<u>4,042</u>	<u>4,130</u>
FUND BALANCES:				
Restricted for:				
Court Technology	-	463	-	463
Committed for:				
Airport	14,989	-	-	14,989
Community Technology & EDC	-	-	3,722	3,722
Unassigned	-	-	-	-
<u>Total Fund Equities</u>	<u>14,989</u>	<u>463</u>	<u>3,722</u>	<u>19,174</u>
<u>TOTAL LIABILITIES & FUND EQUITIES</u>	<u>\$ 15,077</u>	<u>\$ 463</u>	<u>\$ 7,764</u>	<u>\$ 23,304</u>

CITY OF CROSBYTON
Crosbyton, Texas

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended March 31, 2018

	Airport Fund	Municipal Court Technology Fee Fund	Community Technology & Economic Development Center	Total
REVENUES:				
Rents	\$ 10,734	\$ -	\$ -	\$ 10,734
Fees	-	-	-	-
Intergovernmental	-	-	28,000	28,000
Investment Income	-	1	-	1
Grants	-	-	-	-
<u>Total Revenues</u>	<u>10,734</u>	<u>1</u>	<u>28,000</u>	<u>38,735</u>
EXPENDITURES				
Current				
Public Safety	-	-	-	-
Community Technology and Economic Development Center	-	-	25,837	25,837
Airport	14,976	-	-	14,976
Capital Outlay	-	-	-	-
<u>Total Expenditures</u>	<u>14,976</u>	<u>-</u>	<u>25,837</u>	<u>40,813</u>
Excess of Revenues Over (Under) Expenditures	(4,242)	1	2,163	(2,078)
OTHER FINANCING SOURCES (USES)				
Transfers	-	-	-	-
<u>Total Other Sources (Uses)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	(4,242)	1	2,163	(2,078)
Fund Balance--Beginning of Year	19,231	462	1,559	21,252
<u>Fund Balance--End of Year</u>	<u>\$ 14,989</u>	<u>\$ 463</u>	<u>\$ 3,722</u>	<u>\$ 19,174</u>

CITY OF CROSBYTON
Crosbyton, Texas

PIONEER MEMORIAL MUSEUM - COMPONENT UNIT
BALANCE SHEET
March 31, 2018

	Endowment Fund
ASSETS	
Cash in Bank	\$ 268,788
Accrued Interest Receivable	385
Restricted Cash in Bank - Collateralized	<u>276,190</u>
<u>TOTAL ASSETS</u>	<u>\$ 545,363</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 1,535
Due to City of Crosbyton - General Fund	<u>13,215</u>
<u>Total Liabilities</u>	<u>14,750</u>
FUND EQUITIES:	
Restricted for Debt Service	276,190
Unassigned	<u>254,423</u>
<u>Total Fund Equities</u>	<u>530,613</u>
<u>TOTAL LIABILITIES & FUND EQUITIES</u>	<u>\$ 545,363</u>

CITY OF CROSBYTON
Crosbyton, Texas

PIONEER MEMORIAL MUSEUM - COMPONENT UNIT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
For the Year Ended March 31, 2018

	Endowment Fund
REVENUES:	
Interest	\$ 1,749
Grants and Contributions	213,381
Donations	2,583
Rents	7,330
Gift Shop and Book Sales	53
Miscellaneous	-
<u>Total Revenues</u>	<u>225,096</u>
EXPENDITURES	
Current:	
Salaries	50,302
Contract Labor	7,865
Retirement	1,891
Employee Insurance	200
Payroll Taxes	4,049
Legal and Accounting	3,132
Dues	1,041
Office Supplies	9,071
Repairs and Supplies	20,763
Auto Expense	384
Utilities	24,956
Telephone	1,583
Insurance	8,415
Other	698
Community Technology and Economic Development Center	6,000
Capital Outlay	14,126
Debt Service:	
Principal	42,528
Interest	3,172
<u>Total Expenditures</u>	<u>200,176</u>
Excess of Revenues Over (Under) Expenditures	24,920
OTHER FINANCING SOURCES (USES)	
Proceeds from Long-Term Debt	-
<u>Total Other Sources (Uses)</u>	<u>-</u>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	24,920
Fund Balance--Beginning of Year	505,693
<u>Fund Balance--End of Year</u>	<u>\$ 530,613</u>

CITY OF CROSBYTON
Crosbyton, Texas

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended March 31, 2018

Years Ended March 31	Tax Rate Per \$100 Value	Assessed/Appraised Value for Tax Purposes	Balance 04/01/17	Add: Current Levy	Less: Collections	Total Year's Adjustments	Balance 03/31/18
2008 and Prior	\$ --	\$ --	\$ 26,474	\$ -	\$ 409	\$ (3,498)	\$ 22,567
2009	0.6408	35,649,657	2,881	-	313	(27)	2,541
2010	0.6425	35,670,973	2,646	-	319	(22)	2,305
2011	0.6023	40,863,689	3,931	-	749	-	3,182
2012	0.6883	35,728,026	5,150	-	1,157	-	3,993
2013	0.7472	34,432,682	7,637	-	2,092	-	5,545
2014	0.7472	35,313,437	13,700	-	4,948	-	8,752
2015	0.7776	35,135,159	23,307	-	8,762	-	14,545
2016	0.7841	34,858,054	48,158	-	27,494	(235)	20,429
2017	0.7758	35,674,787	-	276,765	228,152	(24)	48,589
		<u>Totals</u>	<u>\$ 133,884</u>	<u>\$ 276,765</u>	<u>\$ 274,395</u>	<u>\$ (3,806)</u>	<u>\$ 132,448</u>

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Independent Auditors' Report

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 Honorable Mayor and City Council
City of Crosbyton, Texas
221 W. Main
Crosbyton, Texas 79322

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Crosbyton, Texas, as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Crosbyton's basic financial statements, and have issued our report thereon dated August 14, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Crosbyton'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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Crosbyton'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 a 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.



Independent Auditors' Report
Page 2

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.

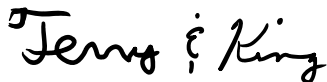
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Crosbyton'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.

Respectfully submitted,

A handwritten signature in black ink that reads "Terry & King". The signature is written in a cursive, flowing style.

Terry & King, CPAs, P.C.
Lubbock, Texas
August 14, 2018