

ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2019

City of Crandall, Texas

City Manager

Jana Shelton

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**CITY OF CRANDALL, TEXAS
 ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTORY SECTION	
Letter of Transmittal.....	i
Organizational Chart.....	v
City Council and City Staff.....	vi
II. FINANCIAL SECTION	
Independent Auditor's Report on Financial Statements.....	3
A. Management Discussion and Analysis.....	5
B. Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position.....	19
Statement of Activities.....	20
Fund Financial Statements:	
Governmental Fund Financial Statements	
Balance Sheet.....	22
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	23
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds.....	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities.....	25
Proprietary Fund Financial Statements	
Statement of Fund Net Position.....	26
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	27
Statement of Cash Flows.....	28
Notes to the Financial Statements	29
C. Required Supplementary Information:	
Budgetary Comparison Schedule - General Fund.....	54
Schedule of Changes in OPEB Liabilities and Related Ratios.....	55
Schedule of Changes in Net Pension Liabilities and Related Ratios - TMRS.....	56
Notes to Schedule of Changes in Net Pension Liability and Related Ratios - TMRS.....	57
Schedule of Pension Contributions - TMRS.....	58

**CITY OF CRANDALL, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

TABLE OF CONTENTS

	<u>Page</u>
D. Supplementary Information	
Crandall Economic Development Corporation Discretely Presented Component Unit	
Governmental Fund Balance Sheet.....	60
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	61
Statement of Revenues, Expenses and Changes in Fund Balance - Governmental Fund.....	62
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities.....	63

INTRODUCTORY SECTION

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May 18, 2020

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, 2019, 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, 2019.

This letter of transmittal is designed to compliment 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, 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 (2010 census-population of 2858) 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 74,057 and the median house value is \$136,500. Crandall is seeing positive development in our Economy. We have several new housing developments as well as new annexations 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 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 first step was stabilizing the City's revenue stream by adjusting utility rates and tax rates to be commensurate with our debt and capital needs. The second step was the initiation of a Comprehensive Plan, which includes a one, three, five-year Plan. Included is the Land Use Development Transportation Capital Improvement & Thoroughfare Plan. The City continues to act by adopting a balanced budget for FY 2019-2020 and for future fiscal years. Other improvements include identifying a second source of water, initiating a Downtown Development Plan. We have completed a New Police and Fire Station which are now occupied. The City continues identifying and securing sub-standard housing for future land development and promoting and utilizing green technologies. Due to the increase in population the City has appointed a Charter Committee that has created a Home Rule charter that will be on the ballot in November election.

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 2020, the City expects to see moderate, but continued, growth in both retail and commercial. Housing starts will still exceed area averages with new school facilities and new retail increasing the desirability of the area.

As well, the city has adopted a Master Drainage Plan and will work that into the City's 1-3-5 Year Plan. The City is working with two Major Developments that will improve the commerce and attractiveness of the city.

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's finance director, 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>	
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

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, 2019, 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, especially those employees of the Finance Department 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,

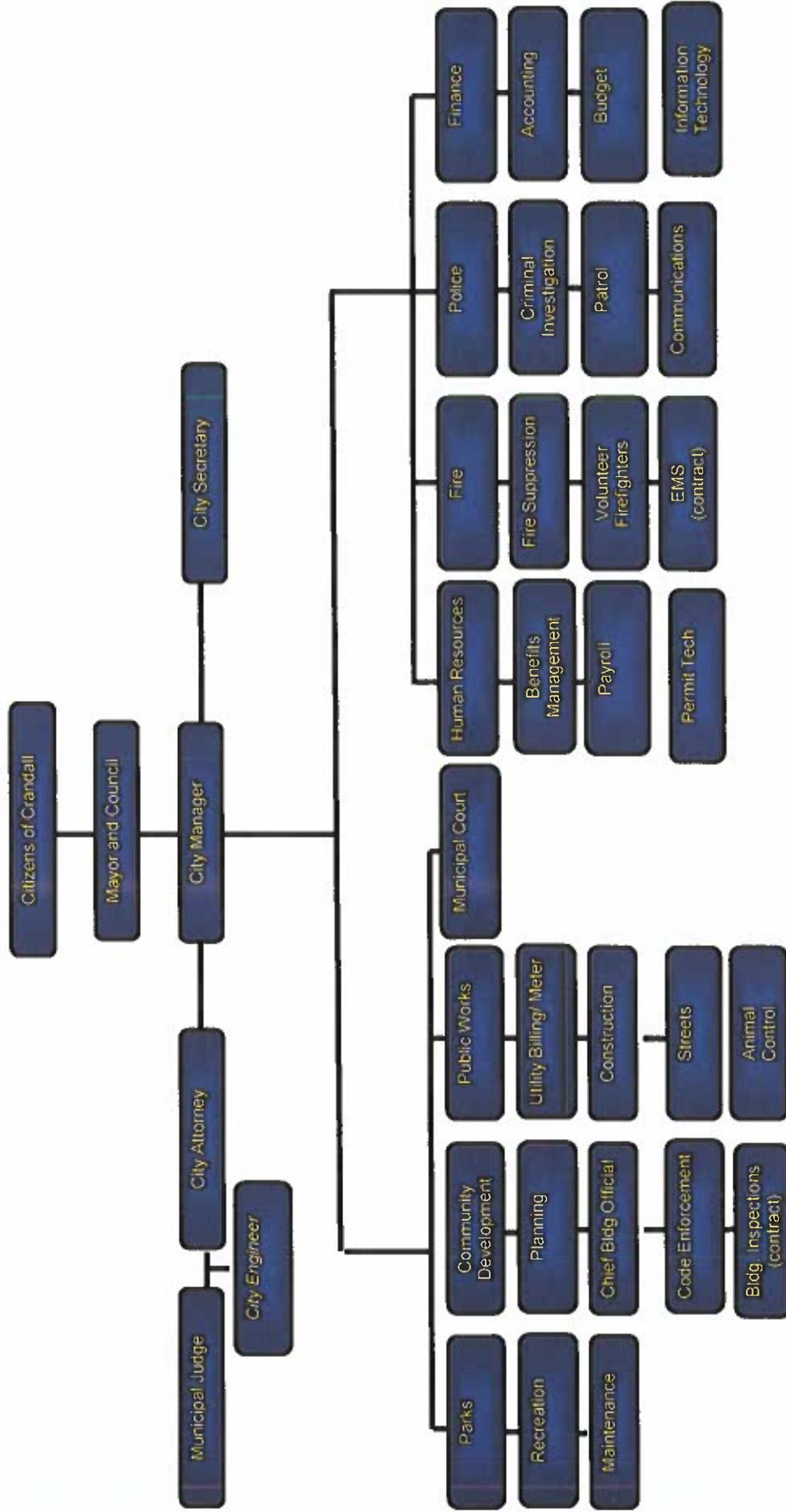


Jana D. Shelton
City Manager
City of Crandall

City of Crandall

Organizational Chart

2020



City of Crandall, Texas
City Council and City Staff
September 30, 2019

City Council

Danny Kirbie	Mayor
David Lindsey	Mayor Pro Tem
Shannon Barnes	Council member
Caleb Allen	Council member
Ron Lanier	Council member
Tim Atkins	Council member

City Manager

Jana Shelton

FINANCIAL SECTION

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SCOTT, SINGLETON, FINCHER AND COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the City Council
City of Crandall, Texas

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 City of Crandall, Texas ("City") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of City of Crandall, Texas as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, schedule of changes in total OPEB liability and related ratios, schedule of changes in net pension liability and related ratios-TMRS, notes to schedule of changes in net pension liability and related ratios-TMRS, and schedule of pension contributions-TMRS, on pages 5 through 15 and pages 54 through 58, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Crandall, Texas basic financial statements. The introductory section and supplementary information section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on the introductory section.

Scott, Singleton, Fincher and Company, PC

Scott, Singleton, Fincher and Company, PC
Certified Public Accountants
Greenville, Texas
May 18, 2020

MANAGEMENT DISCUSSION & ANALYSIS

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CITY OF CRANDALL, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2019

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, 2019. 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 \$6,511,344 (net position). Of this amount, \$287,261 is restricted for debt service expenditures, municipal court and police department use. The amount of unrestricted net position is \$1,011,099, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$704,024 due mainly to an increase in Governmental activities.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,814,193, a decrease of \$(1,234,848) or 30.5% in comparison with the prior year. Capital outlay in the capital project fund in the amount of \$1,470,115 was the primary factor for the decrease. Of this amount, 21%, or \$580,936, 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 \$580,936, or 16%, of total General Fund expenditures.
- The City's total outstanding long-term debt decreased by \$231,283, or (2)%, 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, 2019**

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 – 58) 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, 2019**

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, 2019**

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 – 58 of this report.

Other Information

Individual fund statements for the Crandall Economic Development Corporation can be found on pages 60 – 63 in this report.

**CITY OF CRANDALL, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2019**

The City of Crandall's Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 3,618,802	\$ 4,271,768	\$ 2,312,356	\$ 2,020,130	\$ 5,931,158	\$ 6,291,898
Net Pension Asset		221,879		54,727	-	276,606
Capital assets	6,600,810	5,148,842	4,599,022	4,827,682	11,199,832	9,976,524
Total assets	10,219,612	9,642,489	6,911,378	6,902,539	17,130,990	16,545,028
Deferred outflow - pension	262,294	103,461	65,204	26,740	327,498	130,201
Deferred outflow - OPEB	2,524	3,025	622	32	3,146	3,057
Total deferred outflows	264,818	106,486	65,826	26,772	330,644	133,258
Long-term liabilities	5,651,745	5,866,109	3,960,718	4,122,966	9,612,463	9,989,075
Net Pension Liability	69,897	-	17,240	-	87,137	-
Total OPEB Liability	40,676	43,791	10,033	9,175	50,709	52,966
Other liabilities	791,284	190,301	362,297	434,980	1,153,581	625,281
Total liabilities	6,553,602	6,100,201	4,350,288	4,567,121	10,903,890	10,667,322
Deferred inflow - pension	31,324	146,690	7,726	36,180	39,050	182,870
Deferred inflow - OPEB	5,896		1,454		7,350	-
Total deferred inflows	37,220	146,690	9,180	36,180	46,400	182,870
Net position:						
Net investment in capital assets	2,982,899	2,792,664	2,230,085	2,426,240	5,212,984	5,218,904
Restricted	287,261	285,173	-	-	287,261	285,173
Unrestricted	623,448	424,247	387,651	(100,230)	1,011,099	324,017
Total net position	\$ 3,893,608	\$ 3,502,084	\$ 2,617,736	\$ 2,326,010	\$ 6,511,344	\$ 5,828,094

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 \$6,511,344 as of September 30, 2019. The City's net position increased by \$704,024 for the fiscal year ended September 30, 2019.

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 decrease of \$5,920 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 \$287,261, or 4%, 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) \$160,386 for debt service and, (b) \$126,875 for other state imposed restrictions.

Unrestricted net position:

The amount of unrestricted net position is \$1,011,099 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, 2019**

The City of Crandall's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
REVENUES:						
Program Revenues:						
Charge for services	\$ 1,661,777	\$ 1,310,014	\$ 2,511,822	\$ 2,349,474	\$ 4,173,599	\$ 3,659,488
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	47,833	-	-	267,505	47,833	267,505
General Revenues:						
Property tax	1,519,577	1,339,560	-	-	1,519,577	1,339,560
Sales tax	470,802	383,444	-	-	470,802	383,444
Franchise tax	207,994	191,066	-	-	207,994	191,066
Mixed beverage tax	-	34	-	-	-	34
Investment income	2,489	-	119	-	2,608	-
Other	74,918	31,664	51,319	-	126,237	31,664
Total Revenues	3,985,390	3,255,782	2,563,260	2,616,979	6,548,650	5,872,761
EXPENSES:						
Program Expenses:						
General government	960,012	703,766	-	-	960,012	703,766
Public services	294,192	248,877	-	-	294,192	248,877
Public safety	1,670,785	1,532,761	-	-	1,670,785	1,532,761
Public works	307,719	331,813	-	-	307,719	331,813
Interest and fiscal agent fees	189,078	85,845	-	-	189,078	85,845
Utility	-	-	2,351,273	2,100,263	2,351,273	2,100,263
Golf course	-	-	71,567	196,417	71,567	196,417
Total Expenses	3,421,786	2,903,062	2,422,840	2,296,680	5,844,626	5,199,742
Change in net position before transfers	563,604	352,720	140,420	320,299	704,024	673,019
Transfers	(151,306)	(248,760)	151,306	248,760	-	-
Change in net position	412,298	103,960	291,726	569,059	704,024	673,019
Net position, October 1	3,502,084	3,435,189	2,326,010	1,766,094	5,828,094	5,201,283
Prior Period Adjustment	(20,774)	(37,065)	-	(9,143)	(20,774)	(46,208)
Net position, September 30	\$ 3,893,608	\$ 3,502,084	\$ 2,617,736	\$ 2,326,010	\$ 6,511,344	\$ 5,828,094

Governmental activities increased net position by \$412,298 and the amount increased \$563,604 before transferring \$151,306 to Business-type activities (primarily for Golf Course debt). This amount represents a higher increase in net position before transfers in comparison to 2018.

Business-type activities increased net position by \$291,726 the amount increased \$140,420 before transfers in of \$151,306 from the General Fund. By comparison, net position increased by \$320,299 before transfers, and \$569,059 after transfers in 2018. The change is related to increased operating expenses in the Utility fund.

**CITY OF CRANDALL, TEXAS
 MANAGEMENT DISCUSSION AND ANALYSIS (continued)
 SEPTEMBER 30, 2019**

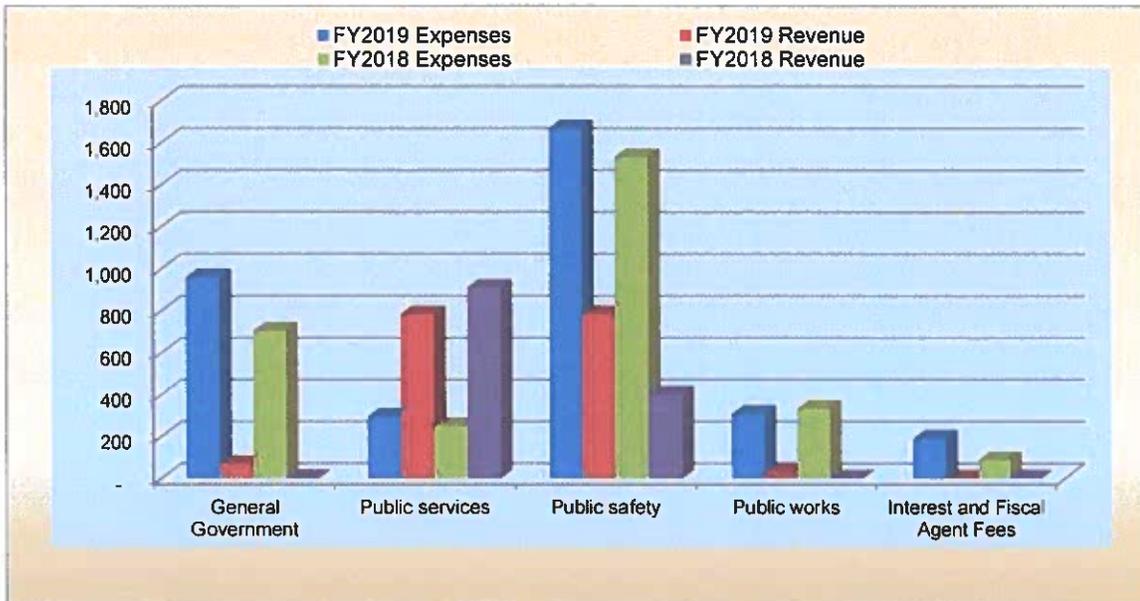
Governmental-type activities - Governmental-type activities increased the City's net position by \$412,298. Key elements of this increase are as follows:

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

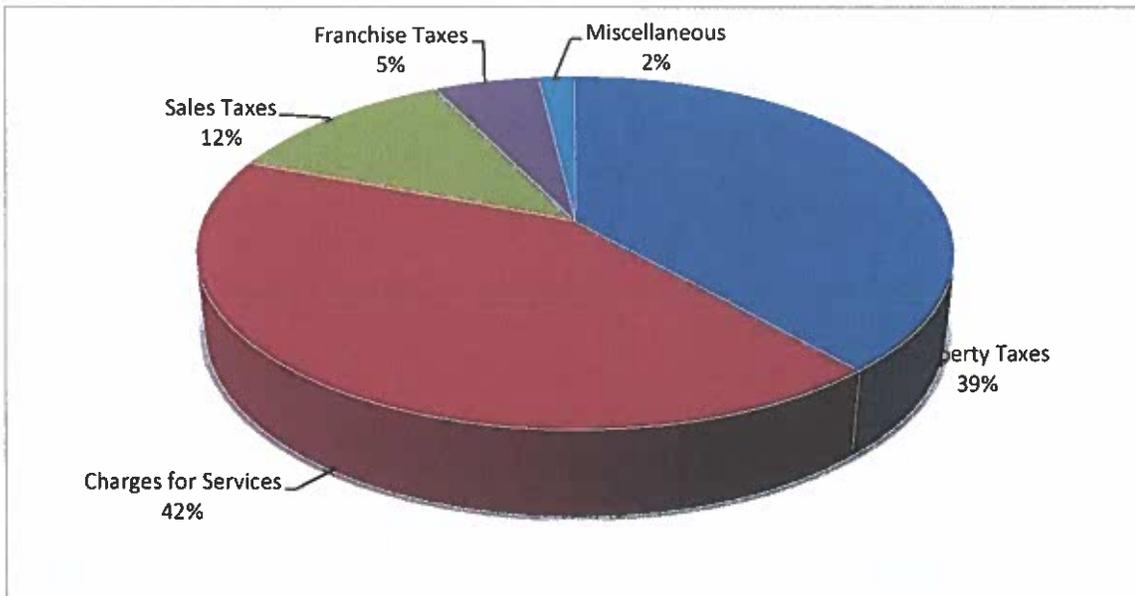
Governmental activities supplements payment of debt from business activities related to the golf fund.

Expenses and Program Revenues - Governmental Activities

(amounts expressed in thousands)



Revenues by Source - Governmental Activities



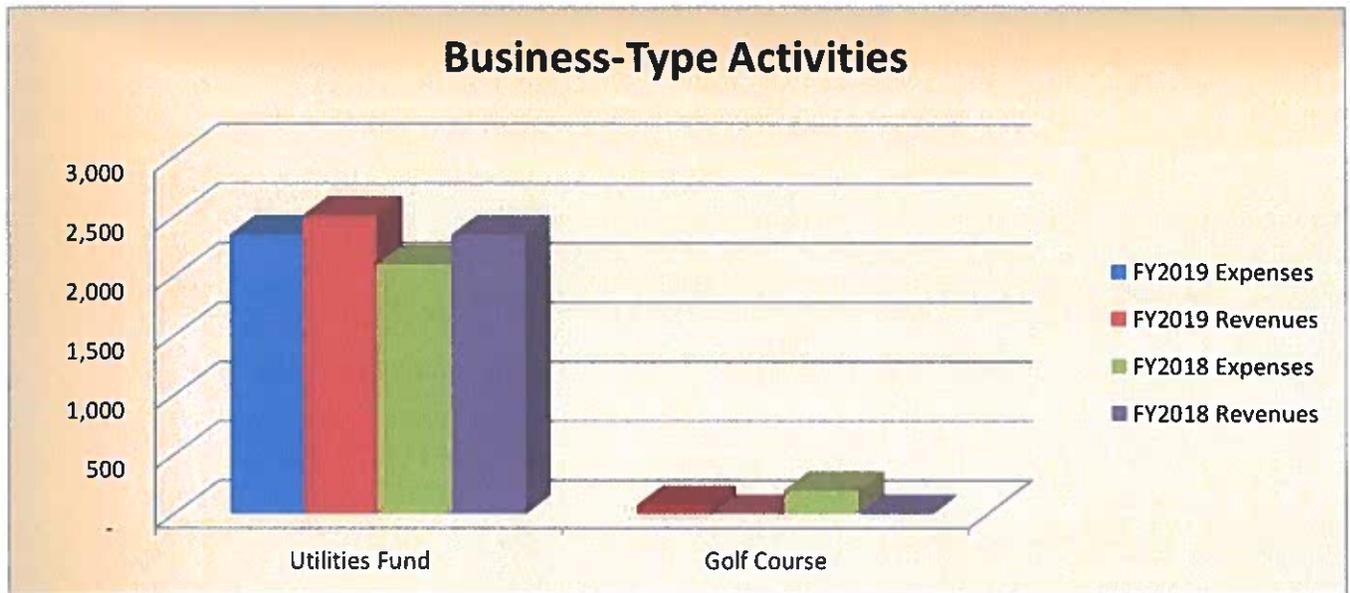
**CITY OF CRANDALL, TEXAS
 MANAGEMENT DISCUSSION AND ANALYSIS (continued)
 SEPTEMBER 30, 2018**

Business-type Activities - Business-type activities increased the City's net position by \$291,726. Key elements of business-type activities are:

Total program expenses in the utility activity increased by \$251,010 or 12%. The General Fund transferred \$136,035 to the Golf Fund. This included payments for Golf Fund debt.

Expenditures and Program Revenues - Business-type Activities

(amounts expressed in thousands)



**CITY OF CRANDALL, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2019**

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, 2019, the City's General Fund reported total fund balance of \$909,033, a 40.4% increase over prior year fund balance of \$649,041. The components of total fund balance are as follows:

- Restricted fund balance, \$287,261, consists of amounts restricted by external laws or contractual obligations as follows: \$160,386 for debt service, \$50,581 for court use, and \$76,294 for police use.
- Assigned fund balance of \$40,836, represents residual fund balance intended for use by special revenue funds, including the park and fire departments.
- Unassigned fund balance, \$580,936, 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 \$580,936, compared to \$563,489 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 16% 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 a this transfer of \$136,035.

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 \$387,651. This is an improvement of 487,881 over last year's unrestricted net position. This improvement is the result of positive results in the utility fund and depreciation of assets causing a further 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 \$1,389,862.

CITY OF CRANDALL, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2019

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, 2019, totals \$11,199,829 (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 2019 as follows:

- Continued construction pursuant to the commitment for a 4.7 million dollar police and fire station
- Purchase of new vehicles and equipment for utility operations
- Street improvements were made to Trinity Street

Capital Assets
As of September 30
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 376,937	\$ 376,937	\$ 46,190	\$ 46,190	\$ 423,127	\$ 423,127
Construction in progress	1,883,815	520,885	-	-	1,883,812	520,882
Buildings	73,311	35,682	180,010	75,707	253,321	111,389
Improvements	122,692	118,350	4,105,099	4,545,533	4,227,791	4,663,883
Intangible	31,877	31,877	-	-	31,877	31,877
Infrastructure	3,865,631	3,785,701	-	-	3,865,631	3,785,701
Vehicles, Machinery & Equip.	246,547	279,412	267,723	160,253	514,270	439,665
Total	\$ 6,600,810	\$ 5,148,844	\$ 4,599,022	\$ 4,827,683	\$ 11,199,829	\$ 9,976,524

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, 2019, the City had total long-term obligations outstanding of \$9,735,043 a decrease of (\$306,997), or (3%), in comparison with the prior year.

Long Term Obligations
As of September 30

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds (backed by tax revenues)	\$ 3,300,000	\$ 3,370,000	\$ 1,490,000	\$ 1,630,000	\$ 4,790,000	\$ 5,000,000
Revenue Refunding Bonds (backed by Water/Sewer revenues)	-	-	1,950,000	2,170,000	1,950,000	2,170,000
Certificates of Obligation (backed by tax revenues and Water/Sewer revenues)	1,930,000	1,940,000	390,000	420,000	2,320,000	2,360,000
Unamortized Bond Premium or (Discount)	122,118	150,344	(100,138)	(117,832)	21,980	32,512
Direct Loans - Notes Payable	170,953	295,833	217,495	-	388,448	295,833
Net Pension Liability	69,897	-	17,240	-	87,137	-
Total OPEB Liability	40,676	43,791	10,033	9,175	50,709	52,966
Compensated Absences	113,408	109,931	13,361	20,798	126,769	130,729
Total	\$ 5,747,052	\$ 5,909,899	\$ 3,987,991	\$ 4,132,141	\$ 9,735,043	\$ 10,042,040

During 2019 the City issued two direct loans for equipment and vehicles servicing the utility operations and public works adding a total of \$189,848 in direct loans for the city.

Budgetary Highlights

General Fund Budgetary Highlights:

Revenues exceeded the budgeted amounts in 2019 mainly due to significant increases in development fees. Expenditures exceeded the overall budgeted amounts due to increases in capital outlay and development related costs.

Economic Factors and Next Year's Budgets and Rates

The City has taken progressive steps to ensure its financial stability, health and long-term viability. The City has initiated a Comprehensive Plan which includes a one, three, and five-year Plan. Included in the plan is the Land Use Development Transportation Capital Improvement & Thoroughfare Plan. Other improvements include identifying a second source of water and initiating a Downtown Development Plan. The new police & fire station station has been completed and is occupied. The City continues to identify and secure sub-standard housing for future land development and promoting and utilizing green technologies. Due to the increase in population, the City has appointed a Charter Committee that has created a Home Rule charter that will be on the ballot in November.

Looking forward to fiscal year 2020, the City expects to see moderate, but continued, growth in both retail and commercial activity. Housing starts are expected to exceed area averages with new school facilities and new retail increasing the desirability of the area.

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 City Secretary, 110 S. Main St., Crandall, Texas 75114.

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BASIC FINANCIAL STATEMENTS

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City of Crandall, Texas
Statement of Net Position
September 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 605,608	\$ 1,343,361	\$ 1,948,969	478,692
Taxes receivable, net	175,264		175,264	
Receivables, net	81,164	367,714	448,878	
Due from other governments		29,991	29,991	
Prepaid expense		17,559	17,559	
Due from primary government				29,636
Internal Balances	(39,505)	39,505	-	
Inventories		25,668	25,668	
Restricted Assets:				
Cash and cash equivalents	2,796,271	488,558	3,284,829	
Capital Assets:				
Non-depreciable	2,292,629	46,190	2,338,819	215,388
Depreciable, net	4,308,181	4,552,832	8,861,013	248,060
Total Assets	10,219,612	6,911,378	17,130,990	971,776
Deferred Outflows of Resources				
Deferred outflows related to pensions	262,294	65,204	327,498	
Deferred outflows related to OPEB	2,524	622	3,146	
Total Deferred Outflows of Resources	264,818	65,826	330,644	-
LIABILITIES				
Accounts payable	675,045	212,716	887,761	
Accrued salaries and benefits	60,815	22,746	83,561	
Accrued interest payable	25,788	14,651	40,439	1,966
Customer deposits payable		112,184	112,184	
Due to component unit	29,636		29,636	
Noncurrent Liabilities:				
Due within one year:				
Compensated absences	28,352	13,361	41,713	
Bonds & notes payable	142,542	427,786	570,328	49,138
Sales tax recoupment	15,266		15,266	
Due in more than one year:				
Compensated absences	85,056		85,056	
Bonds and notes payable	5,380,529	3,519,571	8,900,100	255,428
Net pension liability	69,897	17,240	87,137	
Total OPEB liability	40,676	10,033	50,709	
Total Liabilities	6,553,602	4,350,288	10,903,890	306,532
Deferred Inflows of Resources				
Deferred inflows related to pensions	31,324	7,726	39,050	
Deferred inflows related to OPEB	5,896	1,454	7,350	
Total Deferred Inflows of Resources	37,220	9,180	46,400	-
NET POSITION				
Net investment in capital assets	2,982,899	2,230,085	5,212,984	158,882
Restricted for:				
Debt Service	160,386		160,386	
Municipal court use	50,581		50,581	
Police	76,294		76,294	
Unrestricted	623,448	387,651	1,011,099	506,362
Total Net Position	\$ 3,893,608	\$ 2,617,736	\$ 6,511,344	\$ 665,244

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

**City of Crandall, Texas
Statement of Activities
Year Ending September 30, 2019**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Function/Program Activities				
Primary Government				
Governmental Activities:				
General government	\$ 960,012	\$ 67,592	\$ -	\$ -
Public services	294,192	783,718		
Public safety	1,670,785	784,142		47,833
Public works	307,719	26,325		
Interest on Long-Term Debt	189,078			
Total governmental activities	3,421,786	1,661,777	-	47,833
Business-type Activities:				
Utility	2,351,273	2,511,822		
Golf Course	71,567			
Total business-type activities	2,422,840	2,511,822	-	-
Total primary government	5,844,626	4,173,599	-	47,833
Component unit:				
Economic Development	78,582	45,607	-	-
Total component unit	\$ 78,582	\$ 45,607	\$ -	\$ -

General revenues:
Property taxes
Sales taxes
Franchise taxes
Investment income
Other
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning
Prior Period Adjustment
Net position - ending

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

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

Primary Government			Component Unit
Governmental Activities	Business Activities	Total	
\$ (892,420)	\$ -	\$ (892,420)	\$ -
489,526		489,526	-
(838,810)		(838,810)	-
(281,394)		(281,394)	-
(189,078)		(189,078)	-
<u>(1,712,176)</u>	<u>-</u>	<u>(1,712,176)</u>	<u>-</u>
	160,549	160,549	-
	<u>(71,567)</u>	<u>(71,567)</u>	<u>-</u>
	88,982	88,982	-
<u>(1,712,176)</u>	<u>88,982</u>	<u>(1,623,194)</u>	<u>-</u>
-	-	-	(32,975)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (32,975)</u>
\$ 1,519,577	\$ -	\$ 1,519,577	\$ -
470,802		470,802	155,100
207,994		207,994	
2,489	119	2,608	
74,918	51,319	126,237	9,318
(151,306)	151,306	-	
<u>2,124,474</u>	<u>202,744</u>	<u>2,327,218</u>	<u>164,418</u>
412,298	291,726	704,024	131,443
3,502,084	2,326,010	5,828,094	533,801
(20,774)		(20,774)	-
<u>\$ 3,893,608</u>	<u>\$ 2,617,736</u>	<u>\$ 6,511,344</u>	<u>\$ 665,244</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, 2019

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
ASSETS			
Cash and Investments			
Unrestricted	\$ 605,608	\$ -	\$ 605,608
Restricted	328,322	2,467,949	2,796,271
Receivables, net of allowances			
Taxes	175,264		175,264
Other	81,164		81,164
Due from other funds	42,632		42,632
Total Assets	<u>1,232,990</u>	<u>2,467,949</u>	<u>3,700,939</u>
LIABILITIES			
Accounts Payable	112,256	562,789	675,045
Accrued Payroll	60,815		60,815
Due to other funds	82,137		82,137
Due to component unit	29,636		29,636
Total Liabilities	<u>284,844</u>	<u>562,789</u>	<u>847,633</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable property taxes	39,113		39,113
Total Deferred Inflows of Resources	<u>39,113</u>	<u>-</u>	<u>39,113</u>
FUND BALANCES			
Restricted for:			
Debt Service	160,386		160,386
Municipal Court	50,581		50,581
Police	76,294		76,294
Capital projects		1,905,160	1,905,160
Assigned to:			
Park	26,793		26,793
Fire equipment	14,043		14,043
Unassigned	580,936		580,936
Total Fund Balances	<u>909,033</u>	<u>1,905,160</u>	<u>2,814,193</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,232,990</u>	<u>\$ 2,467,949</u>	<u>\$ 3,700,939</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, 2019

Total fund balances - governmental funds balance sheet	\$ 2,814,193
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.	6,600,810
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.	(5,523,071)
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.	(113,408)
Long term liabilities for the City's net pension liability (\$69,897) and total OPEB liability (\$40,676) do not require the use of current financial resources and therefore are not recorded in governmental funds.	(110,573)
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 (\$262,294) and deferred outflows related to OPEB (\$2,524) are not recorded in governmental funds.	264,818
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 (\$31,324) and deferred inflows related to OPEB (\$5,896) are not recorded in governmental funds.	(37,220)
Long-term liabilities for sales tax recoupments to the State will not be paid out of current resources, and therefore are not recorded in the governmental funds.	(15,266)
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.	39,113
Net position - governmental activities	<u>\$ 3,893,608</u>

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 Ending September 30, 2019

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
REVENUE			
Taxes:			
Property, including P&I	\$ 1,522,553		\$ 1,522,553
Sales tax	465,294		465,294
Franchise	207,994		207,994
Development fees and permits	770,439		770,439
Fines and Fees	192,340		192,340
Zoning variance fees	26,325		26,325
Charges for Services	672,673		672,673
Capital grant	47,833		47,833
Other	74,918		74,918
Interest income	1,787	702	2,489
Total Revenues	<u>3,982,156</u>	<u>702</u>	<u>3,982,858</u>
EXPENDITURES			
Current Operating:			
General government	926,532		926,532
Public service	291,600		291,600
Public safety	1,597,395		1,597,395
Public works	169,445		169,445
Capital Outlay	295,179	1,470,115	1,765,294
Debt Service:			
Principal	146,800		146,800
Interest	201,180		201,180
Total Expenditures	<u>3,628,131</u>	<u>1,470,115</u>	<u>5,098,246</u>
Excess (deficiency) of revenues over (under) expenditures	354,025	(1,469,413)	(1,115,388)
OTHER FINANCING SOURCES AND (USES)			
Proceeds from Notes Payable	16,575		16,575
Transfers in	25,427		25,427
Transfers out	(136,035)	(25,427)	(161,462)
Total Other Financing Sources (uses)	<u>(94,033)</u>	<u>(25,427)</u>	<u>(119,460)</u>
Net change in Fund Balances	259,992	(1,494,840)	(1,234,848)
Fund Balance, Beginning	649,041	3,400,000	4,049,041
Fund Balance, Ending	<u>\$ 909,033</u>	<u>\$ 1,905,160</u>	<u>\$ 2,814,193</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 Ending September 30, 2019

Net change in fund balance - statement of revenues, expenditures and changes in fund balances - governmental funds	\$ (1,234,848)
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.	1,765,294
Capital assets transferred to the proprietary funds do not affect current financial resources and therefore are not recorded as revenues in the funds. This is the book value of the capital assets less the related debt that were transferred between the funds for the year.	(15,271)
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.	(223,400)
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.	(16,575)
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.	28,227
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.	146,800
Repayment of the long term liability for sales tax due back to the Texas Comptroller is recorded as an outflow in the governmental fund, but are recorded as a reduction of the liability in the statement of net position. This is the amount repaid for the year.	5,508
Governmental funds record interest expense when it is due. The government-wide statements record interest expense on the accrual basis. This represents the change in accrued interest for the year.	(16,125)
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.	(3,477)
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.	(2,976)
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.	(17,577)
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.	(3,282)
Change in net position - governmental activities	<u>\$ 412,298</u>

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, 2019

	<u>Utilities</u>	<u>Golf Course</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	1,343,361		\$ 1,343,361
Receivables, net of allowance for uncollectibles	367,714		367,714
Due from other governments	29,991		29,991
Due from other funds	99,663		99,663
Prepaid Expenses and other assets	17,559		17,559
Restricted Assets:			
Cash and cash equivalents	488,558		488,558
Inventory	25,668		25,668
Total current assets	<u>2,372,514</u>	<u>-</u>	<u>2,372,514</u>
Noncurrent assets:			
Capital assets:			
Non-depreciable:			
Land	46,190		46,190
Depreciable capital assets, net	4,552,832		4,552,832
Total capital assets, net	<u>4,599,022</u>	<u>-</u>	<u>4,599,022</u>
Total Assets	<u>6,971,536</u>	<u>-</u>	<u>6,971,536</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	65,204	-	65,204
Deferred outflows related to OPEB	622		622
Total Deferred Outflows of Resources	<u>65,826</u>	<u>-</u>	<u>65,826</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	212,716		212,716
Accrued salaries and benefits	22,746		22,746
Due to General Fund	58,070	2,088	60,158
Compensated absences	13,361		13,361
Current liabilities payable from unrestricted assets	<u>306,893</u>	<u>2,088</u>	<u>308,981</u>
Current liabilities payable from restricted assets:			
Accrued interest payable	8,138	6,513	14,651
Customer deposits payable	112,184		112,184
Bonds and notes payable	297,786	130,000	427,786
Current liabilities payable from Restricted Assets	<u>418,108</u>	<u>136,513</u>	<u>554,621</u>
Total current liabilities	<u>725,001</u>	<u>138,601</u>	<u>863,602</u>
Non-current Liabilities:			
Bonds and notes payable	2,259,709	1,259,862	3,519,571
Net pension liability	17,240		17,240
Total OPEB liability	10,033		10,033
Total Non-current Liabilities	<u>2,286,982</u>	<u>1,259,862</u>	<u>3,546,844</u>
Total Liabilities	<u>3,011,983</u>	<u>1,398,463</u>	<u>4,410,446</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions	7,726		7,726
Deferred inflows related to OPEB	1,454		1,454
Total Deferred Inflows of Resources	<u>9,180</u>	<u>-</u>	<u>9,180</u>
NET POSITION			
Net investment in capital assets	2,230,085		2,230,085
Unrestricted	1,786,114	(1,398,463)	387,651
Total Net Position	<u>\$ 4,016,199</u>	<u>\$ (1,398,463)</u>	<u>\$ 2,617,736</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 Ending September 30, 2019

	<u>Utilities</u>	<u>Golf Course</u>	<u>Total</u>
OPERATING REVENUES:			
Charges for services	2,511,822		\$ 2,511,822
Total operating revenues	<u>2,511,822</u>	<u>-</u>	<u>2,511,822</u>
OPERATING EXPENSES:			
Personnel	412,612		412,612
Supplies and maintenance	145,338		145,338
Water operations-NTMWD	478,804		478,804
Sanitation services	259,004		259,004
Utilities	56,118		56,118
Services	439,738		439,738
Depreciation and amortization	479,715		479,715
Total operating expenses	<u>2,271,329</u>	<u>-</u>	<u>2,271,329</u>
Operating income (loss)	<u>240,493</u>	<u>-</u>	<u>240,493</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest on investments	119		119
Interest expense	(79,944)	(71,567)	(151,511)
Total nonoperating revenue (expenses)	<u>(79,825)</u>	<u>(71,567)</u>	<u>(151,392)</u>
Income (loss) before transfers	160,668	(71,567)	89,101
Capital contribution	15,271	-	15,271
Refund from bond escrow agent		51,319	51,319
Transfers		136,035	136,035
Change in net position	<u>175,939</u>	<u>115,787</u>	<u>291,726</u>
Total net position - beginning	<u>3,840,260</u>	<u>(1,514,250)</u>	<u>2,326,010</u>
Total net position - ending	<u>\$ 4,016,199</u>	<u>\$ (1,398,463)</u>	<u>\$ 2,617,736</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 Ending September 30, 2019

	Utilities	Golf Course	Total
Cash Flows from Operating Activities			
Cash Received from Customers	\$ 2,468,747	\$ -	\$ 2,468,747
Cash Paid to Employees	(390,564)		(390,564)
Cash Paid to Suppliers	(1,288,479)		(1,288,479)
Net cash provided (used) by operating activities	<u>789,704</u>	<u>-</u>	<u>789,704</u>
Cash Flows from Noncapital Financing Activities			
Change in customer deposits	4,644		4,644
Operating transfers from other funds		136,035	136,035
Net cash provided by noncapital financing activities	<u>4,644</u>	<u>136,035</u>	<u>140,679</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(301,366)		(301,366)
Capital grant proceeds	149,237		149,237
Proceeds from notes payable	173,273		173,273
Refund from bond escrow agent		51,319	51,319
Principal paid on bonds	(250,000)	(140,000)	(390,000)
Principal paid on notes payable	(30,433)		(30,433)
Interest	(79,944)	(47,359)	(127,303)
Net cash provided (used) by capital & related financing activities	<u>(339,233)</u>	<u>(136,040)</u>	<u>(475,273)</u>
Cash Flows from Investing Activities			
Interest Income	119		119
Net cash provided by investing activities	<u>119</u>	<u>-</u>	<u>119</u>
Net increase (decrease) in cash and cash equivalents	455,234	(5)	455,229
Cash and Cash Equivalents - Beginning of Year	1,376,685	5	1,376,690
Cash and Cash Equivalents - End of Year	<u>\$ 1,831,919</u>	<u>\$ -</u>	<u>\$ 1,831,919</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating Income (Loss)	\$ 240,493	\$ -	\$ 240,493
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	479,715	-	479,715
Changes in Assets and Liabilities:			
(Increase) decrease in assets:			
Accounts receivable	(43,107)		(43,107)
Due from other governments	56,873		56,873
Increase (decrease) in liabilities:			
Accounts payable	33,650		33,650
Accrued salaries	15,309		15,309
Net pension liability	71,967		71,967
Total OPEB liability	858		858
Deferred inflows/outflows related to pensions and OPEB	(66,054)		(66,054)
Total adjustments	549,211	-	549,211
Net Cash Provided (Used) by Operating Activities	<u>\$ 789,704</u>	<u>\$ -</u>	<u>\$ 789,704</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, 2019**

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, 2019**

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, 2019

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.

The *Capital Projects Fund* accounts for projects at the city dedicated to capital expenditures and funding for those expenditures. Those expenditures typically focus on a single large-scale project such as the current police and and fire station.

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, 2019

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, 2019, 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, 2019

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 fair market value as of the date donated. 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*. Accordingly, during fiscal year 2019, 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, 2019

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, 2019**

**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 reserve for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned, and unassigned fund balances are considered unrestricted.

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 unpredicted 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.

i. 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, 2019**

**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.

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.

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

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 Amount</u>	
Golf Course Fund	\$ 1,398,463	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.

**CITY OF CRANDALL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

B. Compliance and Accountability (continued)

- 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, 2019 consist of and are classified in the financial statements as follows:

Statement of Net Position:

Primary Government	
Cash and cash equivalents	\$ 2,390,218
Restricted cash and cash equivalents	<u>2,843,580</u>
 Total cash and cash equivalents	 <u>\$ 5,233,798</u>
 Cash on hand	 \$ 200
Carrying amount of deposits	<u>5,233,598</u>
 Total cash and cash equivalents	 <u>\$ 5,233,798</u>

At September 30, 2019, the carrying amount of EDC's deposits (cash, certificates of deposit, and interest-bearing accounts) was \$478,692. As of September 30, 2019, cash deposits were fully covered by FDIC insurance or by pledged collateral held by the EDC's agent bank in the EDC's name.

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, 2019, the City is in substantial compliance with the requirements of the Act and its own investment policy.

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. The City has no specific limitations with respect to this metric. During the year ending September 30, 2019, the City had no investments.

**CITY OF CRANDALL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

C. Deposits and Investments (continued)

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	Developers	Utilities	Other governments
Receivables:				
Property taxes	48,891			
Sales taxes	118,546			
Developers		143,585		
Utility billings			382,878	
Other governments				29,991
Franchise taxes	17,605			
Gross Receivables	185,042	143,585	382,878	29,991
Less: allowance for uncollectibles:		(62,421)	(15,164)	
Property taxes	(9,778)			
Receivables, net	\$ 175,264	\$ 81,164	\$ 367,714	\$ 29,991

E. Capital Assets

Capital asset activity for the period ended September 30, 2019 is as follows:

	Beginning Balances	Additions	Decreases	Ending Balances
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 376,937		\$ -	\$ 376,937
Intangible	31,877	-	-	31,877
Construction in Progress	520,885	1,497,819	(134,889)	1,883,815
Total capital assets, not being depreciated	929,699	1,497,819	(134,889)	2,292,629
Capital assets, being depreciated:				
Buildings	186,311	44,963		231,274
Improvements	170,576	10,503		181,079
Machinery, Vehicles & Equipment	1,249,783	47,833		1,297,616
Infrastructure	4,706,585	209,140		4,915,725
Total capital assets being depreciated	6,313,255	312,439	-	6,625,694
Less accumulated depreciation for:				
Buildings	(150,629)	(7,334)		(157,963)
Improvements	(52,226)	(6,161)		(58,387)
Machinery, Vehicles & Equip	(970,372)	(80,697)		(1,051,069)
Infrastructure	(920,886)	(129,208)		(1,050,094)
Total accumulated depreciation	(2,094,113)	(223,400)	-	(2,317,513)
Total capital assets, being depreciated, net	4,219,142	89,039	-	4,308,181
Governmental activities capital assets, net	\$ 5,148,841	\$ 1,586,858	\$ (134,889)	\$ 6,600,810

**CITY OF CRANDALL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

E. Capital Assets (continued)

	Beginning Balances	Additions	Decreases	Ending Balances
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 46,190	\$ -	\$ -	\$ 46,190
Total capital assets, not being depreciated	<u>46,190</u>	<u>-</u>	<u>-</u>	<u>46,190</u>
Capital assets, being depreciated:				
Buildings	306,749	110,931		417,680
Improvements	12,666,921			12,666,921
Vehicles	103,658	54,638		158,296
Intangible	63,754	-		63,754
Machinery & Equipment	1,028,881	85,485		1,114,366
Total capital assets being depreciated	<u>14,169,963</u>	<u>251,054</u>	<u>-</u>	<u>14,421,017</u>
Less accumulated depreciation for:				
Buildings	(231,042)	(6,628)		(237,670)
Improvements	(8,121,388)	(440,434)		(8,561,822)
Vehicles	(74,098)	(11,750)		(85,848)
Intangible	(63,754)	-		(63,754)
Machinery & Equipment	(898,188)	(20,903)		(919,091)
Total accumulated depreciation	<u>(9,388,470)</u>	<u>(479,715)</u>	<u>-</u>	<u>(9,868,185)</u>
Total capital assets, being depreciated, net	<u>4,781,493</u>	<u>(228,661)</u>	<u>-</u>	<u>4,552,832</u>
Business-type activities capital assets, net	<u>\$ 4,827,683</u>	<u>\$ (228,661)</u>	<u>\$ -</u>	<u>\$ 4,599,022</u>

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

Governmental activities:	
General government	\$ 26,478
Public safety	57,641
Public services	1,007
Public works	138,274
Total depreciation expense - governmental activities	<u>\$ 223,400</u>
Business-type activities:	
Water	\$ 239,858
Sewer	239,857
Total depreciation expense - business-type activities	<u>\$ 479,715</u>

CITY OF CRANDALL, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

E. Capital Assets (continued)
 Component Unit

Capital asset activity for the year ended September 30, 2019, is as follows:

	Beginning Balances	Additions	Decreases	Ending Balances
Component Unit EDC:				
Capital assets, not being depreciated:				
Land	\$ 219,648	\$ -	\$ (4,260)	\$ 215,388
Total capital assets, not being depreciated	<u>219,648</u>	<u>-</u>	<u>(4,260)</u>	<u>215,388</u>
Capital assets, being depreciated:				
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>360,065</u>	<u>-</u>	<u>-</u>	<u>360,065</u>
Less accumulated depreciation for:				
Machinery and equipment	(18,073)	(57)	-	(18,130)
Leasehold improvements	(18,321)		-	(18,321)
Buildings	(30,906)	(3,562)	-	(34,468)
Infrastructure	(36,554)	(4,532)	-	(41,086)
Total accumulated depreciation	<u>(103,854)</u>	<u>(8,151)</u>	<u>-</u>	<u>(112,005)</u>
Total capital assets, being depreciated, net	<u>256,211</u>	<u>(8,151)</u>	<u>-</u>	<u>248,060</u>
Component unit EDC capital assets, net	<u>\$ 475,859</u>	<u>\$ (8,151)</u>	<u>\$ (4,260)</u>	<u>\$ 463,448</u>

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

Component Unit:	
Economic Development Corporation	\$ 8,151
Total depreciation expense - component unit	<u>\$ 8,151</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 Fund
Tax Revenue	\$ 39,113
	<u>\$ 39,113</u>

**CITY OF CRANDALL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

G. Long-Term Obligations

A summary of long-term liability activity for the year ended September 30, 2019, is as follows:

	Beginning Balances	Transfers	Additions	Decreases	Ending Balances	Due Within One Year
Governmental Activities:						
Tax Notes	\$ 3,370,000	\$ -	\$ -	\$ (70,000)	\$ 3,300,000	\$ 70,000
General Obligation bonds	1,940,000			(10,000)	1,930,000	20,000
Unamortized Bond Premium	150,344			(28,226)	122,118	
Direct Loans - Notes Payable	295,833	(74,655)	16,575	(66,800)	170,953	52,542
Total Bonds & Notes payable	5,756,177	(74,655)	16,575	(175,026)	5,523,071	142,542
Net Pension Liability	-		69,897		69,897	
Total OPEB liability	43,791			(3,115)	40,676	
Compensated Absences	109,931		113,408	(109,931)	113,408	28,352
Total other long-term liabilities	153,722	-	183,305	(113,046)	223,981	28,352
Governmental Activities Long Term Liabilities	\$ 5,909,899	\$ (74,655)	\$ 199,880	\$ (288,072)	\$ 5,747,052	\$ 170,894
Business-type Activities:						
General obligation refunding bonds	\$ 1,630,000	\$ -	\$ -	\$ (140,000)	\$ 1,490,000	\$ 130,000
Revenue refunding bonds	2,170,000			(220,000)	1,950,000	230,000
Unamortized Bond Discount	(117,832)			17,694	(100,138)	
Certificates of Obligation	420,000	-	-	(30,000)	390,000	30,000
Direct Loans - Notes Payable	-	74,655	173,273	(30,433)	217,495	37,786
Total Bonds & Notes payable	4,102,168	74,655	173,273	(402,739)	3,947,357	427,786
Net Pension Liability	-		17,240		17,240	
Total OPEB liability	9,175		858	-	10,033	
Compensated Absences	20,798		13,361	(20,798)	13,361	13,361
Total other long-term liabilities	29,973	-	31,459	(20,798)	40,634	13,361
Business-Type Activities Long Term Liabilities	\$ 4,132,141	\$ 74,655	\$ 204,732	\$ (423,537)	\$ 3,987,991	\$ 441,147
Component Unit EDC:						
Certificates of Obligation	\$ 235,000	\$ -	\$ -	\$ (30,000)	\$ 205,000	\$ 30,000
Direct Loans - Notes Payable	117,773			(18,207)	99,566	19,138
Component Unit Long Term Liabilities	\$ 352,773	\$ -	\$ -	\$ (48,207)	\$ 304,566	\$ 49,138

CITY OF CRANDALL, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

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
2011 C.O.'s	2.00-4.00%	\$ 2,000,000	\$ 1,940,000	\$ -	\$ (10,000)	\$ 1,930,000	\$ 20,000
2018 Tax Notes	3.00-4.00%	3,370,000	3,370,000	-	(70,000)	3,300,000	70,000
SubTotal		\$ 5,370,000	\$ 5,310,000	\$ -	\$ (80,000)	\$ 5,230,000	\$ 90,000
Unamortized Bond Premium			150,344		(28,226)	122,118	
Total		\$ 5,370,000	\$ 5,460,344	\$ -	\$ (108,226)	\$ 5,352,118	\$ 90,000

Annual debt service requirements to maturity are as follows -

Year Ending September 30:	Principal	Interest	Total Requirements
2020	\$ 90,000	\$ 204,950	\$ 294,950
2021	95,000	202,050	297,050
2022	780,000	184,900	964,900
2023	820,000	152,900	972,900
2024	855,000	119,400	974,400
2025-2029	1,980,000	268,988	2,248,988
2030-2031	610,000	24,600	634,600
Totals	\$ 5,230,000	\$ 1,157,788	\$ 6,387,788

\$2,000,000 Certificates of Obligation, Series 2011, issued for the purpose of capital improvements related to street projects in the City and to pay the costs of issuance. The maturity date is February 15, 2031.

\$3,370,000 Tax Note, Series 2018, issued for the purpose of capital improvements related to a police & fire station for the City and to pay the costs of issuance. The maturity date is February 15, 2025.

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	2.50-4.00%	\$ 1,630,000	\$ 1,630,000	\$ -	\$ (140,000)	\$ 1,490,000	\$ 130,000
2013 GO Bonds	2.67%	2,835,000	2,170,000	-	(220,000)	1,950,000	230,000
2010 C.O.'s	2.75-5.70%	605,000	420,000	-	(30,000)	390,000	30,000
Total Bonds Payable		\$ 5,070,000	\$ 4,220,000	\$ -	\$ (390,000)	\$ 3,830,000	\$ 390,000
Unamortized Bond Discount			(117,832)		17,694	(100,138)	
Total		\$ 5,070,000	\$ 4,102,168	\$ -	\$ (372,306)	\$ 3,729,862	\$ 390,000

Annual debt service requirements to maturity are as follows -

Year Ending September 30:	Principal	Interest	Requirements
2020	\$ 390,000	\$ 115,093	\$ 505,093
2021	410,000	103,639	513,639
2022	390,000	91,964	481,964
2023	400,000	80,291	480,291
2024	415,000	68,063	483,063
2025-2029	1,625,000	157,268	1,782,268
2030-2031	200,000	4,056	204,056
Totals	\$ 3,830,000	\$ 620,374	\$ 4,450,374

Interest expense for governmental activities was \$189,078 and for business type activities it was \$151,511, none of which was capitalized.

**CITY OF CRANDALL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

G. Long-Term Obligations (continued)

\$1,630,000 General Obligation Refunding Bonds, Series 2018, In September, 2018, the City issued Series 2018 general obligation refunding bonds in the amount of \$1,630,000 (par value) with interest rates ranging from 2.5% to 4.0%; an average coupon rate of 3.66%; and an average life of 6.043 years. These bonds were issued to refund Series 2009 general obligation bonds with an estimated average coupon interest rate of 14.24%; a par value of \$1,415,000; and a remaining average life of 3.687 years. The 2018 general obligation refunding bonds were issued at par and, after paying issuance costs of \$97,168, the net proceeds were \$1,532,832. As a result of this refunding, the City reduced its total debt service (cash flow) requirements by \$179,677. This resulted in an economic gain (difference between the present value of the debt service requirements on the old and new debt of \$324,239.

\$2,835,000 Refunding Bonds, Series 2013, issued for the purpose of refunding the series 2004 Certificates of Obligation. The maturity date is December 4, 2027.

\$1,040,000 Combination Tax and Revenue Certificates of Obligation, Series 2010A, issued for the purpose of paying contractual obligations to be incurred for (i) constructing, acquiring, purchasing, renovating, enlarging, equipping and improving sewer system properties and facilities, (ii) constructing a municipal parking lot, including acquisition of land and right-of-way therefore, and (iii) professional services rendered in connection with the said projects. The maturity date is February 15, 2030.

\$605,000 of this Certificate of Obligation is allocated to the City and the remainder, \$435,000 to the component unit.

Changes in Component Unit Bonded Debt by Series

Description	Interest Rate	Original Issue	Beginning Balances	Issued	Retired	Ending Balances	Due Within One Year
2010 C.O.'s	2.75-5.70%	\$ 435,000	\$ 235,000	\$ -	\$ (30,000)	\$ 205,000	\$ 30,000
Total Bonds Payable		\$ 435,000	\$ 235,000	\$ -	\$ (30,000)	\$ 205,000	\$ 30,000

Annual debt service requirements to maturity are as follows -

Year Ending September 30:	Total Requirements		
	Principal	Interest	
2020	\$ 30,000	\$ 7,820	\$ 37,820
2021	30,000	6,620	36,620
2022	35,000	5,320	40,320
2023	35,000	3,885	38,885
2024	35,000	2,415	37,415
2025	40,000	840	40,840
Totals	\$ 205,000	\$ 26,900	\$ 231,900

\$1,040,000 Combination Tax and Revenue Certificates of Obligation, Series 2010A, issued for the purpose of paying contractual obligations to be incurred for (i) constructing, acquiring, purchasing, renovating, enlarging, equipping and improving sewer system properties and facilities, (ii) constructing a municipal parking lot, including acquisition of land and right-of-way therefore, and (iii) professional services rendered in connection with the said projects. The maturity date is March 31, 2026.

\$605,000 of this certificate of obligation is allocated to the City and the remainder, \$435,000 to the component unit.

**CITY OF CRANDALL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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 Note Amount	Maturity Date	Interest Rate	Direct Loans Outstanding		Secured By
			Balance		
\$ 80,000	9/30/2020	2.00%	\$ 9,609		Unsecured
88,850	2/8/2022	2.85%	41,619		Equipment
98,686	6/30/2023	3.50%	70,900		Equipment
116,046	8/31/2025	4.20%	48,825		Equipment
			<u>\$ 170,953</u>		

Annual debt service requirements to maturity are as follows -

Year Ending September 30:	Governmental Activities - Direct Loans		
	Principal	Interest	Total Required
2020	\$ 52,542	\$ 5,555	\$ 58,097
2021	44,421	3,882	48,303
2022	31,942	2,395	34,337
2023	17,008	1,322	18,330
2024	6,598	905	7,503
2025-2027	18,442	1,000	19,442
Totals	<u>\$ 170,953</u>	<u>\$ 15,059</u>	<u>\$ 186,012</u>

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

Original Note Amount	Maturity Date	Interest Rate	Direct Loans Outstanding		Secured By
			Balance		
113,337	9/30/2027	4.20%	\$ 96,686		Real Estate
85,485	9/30/2024	3.90%	73,702		Equipment
54,638	10/31/2023	3.90%	47,107		Vehicles
			<u>\$ 217,495</u>		

Annual debt service requirements to maturity are as follows -

Year Ending September 30:	Business-Type Activities - Direct Loans		
	Principal	Interest	Total Required
2020	\$ 37,786	\$ 8,245	\$ 46,031
2021	39,346	6,687	46,033
2022	40,955	5,077	46,032
2023	42,630	3,400	46,030
2024	20,875	1,887	22,762
2025-2027	35,903	2,000	37,903
Totals	<u>\$ 217,495</u>	<u>\$ 27,296</u>	<u>\$ 244,791</u>

The EDC's notes payable currently outstanding and reported as liabilities of the discretely presented component unit are:

Note Amount	Maturity Date	Interest Rate	Direct Loan		Secured By
			Balance		
\$ 139,272	6/29/2024	5.00%	<u>\$ 99,566</u>		Real Estate

Annual debt service requirements to maturity are as follows -

Year Ending September 30:	Component Unit - Direct Loans		
	Principal	Interest	Total Required
2020	19,138	4,544	\$ 23,682
2021	20,118	3,564	23,682
2022	21,147	2,535	23,682
2023	22,229	1,453	23,682
2024	16,934	348	17,282
Totals	<u>\$ 99,566</u>	<u>\$ 12,444</u>	<u>\$ 112,010</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, 2019**

H. Pension Plan

Plan Description

The City participates as one of 887 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.thrs.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, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Number of:

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	40
Active employees	<u>30</u>
Total	<u><u>82</u></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 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 10.68% and 10.68% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2019 were 170,069 and were equal to the required contributions.

**CITY OF CRANDALL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**H. Pension Plan (continued)
Net Pension Liability**

The City's Net Pension Liability ("NPL") was measured as of December 31, 2018, and the Total Pension Liability used to calculate the NPL was determined by an actuarial valuation as of that date.

Inflation	2.50%
Overall payroll growth	3.50% to 10.5% including inflation
Investment rate of Return	6.75%

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

Actuarial assumptions used in the December 31, 2018 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2017 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with 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 weighing 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 July 30, 2015, 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>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%

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 TPL.

CITY OF CRANDALL, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

H. Pension Plan (continued)
 Net Pension Liability (continued)

	Change in		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at 12/31/2017	\$ 3,244,331	\$ 3,520,937	\$ (276,606)
Changes for the year:			
Service cost	258,359		258,359
Interest	225,011		225,011
Change of benefit terms			
Difference between expected and actual experience	26,143		26,143
Changes of assumptions			-
Contributions - employer		154,152	(154,152)
Contributions - employee		98,988	(98,988)
Net investment income		(105,226)	105,226
Benefit payments, including refunds of employee contributions	(80,043)	(80,043)	-
Administrative expense		(2,038)	2,038
Other changes		(106)	106
Net changes	429,470	65,727	363,743
Balance at 12/31/2018	\$ 3,673,801	\$ 3,586,664	\$ 87,137

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-higher (7.75%) than the current rate:

	1% Decrease 5.75%	Current Single Discount Rate 6.75%	1% Increase 7.75%
	\$ 682,534	\$ 87,137	\$ (391,745)

For the year ended September 30, 2019, the City recognized pension expense of \$189,847.

At September 30, 2019, 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	\$ 18,313	\$ 39,050
Changes in actuarial assumptions		
Difference between projected and actual investment earnings	180,922	
Contributions subsequent to the measurement date of December 31, 2018	128,263	
	\$ 327,498	\$ 39,050

The City reported \$128,263 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, 2020. 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:	
2020	\$ 32,387
2021	31,942
2022	27,280
2023	68,576
2024	-
Thereafter	-
Total	\$ 160,185

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 an other postemployment benefit ("OPEB") and is a fixed amount of \$7,500.

Employees Covered by Benefit Terms

At the December 31, 2018 actuarial valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	6
Active employees	<u>30</u>
Total	<u>42</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.

The City's SDBF contribution rates for all covered employees of the City in calendar years 2019 and 2018 were .18% and .17% respectively. The City's contributions for all covered employees to the TMRS SDBF for the fiscal years ended September 30, 2019 were \$307, and were equal to the required contributions.

Total OPEB Liability

The City's total OPEB liability (TOL) of \$50,709 was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and other inputs:

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Inflation	2.5% per year
Salary Increase	3.5% to 10.5% per year, including inflation
Discount Rate	3.71%
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 10.50% for employees with one year of service to 3.50% for employees with 25 or more years of service.

Mortality rates for service retirees were based on the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103%. The service retiree rates were projected on a fully generational basis by scale BB to account for future mortality improvements.

For disabled retirees, the gender-distinct RP2000 Combined Mortality Tables with Blue Collar Adjustment were used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. The disabled retiree rates were projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013.

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 Liability
Balance at 12/31/17	\$ 54,593
Changes for the year:	
Service cost	3,535
Interest on total OPEB liability	1,856
Change in benefit terms	-
Differences between expected & actual experience	(4,761)
Changes in assumptions and other inputs	(3,948)
Benefit payments*	(566)
Other charges	-
Net changes	\$ (3,884)
Balance at 12/31/18	\$ 50,709

*Due to the SBDF 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 3.71%, 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 (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

	1% Decrease in Discount Rate (2.71%)	Discount Rate (3.71%)	1% Increase in Discount Rate (4.71%)
City's total OPEB liability	\$ 61,543	\$ 50,709	\$ 42,478

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

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

For the year ended September 30, 2019, the City recognized pension expense of \$4,693. At year-end, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflow s of Resources	Deferred Inflow s of Resources
Differences between expected and actual experience (net of current year amortization)	\$ -	\$ 4,018
Changes in assumptions and other inputs	2,915	3,332
Contributions made subsequent to measurement date	231	-
Total	\$ 3,146	\$ 7,350

\$231 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, 2020. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in pension expense as follows:

<u>Year ended September 30:</u>	
2020	\$ (698)
2021	(698)
2022	(698)
2023	(698)
2024	(1,088)
Thereafter	(555)
Total	\$ (4,435)

**CITY OF CRANDALL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

J. 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 2019-2020.

K. 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.

L. 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 Pumped	131,624,236
Gallons Billed	119,971,313

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 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.

M. Interfund Transactions

Interfund balances:

<u>Fund</u>	<u>Purpose</u>	<u>Balance</u>
General Fund	Prior Year transfer for cash flow	\$ (39,505)
Utility Fund	Prior Year transfer for cash flow	39,505
Total		<u>\$ -</u>

Interfund transfers:

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Net</u>
General Fund	\$ (136,035)	\$ 25,427	\$ (110,608)
Capital Projects Fund	(25,427)		(25,427)
Golf Fund		136,035	136,035
Total	<u>\$ (161,462)</u>	<u>\$ 161,462</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, 2019**

N. 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.

O. Construction Commitment

The City has entered into a contract to construct a law enforcement center and fire station at a projected cost of approximately \$4.7 million dollars. The City has also entered into an interlocal agreement with Kaufman County Emergency Services District No. 7 to fund 50% of the cost of the fire station, which is expected to be approximately \$1.3 million dollars. The City's share of the cost of the project is expected to be approximately \$3.4 million dollars. At year-end, the City has funded approximately \$1.5 million of this construction project, leaving a remaining construction commitment estimated at \$1.9 million. Funding for the remainder of this project is set aside out of the proceeds of the Series 2018 Tax Notes and is reflected in the capital projects fund at year-end.

P. Prior Period Adjustment

The Texas Comptroller of Public Accounts determined that the City received an overpayment of sales tax for prior years. The City entered into an agreement with the Comptroller to repay the amount due over four years. The total repayment amount of \$20,774 is reflected as a prior period adjustment in governmental activities in the Statement of Activities.

Q. Subsequent events

In March, 2020, Texas Governor Greg Abbott declared the state of Texas a disaster area as a result of the COVID-19 pandemic. Due to the health risks associated with this disease, the Texas economy was limited to activity in businesses that were considered essential to the public. The ensuing reduction in economic activity will have a significant effect on private businesses and local governments. The extent of the economic effect on the City cannot be estimated at this time.

R. Adoption of New Accounting Pronouncements

In accordance with new reporting guidance established by the Governmental Accounting Standards Board (GASB), the City adopted the GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*, and GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The adoption of these new standards is reflected in the financial statements and the related note disclosures. Pursuant to GASB, these statements were required to be adopted on a prospective basis, accordingly, no restatement of opening equity was required.

REQUIRED SUPPLEMENTARY INFORMATION

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City of Crandall, Texas
Budgetary Comparison Schedule - General Fund
Year Ending September 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes:				
Property, including P&I	1,096,066	1,251,151	\$ 1,522,553	\$ 271,402
Sales	185,000	445,655	465,294	19,639
Franchise	150,000	303,000	207,994	(95,006)
Development fees and permits	60,000	236,000	770,439	534,439
Fines and Fees	165,000	303,695	192,340	(111,355)
Zoning permits	500	12,250	26,325	14,075
Charges for Services	271,250	804,321	672,673	(131,648)
Capital Grant	-	-	47,833	47,833
Other	30,000	132,100	76,705	(55,395)
Total Revenues	1,957,816	3,488,172	3,982,156	493,984
EXPENDITURES				
Current:				
General government	517,691	743,586	926,532	(182,946)
Public service	267,451	378,038	291,600	86,438
Public safety	1,000,116	1,621,229	1,597,395	23,834
Public works	150,552	209,161	169,445	39,716
Capital Outlay	2,000	109,000	295,179	(186,179)
Debt Service:				
Principal	263,806	226,136	146,800	79,336
Interest	13,811	43,811	201,180	(157,369)
Total Expenditures	2,215,427	3,330,961	3,628,131	(297,170)
Excess (deficiency) of revenues over (under) expenditures	(257,611)	157,211	354,025	196,814
OTHER FINANCING SOURCES AND (USES)				
Proceeds from Notes Payable	-	30,000	16,575	(13,425)
Transfers in			25,427	25,427
Transfers out			(136,035)	(136,035)
Total Other Financing Sources (uses)	-	30,000	(94,033)	(124,033)
Net Change in Fund Balances	(257,611)	187,211	259,992	72,781
Fund Balances, Beginning	649,041	649,041	649,041	
Fund Balances, Ending	\$ 391,430	\$ 836,252	\$ 909,033	

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,	2018	2017
Total OPEB Liability		
Service cost	\$ 3,535	\$ 2,678
Interest on the total OPEB liability	1,856	1,794
Changes of benefit terms	-	-
Difference between expected and actual experience	(4,761)	-
Changes in assumptions or other inputs	(3,948)	4,237
Benefit payments *	(566)	(487)
Net Change in Total OPEB Liability	(3,884)	8,222
Total OPEB Liability - Beginning	54,593	46,371
Total OPEB Liability - Ending	50,709	54,593
Covered Payroll	\$ 1,414,116	\$ 1,217,314
Total OPEB Liability as a Percentage of Covered Payroll	3.59%	4.48%
Required contribution	\$ 307	\$ 487
Actual contribution	307	487
Difference	\$ -	\$ -

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

Significant actuarial assumptions used to measure the total OPEB liability:

Inflation	2.50%
Salary Increases	3.50% to 10.50%, including inflation
Discount Rate	3.71% (Based on Fidelity Index's "20-year Municipal GO AA Index" rate as of 12/31/18)
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 - Service Retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale 8B.
Mortality - Disabled Retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% 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
Year Ending September 30, 2019

	Plan Year Ending December 31,				
	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 258,359	\$ 219,482	\$ 211,786	\$ 218,957	\$ 200,590
Interest (on the Total Pension Liability)	225,011	209,231	187,028	171,756	159,322
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	26,143	(112,730)	19,373	(49,648)	(100,494)
Change of assumptions	-	-	-	42,189	-
Benefit payments, including refund of employee contributions	(80,043)	(123,263)	(62,928)	(62,152)	(119,804)
Net Change in Total Pension Liability	429,470	192,720	355,259	321,102	139,614
Total Pension Liability - Beginning	3,244,331	3,051,611	2,696,352	2,375,250	2,235,636
Total Pension Liability - Ending (a)	\$ 3,673,801	\$ 3,244,331	\$ 3,051,611	\$ 2,696,352	\$ 2,375,250
Plan Fiduciary Net Position					
Contributions - employers	\$ 154,152	\$ 132,024	\$ 131,020	\$ 131,693	\$ 107,595
Contributions - employees	98,988	85,212	83,757	83,891	81,268
Net investment income	(105,226)	416,479	181,381	3,729	133,112
Benefit payments, including refund of employee contributions	(80,043)	(123,263)	(62,928)	(62,152)	(119,804)
Administrative expense	(2,038)	(2,164)	(2,047)	(2,271)	(1,389)
Other	(106)	(110)	(110)	(112)	(114)
Net Change in Plan Fiduciary Net Position	65,727	508,178	331,073	154,778	200,668
Plan Fiduciary Net Position - Beginning	3,520,937	3,012,759	2,681,686	2,526,908	2,326,240
Plan Fiduciary Net Position - Ending (b)	\$ 3,586,664	\$ 3,520,937	\$ 3,012,759	\$ 2,681,686	\$ 2,526,908
Net Pension (Asset) Liability - Ending (a)-(b)	\$ 87,137	\$ (276,606)	\$ 38,852	\$ 14,666	\$ (151,658)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	97.63%	108.53%	98.73%	99.46%	106.38%
Covered Employee Payroll	\$ 1,414,116	\$ 1,217,314	\$ 1,196,529	\$ 1,198,449	\$ 1,160,972
Net Pension Liability as a Percentage of Covered Employee Payroll	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
Notes to Schedule of Changes in Net Pension Liability and Related Ratios - TMRS
Year Ending September 30, 2019

Valuation Dates:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table on rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an expreience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

Notes There were no benefit changes during the year.

City of Crandall, Texas
Schedule of Pension Contributions-TMRS
Year Ending September 30, 2019

	Fiscal Year Ended September 30,				
	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 170,069	\$ 152,845	\$ 131,379	\$ 128,119	\$ 102,275
Contributions in relation to the actuarially determined contribution	\$ 170,069	\$ 152,845	\$ 131,379	\$ 128,119	\$ (102,275)
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 1,568,836	\$ 1,372,552	\$ 1,196,529	\$ 1,198,449	\$ 1,160,972
Contributions as a percentage of covered employee payroll	10.84%	11.14%	10.98%	11.10%	8.88%

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SUPPLEMENTARY INFORMATION

**Crandall Economic Development Corporation
A Component Unit of the City of Crandall, Texas
Governmental Fund Balance Sheet
September 30, 2019**

	Crandall Economic Development Corporation
ASSETS	
Cash and Cash Equivalents	
Unrestricted	\$ 478,692
Due from City	29,636
Total Assets	<u>508,328</u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts Payable	
Total Liabilities	<u>-</u>
Fund Balances	
Unassigned	508,328
Total Fund Balances	<u>508,328</u>
Total Liabilities and Fund Balances	<u>\$ 508,328</u>

**Crandall Economic Development Corporation
A Component Unit of the City of Crandall, Texas
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
September 30, 2019**

Total fund balance - component unit balance sheet	\$ 508,328
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	463,448
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(304,566)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements, an interest expenditure is reported when due.	(1,966)
Net position of governmental activities - statement of net position	<u>\$ 665,244</u>

Crandall Economic Development Corporation
A Component Unit of the City of Crandall, Texas
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
Year Ending September 30, 2019

	Crandall Economic Development Corporation
REVENUES	
Sales tax	155,100
Rental income	43,500
Miscellaneous	2,107
Total Revenues	<u>200,707</u>
EXPENDITURES	
Current Operating:	
Utilities	1,821
Business incentives	534
Administration	3,369
Professional fees	38,781
Taxes	8,305
Marketing	3,114
Debt Service:	
Principal	48,207
Interest	13,301
Total Expenditures	<u>117,432</u>
Excess (deficiency) of revenues over (under) expenditures	83,275
OTHER FINANCING SOURCES AND (USES)	
Proceeds from sale of capital assets	13,578
Total Other Financing Sources (uses)	<u>13,578</u>
Net Change in Fund Balance	96,853
Fund Balance, October 1	411,475
Fund Balance, September 30	<u><u>\$ 508,328</u></u>

City of Crandall, Texas
Governmental Fund Balance Sheet
Component Unit - Crandall Economic Development Corporation
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
Year Ending September 30, 2019

Net change in fund balance - statement of revenues, expenditures and changes in fund balances - governmental funds	\$ 96,853
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Proceeds from the sale of capital assets provide current financial resources in governmental fund statements but gain or loss on the sale of the asset is recorded in the government-wide financial statements. The difference is the book value of the assets sold.</p>	(5,454)
<p>Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net assets.</p>	(8,163)
<p>Current year long-term debt principal payments on contractual obligations, bonds payable and capital leases are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.</p>	48,207
Change in net position - statement of activities	<u>\$ 131,443</u>

