

# ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2023

City of Crandall, Texas

*City Manager*

*Jerry Dean*

**CITY OF CRANDALL, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

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## INTRODUCTORY SECTION



November 12, 2024

Honorable Mayor and City Council  
City of Crandall  
Crandall, Texas

Dear Mayor and Council Members:

The Annual Financial Report (AFR) of the City of Crandall, Texas, for the year ended September 30, 2023, is submitted herewith.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Scott, Singleton, Fincher CPAs, P.C. have issued an unqualified ("clean") opinion on the City of Crandall's financial statements for the year ended September 30, 2023.

This letter of transmittal is designed to complement Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditors' report and provides a narrative introduction, overview and analysis of the basic financial statements.

#### GENERAL INFORMATION – CITY OF CRANDALL

The City of Crandall ("City") was incorporated in 1945 and currently has an estimated population of 5,000. The City operates under a Council-Manager form of government, with the Mayor and five Council members elected at large.

The City's major operations include police and fire protection through contract, planning, building inspections, finance, parks and recreation, public works, and general administrative services. In addition, the City owns and operates a water and sewer system.

## ECONOMIC CONDITIONS AND OUTLOOK

The City of Crandall (2020 census-population of 4,752) is primarily a residential community located in Kaufman County, Texas. The City's proximity to the Dallas-Fort Worth Metropolitan Area and several major roadways, including Interstate 175, has helped spur recent residential and commercial development. The reported median family income level for Crandall is currently \$94,619 and the average homestead value is \$283,608. Crandall is seeing positive development in our Economy. We have several housing developments underway as well as new phases of development on the horizon. Several businesses have either relocated or opened due to the efforts of the Economic Development Corporation (EDC) and the competitive geography of the City. Steps are being taken to enhance the marketability of available property through master planning and/or consulting. The City maintains a close working relationship with the Kaufman County area Chamber and EDC to meet the demands of the real estate market.

The City has taken progressive steps to ensure its financial stability, health, and long-term viability. The City has been able to reduce the tax rate while stabilizing our revenue to hold an over 90-day cash reserve. We are revisiting and crafting new one, three, five Year Plans that allows the Council to set and achieve short term and long-term goals. The City continues to act by allocating needed reserve funds for capital projects to our budget for FY 2023-2024 and for future fiscal years. Other improvements include achieving a second source of water with the City of Mesquite. The City continues identifying and securing sub-standard housing for future land development and promoting and utilizing green technologies. An additional downtown building was purchased and currently under renovations to expand City Hall.

The City of Crandall is committed to the goal of financial conservatism and through this philosophy the City will develop plans to ensure economic development, infrastructure maintenance, and utility efficiency. The City will continue to evaluate expenditures and reinvest revenues to ensure the City is operating at its peak efficiency.

The City of Crandall has a bright and exciting future. The City Administration, under the direction of the City Council, is committed to improving service delivery using diverse resources, instead of relying solely on property taxes and user fees.

## MAJOR INITIATIVES

Looking forward to fiscal year 2023, the City expects to see moderate, but continued, growth in both retail and commercial. Housing starts will continue to outpace prior years with new school facilities and new retail increasing the desirability of the area.

As well, the city has adopted an Impact Fee Ordinance for capital improvements and will work that into the City's 1-3-5 Year Plan. The City is working with four Major Developments that will improve the commerce and attractiveness of the city.

The City is working with the Cities of Mesquite and Seagoville, in partnership with the North Texas Municipal Water District, to design and construct a sewer force main to the Lower East Fork Interceptor as well as a new water line from Mesquite to Crandall.

## FINANCIAL INFORMATION

### Accounting Procedures and Budgetary Controls

The City's accounting records for general government are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the services or goods are received, and the liabilities are incurred. Accounting records for the City's water and sewer utility and other proprietary activities are maintained on the accrual basis.

The budgetary process begins each year with the preparation of both current and proposed year revenue estimates by the City Manager, and expenditure estimates by each City department. Budgets are reviewed by the City Manager who makes final decisions and submits a recommended budget to the City Council.

As part of each year's budget development process, departments are required to update expenditure estimates for the current fiscal year. These estimates are reviewed by the City Manager, City Auditor, and the City Council concurrent with review of the proposed budget. This re-estimated budget may require a supplemental appropriation and, if so, such supplemental appropriation is approved by ordinance adopted by the City Council prior to the end of the current fiscal year.

In an effort to stay within budget, the budget analyst reviews expenses monthly and provides each department head their department's expense report. Each department head reviews their reports and directs any questions to the budget analyst for further review. The budget analyst also provides the City Manager and the City Auditor a monthly P & L statement.

### General Governmental Functions

Tax Rates All eligible property within the City is subject to assessment, levy, and collection by the City of a continuing, direct ad valorem tax sufficient to provide for the payment of principal and interest on outstanding bonds within the limits prescribed by law, and the payment of operation and maintenance costs as approved by the City Council. The City's tax rate history as adopted by the City Council is shown below:

| <u>Tax Rate</u> |       |
|-----------------|-------|
| 2009-2010       | .7410 |
| 2010-2011       | .7457 |
| 2011-2012       | .8263 |
| 2012-2013       | .8263 |
| 2013-2014       | .7900 |

|           |       |
|-----------|-------|
| 2014-2015 | .7600 |
| 2015-2016 | .7600 |
| 2016-2017 | .7600 |
| 2017-2018 | .7600 |
| 2018-2019 | .7600 |
| 2019-2020 | .7600 |
| 2020-2021 | .7600 |
| 2021-2022 | .7600 |
| 2022-2023 | .7300 |
| 2023-2024 | .7300 |

#### OTHER INFORMATION

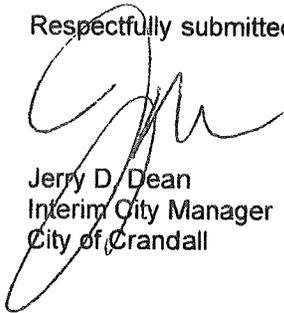
Independent Audit: The City of Crandall has engaged the firm of Scott, Singleton, Fincher, P.C. to perform the annual audit and their opinion has been included in this report. It should be noted that the auditors included all funds in their audit, performed their audit in accordance with generally accepted auditing standards, and stated that, in their opinion, the statements herein present fairly, in all material respects, the financial position of the City at September 30, 2023, and the changes in financial position and cash flows of its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

#### Acknowledgements

Many persons are responsible for the preparation of this report, and for the maintenance of records upon which it is based. Appreciation is expressed to the City employees throughout the organization who were instrumental in the successful completion of this report.

Our appreciation is also extended to the Mayor and City Council for providing the resources necessary to maintain the integrity of the City's financial affairs.

Respectfully submitted,



Jerry D. Dean  
Interim City Manager  
City of Crandall



# City of Crandall Organizational Chart 2022-2023



**City of Crandall, Texas**  
**City Council and City Staff**  
**September 30, 2023**

**City Council**

|               |                |
|---------------|----------------|
| David Lindsey | Mayor          |
| Scott Rogers  | Mayor Pro Tem  |
| Caleb Allen   | Council member |
| Tim Atkins    | Council member |
| Adam Holden   | Council member |
| Katy Vaughan  | Council member |

**City Manager**

Jerry Dean

## FINANCIAL SECTION

**SCOTT, SINGLETON, FINCHER AND COMPANY, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

4815-A KING STREET  
TELEPHONE 903-455-4765  
FAX 903-455-5312  
GREENVILLE, TEXAS 75401

Member  
Governmental Audit Quality Center

Members of:  
American Institute of  
Certified Public Accountants

Texas Society of  
Certified Public Accountants

**Independent Auditor's Report**

To the City Council  
City of Crandall, Texas

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund, of the City of Crandall, Texas as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Crandall, Texas' basic financial statements as listed in the table of contents.

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 discretely presented component unit, and each major fund of the City of Crandall, Texas as of September 30, 2023, 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.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Crandall, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Crandall, Texas' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Crandall, Texas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Crandall, Texas' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; the budgetary comparison schedule; schedule of changes in net pension liability and related ratios; schedule of pension contributions; and schedule of changes in total OPEB liability and related ratios on pages 7-17 and pages 54-57 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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***

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

***Scott, Singleton, Fincher and Company, PC***

Scott, Singleton, Fincher and Company, PC  
Certified Public Accountants  
Greenville, Texas  
November 12, 2024

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MANAGEMENT DISCUSSION & ANALYSIS**

## CITY OF CRANDALL, TEXAS

### MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2023

As management of the City of Crandall ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2023. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

#### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the fiscal year by \$15,336,733 (net position). Of this amount, \$957,039 is restricted for debt service expenditures, municipal court and police department use. The amount of unrestricted net position is \$5,322,605, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$3,444,458 due to increases in both Governmental activities and Business-type activities.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,919,234, an increase of \$1,698,570 or 76.49% in comparison with the prior year. Increases in property tax revenues, sales tax revenues and charges for development services were the primary factor for the increase. Of this amount, 75%, or \$2,921,364, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the General Fund was \$2,921,364, or 50%, of total General Fund expenditures.
- The City's outstanding long-term liabilities decreased by \$614,193, or (7)%, during the current fiscal year.

#### Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City.

**CITY OF CRANDALL, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2023**

**Basic Financial Statements**

The first two statements (pages 19 – 21) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (pages 22 – 28) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental fund statements; and 2) the proprietary fund statements.

The next section of the basic financial statements is the **notes** (pages 29 – 52). The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **required supplemental information** (pages 54 – 57) is provided to show details about the City's budgetary comparison schedule and pension plan.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The Statement of Net Position presents information on all of the City of Crandall's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave, if material value). Both the Statement of Net Position and the Statement of Activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting methods.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services, such as general government, public safety, streets, municipal court, and public works. Property taxes, sales taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water, sewer, solid waste and golf course activity are reported as business-type activities. The final category is the component unit. The City includes one separate legal entity in its report – the Crandall Economic Development Corporation. Although legally separate, this "component unit" is important because the City is financially accountable for them.

The government-wide financial statements are on pages 19 - 21 of this report.

**CITY OF CRANDALL, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2023**

**Fund Financial Statements**

The fund financial statements provide a more detailed look at the City's most significant funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City of Crandall, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Crandall maintains two governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Capital Projects Fund which are each considered to be a major fund.

The City adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary schedule provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison schedule uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The schedule shows four columns: 1) original budget; 2) the final budget as amended by the Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

The basic governmental fund financial statements can be found on pages 22-25 of this report. The Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual can be found on page 54.

**Proprietary Funds** – The City charges customers for the services it provides. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's proprietary funds provide the same type of information as the government-wide financial statements, only in more detail, such as cash flows. The City has two major proprietary funds: the Utility Fund and the Golf Course Fund.

The basic proprietary fund financial statements can be found on pages 26-28 of this report.

**CITY OF CRANDALL, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2023**

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 29 of this report.

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's budgetary comparison information, as well as the City's progress in funding its obligation to provide pension benefits to its employees. This information is on pages 54 – 57 of this report.

**CITY OF CRANDALL, TEXAS**  
**MANAGEMENT DISCUSSION AND ANALYSIS (continued)**  
**SEPTEMBER 30, 2023**

**The City of Crandall's Net Position**

|                                  | <b>Governmental Activities</b> |                     | <b>Business-Type Activities</b> |                     | <b>Total Primary Government</b> |                      |
|----------------------------------|--------------------------------|---------------------|---------------------------------|---------------------|---------------------------------|----------------------|
|                                  | <b>2023</b>                    | <b>2022</b>         | <b>2023</b>                     | <b>2022</b>         | <b>2023</b>                     | <b>2022</b>          |
| Current and other assets         | \$ 5,231,995                   | \$ 3,645,149        | \$ 3,857,770                    | \$ 3,339,836        | \$ 9,089,765                    | \$ 6,984,985         |
| Net Pension Asset                | -                              | 288,914             | -                               | 75,368              | -                               | 364,282              |
| Capital assets                   | 9,641,677                      | 9,074,890           | 6,073,100                       | 5,841,984           | 15,714,777                      | 14,916,874           |
| <b>Total assets</b>              | <b>14,873,672</b>              | <b>13,008,953</b>   | <b>9,930,870</b>                | <b>9,257,188</b>    | <b>24,804,542</b>               | <b>22,266,141</b>    |
| Deferred outflow - pension       | 513,823                        | 220,512             | 135,357                         | 57,588              | 649,180                         | 278,100              |
| Deferred outflow - OPEB          | 23,300                         | 25,294              | 6,126                           | 6,641               | 29,426                          | 31,935               |
| <b>Total deferred outflows</b>   | <b>537,123</b>                 | <b>245,806</b>      | <b>141,483</b>                  | <b>64,229</b>       | <b>678,606</b>                  | <b>310,035</b>       |
| Long-term liabilities            | 5,459,537                      | 5,571,607           | 2,335,523                       | 2,803,120           | 7,795,060                       | 8,374,727            |
| Net Pension Liability            | 343,583                        | -                   | 88,123                          | -                   | 431,706                         | -                    |
| Total OPEB Liability             | 57,567                         | 85,002              | 15,227                          | 22,319              | 72,794                          | 107,321              |
| Other liabilities                | 1,279,929                      | 1,405,142           | 527,848                         | 476,269             | 1,807,777                       | 1,881,411            |
| <b>Total liabilities</b>         | <b>7,140,616</b>               | <b>7,061,751</b>    | <b>2,966,721</b>                | <b>3,301,708</b>    | <b>10,107,337</b>               | <b>10,363,459</b>    |
| Deferred inflow - pension        | -                              | 252,876             | -                               | 64,447              | -                               | 317,323              |
| Deferred inflow - OPEB           | 31,038                         | 2,465               | 8,040                           | 654                 | 39,078                          | 3,119                |
| <b>Total deferred inflows</b>    | <b>31,038</b>                  | <b>255,341</b>      | <b>8,040</b>                    | <b>65,101</b>       | <b>39,078</b>                   | <b>320,442</b>       |
| <b>Net position:</b>             |                                |                     |                                 |                     |                                 |                      |
| Net investment in capital assets | 4,362,097                      | 3,696,475           | 4,694,992                       | 4,104,244           | 9,057,089                       | 7,800,719            |
| Restricted                       | 957,039                        | 833,547             | -                               | -                   | 957,039                         | 833,547              |
| Unrestricted                     | 2,920,005                      | 1,407,645           | 2,402,600                       | 1,850,364           | 5,322,605                       | 3,258,009            |
| <b>Total net position</b>        | <b>\$ 8,239,141</b>            | <b>\$ 5,937,667</b> | <b>\$ 7,097,592</b>             | <b>\$ 5,954,608</b> | <b>\$ 15,336,733</b>            | <b>\$ 11,892,275</b> |

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The net position of the City exceeded liabilities by \$15,336,733 as of September 30, 2023. The City's net position increased by \$3,444,458 for the fiscal year.

*Net investment in capital assets:*

A large portion of the City's total net position reflects the City's investment in capital assets (e.g. land, buildings, machinery and equipment) less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The increase of \$1,256,370 represents capital acquisitions and deletions, less current year depreciation, and the addition and/or retirement of related long-term debt.

*Restricted net position:*

The restricted net position of \$957,039, or 6%, of total net position represents resources that are subject to external restrictions on how they may be used, or restrictions by enabling legislation. The restricted net position is comprised of (a) \$745,004 for debt service and, (b) \$212,035 for other state imposed restrictions.

*Unrestricted net position:*

The amount of unrestricted net position is \$5,322,605 which may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF CRANDALL, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2023**

**The City of Crandall's Changes in Net Position**

|  | Governmental<br>Activities |              | Business-type<br>Activities |              | Total         |               |
|--|----------------------------|--------------|-----------------------------|--------------|---------------|---------------|
|  | 2023                       | 2022         | 2023                        | 2022         | 2023          | 2022          |
| <b>REVENUES:</b>                           |                            |              |                             |              |               |               |
| Program Revenues:                          |                            |              |                             |              |               |               |
| Charge for services                        | \$ 3,431,890               | \$ 3,365,115 | \$ 3,389,071                | \$ 3,148,327 | \$ 6,820,961  | \$ 6,513,442  |
| Operating grants and contributions         | -                          | -            | -                           | -            | -             | -             |
| Capital grants and contributions           | 75,800                     | 120,257      | 611,009                     | 2,082,073    | 686,809       | 2,202,330     |
| General Revenues:                          |                            |              |                             |              |               |               |
| Property tax                               | 2,607,508                  | 2,246,361    |                             |              | 2,607,508     | 2,246,361     |
| Sales tax                                  | 1,129,379                  | 973,963      |                             |              | 1,129,379     | 973,963       |
| Franchise tax                              | 233,112                    | 219,641      |                             |              | 233,112       | 219,641       |
| Investment income                          | 58,280                     | 26,125       | 821                         | 816          | 59,101        | 26,941        |
| Other                                      | (50,445)                   | -            | 10,341                      |              | (40,104)      | -             |
| Total Revenues                             | 7,485,524                  | 6,951,462    | 4,011,242                   | 5,231,216    | 11,496,766    | 12,182,678    |
| <b>EXPENSES:</b>                           |                            |              |                             |              |               |               |
| Program Expenses:                          |                            |              |                             |              |               |               |
| General government                         | 1,369,539                  | 2,634,279    |                             |              | 1,369,539     | 2,634,279     |
| Public services                            | 349,382                    | 320,378      |                             |              | 349,382       | 320,378       |
| Public safety                              | 2,761,803                  | 2,256,837    |                             |              | 2,761,803     | 2,256,837     |
| Public works                               | 451,164                    | 475,845      |                             |              | 451,164       | 475,845       |
| Bond issuance costs                        | -                          | -            |                             |              | -             | -             |
| Interest and fiscal agent fees             | 91,696                     | 107,540      |                             |              | 91,696        | 107,540       |
| Utility                                    |                            |              | 2,978,403                   | 2,796,957    | 2,978,403     | 2,796,957     |
| Golf course                                |                            |              | 50,321                      | 55,389       | 50,321        | 55,389        |
| Total Expenses                             | 5,023,584                  | 5,794,879    | 3,028,724                   | 2,852,346    | 8,052,308     | 8,647,225     |
| Change in net position<br>before transfers | 2,461,940                  | 1,156,583    | 982,518                     | 2,378,870    | 3,444,458     | 3,535,453     |
| Transfers                                  | (160,466)                  | (157,200)    | 160,466                     | 157,200      | -             | -             |
| Change in net position                     | 2,301,474                  | 999,383      | 1,142,984                   | 2,536,070    | 3,444,458     | 3,535,453     |
| Net position, October 1                    | 5,937,667                  | 4,938,284    | 5,954,608                   | 3,418,538    | 11,892,275    | 8,356,822     |
| Prior Period Adjustment                    |                            |              |                             |              | -             | -             |
| Net position, September 30                 | \$ 8,239,141               | \$ 5,937,667 | \$ 7,097,592                | \$ 5,954,608 | \$ 15,336,733 | \$ 11,892,275 |

Governmental activities increased net position by \$2,301,474 and the amount increased \$2,461,940 before transferring \$160,466 to Business-type activities (primarily for Golf Course debt). This amount represents a larger increase in net position before transfers in comparison to 2022.

Business-type activities increased net position by \$1,142,984 and the amount increased \$982,518 before transfers of from the General Fund. By comparison, net position increased by \$2,378,870 before transfers, and \$2,536,070 after transfers in 2022. The change is related to capital contributions for infrastructure and increased operating revenues.

**CITY OF CRANDALL, TEXAS  
 MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
 SEPTEMBER 30, 2023**

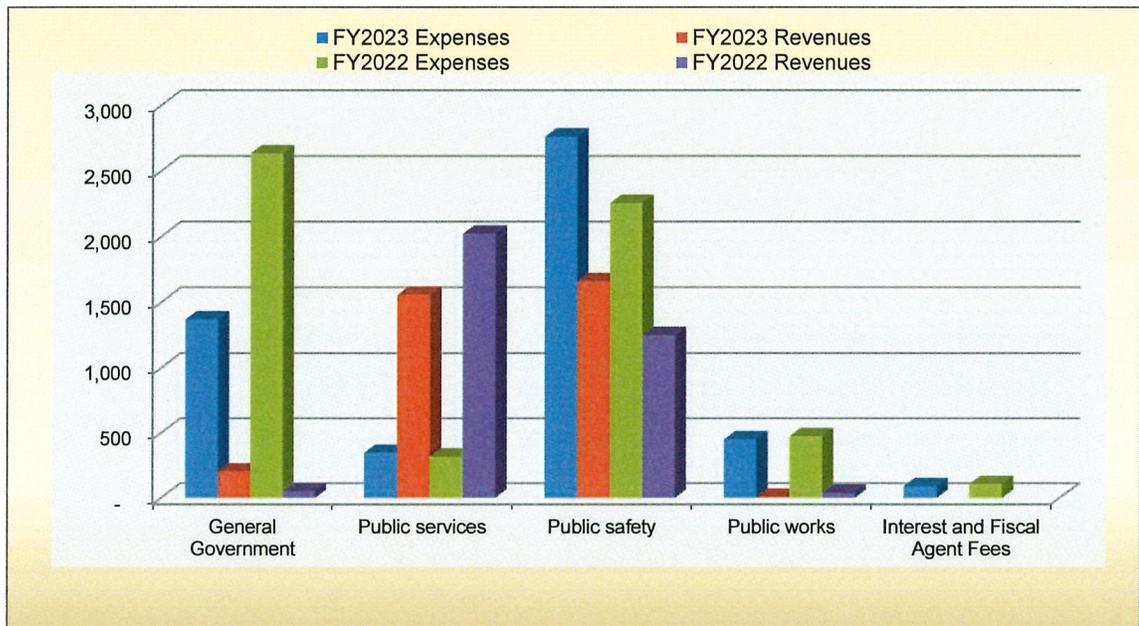
**Governmental-type activities** - Governmental-type activities increased the City's net position by \$2,301,474. Key elements of this increase are as follows:

Governmental activities continued to generate more taxes and charges for services than expenditures before transfers to the business-type activities.

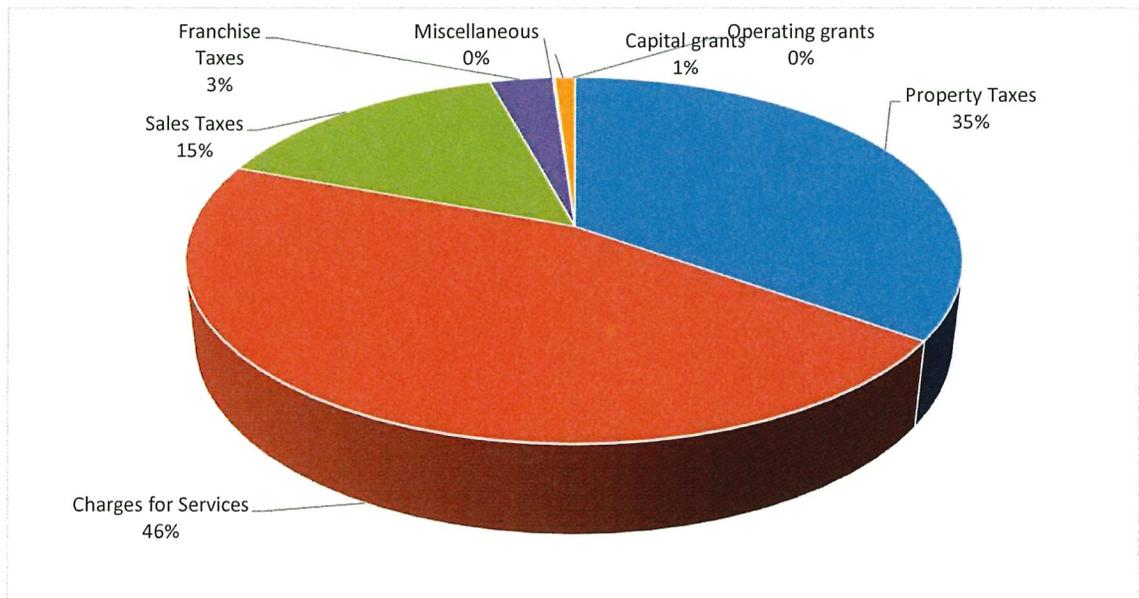
Governmental activities supplements payment of debt from business activities related to the golf fund.

**Expenses and Program Revenues - Governmental Activities**

(amounts expressed in thousands)



**Revenues by Source - Governmental Activities**



**CITY OF CRANDALL, TEXAS  
 MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
 SEPTEMBER 30, 2023**

**Business-type Activities** - Business-type activities increased the City's net position by \$1,142,984. Key elements of business-type activities are:

Program revenues in the utility activity increased by \$240,744 or 8%.

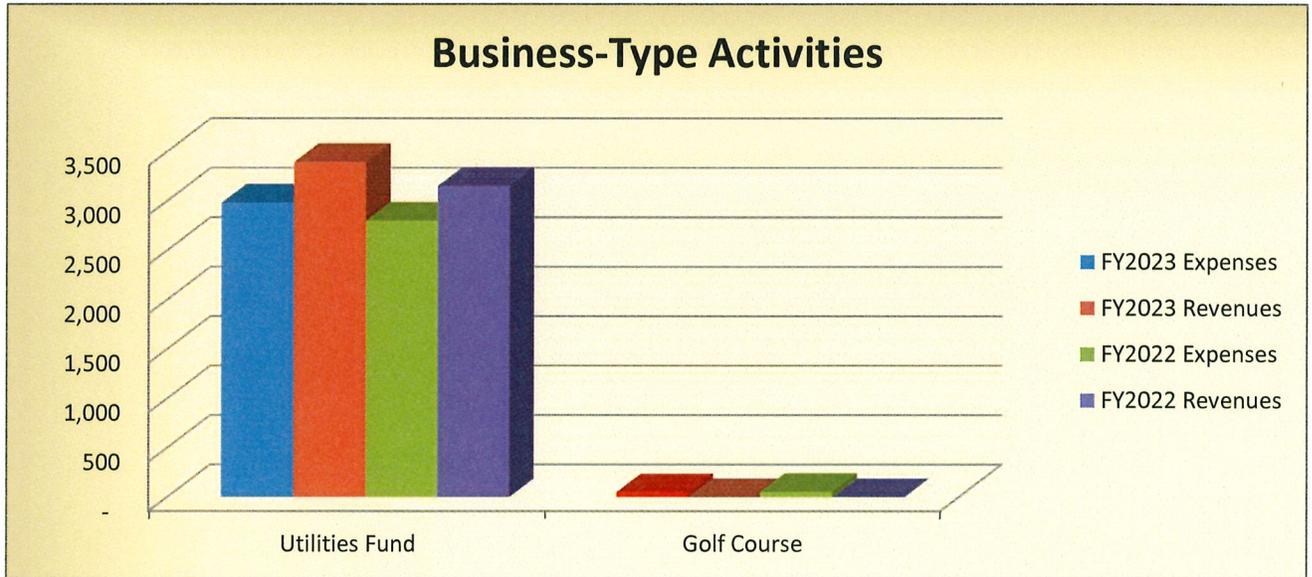
The City received \$611,009 in grants and capital contributions.

The General Fund transferred \$160,466 to the Golf Fund. This transfer was for payments on Golf Course debt.

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**Expenditures and Program Revenues - Business-type Activities**

(amounts expressed in thousands)



**CITY OF CRANDALL, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2023**

**Financial Analysis of the City's Funds**

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

**Governmental Funds**

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

At September 30, 2023, the City's General Fund reported total fund balance of \$3,919,234, a 76.5% increase over prior year fund balance of \$2,220,664. The components of total fund balance are as follows:

- Restricted fund balance, \$957,039, consists of amounts restricted by external laws or contractual obligations as follows: \$745,004 for debt service, \$51,581 for court use, and \$160,454 for police use.
- Assigned fund balance of \$40,831, represents residual fund balance intended for use by special revenue funds, including the park and fire departments.
- Unassigned fund balance, \$2,921,364, represents residual available fund balances that have not been restricted, committed, or assigned by management, City Council, or otherwise.

**General Fund** - The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,921,364, compared to \$1,346,281 at the end of the prior fiscal year. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 50% of total General Fund expenditures.

The increase in fund balance is after the transfer to the golf fund that will occur yearly until the debt of the golf fund is completely paid off. As in previous years, the fund balance is reduced by this transfer of \$160,466.

**Proprietary Funds**

The City's proprietary fund statements provide essentially the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the proprietary funds at the end of the fiscal year was \$2,402,600. This is an improvement of \$1,850,364 over last year's unrestricted net position. This improvement is due to the positive results in the utility fund and depreciation of assets causing a further allocation of fund balance to unrestricted.

At the end of the year, the Golf Course Fund existed to finish paying the debt remaining from the Golf Course. The Golf Course was sold in 2009 and the debt remaining from purchasing, maintaining, and selling the Golf Course was \$935,929.

**CITY OF CRANDALL, TEXAS**  
**MANAGEMENT DISCUSSION AND ANALYSIS (continued)**  
**SEPTEMBER 30, 2023**

**Capital Assets and Debt Administration**

**Capital assets** - The City of Crandall's investment in capital assets for its governmental and business-type as of September 30, 2023, totals \$15,714,777 (net of accumulated depreciation). This investment in capital includes buildings, roads, land, improvements and infrastructure, and machinery and equipment.

Major capital asset events occurred during 2023 as follows:

- New vehicles and equipment were acquired.
- Additional Kingsborough Waterline and UV System improvements were performed.
- Street improvements to Lone Star Drive and Trunk Street were performed.

**Capital Assets**  
**September 30, 2023 and 2022**  
**(net of depreciation)**

|                              | Governmental<br>Activities |                     | Business-type<br>Activities |                     | Total                |                      |
|------------------------------|----------------------------|---------------------|-----------------------------|---------------------|----------------------|----------------------|
|                              | 2023                       | 2022                | 2023                        | 2022                | 2023                 | 2022                 |
| Land                         | \$ 376,937                 | \$ 376,937          | \$ 46,190                   | \$ 46,190           | \$ 423,127           | \$ 423,127           |
| Construction in progress     | -                          | -                   | -                           | 11,731              | -                    | 11,731               |
| Buildings                    | 3,558,818                  | 3,657,375           | 751,312                     | 773,851             | 4,310,130            | 4,431,226            |
| Improvements                 | 681,842                    | 421,960             | 5,049,351                   | 4,743,311           | 5,731,193            | 5,165,271            |
| Infrastructure               | 4,402,269                  | 4,224,357           | -                           | -                   | 4,402,269            | 4,224,357            |
| Vehicles, Machinery & Equip. | 621,811                    | 394,261             | 226,247                     | 266,901             | 848,058              | 661,162              |
| <b>Total</b>                 | <b>\$ 9,641,677</b>        | <b>\$ 9,074,890</b> | <b>\$ 6,073,100</b>         | <b>\$ 5,841,984</b> | <b>\$ 15,714,777</b> | <b>\$ 14,916,874</b> |

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

**Long-term Debt** - As of September 30, 2023, the City had total long-term obligations outstanding of \$7,867,855 a decrease of (\$614,193), or (7%), in comparison with the prior year.

**Long Term Obligations**  
**September 30, 2023 and 2022**

|  | Governmental<br>Activities |                     | Business-type<br>Activities |                     | Total               |                     |
|--|----------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|
|  | 2023                       | 2022                | 2023                        | 2022                | 2023                | 2022                |
| General Obligation Bonds<br>(backed by tax revenues) | \$ 4,280,000               | \$ 4,425,000        | \$ 2,155,000                | \$ 2,530,000        | \$ 6,435,000        | \$ 6,955,000        |
| Unamortized Bond Premium<br>or (Discount)            | 659,712                    | 730,293             | 79,364                      | 121,238             | 739,076             | 851,531             |
| Deferred gain on refunding                           | 20,731                     | 40,958              | -                           | -                   | 20,731              | 40,958              |
| Direct Loans - Notes Payable                         | 319,138                    | 182,164             | 79,673                      | 130,490             | 398,811             | 312,654             |
| Total OPEB Liability                                 | 57,567                     | 85,002              | 15,227                      | 22,319              | 72,794              | 107,321             |
| Compensated Absences                                 | 179,957                    | 193,192             | 21,486                      | 21,392              | 201,443             | 214,584             |
| <b>Total</b>   | <b>\$ 5,517,105</b>        | <b>\$ 5,656,609</b> | <b>\$ 2,350,750</b>         | <b>\$ 2,825,439</b> | <b>\$ 7,867,855</b> | <b>\$ 8,482,048</b> |

During 2021 the City issued \$6,335,000 of bonds at a premium to refund bonds with a par value of \$7,060,000. refunding resulted in an economic gain of \$123,021 (the difference in the present value of the old debt compared to the present value of the new debt).

**CITY OF CRANDALL, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS  
(continued)**

**Budgetary Highlights**

**General Fund Budgetary Highlights:**

Revenues exceeded the budgeted amounts in 2023 mainly in the areas of other taxes and charges for services. Expenditure was slightly higher than the overall budgeted expenditure mainly due to increased costs paid out to EDC due to the increased revenue and needed COLA adjustments to remain competitive.

**Economic Factors and Next Year's Budgets and Rates**

The proposed budget for the governmental type funds for FY 2023-2024 nets to (\$514,358) before transfers. Increased police services and operating costs associated with growth are driving total expenditure budgeted to be increased by \$1,287,802 over the prior year.

This budget does include an increase for the City Manager, the addition of a Communication Director along with a step pay increase for the Police and a 5% COLA for all other staff. The budget contemplates repairs on the wastewater treatment plant, drainage projects, and road infrastructure maintenance.

The tax rate calculation is .073 per \$100 valuation.

We anticipate an increase in Revenue from Property Taxes as well as an increase in Sales Tax.

**Requests for Information**

This report is designed to provide an overview of the City's finances for those with an interest in the government's finances. Questions concerning the information found in this report or requests for additional financial information should be directed to the Office of the Finance Administrator, 110 S. Main St., Crandall, Texas 75114.

**BASIC FINANCIAL STATEMENTS**

**City of Crandall, Texas**  
**Statement of Net Position**  
**September 30, 2023**

|  | Primary Government      |                          |                      | Component Unit      |
|--|-------------------------|--------------------------|----------------------|---------------------|
|  | Governmental Activities | Business-type Activities | Total                |                     |
| <b>ASSETS</b>                                |                         |                          |                      |                     |
| Cash and cash equivalents                    | \$ 3,158,244            | \$ 2,957,461             | \$ 6,115,705         | \$ 1,025,069        |
| Investments                                  | 210,814                 |                          | 210,814              |                     |
| Taxes receivable, net                        | 344,560                 |                          | 344,560              |                     |
| Receivables, net                             | 520,277                 | 523,030                  | 1,043,307            |                     |
| Lease Receivable                             |                         |                          | -                    | 284,102             |
| Prepaid expense                              |                         | 14,835                   | 14,835               |                     |
| Due from primary government                  |                         |                          | -                    | 40,087              |
| Due from other governments                   |                         | 6,803                    | 6,803                |                     |
| Internal Balances                            | -                       | -                        | -                    |                     |
| Inventories                                  |                         | 25,668                   | 25,668               |                     |
| Restricted Assets:                           |                         |                          |                      |                     |
| Cash and cash equivalents                    | 998,100                 | 329,973                  | 1,328,073            |                     |
| Net pension asset                            | -                       |                          | -                    |                     |
| Capital Assets:                              |                         |                          |                      |                     |
| Non-depreciable                              | 376,937                 | 46,190                   | 423,127              | 215,388             |
| Depreciable, net                             | 9,264,740               | 6,026,910                | 15,291,650           | 222,607             |
| <b>Total Assets</b>                          | <b>\$ 14,873,672</b>    | <b>\$ 9,930,870</b>      | <b>\$ 24,804,542</b> | <b>\$ 1,787,253</b> |
| <b>Deferred Outflows of Resources</b>        |                         |                          |                      |                     |
| Deferred outflows related to pensions        | \$ 513,823              | \$ 135,357               | \$ 649,180           | \$ 27,591           |
| Deferred outflows related to OPEB            | 23,300                  | 6,126                    | 29,426               | 1,201               |
| <b>Total Deferred Outflows of Resources</b>  | <b>\$ 537,123</b>       | <b>\$ 141,483</b>        | <b>\$ 678,606</b>    | <b>\$ 28,792</b>    |
| <b>LIABILITIES</b>                           |                         |                          |                      |                     |
| Accounts payable                             | \$ 367,289              | \$ 332,147               | \$ 699,436           | \$ 3,511            |
| Accrued salaries and benefits                | 85,496                  | 55,804                   | 141,300              |                     |
| Accrued interest payable                     | 25,788                  | 14,653                   | 40,441               | 0                   |
| Deferred grant revenue                       | 761,269                 |                          | 761,269              |                     |
| Customer deposits payable                    |                         | 125,244                  | 125,244              |                     |
| Due to component unit                        | 40,087                  |                          | 40,087               |                     |
| Net pension liability                        | 343,583                 | 88,123                   | 431,706              | 8,897               |
| Noncurrent Liabilities:                      |                         |                          |                      |                     |
| Due within one year:                         |                         |                          |                      |                     |
| Compensated absences                         | 44,989                  | 21,486                   | 66,475               |                     |
| Bonds & notes payable                        | 256,385                 | 419,060                  | 675,445              | 30,000              |
| Sales tax recoupment                         | -                       |                          | -                    |                     |
| Due in more than one year:                   |                         |                          |                      |                     |
| Compensated absences                         | 134,968                 |                          | 134,968              |                     |
| Bonds and notes payable                      | 5,023,195               | 1,894,977                | 6,918,172            | 38,809              |
| Total OPEB liability                         | 57,567                  | 15,227                   | 72,794               | 3,338               |
| <b>Total Liabilities</b>                     | <b>7,140,616</b>        | <b>2,966,721</b>         | <b>10,107,337</b>    | <b>84,555</b>       |
| <b>Deferred Inflows of Resources</b>         |                         |                          |                      |                     |
| Deferred inflows related to pensions         | -                       | -                        | -                    | 0                   |
| Deferred inflows related to OPEB             | 31,038                  | 8,040                    | 39,078               | 1,123               |
| Deferred inflows related to lease receivable |                         |                          |                      | 284,102             |
| <b>Total Deferred Inflows of Resources</b>   | <b>31,038</b>           | <b>8,040</b>             | <b>39,078</b>        | <b>285,225</b>      |
| <b>NET POSITION</b>                          |                         |                          |                      |                     |
| Net investment in capital assets             | 4,362,097               | 4,694,992                | 9,057,089            | 369,186             |
| Restricted for:                              |                         |                          |                      |                     |
| Debt Service                                 | 745,004                 |                          | 745,004              |                     |
| Municipal court use                          | 51,581                  |                          | 51,581               |                     |
| Police                                       | 160,454                 |                          | 160,454              |                     |
| Unrestricted                                 | 2,920,005               | 2,402,600                | 5,322,605            | 1,077,079           |
| <b>Total Net Position</b>                    | <b>\$ 8,239,141</b>     | <b>\$ 7,097,592</b>      | <b>\$ 15,336,733</b> | <b>\$ 1,446,265</b> |

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

City of Crandall, Texas  
Statement of Activities  
Year Ended September 30, 2023

|                                       | Program Revenues  |                      |                                    |                                  |
|---------------------------------------|-------------------|----------------------|------------------------------------|----------------------------------|
|                                       | Expenses          | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Function/Program Activities</b>    |                   |                      |                                    |                                  |
| <b>Primary Government</b>             |                   |                      |                                    |                                  |
| Governmental Activities:              |                   |                      |                                    |                                  |
| General government                    | \$ 1,369,539      | \$ 204,351           | \$ -                               | \$ -                             |
| Public services                       | 349,382           | 1,557,399            |                                    |                                  |
| Public safety                         | 2,761,803         | 1,660,050            |                                    | 75,800                           |
| Public works                          | 451,164           | 10,090               |                                    |                                  |
| Interest on Long-Term Debt            | 91,696            |                      |                                    |                                  |
| <b>Total governmental activities</b>  | <u>5,023,584</u>  | <u>3,431,890</u>     | <u>-</u>                           | <u>75,800</u>                    |
| Business-type Activities:             |                   |                      |                                    |                                  |
| Utility                               | 2,978,403         | 3,389,071            |                                    | 611,009                          |
| Golf Course                           | 50,321            |                      |                                    |                                  |
| <b>Total business-type activities</b> | <u>3,028,724</u>  | <u>3,389,071</u>     | <u>-</u>                           | <u>611,009</u>                   |
| <b>Total primary government</b>       | <u>8,052,308</u>  | <u>6,820,961</u>     | <u>-</u>                           | <u>686,809</u>                   |
| <b>Component unit:</b>                |                   |                      |                                    |                                  |
| Economic Development                  | 179,986           | 57,537               | -                                  | -                                |
| <b>Total component unit</b>           | <u>\$ 179,986</u> | <u>\$ 57,537</u>     | <u>\$ -</u>                        | <u>\$ -</u>                      |

**General revenues:**

- Property taxes
- Sales taxes
- Franchise taxes
- Investment income
- Loss on sale of assets
- Transfers
- Total general revenues and transfers
- Change in net position
- Net position - beginning
- Net position - ending

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

**Net (Expense) Revenue  
and Changes in Net Position**

| <b>Primary Government</b>          |                                |                      | <b>Component<br/>Unit</b> |
|------------------------------------|--------------------------------|----------------------|---------------------------|
| <b>Governmental<br/>Activities</b> | <b>Business<br/>Activities</b> | <b>Total</b>         |                           |
| \$ (1,165,188)                     | \$ -                           | \$ (1,165,188)       | \$ -                      |
| 1,208,017                          |                                | 1,208,017            |                           |
| (1,025,953)                        |                                | (1,025,953)          |                           |
| (441,074)                          |                                | (441,074)            |                           |
| (91,696)                           |                                | (91,696)             |                           |
| <u>(1,515,894)</u>                 | <u>-</u>                       | <u>(1,515,894)</u>   | <u>-</u>                  |
|                                    | 1,021,677                      | 1,021,677            | -                         |
|                                    | (50,321)                       | (50,321)             | -                         |
| -                                  | 971,356                        | 971,356              | -                         |
| <u>(1,515,894)</u>                 | <u>971,356</u>                 | <u>(544,538)</u>     | <u>-</u>                  |
| -                                  | -                              | -                    | (122,449)                 |
| <u>\$ -</u>                        | <u>\$ -</u>                    | <u>\$ -</u>          | <u>\$ (122,449)</u>       |
| \$ 2,607,508                       | \$ -                           | \$ 2,607,508         | \$ -                      |
| 1,129,379                          |                                | 1,129,379            | 340,002                   |
| 233,112                            |                                | 233,112              |                           |
| 58,280                             | 821                            | 59,101               |                           |
| (50,445)                           | 10,341                         | (40,104)             |                           |
| (160,466)                          | 160,466                        | -                    | -                         |
| <u>3,817,368</u>                   | <u>171,628</u>                 | <u>3,988,996</u>     | <u>340,002</u>            |
| 2,301,474                          | 1,142,984                      | 3,444,458            | 217,553                   |
| 5,937,667                          | 5,954,608                      | 11,892,275           | 1,228,712                 |
| <u>\$ 8,239,141</u>                | <u>\$ 7,097,592</u>            | <u>\$ 15,336,733</u> | <u>\$ 1,446,265</u>       |

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

**City of Crandall, Texas**  
**Balance Sheet - Governmental Funds**  
**September 30, 2023**

|  | <u>General<br/>Fund</u> | <u>Total</u>        |
|--|-------------------------|---------------------|
| <b>ASSETS</b>  |                         |                     |
| Cash and cash equivalents:   |                         |                     |
| Unrestricted   | \$ 3,158,244            | \$ 3,158,244        |
| Restricted   | 998,100                 | 998,100             |
| Investments  | 210,814                 | 210,814             |
| Receivables, net of allowances   |                         |                     |
| Taxes  | 344,560                 | 344,560             |
| Court fines  | 8,565                   | 8,565               |
| Other  | 511,712                 | 511,712             |
| Due from other funds   | -                       | -                   |
| <b>Total Assets</b>  | <u>5,231,995</u>        | <u>5,231,995</u>    |
| <b>LIABILITIES</b>   |                         |                     |
| Accounts Payable   | 367,289                 | 367,289             |
| Accrued Payroll  | 85,496                  | 85,496              |
| Deferred grant revenue   | 761,269                 | 761,269             |
| Due to other funds   | -                       | -                   |
| Due to component unit  | 40,087                  | 40,087              |
| <b>Total Liabilities</b>   | <u>1,254,141</u>        | <u>1,254,141</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                       |                         |                     |
| Unavailable property taxes   | 58,620                  | 58,620              |
| <b>Total Deferred Inflows of Resources</b>                                 | <u>58,620</u>           | <u>58,620</u>       |
| <b>FUND BALANCES</b>   |                         |                     |
| Restricted for:  |                         |                     |
| Debt Service   | 745,004                 | 745,004             |
| Municipal Court  | 51,581                  | 51,581              |
| Police   | 160,454                 | 160,454             |
| Assigned to:   |                         |                     |
| Park   | 26,788                  | 26,788              |
| Fire equipment   | 14,043                  | 14,043              |
| Unassigned   | 2,921,364               | 2,921,364           |
| <b>Total Fund Balances</b>   | <u>3,919,234</u>        | <u>3,919,234</u>    |
| <b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b> | <u>\$ 5,231,995</u>     | <u>\$ 5,231,995</u> |

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

**City of Crandall, Texas**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**To the Statement of Net Position**  
**September 30, 2023**

|   |                            |
|---|----------------------------|
| <b>Total fund balances - governmental funds balance sheet</b>   | <b>\$ 3,919,234</b>        |
| Amounts reported for governmental activities in the statement of net position are different because:  |                            |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.   | 9,641,677                  |
| Long-term debt, (bonds and notes payable), are not due and payable in the current period and, therefore, are not reported in the fund financial statements.   | (5,279,580)                |
| Accrued interest expense is not included in the funds. Interest expense is recorded in the fund statements when due.  | (25,788)                   |
| Accrued liabilities for compensated absences are not expected to be paid out of current resources so they are not recorded in governmental funds.   | (179,957)                  |
| Long term items associated with the City's net pension liability (\$343,583) and total OPEB liability (\$57,567) do not require the use of current financial resources and therefore are not recorded in governmental funds.  | (401,150)                  |
| Deferred outflows represent a consumption of net position that applies to future periods and, therefore, will not be recognized as an outflow of resources until then. Deferred outflows related to pensions \$513,823 and deferred outflows related to OPEB \$23,300 are not recorded in governmental funds. | 537,123                    |
| Deferred inflows represent resources that apply to future periods and, therefore, will not be recognized as an inflow of resources until that time. Deferred inflows related to pensions (\$2,063) and deferred inflows related to OPEB (\$31,038) are not recorded in governmental funds.                    | (31,038)                   |
| Revenues that are not collected within the 60 day measurable and available time period after year end are reflected as a deferred inflow in the the funds but are recognized using the full accrual method in the statement of net position.  | 58,620                     |
| <b>Net position - governmental activities</b>   | <b><u>\$ 8,239,141</u></b> |

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

City of Crandall, Texas  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended September 30, 2023

|  | <u>General<br/>Fund</u> | <u>Total</u>        |
|--|-------------------------|---------------------|
| <b>REVENUE</b>   |                         |                     |
| Taxes:   |                         |                     |
| Property, including P&I  | \$ 2,594,019            | \$ 2,594,019        |
| Sales tax  | 1,129,379               | 1,129,379           |
| Franchise  | 233,112                 | 233,112             |
| Development fees and permits                                     | 1,557,399               | 1,557,399           |
| Fines and Fees   | 222,349                 | 222,349             |
| Zoning variance fees   | 10,090                  | 10,090              |
| Charges for Services   | 1,437,701               | 1,437,701           |
| Other  | 204,351                 | 204,351             |
| Interest income  | 58,280                  | 58,280              |
| <b>Total Revenues</b>  | <u>7,446,680</u>        | <u>7,446,680</u>    |
| <b>EXPENDITURES</b>  |                         |                     |
| Current Operating:   |                         |                     |
| General government   | 1,328,266               | 1,328,266           |
| Public safety  | 2,526,331               | 2,526,331           |
| Public service   | 338,433                 | 338,433             |
| Public works   | 188,626                 | 188,626             |
| Capital Outlay   | 1,091,257               | 1,091,257           |
| Debt Service:  |                         |                     |
| Principal  | 215,614                 | 215,614             |
| Interest   | 182,504                 | 182,504             |
| <b>Total Expenditures</b>  | <u>5,871,031</u>        | <u>5,871,031</u>    |
| <b>Excess (deficiency) of revenues over (under) expenditures</b> | 1,575,649               | 1,575,649           |
| <b>OTHER FINANCING SOURCES AND (USES)</b>                        |                         |                     |
| Proceeds from Notes Payable                                      | 207,587                 | 207,587             |
| Capital Contributions  | 75,800                  | 75,800              |
| Transfers out  | (160,466)               | (160,466)           |
| <b>Total Other Financing Sources (uses)</b>                      | <u>122,921</u>          | <u>122,921</u>      |
| <b>Net change in Fund Balances</b>                               | 1,698,570               | 1,698,570           |
| <b>Fund Balance, Beginning</b>                                   | 2,220,664               | 2,220,664           |
| <b>Fund Balance, Ending</b>                                      | <u>\$ 3,919,234</u>     | <u>\$ 3,919,234</u> |

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

**City of Crandall, Texas**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**Year Ended September 30, 2023**

|  |                                   |
|--|-----------------------------------|
| <b>Net change in fund balance - statement of revenues, expenditures and changes in fund balances - governmental funds</b>  | <b>\$ 1,698,570</b>               |
| Amounts reported for governmental activities in the statement of activities are different because:   |                                   |
| Current year capital outlays are expenditures in the fund financial statements, but these are shown as an increase in capital assets in the government-wide financial statements. This is the amount of capital outlay during the year.  | 1,091,257                         |
| Proceeds from the sale of capital assets are recorded as other financing sources in the funds, however, in the statement of activities gain or loss on the sales is reported. The two amounts are different by the net book value of the assets that were sold.  | (50,445)                          |
| Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources; therefore, depreciation expense is not reported as an expenditure in the governmental funds. This is depreciation expense for the year. | (474,025)                         |
| The issuance of long-term debt (bonds, notes) provides current financial resources to governmental funds, but are recorded directly to the Statement of Net Position in the government-wide financial statements. This is the amount of debt issued for the year.  | (207,587)                         |
| Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount represents the amortization of premiums and discounts for the year.   | 90,808                            |
| Current year long-term debt principal payments on bonds payable and notes payable are expenditures in the fund financial statements but are shown as a reduction in long-term debt in the statement of net position.   | 215,614                           |
| Changes to vacation and sick liabilities are not recorded in the fund statements. This is the change in the compensated absence liability for the year.  | 13,235                            |
| In governmental fund financial statements, property taxes are recognized as revenue on a modified accrual basis. Government-wide financial statements recognize property tax revenues on the full accrual basis. This is the difference in the two methods.  | 13,489                            |
| Changes in long-term liabilities related to the net pension liability are not due and payable out of current resources, and, therefore, are not reported in governmental funds.  | (86,310)                          |
| Changes in long-term liabilities related to OPEB are not due and payable out of current resources, and, therefore, are not reported in governmental funds.   | (3,132)                           |
| <b>Change in net position - governmental activities</b>  | <b><u><u>\$ 2,301,474</u></u></b> |

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

**City of Crandall, Texas**  
**Statement of Fund Net Position**  
**Proprietary Funds**  
**September 30, 2023**

|  | <u>Utilities</u>    | <u>Golf Course</u>  | <u>Total</u>        |
|--|---------------------|---------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |                     |
| Current Assets:                                      |                     |                     |                     |
| Cash and cash equivalents                            | \$ 2,957,461        | \$ -                | \$ 2,957,461        |
| Receivables, net of allowance for uncollectibles     | 523,030             |                     | 523,030             |
| Due from other governments                           | 6,803               |                     | 6,803               |
| Due from other funds                                 | -                   |                     | -                   |
| Prepaid Expenses and other assets                    | 14,835              |                     | 14,835              |
| Restricted Assets:                                   |                     |                     |                     |
| Cash and cash equivalents                            | 329,973             |                     | 329,973             |
| Inventory  | 25,668              |                     | 25,668              |
| Total current assets                                 | <u>3,857,770</u>    | <u>-</u>            | <u>3,857,770</u>    |
| Noncurrent assets:                                   |                     |                     |                     |
| Capital assets:                                      |                     |                     |                     |
| Non-depreciable:                                     |                     |                     |                     |
| Land   | 46,190              |                     | 46,190              |
| Construction in Progress                             | -                   |                     | -                   |
| Depreciable capital assets, net                      | 6,026,910           |                     | 6,026,910           |
| Total capital assets, net                            | <u>6,073,100</u>    | <u>-</u>            | <u>6,073,100</u>    |
| <b>Total Assets</b>                                  | <u>9,930,870</u>    | <u>-</u>            | <u>9,930,870</u>    |
| <b>Deferred Outflows of Resources</b>                |                     |                     |                     |
| Deferred outflows related to pensions                | 135,357             |                     | 135,357             |
| Deferred outflows related to OPEB                    | 6,126               |                     | 6,126               |
| <b>Total Deferred Outflows of Resources</b>          | <u>141,483</u>      | <u>-</u>            | <u>141,483</u>      |
| <b>LIABILITIES</b>                                   |                     |                     |                     |
| Current Liabilities:                                 |                     |                     |                     |
| Accounts payable                                     | 332,147             |                     | 332,147             |
| Accrued salaries and benefits                        | 55,804              |                     | 55,804              |
| Due to General Fund                                  | -                   | -                   | -                   |
| Compensated absences                                 | 21,486              |                     | 21,486              |
| Current liabilities payable from unrestricted assets | <u>409,437</u>      | <u>-</u>            | <u>409,437</u>      |
| Current liabilities payable from restricted assets:  |                     |                     |                     |
| Accrued interest payable                             | 8,138               | 6,515               | 14,653              |
| Customer deposits payable                            | 125,244             |                     | 125,244             |
| Bonds and notes payable                              | 294,060             | 125,000             | 419,060             |
| Current liabilities payable from Restricted Assets   | <u>427,442</u>      | <u>131,515</u>      | <u>558,957</u>      |
| Total current liabilities                            | <u>836,879</u>      | <u>131,515</u>      | <u>968,394</u>      |
| Non-current Liabilities:                             |                     |                     |                     |
| Bonds and notes payable                              | 1,084,048           | 810,929             | 1,894,977           |
| Net pension liability                                | 88,123              |                     | 88,123              |
| Total OPEB liability                                 | 15,227              |                     | 15,227              |
| Total Non-current Liabilities                        | <u>1,187,398</u>    | <u>810,929</u>      | <u>1,998,327</u>    |
| <b>Total Liabilities</b>                             | <u>2,024,277</u>    | <u>942,444</u>      | <u>2,966,721</u>    |
| <b>Deferred Inflows of Resources</b>                 |                     |                     |                     |
| Deferred inflows related to pensions                 | -                   |                     | -                   |
| Deferred inflows related to OPEB                     | 8,040               |                     | 8,040               |
| <b>Total Deferred Inflows of Resources</b>           | <u>8,040</u>        | <u>-</u>            | <u>8,040</u>        |
| <b>NET POSITION</b>                                  |                     |                     |                     |
| Net investment in capital assets                     | 4,694,992           |                     | 4,694,992           |
| Unrestricted   | 3,345,044           | (942,444)           | 2,402,600           |
| <b>Total Net Position</b>                            | <u>\$ 8,040,036</u> | <u>\$ (942,444)</u> | <u>\$ 7,097,592</u> |

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

City of Crandall, Texas  
Statement of Revenues, Expenses, and Changes  
In Fund Net Position - Proprietary Funds  
Year Ended September 30, 2023

|   | Utilities           | Golf Course         | Total               |
|---|---------------------|---------------------|---------------------|
| <b>OPERATING REVENUES:</b>                |                     |                     |                     |
| Charges for services                      | \$ 3,389,071        | \$ -                | \$ 3,389,071        |
| Total operating revenues                  | <u>3,389,071</u>    | <u>-</u>            | <u>3,389,071</u>    |
| <b>OPERATING EXPENSES:</b>                |                     |                     |                     |
| Personnel                                 | 587,890             |                     | 587,890             |
| Supplies and maintenance                  | 370,242             |                     | 370,242             |
| Water operations-NTMWD                    | 680,284             |                     | 680,284             |
| Sanitation services                       | 276,909             |                     | 276,909             |
| Utilities                                 | 46,707              |                     | 46,707              |
| Services                                  | 556,697             |                     | 556,697             |
| Depreciation and amortization             | 443,448             |                     | 443,448             |
| Total operating expenses                  | <u>2,962,177</u>    | <u>-</u>            | <u>2,962,177</u>    |
| <b>Operating income (loss)</b>            | <u>426,894</u>      | <u>-</u>            | <u>426,894</u>      |
| <b>NON-OPERATING REVENUES (EXPENSES):</b> |                     |                     |                     |
| Interest on investments                   | 821                 |                     | 821                 |
| Interest expense                          | (16,226)            | (50,321)            | (66,547)            |
| Gain (loss) on sale of assets             | 10,341              | -                   | 10,341              |
| Total nonoperating revenue (expenses)     | <u>(5,064)</u>      | <u>(50,321)</u>     | <u>(55,385)</u>     |
| <b>Income (loss) before transfers</b>     | 421,830             | (50,321)            | 371,509             |
| Capital contribution/grants               | 611,009             |                     | 611,009             |
| Transfers                                 | -                   | 160,466             | 160,466             |
| <b>Change in net position</b>             | <u>1,032,839</u>    | <u>110,145</u>      | <u>1,142,984</u>    |
| <b>Total net position - beginning</b>     | <u>7,007,197</u>    | <u>(1,052,589)</u>  | <u>5,954,608</u>    |
| <b>Total net position - ending</b>        | <u>\$ 8,040,036</u> | <u>\$ (942,444)</u> | <u>\$ 7,097,592</u> |

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

City of Crandall, Texas  
Statement of Cash Flows  
Proprietary Funds  
Year Ended September 30, 2023

|   | Utilities           | Golf Course      | Total               |
|---|---------------------|------------------|---------------------|
| <b>Cash Flows from Operating Activities</b>   |                     |                  |                     |
| Cash Received from Customers  | \$ 3,250,311        | \$ -             | \$ 3,250,311        |
| Cash Paid to Employees  | (557,892)           |                  | (557,892)           |
| Cash Paid to Suppliers  | (1,798,675)         |                  | (1,798,675)         |
| <b>Net cash provided (used) by operating activities</b>                                 | <u>893,744</u>      | <u>-</u>         | <u>893,744</u>      |
| <b>Cash Flows from Noncapital Financing Activities</b>                                  |                     |                  |                     |
| Change in customer deposits   | 4,453               |                  | 4,453               |
| Operating transfers from other funds  | (58,070)            | 158,378          | 100,308             |
| <b>Net cash provided by noncapital financing activities</b>                             | <u>(53,617)</u>     | <u>158,378</u>   | <u>104,761</u>      |
| <b>Cash Flows from Capital and Related Financing Activities</b>                         |                     |                  |                     |
| Acquisition and construction of capital assets  | (674,564)           |                  | (674,564)           |
| Capital contributions   | 611,009             |                  | 611,009             |
| Proceeds from sale of capital assets  | 10,341              |                  | 10,341              |
| Principal paid on bonds   | (308,815)           | (120,000)        | (428,815)           |
| Principal paid on notes payable   | (50,817)            |                  | (50,817)            |
| Change in accrued interest  |                     | 2                | 2                   |
| Interest  | (16,226)            | (38,380)         | (54,606)            |
| <b>Net cash provided (used) by capital &amp; related financing activities</b>           | <u>(429,072)</u>    | <u>(158,378)</u> | <u>(587,450)</u>    |
| <b>Cash Flows from Investing Activities</b>   |                     |                  |                     |
| Interest Income   | 821                 |                  | 821                 |
| <b>Net cash provided by investing activities</b>  | <u>821</u>          | <u>-</u>         | <u>821</u>          |
| <b>Net increase (decrease) in cash and cash equivalents</b>                             | 411,876             | -                | 411,876             |
| <b>Cash and Cash Equivalents - Beginning of Year</b>                                    | 2,875,558           |                  | 2,875,558           |
| <b>Cash and Cash Equivalents - End of Year</b>  | <u>\$ 3,287,434</u> | <u>\$ -</u>      | <u>\$ 3,287,434</u> |
| <b>Reconciliation of operating income to net cash provided by operating activities:</b> |                     |                  |                     |
| Operating Income (Loss)   | \$ 426,894          | \$ -             | \$ 426,894          |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                     |                  |                     |
| Depreciation and amortization   | 443,448             |                  | 443,448             |
| Changes in Assets and Liabilities:  |                     |                  |                     |
| (Increase) decrease in assets:  |                     |                  |                     |
| Accounts receivable   | (138,760)           |                  | (138,760)           |
| Due from other governments  | 92,860              |                  | 92,860              |
| Increase (decrease) in liabilities:   |                     |                  |                     |
| Accounts payable  | 39,304              |                  | 39,304              |
| Accrued salaries  | 7,914               |                  | 7,914               |
| Net pension asset/liability   | 163,491             |                  | 163,491             |
| Total OPEB liability  | (7,092)             |                  | (7,092)             |
| Deferred inflows/outflows related to pensions and OPEB                                  | (134,315)           |                  | (134,315)           |
| Total adjustments   | <u>466,850</u>      | <u>-</u>         | <u>466,850</u>      |
| <b>Net Cash Provided (Used) by Operating Activities</b>                                 | <u>\$ 893,744</u>   | <u>\$ -</u>      | <u>\$ 893,744</u>   |

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

**CITY OF CRANDALL, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**A. Summary of Significant Accounting Policies**

The financial statements of the City of Crandall, Texas ("City") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America ("GAAP") applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), the American Institute of Certified Public Accountants in the publication entitled State and Local Governments-Audit and Accounting Guide and by the Financial Accounting Standards Board, when applicable. The more significant accounting policies of the City are described below:

**1. Financial Statement Presentation**

The basic financial statements are prepared in conformity with GASB Statement No. 34 which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but the City's governmental activities, business-type activities, and activities of its discretely presented component unit on the Statement of Net Position and Statement of Activities. The City's Statement of Net Position includes both noncurrent assets and noncurrent liabilities of the City. In addition, the government-wide Statement of Activities reflects depreciation expense on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus for the governmental funds. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City also presents Management's Discussion and Analysis which includes an analytical overview of the City's financial activities. In addition, a budgetary comparison schedule is presented as required supplementary information that compares the original adopted and final amended General Fund budget with actual results.

**2. Reporting Entity**

The City is a municipal corporation governed by an elected mayor and five-member council and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined in GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB 39 "Determining Whether Certain Organizations are Component Units".

Under GASB 14, component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government. GASB 39 added clarification to GASB 14 by including entities which meet all three of the following requirements:

1. The economic resources received or held by the separate organization are entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to other access, are significant to the primary government.

**CITY OF CRANDALL, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**A. Summary of Significant Accounting Policies (continued)**

**2. Reporting Entity (continued)**

In addition, GASB Statement No. 61 considers an organization that does not meet the financial accountability criteria may be included as a component unit if management's professional judgment determines it to be necessary and misleading if omitted. This evaluation includes consideration of whether a financial benefit or burden exists in the relationship between the entities. Management has not identified any additional organizations that fit this criteria.

The financial statements of the following component unit are "discretely presented" in the accompanying report because(i) their governing boards are not substantially the same as the governing body of the City, or (ii) the component unit provides services entirely or almost entirely to the citizenry and not the City.

**Discretely presented component unit.** The Crandall Economic Development Corporation ("EDC") is responsible for and disbursing the one-half cent sales tax to be used for economic development within the City. The members of the EDC's Board are appointed by the City. EDC financials are discretely presented in the government-wide financial statements. All of the EDC funding can be used for direct assistance to prospects and continued development of infrastructure. The nature and significance of the relationship between the primary government and the EDC is such that an exclusion would cause the City's financial statements to be misleading or incomplete. Separate financial statements are not issued for the EDC.

The financial statements are formatted to allow the user to clearly distinguish between the primary government and its discretely presented component unit.

**3. Government-wide and Fund Financial Statements**

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements; the focus is either the City as a whole or major individual funds (within the fund financial statements). The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component unit. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a functional category (Public Works, Public Service, etc.) or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the operational requirements of a particular function or program, and c) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property and sales taxes, franchise fees, and interest income).

Separate fund financial statements are provided for in the governmental funds and proprietary funds. Major individual government funds and major individual proprietary funds are reported as separate columns in the fund financial statements. The major governmental fund is the General Fund. The major proprietary funds are the Utility Fund and Golf Course Fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and proprietary combined) for the determination of major funds.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on major individual funds of the governmental and proprietary categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

**4. Measurement Focus, Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

CITY OF CRANDALL, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

A. Summary of Significant Accounting Policies

4. Measurement Focus, Basis of Accounting (continued)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, in other words, as soon as they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the obligation has matured and is due and payable shortly after year end.

Ad valorem taxes, charges for services, franchise and sales tax revenues recorded in the General Fund are recognized under the susceptible to accrual concept. Licenses and permits, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is not measurable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual numerous individual programs are used as guidance. Intergovernmental grant revenues are recognized when all eligibility requirements have been met.

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

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in total net position. Proprietary funds distinguish operating revenues and nonoperating items. Operating revenues and expenses generally result from providing services and producing expenses from and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating sales and revenues of the City's water, sewer, and environmental waste services are charges to customers for services. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major funds are used by the City:

a. Governmental Funds:

The focus of Governmental Fund measurement (in the Fund Financial Statements) is designed to present a flow of current resources, rather than to present net income. Following is a description of the City's major governmental funds:

The *General Fund* is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

b. Proprietary Funds:

The focus of Proprietary Funds measurement is upon determination of operating income, changes in net position, financial position, and cash flows, which is similar to a business. The following is a description of the major Proprietary Funds of the City:

The *Utility Fund* accounts for the operations of the water utilities, sanitary sewer utilities, and trash service which are self-supporting activities rendering services on a user-charge basis.

The *Golf Course Fund* accounts for the activities of the City's Creekview Golf Course. Although the golf course was sold in March 2009, the fund will continue as an instrument to pay down the debt incurred by the golf course.

**CITY OF CRANDALL, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**A. Summary of Significant Accounting Policies (continued)**

**5. Financial Statement Amounts**

**a. Cash and Cash Equivalents**

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.

The City pools cash from all fund types (excluding certain restricted assets that are considered cash and cash equivalents) to increase the amount of funds available for investment. Investments held by the City that have a remaining maturity of greater than one year from purchase are carried at fair value. Interest earnings are allocated to the respective funds based upon each fund's relative balance in the pool. Each fund may liquidate its equity in the pool on demand.

**b. Receivable and Payable Balances**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of sixty days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance for uncollectibles is the lesser of a) .2 percent of the tax levy for each fiscal year or b) the outstanding property taxes for each fiscal year.

**c. Property Taxes**

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraisal value less applicable exemptions authorized by the City Council. The Appraisal Board of Review establishes appraised values at 100% for estimated market value. A tax lien attaches to the property on January 1 of each year, to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

Taxes are due October 1 immediately following the levy date and are delinquent after the following January 31st. Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectible within 60 days following the close of the fiscal year have been recognized as a revenue at fund level.

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, including tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution, applicable to cities of more than 5,000 population, limits the ad valorem tax rate to \$2.50 per \$100 assessed valuation. For the fiscal year September 30, 2023, the City had a tax rate of \$0.7600 per \$100 assessed valuation based upon the maximum rates described above.

**CITY OF CRANDALL, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**A. Summary of Significant Accounting Policies**

**5. Financial Statement Amounts (continued)**

**d. Inventories and Prepaid Items**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventory items are recorded as expenditures when they are consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recovered as expenditures/expenses when consumed rather than when purchased.

**e. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of the other governments, of the other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the proprietary funds represent cash and cash equivalents and investments set aside for repayment of customer's water/sewer deposits, specific capital additions and various bond covenants.

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

**f. Capital Assets**

Capital assets, which include land, buildings, equipment, and improvements, purchased or acquired, are reported in the applicable governmental or business-like activities columns in the government-wide and proprietary fund types financial statements. The City defines capital assets as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, or estimated historical if historical cost is not available. Contributed assets are recorded at acquisition value as of the date donated. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be liquidated with the counterparty at the acquisition date. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

Major outlays for capital assets and improvements are capitalized as projects are constructed. In 2019, the City adopted the provisions of GASB Statement 89, *Accounting for Interest Cost Before the End of a Construction Period*. Incurred Accordingly, during fiscal year 2023, no interest costs were capitalized in the proprietary funds.

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

| <u>Asset Class</u>      | <u>Years</u> |
|-------------------------|--------------|
| Infrastructure          | 40           |
| Buildings               | 20           |
| Building Improvements   | 10-40        |
| Machinery and Equipment | 5-10         |

**g. Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net 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/expenditures) until then. The City's pension plan contributions made from the measurement date of the pension plan to the current fiscal year end are deferred and will be recognized in the subsequent fiscal year-end. The other deferred outflow is the difference between projected and actual investment earnings that are amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

In addition to liabilities, the Balance Sheet-Governmental Funds 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 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 funds Balance Sheet. The governmental funds report unavailable

**CITY OF CRANDALL, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**A. Summary of Significant Accounting Policies**

**5. Financial Statement Amounts (continued)**

revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. As a component of implementing GASB Statements No. 68 and 75, a deferred inflow is recorded in the government-wide Statement of Net Position and fund level financials for the proprietary fund Statement of Net Position for the difference in projected and actual experience in the actuarial measurement of the net pension and total OPEB liabilities not recognized in the current year. The differences are deferred and amortized over a period of five years in order to smooth out the changes in market conditions. The amortization of these amounts in each of the respective benefit plans is recorded as a component of benefit expense.

**h. Compensated absences**

It is the government's policy to permit employees to accumulate earned but unused vacation benefits. Unused vacation benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Vacation leave is required to be taken during the year following its accumulation.

**i. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond issuance costs are expensed in the year incurred. Bond premiums and discounts are amortized over the life of the bond issue as an adjustment to interest expense.

In the fund financial statements, governmental fund types recognize bond premiums and discounts along with bond issuance costs, during the current period. Bond issuance costs, are reported as expenditures.

**j. Fund Balance Policies**

In the fund financial statements, governmental funds report reservations of fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable fund balance* - amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- *Restricted fund balance* - amounts with constraints placed on their use that are 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.
- *Committed fund balance* - amounts that can only be used for specific purposes determined by formal action of the City Council and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- *Assigned fund balance* - amounts that are constrained by the City's intent to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose.
- *Unassigned fund balance* - the residual classification for the City's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

**CITY OF CRANDALL, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**A. Summary of Significant Accounting Policies**

**5. Financial Statement Amounts (continued)**

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Crandall City Council is the City's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Council at the City's Council meeting. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council has by resolution authorized the City Manager as the City Official responsible for the assignment of fund balance to a specific purpose. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

When both restricted and unassigned resources are available for use, it is the City's policy to use restricted resources first, followed by the committed, assigned and unassigned resources as they are needed.

A summary of the City's fund balance policy as adopted by the Council follows:

The City believes that sound financial management principles require that sufficient funds be retained by the City to provide a stable financial base at all times. To retain this stable financial base, the City needs to maintain unrestricted fund balance in its funds sufficient to fund cash flows and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature.

The purpose of the City's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unexpected one-time expenditures.

Compliance with the provisions of the policy shall be reviewed as part of the annual operating budget adoption process and subsequent review will be included in the annual audit and financial statement preparation procedures.

Additional detailed information, along with the complete fund balance policy, can be obtained from the City Secretary, City of Crandall, 110 S. Main Street, Crandall, Texas 75114.

**k. Federal and State Grants**

Grants and shared revenues are generally accounted for within the fund financed. Federal grants are from various federal agencies, and are accounted for in the Governmental Funds.

**l. Required supplementary information - Budgetary Comparison Schedule**

Comparative total data for the current year compared to budget is presented as required supplementary information along with the financial statements in order to provide an understanding of budgetary results.

**m. 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 on the government-wide Statement of Net Position.

**CITY OF CRANDALL, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**A. Summary of Significant Accounting Policies**

**5. Financial Statement Amounts (continued)**

**n. Use of Estimates**

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

**o. Program Revenues**

Certain revenues, such as charges for services, are included in program revenues.

**p. Program Expenses**

Certain indirect costs, such as administrative costs, are included in the program expense reported for individual functional activities.

**q. Pensions**

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

**r. GASB 87 - Leases**

The City has implemented the provisions of GASB 87, *Leases*. Under GASB 87, the City recognizes a right-of-use lease asset - an intangible asset - and a corresponding lease liability at the commencement of the lease term. The lease liability is measured at the present value of lease payments expected to be made during the lease term. Future lease payments are discounted using the City's estimated incremental borrowing rate at the time of the contract. Lease payments in the General Fund are recorded as expenditures for principal and interest on the lease liability. In the government-wide statement of activities, the City recognizes amortization of the principal payment on the lease liability as an outflow of resources.

**s. GASB 96 - *Subscription-Based Information Technology Arrangements (SBITA)***

Effective October 1, 2022, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96 *Subscription-Based Information Technology Arrangements (SBITA)*. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

Under GASB 96, the City recognizes a right-of-use subscription asset - an intangible asset - and a corresponding subscription liability at the commencement of the subscription term when the subscription asset is placed into service. The Subscription liability is initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments are discounted using the interest rate specified in the agreement. If the interest rate is not specified, the City uses its estimated incremental borrowing rate at the time of the contract. Subscription payments in the General Fund are recorded as expenditures for principal and interest on the subscription liability. In the government-wide statement of activities, the City recognizes amortization of the principal payment on the subscription liability as an outflow of resources.

The adoption of GASB 96 during FY23 did not have any material effect on the City's financial statements.

**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>Violation</u> | <u>Action Taken</u> |
|------------------|---------------------|
| None reported    | Not applicable      |

**CITY OF CRANDALL, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**B. Compliance and Accountability (continued)**

**2. Deficit Fund Balance or Fund Net Position of Individual Funds**

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

| <u>Fund Name</u> | <u>Deficit<br/>Amount</u> |  |
|------------------|---------------------------|--|
| Golf Course Fund | \$ 942,444                | This is a result of the sale of the golf course and the City's obligation to payoff remaining associated debt. |

**3. Budgets and Budgetary Accounting**

The City adopts an "appropriated budget" of governmental fund types on the GAAP basis of accounting by fund. The City is required to present the adopted and final amended budgeted revenues and expenditures. The City compares the final amended budget to actual revenues and expenditures. The General Fund budget appears in the required supplementary information section.

The following procedures are followed in establishing the budgetary data:

- No later than the first City Council meeting each August, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to September 30, the budget is legally enacted through passage of an ordinance. If the Council takes no action prior to such day, the budget, as submitted by the City Manager, shall be deemed to have been adopted by the City Council.
- Pursuant to state law, total estimated expenditures of the General Fund are to be budgeted.
- The level of control (the level at which expenditures may not exceed budget) is the fund level. The City Manager is authorized to approve a transfer of budgeted amounts within departments; however, any revisions that alter the total budget of any fund must be approved by the City Council.

All annual appropriations lapse at fiscal year end. The legal level of budgetary control is at the fund level.

**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.

**Bank Deposits**

At year-end, bank deposits were fully covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Cash and cash equivalents as of September 30, 2023 are classified in the financial statements as follows:

**Statement of Net Position:**

|                                      |                     |
|--------------------------------------|---------------------|
| Primary Government                   |                     |
| Cash and cash equivalents            | \$ 6,115,705        |
| Restricted cash and cash equivalents | <u>1,328,073</u>    |
| Total cash and cash equivalents      | <u>\$ 7,443,778</u> |

At September 30, 2023, the carrying amount of EDC's deposits (cash, certificates of deposit, and interest-bearing accounts) was \$1,025,069. As of September 30, 2023, cash deposits were fully covered by FDIC insurance or by pledged collateral held by the EDC's agent bank in the EDC's name.

**CITY OF CRANDALL, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**C. Deposits and Investments (continued)  
Investments**

The City is subject to the provisions of the Public Funds Investment Act ("Act") (Government Code Chapter 2256). For the year ending September 30, 2023, the City was in substantial compliance with the requirements of the Act and its own investment policy. Pursuant to those requirements, the City may invest in obligations of the U.S. Government, its agencies and instrumentalities, fully insured or collateralized certificates of deposit, bankers acceptances and repurchase agreements not to exceed 180 days to maturity, No-load, SEC registered money market funds, Texas Local Government Investment Pools, No-load mutual funds registered with the SEC, and investment quality commercial paper. During the year ending September 30, 2023, the City invested only in the Texas Local Government Investment Pool known as TexPool. TexPool was created by the State of Texas acting by and through the Texas Treasury Safekeeping Trust Company and acts as custodian of investments purchased with local investment funds. Authorized investments of TexPool are in compliance with the requirements of the Public Funds Investment Act. TexPool has a credit rating of AAAM and at year end maintained a weighted average maturity of 26 days. At fiscal year-end, the City investment in TexPool was \$210,814.

Investments, when applicable, are stated at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. At year-end, the City had no investments subject to the fair value hierarchy established by generally accepted accounting principles. For investments in local government pools, the reported value of the pool is the same as the fair value of the pool shares.

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City currently does not have investments in any securities.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Consistent with the requirements of the Public Funds Collateral Act, it is the policy of the City to require full collateralization of all City investments and funds on deposit with a depository bank, other than investments which are obligations of the U.S. government and its agencies and instrumentalities.

**D. Receivables**

Following is a schedule of receivables by activity at year-end, along with the related allowance for uncollectible accounts. City management does not establish an allowance for sales taxes; franchise taxes; or amounts due from other governments. Due to the source of payment, these amounts are considered to be fully collectible.

|                                     | Governmental Activities |            | Business- Type Activities |          |
|-------------------------------------|-------------------------|------------|---------------------------|----------|
|                                     | Taxes                   | Other      | Utilities                 | Other    |
| Receivables:                        |                         |            |                           |          |
| Property taxes                      | \$ 77,156               | \$ -       | \$ -                      | \$ -     |
| Sales taxes                         | 257,722                 |            |                           |          |
| Developers                          |                         | 511,712    |                           |          |
| Utility billings                    |                         |            | 539,226                   |          |
| Court fines                         |                         | 8,565      |                           | 6,803    |
| Franchise taxes                     | 25,113                  |            |                           |          |
| Gross Receivables                   | 359,991                 | 520,277    | 539,226                   | 6,803    |
| Less: allowance for uncollectibles: |                         |            |                           |          |
| Property taxes                      | (15,431)                |            | (16,196)                  |          |
| Receivables, net                    | \$ 344,560              | \$ 520,277 | \$ 523,030                | \$ 6,803 |

**CITY OF CRANDALL, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**E. Capital Assets**

Capital asset activity for the period ended September 30, 2023 is as follows:

|  | Beginning<br>Balances | Additions  | Decreases   | Ending<br>Balances |
|--|-----------------------|------------|-------------|--------------------|
| <b>Governmental Activities</b>               |                       |            |             |                    |
| Capital assets, not being depreciated:       |                       |            |             |                    |
| Land   | \$ 376,937            | \$ -       | \$ -        | \$ 376,937         |
| Construction in Progress                     |                       |            |             | -                  |
| Total capital assets, not being depreciated  | 376,937               | -          | -           | 376,937            |
| Capital assets, being depreciated:           |                       |            |             |                    |
| Intangible                                   | 31,877                |            |             | 31,877             |
| Buildings                                    | 4,044,548             |            |             | 4,044,548          |
| Improvements                                 | 520,281               | 348,953    | (56,050)    | 813,184            |
| Machinery, Vehicles & Equipment              | 1,313,608             | 368,669    |             | 1,682,277          |
| Infrastructure                               | 5,730,284             | 373,635    |             | 6,103,919          |
| Total capital assets being depreciated       | 11,640,598            | 1,091,257  | (56,050)    | 12,675,805         |
| Less accumulated depreciation for:           |                       |            |             |                    |
| Intangible                                   | (31,877)              |            |             | (31,877)           |
| Buildings                                    | (387,173)             | (98,557)   |             | (485,730)          |
| Improvements                                 | (98,321)              | (38,626)   | 5,605       | (131,342)          |
| Machinery, Vehicles & Equip                  | (919,347)             | (141,119)  |             | (1,060,466)        |
| Infrastructure                               | (1,505,927)           | (195,723)  |             | (1,701,650)        |
| Total accumulated depreciation               | (2,942,645)           | (474,025)  | 5,605       | (3,411,065)        |
| Total capital assets, being depreciated, net | 8,697,953             | 617,232    | (50,445)    | 9,264,740          |
| Governmental activities capital assets, net  | \$ 9,074,890          | \$ 617,232 | \$ (50,445) | \$ 9,641,677       |

The City and the Kaufman County Emergency Services District #7 (District) entered into an agreement to share equally in the cost of a fire station constructed in FY 2020. The District's share of the cost of the project was \$1,161,924 which is not reflected in the cost above. Per the agreement, the District has a 50% equity interest in the fire station building and shares use of the facility.

|  | Beginning<br>Balances | Transfers In/<br>Additions | Transfers Out/<br>Decreases | Ending<br>Balances |
|--|-----------------------|----------------------------|-----------------------------|--------------------|
| <b>Business-type Activities</b>              |                       |                            |                             |                    |
| Capital assets, not being depreciated:       |                       |                            |                             |                    |
| Land   | \$ 46,190             | \$ -                       | \$ -                        | \$ 46,190          |
| Construction in Progress                     | 11,731                |                            | (11,731)                    | -                  |
| Total capital assets, not being depreciated  | 57,921                | -                          | (11,731)                    | 46,190             |
| Capital assets, being depreciated:           |                       |                            |                             |                    |
| Buildings                                    | 1,042,680             |                            |                             | 1,042,680          |
| Improvements                                 | 14,408,032            | 686,295                    |                             | 15,094,327         |
| Vehicles                                     | 158,296               |                            | (30,786)                    | 127,510            |
| Intangible                                   | 63,754                |                            |                             | 63,754             |
| Machinery & Equipment                        | 1,142,764             |                            | (18,501)                    | 1,124,263          |
| Total capital assets being depreciated       | 16,815,526            | 686,295                    | (49,287)                    | 17,452,534         |
| Less accumulated depreciation for:           |                       |                            |                             |                    |
| Buildings                                    | (268,829)             | (22,539)                   |                             | (291,368)          |
| Improvements                                 | (9,664,721)           | (380,255)                  |                             | (10,044,976)       |
| Vehicles                                     | (119,269)             | (7,805)                    | 30,786                      | (96,288)           |
| Intangible                                   | (63,754)              |                            |                             | (63,754)           |
| Machinery & Equipment                        | (914,890)             | (32,849)                   | 18,501                      | (929,238)          |
| Total accumulated depreciation               | (11,031,463)          | (443,448)                  | 49,287                      | (11,425,624)       |
| Total capital assets, being depreciated, net | 5,784,063             | 242,847                    | -                           | 6,026,910          |
| Business-type activities capital assets, net | \$ 5,841,984          | \$ 242,847                 | \$ (11,731)                 | \$ 6,073,100       |

**CITY OF CRANDALL, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**E. Capital Assets (continued)**

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

|   |  |    |                |
|---|--|----|----------------|
| Governmental activities:                              |  |    |                |
| General government                                    |  | \$ | 8,069          |
| Public safety   |  |    | 207,728        |
| Public services                                       |  |    | 1,007          |
| Public works  |  |    | 257,221        |
| Total depreciation expense - governmental activities  |  | \$ | <u>474,025</u> |
| Business-type activities:                             |  |    |                |
| Water   |  | \$ | 221,769        |
| Sewer   |  | \$ | 221,679        |
| Total depreciation expense - business-type activities |  | \$ | <u>443,448</u> |

**Component Unit**

Capital asset activity for the year ended September 30, 2023, is as follows:

|  | Beginning<br>Balances | Additions         | Decreases   | Ending<br>Balances |
|--|-----------------------|-------------------|-------------|--------------------|
| <b>Component Unit EDC:</b>                   |                       |                   |             |                    |
| Capital assets, not being depreciated:       |                       |                   |             |                    |
| Land   | \$ 215,388            | \$ -              | \$ -        | \$ 215,388         |
| Total capital assets, not being depreciated  | <u>215,388</u>        | <u>-</u>          | <u>-</u>    | <u>215,388</u>     |
| Capital assets, being depreciated:           |                       |                   |             |                    |
| Office furniture                             | 9,909                 |                   |             | 9,909              |
| Machinery and equipment                      | 18,190                |                   |             | 18,190             |
| Leasehold improvements                       | 18,321                |                   |             | 18,321             |
| Buildings                                    | 142,626               |                   |             | 142,626            |
| Infrastructure                               | 180,928               |                   |             | 180,928            |
| Total capital assets being depreciated       | <u>369,974</u>        | <u>-</u>          | <u>-</u>    | <u>369,974</u>     |
| Less accumulated depreciation for:           |                       |                   |             |                    |
| Office furniture                             | (1,963)               | (991)             |             | (2,954)            |
| Machinery and equipment                      | (18,190)              |                   |             | (18,190)           |
| Leasehold improvements                       | (18,321)              |                   |             | (18,321)           |
| Buildings                                    | (45,163)              | (3,565)           |             | (48,728)           |
| Infrastructure                               | (54,652)              | (4,522)           |             | (59,174)           |
| Total accumulated depreciation               | <u>(138,289)</u>      | <u>(9,078)</u>    | <u>-</u>    | <u>(147,367)</u>   |
| Total capital assets, being depreciated, net | <u>231,685</u>        | <u>(9,078)</u>    | <u>-</u>    | <u>222,607</u>     |
| Component unit EDC capital assets, net       | <u>\$ 447,073</u>     | <u>\$ (9,078)</u> | <u>\$ -</u> | <u>\$ 437,995</u>  |

Depreciation expense was charged to functions/programs of the component unit as follows:

|   |  |    |              |
|---|--|----|--------------|
| Component Unit:                             |  |    |              |
| Economic Development Corporation            |  | \$ | 9,078        |
| Total depreciation expense - component unit |  | \$ | <u>9,078</u> |

**F. Deferred Inflows of Resources**

The City has only one type of deferred inflow of resources for unavailable revenues in the governmental fund statements. Property tax revenues which are reported as deferred inflows of resources in the governmental funds are recorded as revenue in the government-wide financial statements. At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds were as follows:

|             |                  |
|-------------|------------------|
|             | General<br>Fund  |
| Tax Revenue | \$ 58,620        |
|             | <u>\$ 58,620</u> |

**CITY OF CRANDALL, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**G. Long-Term Obligations**

A summary of long-term liability activity for the year ended September 30, 2023, is as follows:

|  | Beginning Balances | Transfers | Additions  | Decreases    | Ending Balances | Due Within One Year |
|--|--------------------|-----------|------------|--------------|-----------------|---------------------|
| <b>Governmental Activities:</b>                |                    |           |            |              |                 |                     |
| GO Refunding Bonds                             | \$ 4,425,000       | \$ -      | \$ -       | \$ (145,000) | \$ 4,280,000    | \$ 165,000          |
| Unamortized Bond Premium                       | 730,293            |           |            | (70,581)     | 659,712         |                     |
| Deferred gain on refunding                     | 40,958             |           |            | (20,227)     | 20,731          |                     |
| Direct Loans - Notes Payable                   | 182,164            |           | 207,587    | (70,613)     | 319,138         | 91,385              |
| Total Bonds & Notes payable                    | 5,378,415          | -         | 207,587    | (306,421)    | 5,279,581       | 256,385             |
| Total OPEB liability                           | 85,002             |           |            | (27,435)     | 57,567          |                     |
| Compensated Absences                           | 193,192            |           | 179,957    | (193,192)    | 179,957         | 44,989              |
| Total other long-term liabilities              | 278,194            | -         | 179,957    | (220,627)    | 237,524         | 44,989              |
| Governmental Activities Long Term Liabilities  | \$ 5,656,609       | \$ -      | \$ 387,544 | \$ (527,048) | \$ 5,517,105    | \$ 301,374          |
| <b>Business-type Activities:</b>               |                    |           |            |              |                 |                     |
| General obligation refunding bonds             | \$ 2,530,000       | \$ -      | \$ -       | \$ (375,000) | \$ 2,155,000    | \$ 390,000          |
| Unamortized Bond Premium                       | 177,250            |           |            | (53,815)     | 123,435         |                     |
| Unamortized Bond Discount                      | (56,012)           |           |            | 11,941       | (44,071)        |                     |
| Direct Loans - Notes Payable                   | 130,490            |           |            | (50,817)     | 79,673          | 29,060              |
| Total Bonds & Notes payable                    | 2,781,728          | -         | -          | (467,691)    | 2,314,037       | 419,060             |
| Total OPEB liability                           | 22,319             |           |            | (7,092)      | 15,227          |                     |
| Compensated Absences                           | 21,392             |           | 21,486     | (21,392)     | 21,486          | 21,486              |
| Total other long-term liabilities              | 43,711             | -         | 21,486     | (28,484)     | 36,713          | 21,486              |
| Business-Type Activities Long Term Liabilities | \$ 2,825,439       | \$ -      | \$ 21,486  | \$ (496,175) | \$ 2,350,750    | \$ 440,546          |
| <b>Component Unit EDC:</b>                     |                    |           |            |              |                 |                     |
| General obligation bonds                       | \$ 100,000         |           |            | \$ (35,000)  | \$ 65,000       | \$ 30,000           |
| Unamortized Bond Premium                       | 7,618              |           |            | (3,809)      | 3,809           |                     |
| Total OPEB liability                           | 4,268              |           |            | (930)        | 3,338           |                     |
| Component Unit Long Term Liabilities           | \$ 111,886         | \$ -      | \$ -       | \$ (39,739)  | \$ 72,147       | \$ 30,000           |

**CITY OF CRANDALL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

G. Long-Term Obligations (continued)

Changes in Governmental Bonded Debt by Series

| Description              | Interest Rate | Original Issue | Beginning Balances | Issued | Retired      | Ending Balances | Due Within One Year |
|--------------------------|---------------|----------------|--------------------|--------|--------------|-----------------|---------------------|
| 2021 GO Bonds            | 3.0-5.0%      | \$ 4,530,000   | \$ 4,425,000       | \$ -   | \$ (145,000) | \$ 4,280,000    | \$ 165,000          |
| SubTotal                 |               | \$ 4,530,000   | \$ 4,425,000       | \$ -   | \$ (145,000) | \$ 4,280,000    | \$ 165,000          |
| Unamortized Bond Premium |               |                | 730,293            | -      | (70,581)     | 659,712         |                     |
| Total                    |               | \$ 4,530,000   | \$ 5,155,293       | \$ -   | \$ (215,581) | \$ 4,939,712    | \$ 165,000          |

Annual debt service requirements to maturity are as follows -

| Year Ending September 30: | Total Requirements |              |              |
|---------------------------|--------------------|--------------|--------------|
|                           | Principal          | Interest     | Requirements |
| 2024                      | \$ 165,000         | \$ 164,925   | \$ 329,925   |
| 2025                      | 180,000            | 156,300      | 336,300      |
| 2026                      | 140,000            | 148,300      | 288,300      |
| 2027                      | 145,000            | 141,175      | 286,175      |
| 2028-2032                 | 1,200,000          | 569,050      | 1,769,050    |
| 2033-2037                 | 2,010,000          | 228,225      | 2,238,225    |
| 2038                      | 440,000            | 6,600        | 446,600      |
| Totals                    | \$ 4,280,000       | \$ 1,414,575 | \$ 5,694,575 |

\$6,335,000 General Obligation Refunding Bonds, Series 2021 issued for the purpose of refunding previous bond issues and Tax notes. The maturity date is February 15, 2038, additional disclosures regarding the refunding are provided below.

Changes in Business-type Bonded Debt by Series

| Description               | Interest Rate | Original Issue | Beginning Balances | Issued | Retired      | Ending Balances | Due Within One Year |
|---------------------------|---------------|----------------|--------------------|--------|--------------|-----------------|---------------------|
| 2018 GO Bonds             | 3.0-4.0%      | \$ 1,630,000   | \$ 1,100,000       | \$ -   | \$ (120,000) | \$ 980,000      | \$ 125,000          |
| 2021 GO Bonds             | 3.0-5.0%      | 1,665,000      | 1,430,000          | -      | (255,000)    | 1,175,000       | 265,000             |
| Total Bonds Payable       |               | \$ 3,295,000   | \$ 2,530,000       | \$ -   | \$ (375,000) | \$ 2,155,000    | \$ 390,000          |
| Unamortized Bond Discount |               |                | \$ (56,012)        |        | \$ 11,941    | \$ (44,071)     |                     |
| Unamortized Bond Premium  |               |                | \$ 177,250         |        | \$ (53,815)  | \$ 123,435      |                     |
| Total                     |               | \$ 3,295,000   | \$ 2,651,238       | \$ -   | \$ (416,874) | \$ 2,234,364    | \$ 390,000          |

Annual debt service requirements to maturity are as follows -

| Year Ending September 30: | Total Requirements |            |              |
|---------------------------|--------------------|------------|--------------|
|                           | Principal          | Interest   | Requirements |
| 2024                      | \$ 390,000         | \$ 86,400  | \$ 476,400   |
| 2025                      | 410,000            | 68,375     | 478,375      |
| 2026                      | 425,000            | 49,420     | 474,420      |
| 2027                      | 370,000            | 31,400     | 401,400      |
| 2028-2030                 | 560,000            | 35,530     | 595,530      |
| Totals                    | \$ 2,155,000       | \$ 271,125 | \$ 2,426,125 |

Interest expense for governmental activities was \$91,696 and for business type activities it was \$66,547, none of which was capitalized.

**CITY OF CRANDALL, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**G. Long-Term Obligations (continued)**

\$6,335,000 General Obligation Refunding Bonds, Series 2021: In June, 2021, the City issued Series 2021 general obligation refunding bonds in the amount of \$6,335,000 (par value) with interest rates ranging from 3.0 to 5.0% an average coupon rate of 3.825%; and an average life of 8.627 years. These bonds were issued to refund several bond issues and tax notes with an average coupon interest rate of 2.7196%, a combined par value of \$7,060,000; and a remaining average life of 3.683 years. The 2021 general obligation refunding bonds were issued at a premium of \$1,055,408 resulting in a true interest cost of 1.9824%. After paying issuance costs of \$225,416, the net proceeds were \$7,164,992. These proceeds were used to purchase securities that were placed in trust to meet the remaining debt service requirements of the defeased debt. This resulted in an economic gain (difference between the present value of the debt service requirements on the old debt and the new debt of \$123,021. The 2021 bonds are allocated to Governmental Activities (\$4,530,000), Business-type Activities (\$1,665,000) and the EDC component unit (\$140,000) to make the total of \$6,335,000. The 2021 bonds contain a call date at par on February 15, 2031, with a final maturity on February 15, 2038.

\$1,630,000 General Obligation Refunding Bonds, Series 2018, issued for the purpose of refunding the series 2009 General Obligation Bonds related to the Golf Course. The maturity date is February 15, 2030.

\$6,335,000 General Obligation Refunding Bonds, Series 2021 issued for the purpose of refunding previous bond issues and Tax notes. The maturity date is February 15, 2038, additional disclosures regarding the refunding are provided above.

Changes in Component Unit Bonded Debt by Series

| Description              | Interest Rate | Original Issue | Beginning Balances | Issued | Retired     | Ending Balances | Due Within One Year |
|--------------------------|---------------|----------------|--------------------|--------|-------------|-----------------|---------------------|
| 2021 GO Bonds            | 3.0-5.0%      | \$ 140,000     | \$ 100,000         | \$ -   | \$ (35,000) | \$ 65,000       | \$ 30,000           |
| Total Bonds Payable      |               | 140,000        | 100,000            | -      | (35,000)    | 65,000          | 30,000              |
| Unamortized Bond Premium |               |                | 7,618              |        | (3,809)     | 3,809           |                     |
| Total                    |               | \$ 140,000     | \$ 107,618         | \$ -   | \$ (38,809) | \$ 68,809       | \$ 30,000           |

Interest expense for the component unit was \$316 for the year.

Annual debt service requirements to maturity are as follows -

| Year Ending September 30: | Principal | Interest | Total Requirements |
|---------------------------|-----------|----------|--------------------|
| 2024                      | \$ 30,000 | \$ 2,500 | \$ 32,500          |
| 2025                      | 35,000    | 875      | 35,875             |
| Totals                    | \$ 65,000 | \$ 3,375 | \$ 68,375          |

\$6,335,000 General Obligation Refunding Bonds, Series 2021 issued for the purpose of refunding previous bond issues and Tax notes. The maturity date is February 15, 2038, additional disclosures regarding the refunding are provided above.

**CITY OF CRANDALL, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**G. Long-Term Obligations (continued)**

Direct Loans - Notes Payable

The City's notes payable currently outstanding and reported as liabilities in governmental activities are:

| Original<br>Note Amount | Maturity Date | Interest Rate | Direct Loans<br>Outstanding<br>Balance | Secured By |
|-------------------------|---------------|---------------|--|------------|
| \$ 98,686               | 6/30/2023     | 3.55%         | \$ -                                   | Vehicles   |
| 116,046                 | 8/31/2025     | 4.20%         | 25,651                                 | Equipment  |
| 44,842                  | 4/29/2025     | 3.25%         | 15,008                                 | Vehicles   |
| 44,841                  | 4/29/2025     | 3.25%         | 15,007                                 | Vehicles   |
| 43,870                  | 4/22/2027     | 3.35%         | 32,188                                 | Vehicles   |
| 54,530                  | 6/1/2027      | 3.35%         | 41,754                                 | Vehicles   |
| 75,500                  | 3/13/2028     | 4.19%         | 68,651                                 | Equipment  |
| 44,701                  | 5/9/2028      | 4.19%         | 42,009                                 | Vehicles   |
| 44,701                  | 5/16/2028     | 4.55%         | 42,033                                 | Vehicles   |
| 42,685                  | 12/21/2027    | 4.19%         | 36,837                                 | Vehicles   |
|                         |               |               | <u>\$ 319,138</u>                      |            |

Annual debt service requirements to maturity are as follows -

| Year Ending September 30: | Governmental Activities - Direct Loans |                  |                   |
|---------------------------|--|------------------|-------------------|
|                           | Principal                              | Interest         | Total Required    |
| 2024                      | \$ 83,080                              | \$ 11,518        | \$ 94,598         |
| 2025                      | 78,207                                 | 8,276            | 86,483            |
| 2026                      | 69,698                                 | 5,417            | 75,115            |
| 2027                      | 64,437                                 | 2,480            | 66,917            |
| 2028                      | 23,717                                 | 333              | 24,050            |
| Totals                    | <u>\$ 319,139</u>                      | <u>\$ 28,024</u> | <u>\$ 347,163</u> |

The City's notes payable currently outstanding and reported as liabilities in business-type activities are:

| Original<br>Note Amount | Maturity Date | Interest Rate | Direct Loans<br>Outstanding<br>Balance | Secured By  |
|-------------------------|---------------|---------------|--|-------------|
| \$ 113,337              | 9/30/2027     | 4.20%         | \$ 51,302                              | Real Estate |
| 85,485                  | 9/30/2024     | 3.90%         | 4,512                                  | Equipment   |
| 54,638                  | 10/31/2023    | 3.90%         | 2,885                                  | Vehicles    |
| 44,500                  | 10/31/2026    | 3.40%         | 20,974                                 | Equipment   |
|                         |               |               | <u>\$ 79,673</u>                       |             |

Annual debt service requirements to maturity are as follows -

| Year Ending September 30: | Business-Type Activities - Direct Loans |                  |                  |
|---------------------------|---|------------------|------------------|
|                           | Principal                               | Interest         | Total Required   |
| 2024                      | \$ 29,060                               | \$ 3,404         | \$ 32,464        |
| 2025                      | 22,537                                  | 2,171            | 24,708           |
| 2026                      | 16,075                                  | 1,357            | 17,432           |
| 2027                      | 12,001                                  | 4,514            | 16,515           |
| 2028                      | -                                       | -                | -                |
| Totals                    | <u>\$ 79,673</u>                        | <u>\$ 11,446</u> | <u>\$ 91,119</u> |

Compensated Absences

Compensated absences represent the estimated liability for employees' accrued compensatory time and vacation leave for which employees are entitled to be paid upon termination. The retirement of this liability is typically paid from the General Fund or Proprietary Fund based on the assignment of an employee at termination.

**CITY OF CRANDALL, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**H. Pension Plan**

Plan Description

The City participates as one of 888 plans in a non-traditional, joint contributory, hybrid defined benefit 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 ("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, appoint the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue code. TMRS issues a publicly available comprehensive annual financial report ("CAFR") that can be obtained at [www.tmr.com](http://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 City Council, 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 treatment benefit in one or seven payment options. Members may also choose to receive a portion of the 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.

*Employees covered by benefit terms:*

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

|  |            |
|--|------------|
| Number of:   |            |
| Inactive employees or beneficiaries currently receiving benefits | 19         |
| Inactive employees entitled to but not yet receiving benefits    | 46         |
| Active employees   | 39         |
| Total  | <u>104</u> |

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contributions rates for the City were 10.15% and 10.86% in calendar years 2023 and 2022 respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2023 were \$258,383 and were equal to the required contributions. No amounts were due to the plan at year-end.

**CITY OF CRANDALL, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**H. Pension Plan (continued)**

**Net Pension Liability:**

The City's Net Pension Liability ("NPL") was measured as of December 31, 2022, and the Total Pension Liability ("TPL") used to calculate the NPL was determined by an actuarial valuation as of that date.

**Actuarial Assumptions:**

The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

|                           |       |   |
|---------------------------|-------|---|
| Inflation                 | 2.50% | Per year  |
| Overall payroll growth    | 2.75% | per year, adjusted down for population declines, if any     |
| Investment rate of Return | 6.75% | net of pension plan investment expense, including inflation |

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for active, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The healthy post-retirement mortality assumption and the mortality assumption for Annuity Purchase Rates (APR's) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. All other actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on September 6, 2019, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u>             | <u>Target Allocation</u> | <u>Long-term Expected Real Rate of Return (Arithmetic)</u> |
|--------------------------------|--------------------------|--|
| Global Equities                | 35.0%                    | 8.08%  |
| Core Fixed Income              | 6.0%                     | 1.25%  |
| Non-Core Fixed Income          | 20.0%                    | 3.59%  |
| Other Public & Private Markets | 12.0%                    | 2.93%  |
| Real Estate                    | 12.0%                    | 10.87%   |
| Hedge Funds                    | 5.0%                     | 4.00%  |
| Private Equity                 | 10.0%                    | 20.73%   |
| Total                          | <u>100.0%</u>            |  |

**Discount Rate**

The discount rate used to measure the TPL 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 CRANDALL, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**H. Pension Plan (continued)**

Net Pension Liability (continued)

|   | Change in               |                             |                               |
|---|-------------------------|-----------------------------|-------------------------------|
|   | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
| Balance at 12/31/2021   | \$ 5,196,235            | \$ 5,573,065                | \$ (376,830)                  |
| Changes for the year:   |                         |                             |                               |
| Service cost  | 378,837                 |                             | 378,837                       |
| Interest  | 354,337                 |                             | 354,337                       |
| Change of benefit terms                                       |                         |                             | -                             |
| Difference between expected and actual experience             | 80,757                  |                             | 80,757                        |
| Changes of assumptions  |                         |                             | -                             |
| Contributions - employer                                      |                         | 246,970                     | (246,970)                     |
| Contributions - employee                                      |                         | 156,452                     | (156,452)                     |
| Net investment income   |                         | (407,606)                   | 407,606                       |
| Benefit payments, including refunds of employee contributions | (272,429)               | (272,429)                   | -                             |
| Administrative expense  |                         | (3,520)                     | 3,520                         |
| Other changes   |                         | 4,202                       | (4,202)                       |
| Net changes   | 541,502                 | (275,931)                   | 817,433                       |
| <b>Balance at 12/31/2022</b>                                  | <b>\$ 5,737,737</b>     | <b>\$ 5,297,134</b>         | <b>\$ 440,603</b>             |

*Sensitivity of the net pension liability to changes in the discount rate*

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

|  | 1% Decrease<br>5.75% | Current Single<br>Discount Rate<br>6.75% | 1% Increase<br>7.75% |
|--|----------------------|--|----------------------|
|  | \$ 1,419,708         | \$ 440,603                               | \$ (334,951)         |

For the year ended September 30, 2023, the City recognized pension expense of \$364,748.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

|   | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------|-------------------------------|
| Difference between expected and actual economic experience            | \$ 109,046                     | \$ -                          |
| Changes in actuarial assumptions                                      |                                |                               |
| Difference between projected and actual investment earnings           | 366,912                        |                               |
| Contributions subsequent to the measurement date of December 31, 2022 | 200,813                        |                               |
|   | <u>\$ 676,771</u>              | <u>\$ -</u>                   |

The City reported \$200,813 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 September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Net deferred outflows (inflows) of resources: |                   |
|---|-------------------|
| Fiscal year ending September 30:              |                   |
| 2024  | \$ 91,075         |
| 2025  | 123,764           |
| 2026  | 104,363           |
| 2027  | 156,756           |
| 2028  | -                 |
| Thereafter                                    | -                 |
| Total   | <u>\$ 475,958</u> |

**CITY OF CRANDALL, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**I. Postemployment Benefits Other than Pensions (OPEB)**

*Plan description* -The City maintains a single-employer defined benefit group-term life insurance plan known as the TMRS Supplemental Death Benefits Fund ("SDBF"). The plan is administered by the Texas Municipal Retirement System ("TMRS"). This is a voluntary program in which the City elected, by ordinance, to provide group-term life insurance coverage for their active members, including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*).

*Benefits provided* - 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). The death benefit for retirees is considered another postemployment benefit ("OPEB") and is a fixed amount of \$7,500.

***Employees Covered by Benefit Terms***

At the December 31, 2022 actuarial valuation and measurement date, the following employees were covered by the benefit terms:

|  |           |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefits | 11        |
| Inactive employees entitled to but not yet receiving benefits    | 11        |
| Active employees   | <u>39</u> |
| Total  | <u>61</u> |

***Contributions***

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 prefund retiree term life insurance during employees' entire careers.

Employees for the City were required to contribute .11% of their annual gross earnings during the fiscal year. The City's contribution rates for all covered employees of the City in calendar years 2022 and 2023 were 0.17% and 0.27% respectively. The City's contributions for all covered employees to the TMRS SDBF for the fiscal year ended September 30, 2023 were \$5,837, and were equal to the required contributions.

***Total OPEB Liability***

The City's total OPEB liability (TOL) of \$76,132 was measured as of December 31, 2022 and was determined by an actuarial valuation as of that date.

***Actuarial Assumptions and other inputs:***

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs:

|                                 |   |
|---------------------------------|---|
| Inflation                       | 2.5% per year                               |
| Salary Increase                 | 3.5% to 11.5% per year, including inflation |
| Discount Rate                   | 4.05% (1.84% in prior year)                 |
| Retirees Share of Benefit Costs | None  |

Salary increases are assumed to occur once a year and are assumed to increase by a graduated service-based scale ranging from 11.50% for employees with one year of service to 3.50% for employees with 25 or more years of service.

**CITY OF CRANDALL, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**I. Postemployment Benefits Other Than Pensions (OPEB) (continued)**

Mortality rates for service retirees were based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the City, rates are multiplied by an additional factor of 100%.

For disabled retirees, the mortality tables for healthy retirees is used with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation.

The applicable discount rate for an unfunded OPEB plan under GASB No. 75 is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date.

***Changes in the Total OPEB Liability***

|                                     | Total OPEB<br>Liability |
|-------------------------------------|-------------------------|
| Balance at 12/31/21                 | \$ 111,589              |
| Changes for the year:               | -                       |
| Service cost                        | 7,376                   |
| Interest on total OPEB liability    | 2,101                   |
| Change in benefit terms             | -                       |
| Differences between expected & act  | 3,648                   |
| Changes in assumptions and other ir | (46,347)                |
| Benefit payments*                   | (2,235)                 |
| Other charges                       | -                       |
| Net changes                         | \$ (35,457)             |
| Balance at 12/31/22                 | \$ 76,132               |

\*Due to the SDBF being considered an unfunded OPEB plan under GASB Statement No. 75, benefit payments are treated as being equal to the employer's yearly contribution for retirees.

The SDBF does not incur TMRS administrative expenses. The City is charged and the administrative expenses are paid through the TMRS Defined Benefit Pension Plan recorded under GASB Statement No. 68.

***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.05%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.05%) or 1-percentage-point higher (5.05%) than the current rate:

|                      | 1% Decrease in<br>Discount Rate<br>(3.05%) | Discount Rate<br>(4.05%) | 1% Increase in<br>Discount Rate<br>(5.05%) |
|----------------------|--|--------------------------|--|
| Total OPEB liability | \$ 93,299                                  | \$ 76,132                | \$ 63,319                                  |

**CITY OF CRANDALL, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**I. Postemployment Benefits Other Than Pensions (OPEB) (continued)**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended September 30, 2023, the City recognized OPEB expense of \$8,322. At year-end, the City reported deferred outflows of resources related to OPEB from the following sources:

|   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|---|---|--|
| Differences between expected and actual experience (net of current year amortization) | \$ 10,272                                 | \$ 1,046                                 |
| Changes in assumptions and other inputs   | 15,403                                    | 39,155                                   |
| Contributions made subsequent to measurement date                                     | <u>4,952</u>                              | <u>-</u>                                 |
| Total   | <u>\$ 30,627</u>                          | <u>\$ 40,201</u>                         |

\$4,952 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2024. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year ended September 30:</u> |                    |
|---------------------------------|--------------------|
| 2024                            | \$ (1,546)         |
| 2025                            | (1,013)            |
| 2026                            | (1,585)            |
| 2027                            | (4,813)            |
| 2028                            | (5,569)            |
| Thereafter                      | -                  |
| Total                           | <u>\$ (14,526)</u> |

**J. Special Assessment Revenue Bonds**

From time to time the City issues Special Assessment Revenue Bonds. Below is a schedule of the Special Revenue Assessment Bonds the City has issued with their original issue value. Total bond principal outstanding for these issues is set forth in the following schedule at year end:

|   | <u>Original Issue</u> <sup>1</sup> | <u>Outstanding</u>   |
|---|------------------------------------|----------------------|
| Special Assessment Revenue Bonds, Series 2021<br>(Cartwright Ranch Public Improvement District Major Improvement Area Project)                      | \$ 11,987,000                      | \$ 11,987,000        |
| Special Assessment Revenue Bonds, Series 2021<br>(Cartwright Ranch Public Improvement District Improvement Area #1 Project)                         | \$ 17,679,000                      | \$ 17,679,000        |
| Special Assessment Revenue Bonds, Series 2022<br>(River Ridge Public Improvement District Single-Family Residential Major Improvement Area Project) | \$ 5,453,000                       | \$ 5,329,000         |
| Special Assessment Revenue Bonds, Series 2022<br>(River Ridge Public Improvement District Improvement Area #1 Project)                              | \$ 17,205,000                      | \$ 16,824,000        |
| Total Special Assessment Revenue Bonds issued   | <u>\$ 52,324,000</u>               | <u>\$ 51,819,000</u> |

Proceeds of the bonds were deposited into trust accounts with Wilmington Trust, NA (M&T Bank) for the purpose of funding improvements in the projects described above. M&T Bank serves as trustee for the benefit of the bond holders for these funds as well as any property or money of every name and nature, which is from time to time by delivery or in writing of any kind, conveyed, pledged, assigned or transferred to the trustee. The City is not obligated in any manner for this special assessment debt, but merely acts as the property owner's agent in handling debt service transactions by collecting any special assessment tax collections and forwarding them to the bondholders. As of September 30, 2023, these collections have not yet begun. Assessment collections for all of the City's Special Assessment Revenue Bonds are in accordance with debt covenants and complete at year-end.

**CITY OF CRANDALL, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**K. Risk Management**

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City had general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years. The City has renewed all coverages and policies for fiscal year 2024.

**L. Litigation**

The City is involved in litigation in the ordinary course of business. Management estimates that this will not have any material effect on the financial statements.

**M. Additional Water and Sewer Information**

The following information is included at the request of the Texas Water Development Board for the year under audit. Water Accountability Report:

|                   |             |
|-------------------|-------------|
| Gallons Purchased | 236,118,000 |
| Gallons Billed    | 203,986,089 |

The City of Crandall secures its water supply and sewer services from the North Texas Municipal Water District ("District"), a district authorized by the Texas Constitution, Article XVI, Section 59; created by the Texas Legislature, Article 8280-141; and authorized to act by the confirming vote of the majority of the qualified voters in each of the cities comprising the District. The District has police, taxation and eminent domain powers and is authorized to issue revenue and/or tax bonds upon approval by the Attorney General of the State of Texas and functions as a political subdivision of the State of Texas independent of the City. The District is governed by a 17-member "Board". The Board has full power and discretion to establish its budget and to set rates for the services it provides by contracts with its member cities and customers. The Board is empowered by statute and contract, or otherwise permitted by law, to discontinue a facility or to the service in order to prevent abuse or to enforce payment of an unpaid charge, fee or rental due. Because of these factors, the District is not included in the City's basic financial statements.

**N. Interfund Transactions**

| Interfund balances: |                                      | Due from         | Due to           |
|---------------------|--------------------------------------|------------------|------------------|
| Fund                | Purpose                              | Other funds      | Other funds      |
| General Fund        | Transfer for cash flow and sales tax | \$ 24,343        | \$ 64,430        |
| Utility Fund        |                                      |                  |                  |
| Golf Course Fund    |                                      |                  |                  |
| EDC Component Unit  | Transfer for cash flow and sales tax | 64,430           | 24,343           |
| Total               |                                      | <u>\$ 88,773</u> | <u>\$ 88,773</u> |

| Interfund transfers: |  | Transfers Out       | Transfers In      | Net          |
|----------------------|--|---------------------|-------------------|--------------|
| Fund                 |  |                     |                   |              |
| General Fund         |  | \$ (160,466)        | \$ -              | \$ (160,466) |
| Utility Fund         |  |                     |                   |              |
| Golf Fund            |  |                     | 160,466           | 160,466      |
| EDC Component Unit   |  |                     |                   |              |
| Total                |  | <u>\$ (160,466)</u> | <u>\$ 160,466</u> | <u>\$ -</u>  |

Transfers were used to finance repayments of golf course indebtedness and supplement capital outlay.

**CITY OF CRANDALL, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**O. Concentrations**

The City contracts with North Texas Municipal Water District (NTMWD) for water service and water system operation and maintenance services. The City is economically dependent on this contract.

City operations are funded by taxes and revenues provided by the residents of the City of Crandall, Texas. Accordingly, the City is economically dependent on the property values and the local economy of the City of Crandall, Texas and the surrounding area.

**P. Commitments**

The City has entered into a Project Financing Agreement with City of Mesquite, Texas in which the City of Mesquite will extend their water line and provide water to the City of Crandall. Construction has not yet begun. Upon completion of the line extension, the City of Crandall will reimburse City of Mesquite for part of the construction cost and will buy water from City of Mesquite at a discounted rate. A total cost estimate will be provided by City of Mesquite once it is determined.

**Q. Leased Assets**

The Crandall Economic Development Corporation entered into an agreement to lease real estate that will provide monthly rental income that range in the amount of \$3,375 to \$6,441 per month. Management has used a discount rate of 4%. The agreement provides for future rental income by fiscal year as follows:

| Year Ending September 30: | Principal         | Interest         | Total             |
|---------------------------|-------------------|------------------|-------------------|
| 2024                      | \$ 53,484         | \$ 10,391        | \$ 63,875         |
| 2025                      | 55,663            | 8,212            | 63,875            |
| 2026                      | 60,611            | 5,926            | 66,537            |
| 2027                      | 69,854            | 3,336            | 73,190            |
| 2028                      | 44,490            | 595              | 45,085            |
| Totals                    | <u>\$ 284,102</u> | <u>\$ 28,460</u> | <u>\$ 312,562</u> |

## REQUIRED SUPPLEMENTARY INFORMATION

City of Crandall, Texas  
 Budgetary Comparison Schedule - General Fund  
 Year Ended September 30, 2023

|  | Budgeted Amounts    |                     | Actual              | Variance with Final Budget |
|--|---------------------|---------------------|---------------------|----------------------------|
|  | Original            | Final               |                     |                            |
| <b>REVENUES</b>  |                     |                     |                     |                            |
| Taxes:   |                     |                     |                     |                            |
| Property, including P&I  | \$ 2,438,610        | \$ 2,431,276        | \$ 2,594,019        | \$ 162,743                 |
| Sales  | 1,005,000           | 1,005,000           | 1,129,379           | 124,379                    |
| Franchise  | 165,000             | 165,000             | 233,112             | 68,112                     |
| Development fees and permits                                     | 1,651,000           | 1,651,000           | 1,557,399           | (93,601)                   |
| Fines and Fees   | 229,500             | 229,500             | 222,349             | (7,151)                    |
| Zoning permits   | 37,875              | 37,875              | 10,090              | (27,785)                   |
| Charges for Services   | 1,262,193           | 1,436,813           | 1,437,701           | 888                        |
| Other  | 42,800              | 124,100             | 262,631             | 138,531                    |
| <b>Total Revenues</b>  | <b>6,831,978</b>    | <b>7,080,564</b>    | <b>7,446,680</b>    | <b>366,116</b>             |
| <b>EXPENDITURES</b>  |                     |                     |                     |                            |
| Current:   |                     |                     |                     |                            |
| General government   | 2,154,011           | 1,591,357           | 1,328,266           | 263,091                    |
| Public safety  | 2,645,886           | 1,604,216           | 2,526,331           | (922,115)                  |
| Public service   | 535,420             | 233,029             | 338,433             | (105,404)                  |
| Public works   | 244,484             | 252,748             | 188,626             | 64,122                     |
| Capital Outlay   | 645,500             | 942,300             | 1,091,257           | (148,957)                  |
| Debt Service:  |                     |                     |                     |                            |
| Principal  | 150,711             | 223,259             | 215,614             | 7,645                      |
| Interest   |                     | 133,743             | 182,504             | (48,761)                   |
| <b>Total Expenditures</b>  | <b>6,376,012</b>    | <b>4,980,652</b>    | <b>5,871,031</b>    | <b>(890,379)</b>           |
| <b>Excess (deficiency) of revenues over (under) expenditures</b> | <b>455,966</b>      | <b>2,099,912</b>    | <b>1,575,649</b>    | <b>(524,263)</b>           |
| <b>OTHER FINANCING SOURCES AND (USES)</b>                        |                     |                     |                     |                            |
| Proceeds from Notes Payable                                      |                     |                     | 207,587             | 207,587                    |
| Capital Contributions  |                     |                     | 75,800              |                            |
| Transfers out  |                     |                     | (160,466)           | (160,466)                  |
| <b>Total Other Financing Sources (uses)</b>                      | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ 122,921</b>   | <b>\$ 47,121</b>           |
| <b>Net Change in Fund Balances</b>                               | <b>\$ 455,966</b>   | <b>\$ 2,099,912</b> | <b>\$ 1,698,570</b> | <b>\$ (477,142)</b>        |
| <b>Fund Balances, Beginning</b>                                  | <b>2,220,664</b>    | <b>2,220,664</b>    | <b>2,220,664</b>    |                            |
| <b>Fund Balances, Ending</b>                                     | <b>\$ 2,676,630</b> | <b>\$ 4,320,576</b> | <b>\$ 3,919,234</b> |                            |

City budget is prepared on a basis consistent with generally accepted accounting principles.

**City of Crandall, Texas**  
**Schedule of Changes in Total OPEB Liability and Related Ratios**  
**Last 10 Years (will ultimately be displayed)**

| Actuarial Valuation & Measurement Date, December 31,           | 2022                | 2021                | 2020                | 2019                | 2018                | 2017                |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Total OPEB Liability</b>                                    |                     |                     |                     |                     |                     |                     |
| Service cost   | \$ 7,376            | \$ 6,098            | \$ 4,675            | \$ 3,809            | \$ 3,535            | \$ 2,678            |
| Interest on the total OPEB liability                           | 2,101               | 1,900               | 2,023               | 1,940               | 1,856               | 1,794               |
| Changes of benefit terms                                       | -                   | -                   | -                   | -                   | -                   | -                   |
| Difference between expected and actual experience              | 3,648               | 8,558               | 1,002               | 2,762               | (4,761)             | -                   |
| Changes in assumptions or other inputs                         | (46,347)            | 4,050               | 14,293              | 12,897              | (3,948)             | 4,237               |
| Benefit payments *   | (2,235)             | (1,973)             | (519)               | (635)               | (566)               | (487)               |
| <b>Net Change in Total OPEB Liability</b>                      | <b>(35,457)</b>     | <b>18,633</b>       | <b>21,474</b>       | <b>20,773</b>       | <b>(3,884)</b>      | <b>8,222</b>        |
| <b>Total OPEB Liability - Beginning</b>                        | <b>111,589</b>      | <b>92,956</b>       | <b>71,482</b>       | <b>50,709</b>       | <b>54,593</b>       | <b>46,371</b>       |
| <b>Total OPEB Liability - Ending</b>                           | <b>\$ 76,132</b>    | <b>\$ 111,589</b>   | <b>\$ 92,956</b>    | <b>\$ 71,482</b>    | <b>\$ 50,709</b>    | <b>\$ 54,593</b>    |
| <b>Covered Payroll</b>   | <b>\$ 2,235,026</b> | <b>\$ 1,793,434</b> | <b>\$ 1,731,629</b> | <b>\$ 1,586,954</b> | <b>\$ 1,414,116</b> | <b>\$ 1,217,314</b> |
| <b>Total OPEB Liability as a Percentage of Covered Payroll</b> | <b>3.41%</b>        | <b>6.22%</b>        | <b>5.37%</b>        | <b>4.50%</b>        | <b>3.59%</b>        | <b>4.48%</b>        |
| <b>Required contribution</b>                                   | <b>\$ 5,837</b>     | <b>\$ 3,859</b>     | <b>\$ 3,176</b>     | <b>\$ 2,778</b>     | <b>\$ 307</b>       | <b>\$ 487</b>       |
| <b>Actual contribution</b>                                     | <b>5,837</b>        | <b>3,859</b>        | <b>3,176</b>        | <b>2,778</b>        | <b>307</b>          | <b>487</b>          |
| <b>Difference</b>  | <b>\$ -</b>         |

**Schedule Notes:**

*Plan information:*

Single-employer unfunded OPEB plan

There are no assets accumulated in a trust that meets the criteria in GASB Statement No. 75 paragraph 4 to pay related benefits.

*Actuarial Valuation & Measurement Date:*

December 31, 2022

*Significant actuarial assumptions used to measure the total OPEB liability:*

Inflation

2.50%

Salary Increases

3.50% to 11.50%, including inflation

Discount Rate

4.05% (Based on Fidelity Index's "20-year Municipal GO AA Index" rate as of 12/31/22)

Retirees' Share of Benefit-related Costs

\$0

Administrative expenses

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

Mortality rates - service retirees

2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Mortality rates - Disabled Retirees

The Mortality tables for healthy retirees is used with a 4 year set-forward for males and a 3 year set forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

\* Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

This schedule is presented to illustrate the requirements to show information for 10 years. Future years will be provided as the information becomes available.

City of Crandall, Texas  
Schedule of Changes in Net Pension Liability and Related Ratios - TMRS  
September 30, 2023

|   | Plan Year Ending December 31, |                     |                     |                     |                     |                     |                     |                     |                     |
|---|-------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|   | 2022                          | 2021                | 2020                | 2019                | 2018                | 2017                | 2016                | 2015                | 2014                |
| <b>Total pension liability</b>  |                               |                     |                     |                     |                     |                     |                     |                     |                     |
| Service cost  | \$ 378,837                    | \$ 322,101          | \$ 314,983          | \$ 286,128          | \$ 258,359          | \$ 219,482          | \$ 211,786          | \$ 218,957          | \$ 200,590          |
| Interest (on the Total Pension Liability)                                     | 354,337                       | 317,080             | 286,196             | 253,996             | 225,011             | 209,231             | 187,028             | 171,756             | 159,322             |
| Changes of benefit terms  | -                             | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   |
| Difference between expected and actual experience                             | 80,757                        | 128,782             | 14,005              | 10,165              | 26,143              | (112,730)           | 19,373              | (49,648)            | (100,494)           |
| Change of assumptions   | -                             | -                   | -                   | 19,391              | -                   | -                   | -                   | 42,189              | -                   |
| Benefit payments, including refund of employee contributions                  | (272,429)                     | (216,330)           | (106,132)           | (107,933)           | (80,043)            | (123,263)           | (62,928)            | (62,152)            | (119,804)           |
| <b>Net Change in Total Pension Liability</b>                                  | <b>541,502</b>                | <b>551,633</b>      | <b>509,054</b>      | <b>461,747</b>      | <b>429,470</b>      | <b>192,720</b>      | <b>355,259</b>      | <b>321,102</b>      | <b>139,614</b>      |
| <b>Total Pension Liability - Beginning</b>                                    | <b>5,196,235</b>              | <b>4,644,602</b>    | <b>4,135,548</b>    | <b>3,673,801</b>    | <b>3,244,331</b>    | <b>3,051,611</b>    | <b>2,696,352</b>    | <b>2,375,250</b>    | <b>2,235,636</b>    |
| <b>Total Pension Liability - Ending (a)</b>                                   | <b>\$ 5,737,737</b>           | <b>\$ 5,196,235</b> | <b>\$ 4,644,602</b> | <b>\$ 4,135,548</b> | <b>\$ 3,673,801</b> | <b>\$ 3,244,331</b> | <b>\$ 3,051,611</b> | <b>\$ 2,696,352</b> | <b>\$ 2,375,250</b> |
| <b>Plan Fiduciary Net Position</b>  |                               |                     |                     |                     |                     |                     |                     |                     |                     |
| Contributions - employers   | \$ 246,970                    | \$ 197,995          | \$ 186,897          | \$ 169,440          | \$ 154,152          | \$ 132,024          | \$ 131,020          | \$ 131,693          | \$ 107,595          |
| Contributions - employees   | 156,452                       | 125,540             | 121,214             | 111,087             | 98,988              | 85,212              | 83,757              | 83,891              | 81,268              |
| Net investment income   | (407,606)                     | 631,730             | 327,590             | 553,628             | (105,226)           | 416,479             | 181,381             | 3,729               | 133,112             |
| Benefit payments, including refund of employee contributions                  | (272,429)                     | (216,330)           | (106,132)           | (107,933)           | (80,043)            | (123,263)           | (62,928)            | (62,152)            | (119,804)           |
| Administrative expense  | (3,520)                       | (2,918)             | (2,117)             | (3,133)             | (2,038)             | (2,164)             | (2,047)             | (2,271)             | (1,389)             |
| Other   | 4,202                         | 19                  | (83)                | (93)                | (106)               | (110)               | (110)               | (112)               | (114)               |
| <b>Net Change in Plan Fiduciary Net Position</b>                              | <b>(275,931)</b>              | <b>736,036</b>      | <b>527,369</b>      | <b>722,996</b>      | <b>65,727</b>       | <b>508,178</b>      | <b>331,073</b>      | <b>154,778</b>      | <b>200,668</b>      |
| <b>Plan Fiduciary Net Position - Beginning</b>                                | <b>5,573,065</b>              | <b>4,837,029</b>    | <b>4,309,660</b>    | <b>3,586,664</b>    | <b>3,520,937</b>    | <b>3,012,759</b>    | <b>2,681,686</b>    | <b>2,526,908</b>    | <b>2,326,240</b>    |
| <b>Plan Fiduciary Net Position - Ending (b)</b>                               | <b>\$ 5,297,134</b>           | <b>\$ 5,573,065</b> | <b>\$ 4,837,029</b> | <b>\$ 4,309,660</b> | <b>\$ 3,586,664</b> | <b>\$ 3,520,937</b> | <b>\$ 3,012,759</b> | <b>\$ 2,681,686</b> | <b>\$ 2,526,908</b> |
| <b>Net Pension (Asset) Liability - Ending (a)-(b)</b>                         | <b>\$ 440,603</b>             | <b>\$ (376,830)</b> | <b>\$ (192,427)</b> | <b>\$ (174,112)</b> | <b>\$ 87,137</b>    | <b>\$ (276,606)</b> | <b>\$ 38,852</b>    | <b>\$ 14,666</b>    | <b>\$ (151,658)</b> |
| <b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b> | 92.32%                        | 107.25%             | 104.14%             | 104.21%             | 97.63%              | 108.53%             | 98.73%              | 99.46%              | 106.38%             |
| <b>Covered Employee Payroll</b>   | <b>\$ 2,235,026</b>           | <b>\$ 1,793,434</b> | <b>\$ 1,731,629</b> | <b>\$ 1,586,954</b> | <b>\$ 1,414,116</b> | <b>\$ 1,217,314</b> | <b>\$ 1,196,529</b> | <b>\$ 1,198,449</b> | <b>\$ 1,160,972</b> |
| <b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>      | 19.71%                        | -21.01%             | -11.11%             | -10.97%             | 6.16%               | -22.72%             | 3.25%               | 1.22%               | -13.06%             |

Notes to Schedule:  
N/A

Note: Years will continue to be added until there are 10 years for comparison.

**City of Crandall, Texas**  
**Schedule of Contributions-TMRS**  
**September 30, 2023**

|  | Fiscal Year Ended September 30, |             |             |             |             |             |             |             |             |
|--|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|  | 2023                            | 2022        | 2021        | 2020        | 2019        | 2018        | 2017        | 2016        | 2015        |
| Actuarially determined contribution                                  | \$ 258,383                      | \$ 247,349  | \$ 198,064  | \$ 171,986  | \$ 170,069  | \$ 152,845  | \$ 131,379  | \$ 128,119  | \$ 102,275  |
| Contributions in relation to the actuarially determined contribution | \$ 258,383                      | \$ 247,349  | \$ 198,064  | \$ 171,986  | \$ 170,069  | \$ 152,845  | \$ 131,379  | \$ 128,119  | \$ 102,275  |
| Contributions deficiency (excess)                                    | \$ -                            | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        |
| Covered employee payroll   | \$2,354,911                     | \$2,238,924 | \$1,793,584 | \$1,610,354 | \$1,568,836 | \$1,372,552 | \$1,196,529 | \$1,198,449 | \$1,160,972 |
| Contributions as a percentage of covered employee payroll            | 10.97%                          | 11.05%      | 11.04%      | 10.68%      | 10.84%      | 11.14%      | 10.98%      | 10.69%      | 8.81%       |

**Notes to Schedule of Contributions**

*Valuation Dates:*

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 | 20 years (longest amortization ladder)  |
| Asset Valuation Method        | 10 Year smoothed market; 12% soft corridor  |
| Inflation                     | 2.50%   |
| Salary Increases              | 3.50% to 11.50% 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 2019 valuation pursuant to an experience study of the period 2014-2018.  |
| Mortality                     | Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.<br>Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP. |

*Other Information:*

Notes There were no benefit changes during the year.