

**OFFICIAL STATEMENT**

**Dated August 17, 2026**

**Rating:**  
**S&P: "AA-" (Stable Outlook)**  
**(see "OTHER INFORMATION –**  
**"Rating" herein)**

**NEW ISSUE - Book-Entry-Only**

In the opinion of Bond Counsel, interest on the Certificates is excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date hereof, subject to the matters described in "TAX MATTERS" herein. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.

**\$17,155,000**  
**CITY OF CRANDALL, TEXAS**  
**(Kaufman County)**  
**COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026**

**Dated Date: August 15, 2026**

**Due: February 15, as shown on page 2**

**Interest accrues from the Delivery Date (defined herein)**

**PAYMENT TERMS.** . . Interest on the \$17,155,000 City of Crandall, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates") will accrue from the date of initial delivery (the "Delivery Date", anticipated to be on or about September 10, 2026), will be payable February 15 and August 15 of each year commencing February 15, 2027, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is U.S. Bank Trust Company, National Association, Houston, Texas (see "THE CERTIFICATES - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE . . .** The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and constitute direct obligations of the City of Crandall, Texas (the "City"), payable from a combination of (i) the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) from a limited pledge (not to exceed \$1,000) of the surplus revenues derived from the operation of the City's waterworks and sewer system as provided in the ordinance authorizing the Certificates (the "Ordinance") (see "THE CERTIFICATES - Authority for Issuance of the Certificates").

**PURPOSE.** . . Proceeds from the sale of the Certificates will be used for (i) (a) acquiring, planning, designing, constructing, installing and equipping additions, improvements, extensions, land, rights-of-way, easements, facilities and equipment for the City's waterworks and wastewater system; (b) acquiring, planning, designing, constructing, installing and equipping additions, improvements, extensions, land, rights-of-way, easements, facilities and equipment for the City's streets and roadways; (c) acquiring, planning, designing, constructing, installing and equipping additions, improvements, extensions, land, rights-of-way, easements, facilities and equipment for the City's drainage system; (d) acquiring, planning, designing, constructing, installing and equipping additions, improvements, extensions, land, rights-of-way, easements, facilities and equipment for the City's park system; (e) acquiring, planning, designing, constructing, installing and equipping additions, improvements, extensions, land, rights-of-way, easements, facilities and equipment for the City's administrative office building housing the governmental functions of the City; and (f) acquisition of vehicles and equipment for the fire department; and (ii) the costs and fees of professional services of attorneys, financial advisors, engineers, and other professionals rendered in connection with such projects and the issuance of the Certificates (see "PLAN OF FINANCING - Purpose").

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**CUSIP PREFIX: 224363**  
**MATURITY SCHEDULE & 9 DIGIT CUSIP**  
**See Maturity Schedule on Page 2**

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**LEGALITY . . .** The Certificates are offered for delivery when, as and if issued and received by the Initial Purchaser of the Certificates (defined herein) and subject to the approving opinion of the Attorney General of Texas and the opinion of Kelly Hart & Hallman LLP, Bond Counsel, Fort Worth, Texas, (see Appendix C, "Form of Bond Counsel's Opinion"). Kelly Hart & Hallman LLP will also act as Disclosure Counsel for the City.

**DELIVERY.** . . It is expected that the Certificates will be available for delivery through the facilities of DTC on or about September 10, 2026.

# MATURITY SCHEDULE

CUSIP Prefix: 224363<sup>(1)</sup>

| Principal<br>Amount | Maturity<br>15-Feb | Interest<br>Rate | Initial<br>Yield | CUSIP<br>Suffix <sup>(1)</sup> |
|---------------------|--------------------|------------------|------------------|--------------------------------|
| \$ 75,000           | 2029               | 7.500%           | 3.060%           | HS3                            |
| 80,000              | 2030               | 7.500%           | 3.130%           | HT1                            |
| 85,000              | 2031               | 7.500%           | 3.210%           | HU8                            |
| 95,000              | 2032               | 7.500%           | 3.260%           | HV6                            |
| 100,000             | 2033               | 7.500%           | 3.380%           | HW4                            |
| 110,000             | 2034               | 7.500%           | 3.470%           | HX2                            |
| 115,000             | 2035               | 7.500%           | 3.570%           | HY0                            |
| 125,000             | 2036               | 7.500%           | 3.670%           | HZ7                            |
| 140,000             | 2037               | 6.500%           | 3.780%           | (2) JA0                        |
| 160,000             | 2038               | 5.000%           | 3.890%           | (2) JB8                        |
| 910,000             | 2039               | 5.000%           | 3.960%           | (2) JC6                        |
| 955,000             | 2040               | 5.000%           | 4.090%           | (2) JD4                        |
| 1,005,000           | 2041               | 5.000%           | 4.150%           | (2) JE2                        |
| 1,055,000           | 2042               | 5.000%           | 4.190%           | (2) JF9                        |
| 1,110,000           | 2043               | 5.000%           | 4.250%           | (2) JG7                        |
| 1,165,000           | 2044               | 5.000%           | 4.330%           | (2) JH5                        |
| 1,225,000           | 2045               | 4.500%           | 4.550%           | JJ1                            |
| 1,280,000           | 2046               | 4.500%           | 4.600%           | JK8                            |
| 1,340,000           | 2047               | 4.625%           | 4.650%           | JL6                            |
| 1,400,000           | 2048               | 4.625%           | 4.690%           | JM4                            |
| 1,470,000           | 2049               | 4.625%           | 4.720%           | JN2                            |
| 1,540,000           | 2050               | 4.750%           | 4.750%           | JP7                            |
| 1,615,000           | 2051               | 4.750%           | 4.760%           | JQ5                            |

(Interest to accrue from the Delivery Date.)

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. The City, the Municipal Advisor and the Initial Purchaser take no responsibility for the accuracy of such numbers.

(2) Yield calculated based on the assumption that the Certificates denoted and sold at a premium will be redeemed on February 15, 2036, the first optional call date for such Certificates, at a redemption price of par, plus accrued interest to the redemption date.

**OPTIONAL REDEMPTION OF THE CERTIFICATES . . .** The City reserves the right, at its option, to redeem Certificates having stated maturities on or after February 15, 2037, in whole or in part, in principal amounts of \$5,000, or any integral multiple thereof, on February 15, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE CERTIFICATES - Optional Redemption of the Certificates”).

*This Official Statement, which includes the cover pages and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation, or sale.*

*No dealer, broker, salesman or other person has been authorized by the City or the Initial Purchaser to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Initial Purchaser. This Official Statement does not constitute an offer to sell Certificates in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.*

*Certain information set forth herein has been obtained from the City and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Municipal Advisor. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.*

*IN CONNECTION WITH THE OFFERING OF THE CERTIFICATES, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.*

*THE CERTIFICATES ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE CERTIFICATES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE CERTIFICATES HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.*

*NONE OF THE CITY, THE INITIAL PURCHASER, OR THE MUNICIPAL ADVISOR MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY, AS SUCH INFORMATION HAS BEEN PROVIDED BY THE DEPOSITORY TRUST COMPANY.*

*THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE, AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.*

*The agreements of the City and others related to the Certificates are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Certificates is to be construed as constituting an agreement with the purchasers of the Certificates. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.*

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The cover pages hereof, this page, the schedule and the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

## OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Certificates to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

**THE CITY**..... The City of Crandall, Texas (the “City”) is a political subdivision and municipal corporation of the State of Texas (the “State”), located in Kaufman County, Texas and operates as a Type A general law municipality. The City covers approximately 3.2 square miles (see “INTRODUCTION - Description of the City”).

**THE CERTIFICATES** ..... The Certificates are issued as \$17,155,000 Combination Tax and Revenue Certificates of Obligation, Series 2026 (the “Certificates”). The Certificates are issued as serial certificates maturing February 15 in each of the years 2029 through 2051, inclusive (see “THE CERTIFICATES - Description of the Certificates”).

### **PAYMENT OF INTEREST**

**ON THE CERTIFICATES**..... Interest on the Certificates accrues from the date of initial delivery (the “Delivery Date”, anticipated to be September 10, 2026), and is payable February 15 and August 15 of each year, commencing February 15, 2027, until maturity or prior redemption (see “THE CERTIFICATES - Description of the Certificates”).

### **AUTHORITY FOR ISSUANCE**

**FOR THE CERTIFICATES** ..... The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the “State”), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance passed by the City Council of the City (the “Ordinance”) (see “THE CERTIFICATES - Authority for Issuance of the Certificates”).

### **SECURITY FOR THE**

**CERTIFICATES** ..... The Certificates constitute direct obligations of the City, payable from the combination of (i) the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property located within the City, and (ii) from a limited pledge (not to exceed \$1,000) of the surplus revenues derived from the operation of the City’s waterworks and sewer system, as provided in the Ordinance (see “THE CERTIFICATES - Security and Source of Payment of the Certificates”).

### **OPTIONAL REDEMPTION**

**OF THE CERTIFICATES** ..... The City reserves the right, at its option, to redeem Certificates having stated maturities on or after February 15, 2037, in whole or in part, in principal amounts of \$5,000, or any integral multiple thereof, on February 15, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE CERTIFICATES - Optional Redemption of the Certificates”).

**TAX EXEMPTION**..... In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption “TAX MATTERS”.

### **NOT QUALIFIED TAX-EXEMPT**

**OBLIGATIONS**..... The City will not designate the Certificates as “Qualified Tax-Exempt Obligations” for financial institutions.

### **USE OF PROCEEDS FOR THE**

**CERTIFICATES** ..... Proceeds from the sale of the Certificates will be used for (i) (a) acquiring, planning, designing, constructing, installing and equipping additions, improvements, extensions, land, rights-of-way, easements, facilities and equipment for the City’s waterworks and wastewater system; (b) acquiring, planning, designing, constructing, installing and equipping additions, improvements, extensions, land, rights-of-way, easements, facilities and equipment for the City’s streets and roadways; (c) acquiring, planning, designing, constructing, installing and equipping additions, improvements, extensions, land, rights-of-way, easements, facilities and equipment for the City’s drainage system; (d) acquiring, planning, designing, constructing, installing and equipping additions, improvements, extensions, land, rights-of-way, easements, facilities and equipment for the City’s park system; (e) acquiring, planning, designing, constructing, installing and equipping additions, improvements, extensions, land, rights-of-way, easements, facilities and equipment for the City’s administrative office building housing the governmental functions of the City; and (f) acquisition of vehicles and equipment for the fire department; and (ii) the

costs and fees of professional services of attorneys, financial advisors, engineers, and other professionals rendered in connection with such projects and the issuance of the Certificates (see “PLAN OF FINANCING - Purpose”).

**RATING FOR THE**

**CERTIFICATES** ..... The Certificates have been rated “AA-” by S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC (“S&P”), without regard to credit enhancement (see “OTHER INFORMATION - Rating”).

**BOOK-ENTRY-ONLY**

**SYSTEM**..... The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see “THE CERTIFICATES - Book-Entry-Only System”).

**PAYMENT RECORD** ..... The City has never defaulted in payment of its general obligation tax debt.

**PAYING AGENT/REGISTRAR**..... The initial Paying Agent/Registrar of the Certificates is U.S. Bank Trust Company, National Association, Houston, Texas.

**SELECTED FINANCIAL INFORMATION**

| Fiscal Year Ended 9/30 | Estimated Population <sup>(1)</sup> | Taxable Assessed Valuation <sup>(2)</sup> | Taxable Assessed Valuation Per Capita | General Obligation Debt Outstanding at End of Year <sup>(3)</sup> | Ratio of G.O. Debt to Taxable Assessed Valuation | G.O. Debt Per Capita |
|------------------------|-------------------------------------|-------------------------------------------|---------------------------------------|-------------------------------------------------------------------|--------------------------------------------------|----------------------|
| 2022                   | 5,000                               | \$ 308,216,108                            | \$ 61,643                             | \$ 7,055,000                                                      | 2.29%                                            | \$ 1,411             |
| 2023                   | 5,100                               | 368,817,556                               | 72,317                                | 6,500,000                                                         | 1.76%                                            | 1,275                |
| 2024                   | 5,357                               | 426,362,244                               | 79,590                                | 5,915,000                                                         | 1.39%                                            | 1,104                |
| 2025                   | 5,749                               | 523,567,846                               | 91,071                                | 9,035,000                                                         | 1.73%                                            | 1,572                |
| 2026                   | 6,751                               | 689,870,653                               | 102,188                               | 25,625,000 <sup>(4)</sup>                                         | 3.71% <sup>(4)</sup>                             | 3,796                |

(1) Source: City of Crandall and North Central Texas Council of Governments (NCTCOG) Annual Population Estimates.

(2) As reported by the Kaufman County Appraisal District on City’s annual State Property Tax Board Reports; subject to change during the ensuing year.

(3) Includes self-supporting debt paid by revenues from the waterworks and sewer system.

(4) Includes the Certificates.

For additional information regarding the City, please contact:

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## CITY OFFICIALS, STAFF AND CONSULTANTS

### ELECTED OFFICIALS

| <u>City Council</u>              | <u>Length of Service</u> | <u>Term Expires</u> | <u>Occupation</u>                                |
|----------------------------------|--------------------------|---------------------|--------------------------------------------------|
| David Lindsey<br>Mayor           | 9 Years                  | May 2027            | Real Estate/Banker                               |
| Scott Rogers<br>Mayor Pro-Tem    | 4 Years                  | May 2028            | Industrial Construction Manager                  |
| Caleb Allen<br>Councilmember     | 7 Years                  | May 2027            | Property Tax Consultant                          |
| George Martinez<br>Councilmember | 3 Months                 | May 2028            | Business Owner                                   |
| Stacy McKinney<br>Councilmember  | 3 Months                 | May 2028            | Commercial Insurance Agent                       |
| Craig Baker<br>Councilmember     | 3 Months                 | May 2027            | Key Account Manager -<br>Consumer Packaged Goods |

### SELECTED ADMINISTRATIVE STAFF

| <u>Name</u>        | <u>Position</u>          | <u>Length of Service with City</u> | <u>Total Years Governmental Service</u> |
|--------------------|--------------------------|------------------------------------|-----------------------------------------|
| David Sanchez      | City Manager             | 2 Years                            | 12 Years                                |
| Karen Bolyard      | Director of Finance      | 7 Months                           | 18 Years                                |
| Sabrina Del Bosque | City Secretary           | 3 Years                            | 6 Years                                 |
| Clayton Dickerson  | Director of Public Works | 4 Months                           | 10 Years                                |

### CONSULTANTS AND ADVISORS

Auditors ..... BrooksWatson & Co.  
Certified Public Accountants  
Houston, Texas

Bond Counsel .....Kelly Hart & Hallman LLP  
Fort Worth, Texas

Municipal Advisor .....Hilltop Securities Inc.  
Dallas, Texas

**OFFICIAL STATEMENT**  
**RELATING TO**  
**\$17,155,000**  
**CITY OF CRANDALL, TEXAS**  
**COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026**

**INTRODUCTION**

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the \$17,155,000 City of Crandall, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates") being offered herein. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance adopted on the date of sale of the Certificates which authorized the issuance of the Certificates (the "Ordinance"), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City of Crandall, Texas (the "City") and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Municipal Advisor, Hilltop Securities, Inc. ("HilltopSecurities"), Dallas, Texas.

**DESCRIPTION OF THE CITY.** . . The City is a political subdivision and municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State, as a Type A general law municipality. The City was incorporated in 1945. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and five Councilmembers. The term of office is two years with the terms of the Mayor and two of the Councilmembers' terms expiring in even-numbered years and the other terms of three Councilmembers expiring in odd-numbered years. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, solid waste collection, social services, culture-recreation, public improvements, planning and zoning, and general administrative services. The estimated 2026 population is 6,751. The City covers approximately 3.2 square miles.

**PLAN OF FINANCING**

**PURPOSE.** . . Proceeds from the sale of the Certificates will be used for (i) (a) acquiring, planning, designing, constructing, installing and equipping additions, improvements, extensions, land, rights-of-way, easements, facilities and equipment for the City's waterworks and wastewater system; (b) acquiring, planning, designing, constructing, installing and equipping additions, improvements, extensions, land, rights-of-way, easements, facilities and equipment for the City's streets and roadways; (c) acquiring, planning, designing, constructing, installing and equipping additions, improvements, extensions, land, rights-of-way, easements, facilities and equipment for the City's drainage system; (d) acquiring, planning, designing, constructing, installing and equipping additions, improvements, extensions, land, rights-of-way, easements, facilities and equipment for the City's park system; (e) acquiring, planning, designing, constructing, installing and equipping additions, improvements, extensions, land, rights-of-way, easements, facilities and equipment for the City's administrative office building housing the governmental functions of the City; and (f) acquisition of vehicles and equipment for the fire department; and (ii) the costs and fees of professional services of attorneys, financial advisors, engineers, and other professionals rendered in connection with such projects and the issuance of the Certificates.

**SOURCES AND USES OF FUNDS.** . . Proceeds from the sale of the Certificates are expected to be expended as follows:

**Sources of Funds**

|                            |                         |
|----------------------------|-------------------------|
| Par Amount of Certificates | \$ 17,155,000.00        |
| Net Premium                | 555,609.90              |
|                            | <u>\$ 17,710,609.90</u> |

**Uses of Funds**

|                         |                         |
|-------------------------|-------------------------|
| Deposit to Project Fund | \$ 17,180,000.00        |
| Costs of Issuance       | 274,139.56              |
| Underwriter's Discount  | 256,470.34              |
| Total Uses of Funds     | <u>\$ 17,710,609.90</u> |

## THE CERTIFICATES

**DESCRIPTION OF THE CERTIFICATES.** . . The Certificates are dated August 15, 2026 (the “Dated Date”) and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest will accrue from the date of initial delivery (the “Delivery Date”, anticipated to be September 10, 2026), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year commencing February 15, 2027, until maturity or prior redemption. The definitive Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see “THE CERTIFICATES - Book-Entry-Only System”).

**AUTHORITY FOR ISSUANCE OF THE CERTIFICATES.** . . The Certificates authorized and issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the Ordinance passed by the City Council.

**SECURITY AND SOURCE OF PAYMENT OF THE CERTIFICATES.** . . The Certificates are payable from the proceeds of an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City and from a limited pledge (not to exceed \$1,000) of the surplus revenues derived from the operation of the City’s waterworks and sewer system as provided in the Ordinance.

In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations without limitation as to principal amount but subject to any applicable terms, conditions or restrictions under law or otherwise as well as the right to issue additional obligations payable from the same sources as are the Certificates.

**TAX RATE LIMITATION.** . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 4, of the Texas Constitution is applicable to the City, and provides for a maximum ad valorem tax rate of \$1.50 per \$100 Taxable Assessed Valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of the \$1.00 of the \$1.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% collection rate (provided, however, that if the City’s average collection rate for the most recent three years is higher than 90%, the City may rely upon such higher collection rate).

**OPTIONAL REDEMPTION OF THE CERTIFICATES** . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on or after February 15, 2037, in whole or in part, in principal amounts of \$5,000, or any integral multiple thereof, on February 15, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities of such Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

**NOTICE OF REDEMPTION.** . . Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. **ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.**

With respect to any optional redemption of the Certificates, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Certificates to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may, at the option of the City, state that said redemption is conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received or such prerequisites are not satisfied, such notice shall be of no force and effect, the City shall not redeem such Certificates and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Certificates have not been redeemed.

The Paying Agent/Registrar and the City, so long as a book-entry-only system is used for the Certificates, will send any notice of redemption relating to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant

or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemptions of portions of the Certificates by the City will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificates from the Beneficial Owners. Any such selection of Certificates within a maturity to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption (see "THE CERTIFICATES – Book-Entry-Only System" herein).

**DEFEASANCE . . .** The Ordinance provides for the defeasance of the Certificates when payment of the principal of such Certificates, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) has been made or caused to be made in accordance with the terms thereof, or (ii) has been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other instrument for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment. The Ordinance provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to refund, retire or otherwise discharge obligations such as the Certificates, which under current State law include the following: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated, on the date of their acquisition or purchase by the City, as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated, on the date of their acquisition or purchase by the City, as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The City has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or for any other Defeasance Securities will be maintained at any particular rating category.

Upon making such deposit in the manner described, such defeased Certificates shall no longer be deemed outstanding Certificates secured by the Ordinance, but will be payable only from the funds and Defeasance Securities deposited into escrow and will not be considered debt of the City for purposes of taxation or applying any limitation on the City's ability to issue debt for any other purpose.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Certificates have been made as described above, all rights of the City to initiate proceedings to call the Certificates for redemption, or take any other action amending the terms of the Certificates, are extinguished; provided, however, that the right to call the Certificates for redemption is not extinguished if the City: (i) in the proceedings providing for firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

**BOOK-ENTRY-ONLY SYSTEM. . .** This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by DTC while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Certificates in the aggregate principal amount of each such maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, is the holding company of DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of: AA+. The DTC Rules applicable to its Direct and Indirect Participants are on file with the SEC. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Certificates under the DTC system must be made by or through direct Participants, which will receive a credit for such purchases on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct or Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. **Beneficial Owners will not receive certificates representing their ownership interests in the Certificates, except in the event that use of the book-entry system described herein is discontinued.**

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices relating to the Certificates shall be sent to DTC. If less than all of the Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the Record Date (hereinafter defined). The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or

registered in “street name,” and will be the responsibility of such Participant and not of DTC (nor its nominee), the Paying Agent/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor securities depository is not obtained, Certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, security certificates will be printed and delivered.

So long as Cede & Co. is the registered owner of the Certificates, the City will have no Certificate or responsibility to the Direct Participants or Indirect Participants, or the persons for which they act as nominees, with respect to the payment to or providing of notice to such Direct Participants, Indirect Participants or the persons for which they act as nominees.

*Use of Certain Terms in Other Sections of this Official Statement.* In reading this Official Statement it should be understood that while the Certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the applicable Ordinance will be given only to DTC.

Information concerning DTC and the Book-Entry System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Municipal Advisor or the Underwriter.

**PAYING AGENT/REGISTRAR.** . . The initial Paying Agent/Registrar of the Certificates is U.S. Bank Trust Company, National Association, Houston, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank, trust company, financial institution or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of such Certificates by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Principal of the Certificates will be payable to the registered owner at maturity or prior redemption upon presentation and surrender at the principal office of the Paying Agent/Registrar. Interest on the Certificates shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (see “THE CERTIFICATES – Record Date for Interest Payment” herein), and such interest shall be paid (i) by check sent by United States Mail, first class, postage prepaid, to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar, or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, legal holiday or day when banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. So long as Cede & Co. is the registered owner of the Certificates, payments of principal and interest on the Certificates will be made as described in “THE CERTIFICATES - Book-Entry-Only System” herein.

**TRANSFER, EXCHANGE AND REGISTRATION.** . . In the event the Book-Entry-Only System should be discontinued, printed certificates will be delivered to the registered owners of the Certificates and thereafter the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the principal office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be of the same series, in denominations of \$5,000 or integral multiples thereof for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See “THE CERTIFICATES - Book-Entry-Only System” for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer

or exchange any Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation on transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate.

**RECORD DATE FOR INTEREST PAYMENT.** . . The record date (the “Record Date”) for the interest payable on the Certificates on any interest payment date means the close of business on the fifteenth day of the month next preceding each interest payment date for the Certificates.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (the “Special Record Date”) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the “Special Payment Date”, which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

**MUTILATED, DESTROYED, LOST AND STOLEN CERTIFICATES.** . . If any Certificate is mutilated, destroyed, stolen or lost, a new Certificate in the same principal amount as the Certificate so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Certificate, such new Certificate will be delivered only upon surrender and cancellation of such mutilated Certificate. In the case of any Certificate issued in lieu of and substitution for any Certificate which has been destroyed, stolen or lost, such new Certificate will be delivered only (a) upon filing with the Paying Agent/Registrar evidence satisfactory to the Paying Agent/Registrar to the effect that such Certificate has been destroyed, stolen or lost and authenticity of ownership thereof, and (b) upon furnishing the Paying Agent/Registrar with indemnity satisfactory to hold the City and the Paying Agent/Registrar harmless. The person requesting the authentication and delivery of a new Certificate must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

**CERTIFICATEHOLDERS’ REMEDIES.** . . The Ordinance does not specify events of default with respect to the Certificates. If the City defaults in the payment of principal, interest or redemption price, as applicable, on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates if there is no other available remedy at law to compel performance of the obligations set forth in the Certificates or the Ordinance and the City’s obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the Holders of the Certificates upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

On June 30, 2006 Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous language.” Because it is unclear whether the Texas legislature has effectively waived the City’s sovereign immunity from a suit for money damages, holders of the Certificates may not be able to bring such a suit against the City for breach of the covenants in the Certificates or in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City’s property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151 through .160, Texas Local Government Code (the “Local Government Immunity Waiver Act”), which, according to the Court, waives “immunity from suit for contract claims against most local governmental entities under certain circumstances.” The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods and services to cities.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) (“*Wasson I*”), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify *Wasson I*, *Wasson Interests LTD. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018) (“*Wasson II*”, and together with *Wasson I* “*Wasson*”), ruling that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged breach. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the State’s immunity since they are not

performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

As noted above, the Ordinance provides that holders of the Certificates may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Certificates of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce remedies would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors.

**AMENDMENTS** ... In the Ordinance the City has reserved the right to amend the Ordinance without the consent of any holder for the purpose of amending or supplementing the Ordinance to (i) cure any ambiguity, defect or omission in the Ordinance that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinance and that shall not materially adversely affect the interests of the holders, (iv) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (v) make such other provisions in regard to matters or questions arising under the Ordinance as shall not be inconsistent with the provisions of the Ordinance and that shall not materially adversely affect the interests of the holders.

The Ordinance further provides that the holders of Certificates aggregating in principal amount 51% of the aggregate principal amount of then outstanding Certificates that are the subject of a proposed amendment shall have the right from time to time to approve any amendment thereto that may be deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the holders in aggregate principal amount of the then outstanding Certificates, nothing therein contained shall permit or be construed to permit amendment of the terms and conditions of the Ordinance or in any of the Certificates so as to: (1) make any change in the maturity of any of the outstanding Certificates; (2) reduce the rate of interest borne by any of the outstanding Certificates; (3) reduce the amount of the principal of, or redemption premium, if any, payable on any outstanding Certificates; (4) modify the terms of payment of principal or of interest or redemption premium on outstanding Certificates or any of them or impose any condition with respect to such payment; or (5) change the minimum percentage of the principal amount of the Certificates necessary for consent to such amendment. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

## **TAX INFORMATION**

*The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the “Property Tax Code”), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.*

**VALUATION OF TAXABLE PROPERTY.** ... The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the “Appraisal Review Board”) responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Kaufman Central Appraisal District (the “Appraisal District”). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5,000,000 (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2024 tax year, through December 31, 2026 (unless extended by the State Legislature), the maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value. For the 2026 tax year, the maximum property value was increased to \$5,320,000.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see "TAX INFORMATION - City and Taxpayer Remedies").

**STATE MANDATED HOMESTEAD EXEMPTIONS.** . . State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

**LOCAL OPTION HOMESTEAD EXEMPTIONS.** . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

**LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED.** . . The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

**PERSONAL PROPERTY.** . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

Effective January 1, 2026, a person is entitled to an exemption from taxation by a taxing unit of \$125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of \$125,000, regardless of where the property is located in the taxing unit.

**FREEPORT AND GOODS-IN-TRANSIT EXEMPTIONS.** . . Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property

do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

**OTHER EXEMPT PROPERTY.** . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property. Beginning with the 2026 tax year, all intangible personal property is exempt from taxation.

**TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER.** . . The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes, located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. Section 11.35 of the Property Tax Code was recently amended to clarify that "damage" is limited to physical damage.

**TAX INCREMENT REINVESTMENT ZONES.** . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "tax increment". During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

**TAX ABATEMENT AGREEMENTS.** . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

For a discussion of how the various exemptions described above are applied by the City, see "TAX INFORMATION - City Application of Tax Code" herein.

**CITY AND TAXPAYER REMEDIES.** . . Under certain circumstances, taxpayers and taxing units, including the City, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of 1.2 million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$62,883,169 for the 2026 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "TAX INFORMATION – Public Hearing and Maintenance and Operations Tax Rate Limitations"). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

**LEVY AND COLLECTION OF TAXES.** . . The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and generally become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers.

Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

**CITY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES.** . . Taxes levied by the City are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the City, having power to tax the property. The City's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

**PUBLIC HEARING AND MAINTENANCE AND OPERATIONS TAX RATE LIMITATIONS.** . . The following terms as used in this section have the meanings provided below:

"adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.

"de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

"no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

"special taxing unit" means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

"unused increment rate" means the greater of zero and the rate expressed in dollars per \$100 of taxable value calculated by dividing (i) the cumulative difference of the foregone revenue amount, calculated using the difference between a city's voter-approval tax rate and its actual tax rate for each of the preceding three tax years, by (ii) the "current total value" as defined in Section 26.012 of the Property Tax Code, and which may be applied to a city's tax rate when calculating the voter-approval tax rate.

"voter-approval tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate".

The City's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its voter-approval tax rate and no-new-revenue tax rate in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

Furthermore, during the 89th Regular Session, the Legislature adopted Senate Bill 1851 ("SB 1851"), which will become effective in connection with the adoption of an ad valorem tax rate for tax year 2026 and thereafter. Under SB 1851, if the Texas Attorney General determines that a city has (a) not had its records and accounts audited and an annual financial statement prepared based on the audit or (b) failed to file its financial statements and auditor's opinion on such financial statements with the city secretary or city clerk before the 180th day after the city's fiscal year end, the city may not adopt an ad valorem tax rate that exceeds the city's no-new-revenue tax rate for (i) the tax year that begins on or after the date of the Attorney General's determination or (ii) a subsequent tax year that begins before the date the city has had an annual audit completed and financial statements prepared or filed the financial statement and auditor's opinion on such financial statement with the city secretary, as applicable.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its de minimis rate, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its voter-approval tax rate using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

**The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Certificates.**

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

**2025 REGULAR AND SPECIAL LEGISLATIVE SESSIONS.** . . The regular session of the 89th Texas Legislature convened on January 14, 2025 and concluded on June 2, 2025 (the "89th Regular Session"). The Texas Legislature (the "Legislature") meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor has called and the Legislature has concluded two special sessions since the conclusion of the 89th Regular Session.

During the 89th Regular Session, the Legislature adopted a general appropriations act and legislation affecting ad valorem taxation procedures and the procedures of issuing debt affecting cities among other legislation affecting cities. Adopted legislation affecting ad valorem taxation procedures includes legislation that (i) changes the procedure for the adoption of and imposes limits on the amount of an M&O tax increase that may be adopted in response to declared disasters, (ii) makes technical modifications to the tax rate setting process, and (iii) makes intangible personal property exempt from ad valorem taxation. The City is reviewing the impact of the legislation approved during the 89th Regular Session and the two called special sessions and cannot make any representations regarding the likelihood of future legislative sessions or the full impact of the legislation approved during the 89th Regular Session or the two called special sessions at this time.

**PROPERTY ASSESSMENT AND TAX PAYMENT.** . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a

valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

**PENALTIES AND INTEREST . . .** Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

| Month    | Cumulative<br>Penalty | Cumulative<br>Interest | Total |
|----------|-----------------------|------------------------|-------|
| February | 6%                    | 1%                     | 7%    |
| March    | 7                     | 2                      | 9     |
| April    | 8                     | 3                      | 11    |
| May      | 9                     | 4                      | 13    |
| June     | 10                    | 5                      | 15    |
| July     | 12                    | 6                      | 18    |

After July, penalty remains at 12%, and interest increases at the rate of one-percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to incur interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

**CITY APPLICATION OF TAX CODE . . .** The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$15,000; the disabled are also granted an exemption of \$10,000.

The City has not granted an additional exemption of 20% of the market value of residence homesteads; minimum exemption of \$5,000.

The City has established a tax freeze for residents 65 years of age or older and the disabled, as may be done on a local option basis.

See Table 1 for a listing of the amounts of the exemptions described above.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not tax nonbusiness personal property; and the Kaufman County Tax Assessor/Collector collects taxes for the City.

The City does not permit split payments, and discounts are not allowed.

The City does tax freeport property.

The City does collect the additional one-half cent sales tax for reduction of ad valorem taxes.

The City has not adopted a tax abatement policy.

**PUBLIC IMPROVEMENT DISTRICTS AND TAX INCREMENT REINVESTMENT ZONES IN THE CITY . . .** The City of Crandall is located within Kaufman County, which is a rapidly developing county in the State of Texas. The growing population directly influences the local housing industry and commercial properties, and ultimately the City's property tax base, sales tax revenues, permits and licenses, and other revenues of the City. Additionally, the City encompasses a significant amount of developable land that makes it attractive to residential developers. The City has implemented various means to manage and continue this growth. The City has created two public improvement districts, which are briefly described below. The City established the public improvement districts to undertake improvement projects that confer a special benefit on property located within the particular public improvement district. The City may levy and collect special assessments on property in the particular public improvement district based on the benefit conferred by an improvement project to pay all or part of its cost. To the extent bonds have been issued to finance such public improvements, detailed information on these developments may be obtained from the City or from disclosure documents

for such bonds filed at [www.emma.msrb.org](http://www.emma.msrb.org). These bonds are secured solely by assessments levied against the respective property and are not general obligations of the City or secured by any of the revenues of the System.

The City has created the Cartwright Ranch Public Improvement District (the "Cartwright Ranch PID") for the purpose of undertaking and financing costs of certain public improvements to be constructed within the PID. The Cartwright Ranch PID includes approximately 1,327 acres and was created to finance certain water, sewer, and roadway improvements to support residential and commercial development within the PID. The City has issued bonds secured by special assessments levied on property within the Cartwright Ranch PID to finance the improvements. To date, the City has levied special assessments in Cartwright Ranch PID in the aggregate amount of \$29,666,000, and has pledged the revenues from such special assessments to secure the bonds issued by the City. In connection therewith, the City also created Reinvestment Zone Number 2, City of Crandall, within the Cartwright Ranch PID in support of such development. The City has agreed to contribute 55% of the tax increment generated within the Zone, and Kaufman County has agreed to contribute 50% of the maintenance and operations tax increment generated within the Zone.

The City has also created the River Ridge Ranch Public Improvement District (the "River Ridge PID") for the purpose of undertaking and financing costs of certain public improvements to be constructed within the PID. The River Ridge PID includes approximately 442 acres and was created to finance certain water, sewer, and roadway improvements to support residential and commercial development within the PID. The City has issued bonds secured by special assessments levied on property within the River Ridge PID to finance the improvements. To date, the City has levied special assessments in River Ridge PID in the aggregate amount of \$40,056,000, and has pledged the revenues from such special assessments to secure the bonds issued by the City. In connection therewith, the City also created Reinvestment Zone Number 1, City of Crandall, within the River Ridge PID in support of such development. The City has agreed to contribute 65% of the tax increment generated within the Zone, and Kaufman County has agreed to contribute 50% of the maintenance and operations tax increment generated within the Zone.

The City has also created the Arbors Public Improvement District (the "Arbors PID") for the purpose of undertaking and financing costs of certain public improvements to be constructed within the PID. The Arbors PID includes approximately 320.193 acres and was created to finance certain roadway, water, sanitary sewer, and storm drainage improvements to support residential and commercial development within the PID. The City has issued bonds secured by special assessments levied on property within Improvement Area #1 of the Arbors PID to finance the improvements. To date, the City has levied special assessments in the Arbors PID in the aggregate amount of \$14,866,000, and has pledged the revenues from such special assessments to secure the bonds issued by the City. In connection therewith, the City also created Reinvestment Zone Number Four, City of Crandall, within the Arbors PID in support of such development. The City has agreed to contribute 40% of the tax increment generated within the Zone.

The City has also created the EagleCrest Public Improvement District (the "EagleCrest PID") for the purpose of undertaking and financing costs of certain public improvements to be constructed within the PID. The EagleCrest PID includes approximately 582 acres and was created to finance certain water, sewer, and roadway improvements to support residential and commercial development within the PID. The City has not issued bonds secured by special assessments levied within the EagleCrest PID. In connection therewith, the City has created a reinvestment zone coterminous with the EagleCrest PID in support of such development, with the City having agreed to contribute 52.5% of the tax increment generated within the zone, and Kaufman County having agreed to contribute 50% of the tax increment generated within the zone.

The City has also created the Cotton Ridge Public Improvement District (the "Cotton Ridge PID") for the purpose of undertaking and financing costs of certain public improvements to be constructed within the PID. The Cotton Ridge PID includes approximately 105.82 acres and was created to finance certain water, sewer, drainage, and roadway improvements to support residential development within the PID. The City has not issued bonds secured by special assessments levied within the Cotton Ridge PID. In connection therewith, the City has created a reinvestment zone coterminous with the Cotton Ridge PID in support of such development, with the City having agreed to contribute 50% of the tax increment generated within the zone.

The City may authorize additional public improvement districts, and enter into additional contractual obligations secured by special assessment revenue. Any additional contractual obligations secured by special assessment revenue would not represent an obligation of the City's general revenue or taxes.

*[The remainder of this page left blank intentionally]*

**TABLE 1 – ASSESSED VALUATION AND EXEMPTION**

|                                                                                                                                                                                             |                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| 2026/27 Market Valuation Established by Kaufman County Appraisal District                                                                                                                   | \$ 957,916,619        |
| Less Exemptions/Reductions at 100% Market Value:                                                                                                                                            |                       |
| Productivity Loss                                                                                                                                                                           | \$ 35,795,390         |
| Homestead Cap                                                                                                                                                                               | 17,279,564            |
| Circuit Breaker                                                                                                                                                                             | 13,182,965            |
| Disabled Persons                                                                                                                                                                            | 353,334               |
| Disabled Veterans                                                                                                                                                                           | 20,545,563            |
| Other Exemptions                                                                                                                                                                            | 6,679,137             |
| Over 65 Exemption                                                                                                                                                                           | 4,919,474             |
| Totally Exempt                                                                                                                                                                              | 92,677,407            |
|                                                                                                                                                                                             | <u>191,432,834</u>    |
| 2026/27 Taxable Assessed Valuation                                                                                                                                                          | <u>\$ 766,483,785</u> |
| General Obligation Debt Payable from Ad Valorem Taxes (as of 8/15/2026)                                                                                                                     | \$ 8,470,000          |
| The Certificates                                                                                                                                                                            | <u>17,155,000</u>     |
| Total General Obligation Debt Payable from Ad Valorem Taxes                                                                                                                                 | <u>\$ 25,625,000</u>  |
| Less Self-Supporting Debt (as of 8/15/2026)                                                                                                                                                 |                       |
| Water and Sewer System                                                                                                                                                                      | <u>\$ 4,085,000</u>   |
| Net General Obligation Debt Payable from Ad Valorem Taxes                                                                                                                                   | <u>\$ 21,540,000</u>  |
| Interest and Sinking Fund as of (as of 8/1/2026)                                                                                                                                            | \$ 1,426,570          |
| Ratio of Total General Obligation Debt to Taxable Assessed Valuation                                                                                                                        | 3.34%                 |
| Ratio of Net Funded Debt to Taxable Assessed Valuation                                                                                                                                      | 2.81%                 |
| <p>2026 Estimated Population - 6,751</p> <p>Per Capita Taxable Assessed Valuation - \$113,536</p> <p>Per Capita Total Funded Debt - \$3,796</p> <p>Per Capita Net Funded Debt - \$3,191</p> |                       |

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**TABLE 2 – TAXABLE ASSESSED VALUATIONS BY CATEGORY**

| Category                                | Taxable Appraised Value for Fiscal Year Ended September 30, |            |                       |            |                       |            |
|-----------------------------------------|-------------------------------------------------------------|------------|-----------------------|------------|-----------------------|------------|
|                                         | 2027                                                        |            | 2026                  |            | 2025                  |            |
|                                         | Amount                                                      | % of Total | Amount                | % of Total | Amount                | % of Total |
| Real, Residential, Single-Family        | \$ 660,691,146                                              | 68.97%     | \$ 589,847,180        | 68.80%     | \$ 454,211,122        | 63.09%     |
| Real, Residential, Multi-Family         | 4,992,686                                                   | 0.52%      | 4,952,711             | 0.58%      | 4,943,221             | 0.69%      |
| Real, Vacant Lots/Tracts                | 11,786,153                                                  | 1.23%      | 35,818,668            | 4.18%      | 6,425,704             | 0.89%      |
| Real, Acreage (Land Only)               | 36,041,167                                                  | 3.76%      | 22,896,067            | 2.67%      | 25,022,334            | 3.48%      |
| Real, Farm and Ranch Improvements       | 25,711,379                                                  | 2.68%      | 16,244,150            | 1.89%      | 12,914,201            | 1.79%      |
| Real, Commercial                        | 47,813,856                                                  | 4.99%      | 44,061,899            | 5.14%      | 34,013,175            | 4.72%      |
| Real, Industrial                        | 753,301                                                     | 0.08%      | 704,391               | 0.08%      | 445,500               | 0.06%      |
| Real and Tangible Personal, Utilities   | 12,273,235                                                  | 1.28%      | 7,678,091             | 0.90%      | 12,768,433            | 1.77%      |
| Tangible Personal, Commercial           | 12,283,005                                                  | 1.28%      | 9,063,334             | 1.06%      | 6,983,787             | 0.97%      |
| Tangible Personal, Industrial           | 609,334                                                     | 0.06%      | 807,042               | 0.09%      | 739,706               | 0.10%      |
| Real Property Inventory                 | 52,274,458                                                  | 5.46%      | 26,088,752            | 3.04%      | 61,825,644            | 8.59%      |
| Special Inventory                       | 9,492                                                       | 0.00%      | 708                   | 0.00%      | 5,396                 | 0.00%      |
| Totally Exempt Property                 | 92,677,407                                                  | 9.67%      | 99,155,128            | 11.57%     | 99,590,460            | 13.83%     |
| Total Appraised Value Before Exemptions | \$ 957,916,619                                              | 100.00%    | \$ 857,318,121        | 100.00%    | \$ 719,888,683        | 100.00%    |
| Less: Total Exemptions/Reductions       | (191,432,834)                                               |            | (167,447,468)         |            | (196,320,837)         |            |
| Taxable Assessed Value                  | <u>\$ 766,483,785</u>                                       |            | <u>\$ 689,870,653</u> |            | <u>\$ 523,567,846</u> |            |

| Category                                | Taxable Appraised Value for Fiscal Year Ended September 30, |            |                       |            |
|-----------------------------------------|-------------------------------------------------------------|------------|-----------------------|------------|
|                                         | 2024                                                        |            | 2023                  |            |
|                                         | Amount                                                      | % of Total | Amount                | % of Total |
| Real, Residential, Single-Family        | \$ 435,275,222                                              | 70.36%     | \$ 377,055,550        | 70.32%     |
| Real, Residential, Multi-Family         | 3,688,620                                                   | 0.60%      | 3,189,145             | 0.59%      |
| Real, Vacant Lots/Tracts                | 11,424,539                                                  | 1.85%      | 5,942,148             | 1.11%      |
| Real, Acreage (Land Only)               | 20,766,153                                                  | 3.36%      | 18,809,561            | 3.51%      |
| Real, Farm and Ranch Improvements       | 8,919,867                                                   | 1.44%      | 9,060,448             | 1.69%      |
| Real, Commercial                        | 31,525,173                                                  | 5.10%      | 28,280,747            | 5.27%      |
| Real, Industrial                        | 459,449                                                     | 0.07%      | 385,628               | 0.07%      |
| Real and Tangible Personal, Utilities   | 4,667,223                                                   | 0.75%      | 4,151,801             | 0.77%      |
| Tangible Personal, Commercial           | 6,466,711                                                   | 1.05%      | 6,533,025             | 1.22%      |
| Tangible Personal, Industrial           | 647,810                                                     | 0.10%      | 379,342               | 0.07%      |
| Real Property Inventory                 | 102,188                                                     | 0.02%      | 2,016,000             | 0.38%      |
| Special Inventory                       | 10,926                                                      | 0.00%      | 20,551                | 0.00%      |
| Totally Exempt Property                 | 94,674,011                                                  | 15.30%     | 80,407,156            | 14.99%     |
| Total Appraised Value Before Exemptions | \$ 618,627,892                                              | 100.00%    | \$ 536,231,102        | 100.00%    |
| Less: Total Exemptions/Reductions       | (192,265,648)                                               |            | (167,413,546)         |            |
| Taxable Assessed Value                  | <u>\$ 426,362,244</u>                                       |            | <u>\$ 368,817,556</u> |            |

NOTE: Valuations shown are certified taxable assessed values reported by the Kaufman County Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

**TABLE 3 – VALUATION AND GENERAL OBLIGATION DEBT HISTORY**

| Fiscal Year Ended 9/30 | Estimated Population <sup>(1)</sup> | Taxable Assessed Valuation <sup>(2)</sup> | Taxable Assessed Valuation Per Capita | General Obligation Debt Outstanding at End of Year <sup>(3)</sup> | Ratio of G.O. Debt to Taxable Assessed Valuation | G.O. Debt Per Capita |
|------------------------|-------------------------------------|-------------------------------------------|---------------------------------------|-------------------------------------------------------------------|--------------------------------------------------|----------------------|
| 2022                   | 5,000                               | \$ 308,216,108                            | \$ 61,643                             | \$ 7,055,000                                                      | 2.29%                                            | \$ 1,411             |
| 2023                   | 5,100                               | 368,817,556                               | 72,317                                | 6,500,000                                                         | 1.76%                                            | 1,275                |
| 2024                   | 5,357                               | 426,362,244                               | 79,590                                | 5,915,000                                                         | 1.39%                                            | 1,104                |
| 2025                   | 5,749                               | 523,567,846                               | 91,071                                | 9,035,000                                                         | 1.73%                                            | 1,572                |
| 2026                   | 6,751                               | 689,870,653                               | 102,188                               | 25,625,000 <sup>(4)</sup>                                         | 3.71% <sup>(4)</sup>                             | 3,796                |

(1) Source: City of Crandall and North Central Texas Council of Governments (NCTCOG) Annual Population Estimates.

(2) As reported by the Kaufman County Appraisal District on City's annual State Property Tax Board Reports; subject to change during the ensuing year.

(3) Includes self-supporting debt paid by revenues from the waterworks and sewer system.

(4) Includes the Certificates.

**TABLE 4 – TAX RATE, LEVY AND COLLECTION HISTORY**

| Fiscal Year Ended 9/30 | Taxable Assessed Valuation | Tax Rate  | General Fund | Interest And Sinking Fund | Tax Levy     | % Current Collections  | % Total Collections    |
|------------------------|----------------------------|-----------|--------------|---------------------------|--------------|------------------------|------------------------|
| 2022                   | \$ 308,216,108             | \$ 0.7600 | \$ 0.5300    | \$ 0.2300                 | \$ 2,342,442 | 95.90%                 | 95.90%                 |
| 2023                   | 368,817,556                | 0.7300    | 0.5800       | 0.1500                    | 2,692,368    | 96.85%                 | 96.85%                 |
| 2024                   | 426,362,244                | 0.7300    | 0.5950       | 0.1350                    | 3,112,444    | 91.17%                 | 95.26%                 |
| 2025                   | 523,567,846                | 0.6500    | 0.5400       | 0.1100                    | 3,279,231    | 99.03%                 | 100.00%                |
| 2026                   | 689,870,653                | 0.7500    | 0.6550       | 0.0950                    | 4,922,489    | 100.20% <sup>(1)</sup> | 100.20% <sup>(1)</sup> |

(1) Collections as of June 30, 2026.

**TABLE 5 – TEN LARGEST TAXPAYERS**

| Name of Taxpayer                    | Description                  | 2026/2027 Taxable Assessed Valuation | % of Total Taxable Assessed Valuation |
|-------------------------------------|------------------------------|--------------------------------------|---------------------------------------|
| Millrose Properties Texas LLC       | Real Estate                  | \$ 10,140,200                        | 1.32%                                 |
| Oncor Electric Delivery Co.         | Electric Utility/Power Plant | 10,075,477                           | 1.31%                                 |
| Taylor Morrison of Texas Inc.       | Real Estate                  | 9,782,462                            | 1.28%                                 |
| JWS Land LTD                        | Development Company          | 6,944,260                            | 0.91%                                 |
| Wal Mart Real Estate Business Trust | Real Estate                  | 5,935,486                            | 0.77%                                 |
| CND-River Ridge LLC                 | Real Estate                  | 5,880,000                            | 0.77%                                 |
| Millrose Properties Texas LLC       | Real Estate                  | 5,854,800                            | 0.76%                                 |
| Sasha Group Inc                     | Consultant                   | 4,830,000                            | 0.63%                                 |
| Meritage Homes of Texas LLC         | Real Estate                  | 3,952,665                            | 0.52%                                 |
| 4B Properties LP                    | Golf Course/Country Club     | 3,434,605                            | 0.45%                                 |
|                                     |                              | <u>\$ 66,829,955</u>                 | <u>8.72%</u>                          |

As provided by the Kaufman Central Appraisal District.

**GENERAL OBLIGATION DEBT LIMITATION.** . . No general obligation debt limitation is imposed on the City under current State law (see “THE CERTIFICATES - Tax Rate Limitation”).

**TABLE 6 – TAX ADEQUACY**

|                                                                              |              |
|------------------------------------------------------------------------------|--------------|
| Net Principal and Interest Requirements (FY2027) <sup>(1)</sup>              | \$ 1,231,039 |
| \$0.1639 Tax Rate at 98% Collections Produces                                | \$ 1,231,142 |
| Average Net Principal and Interest Requirements (FY2027-2051) <sup>(1)</sup> | \$ 1,506,629 |
| \$0.2006 Tax Rate at 98% Collections Produces                                | \$ 1,506,815 |
| Maximum Net Principal and Interest Requirements (FY2045) <sup>(1)</sup>      | \$ 1,654,738 |
| \$0.2203 Tax Rate at 98% Collections Produces                                | \$ 1,654,793 |

(1) Includes the Certificates. Calculated based on 2026/2027 taxable assessed value.

**TABLE 7 – ESTIMATED OVERLAPPING DEBT**

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax debt (“Tax Debt”) was developed from information contained in “Texas Municipal Reports” published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

| Taxing Jurisdiction                                                            | 2025/26<br>Taxable<br>Assessed<br>Valuation | 2025/26<br>Tax<br>Rate | Total<br>G.O. Debt<br>as of 8/15/2026 <sup>(1)</sup> | Estimated<br>Percent<br>Applicable <sup>(1)</sup> | Direct and<br>Overlapping<br>G.O. Debt<br>as of 8/15/2026 |
|--------------------------------------------------------------------------------|---------------------------------------------|------------------------|------------------------------------------------------|---------------------------------------------------|-----------------------------------------------------------|
| City of Crandall                                                               | \$ 689,870,653                              | \$0.7500               | \$ 25,625,000 <sup>(2)</sup>                         | 100.00%                                           | \$ 25,625,000                                             |
| Crandall Independent School District                                           | 2,845,273,669                               | 1.1692                 | 291,185,000                                          | 18.03%                                            | 52,500,656                                                |
| Kaufman County                                                                 | 28,408,837,661                              | 0.4151                 | 200,305,000                                          | 2.52%                                             | 5,047,686                                                 |
| Total Direct and Overlapping Debt.....                                         |                                             |                        |                                                      |                                                   | \$ 83,173,342                                             |
| Ratio of Direct and Overlapping Debt to City's Taxable Assessed Valuation..... |                                             |                        |                                                      |                                                   | 12.06%                                                    |
| Per Capita Overlapping G.O. Debt.....                                          |                                             |                        |                                                      |                                                   | \$ 12,320                                                 |

(1) As reported by the Municipal Advisory Council of Texas.

(2) Includes self-supporting debt. Includes the Certificates.

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# DEBT INFORMATION

**TABLE 8 – GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

| Fiscal<br>Year<br>Ending<br>30-Sep | Outstanding Debt Service |                     |                      | The Certificates     |                      |                      | Less:<br>W&S Revenue<br>Supported<br>Debt Service | Net<br>General<br>Obligation<br>Debt Service <sup>(1)</sup> | % of<br>Principal<br>Retired |
|------------------------------------|--------------------------|---------------------|----------------------|----------------------|----------------------|----------------------|---------------------------------------------------|-------------------------------------------------------------|------------------------------|
|                                    | Principal                | Interest            | Total D/S            | Principal            | Interest             | Total D/S            |                                                   |                                                             |                              |
|                                    |                          |                     |                      |                      |                      |                      |                                                   |                                                             |                              |
| 2026                               | \$ 565,000               | \$ 431,817          | \$ 996,817           | \$ -                 | \$ -                 | \$ -                 | \$ 548,347                                        | \$ 448,470                                                  |                              |
| 2027                               | 585,000                  | 344,588             | 929,588              | -                    | 784,714              | 784,714              | 483,263                                           | 1,231,039                                                   |                              |
| 2028                               | 435,000                  | 320,868             | 755,868              | -                    | 843,275              | 843,275              | 307,388                                           | 1,291,755                                                   |                              |
| 2029                               | 455,000                  | 300,313             | 755,313              | 75,000               | 840,463              | 915,463              | 305,513                                           | 1,365,263                                                   |                              |
| 2030                               | 480,000                  | 278,538             | 758,538              | 80,000               | 834,650              | 914,650              | 308,263                                           | 1,364,925                                                   | 10.21%                       |
| 2031                               | 500,000                  | 254,813             | 754,813              | 85,000               | 828,463              | 913,463              | 305,638                                           | 1,362,638                                                   |                              |
| 2032                               | 525,000                  | 230,988             | 755,988              | 95,000               | 821,713              | 916,713              | 307,638                                           | 1,365,063                                                   |                              |
| 2033                               | 550,000                  | 207,788             | 757,788              | 100,000              | 814,400              | 914,400              | 309,138                                           | 1,363,050                                                   |                              |
| 2034                               | 570,000                  | 183,613             | 753,613              | 110,000              | 806,525              | 916,525              | 305,263                                           | 1,364,875                                                   |                              |
| 2035                               | 595,000                  | 160,488             | 755,488              | 115,000              | 798,088              | 913,088              | 306,013                                           | 1,362,563                                                   | 22.60%                       |
| 2036                               | 615,000                  | 138,438             | 753,438              | 125,000              | 789,088              | 914,088              | 306,263                                           | 1,361,263                                                   |                              |
| 2037                               | 635,000                  | 115,588             | 750,588              | 140,000              | 779,850              | 919,850              | 306,013                                           | 1,364,425                                                   |                              |
| 2038                               | 660,000                  | 91,863              | 751,863              | 160,000              | 771,300              | 931,300              | 305,263                                           | 1,377,900                                                   |                              |
| 2039                               | 235,000                  | 73,888              | 308,888              | 910,000              | 744,550              | 1,654,550            | 308,888                                           | 1,654,550                                                   |                              |
| 2040                               | 245,000                  | 63,113              | 308,113              | 955,000              | 697,925              | 1,652,925            | 308,113                                           | 1,652,925                                                   | 40.47%                       |
| 2041                               | 255,000                  | 52,953              | 307,953              | 1,005,000            | 648,925              | 1,653,925            | 307,953                                           | 1,653,925                                                   |                              |
| 2042                               | 265,000                  | 42,228              | 307,228              | 1,055,000            | 597,425              | 1,652,425            | 307,228                                           | 1,652,425                                                   |                              |
| 2043                               | 275,000                  | 30,919              | 305,919              | 1,110,000            | 543,300              | 1,653,300            | 305,919                                           | 1,653,300                                                   |                              |
| 2044                               | 290,000                  | 18,913              | 308,913              | 1,165,000            | 486,425              | 1,651,425            | 308,913                                           | 1,651,425                                                   |                              |
| 2045                               | 300,000                  | 6,375               | 306,375              | 1,225,000            | 429,738              | 1,654,738            | 306,375                                           | 1,654,738                                                   | 66.99%                       |
| 2046                               | -                        | -                   | -                    | 1,280,000            | 373,375              | 1,653,375            | -                                                 | 1,653,375                                                   |                              |
| 2047                               | -                        | -                   | -                    | 1,340,000            | 313,588              | 1,653,588            | -                                                 | 1,653,588                                                   |                              |
| 2048                               | -                        | -                   | -                    | 1,400,000            | 250,225              | 1,650,225            | -                                                 | 1,650,225                                                   |                              |
| 2049                               | -                        | -                   | -                    | 1,470,000            | 183,856              | 1,653,856            | -                                                 | 1,653,856                                                   |                              |
| 2050                               | -                        | -                   | -                    | 1,540,000            | 113,288              | 1,653,288            | -                                                 | 1,653,288                                                   | 93.83%                       |
| 2051                               | -                        | -                   | -                    | 1,615,000            | 38,356               | 1,653,356            | -                                                 | 1,653,356                                                   | 100.00%                      |
|                                    | <u>\$ 9,035,000</u>      | <u>\$ 3,348,084</u> | <u>\$ 12,383,084</u> | <u>\$ 17,155,000</u> | <u>\$ 15,133,502</u> | <u>\$ 32,288,502</u> | <u>\$ 6,557,384</u>                               | <u>\$ 38,114,202</u>                                        |                              |

**TABLE 9 – COMPUTATION OF SELF-SUPPORTING DEBT**

|                                                                      | Water & Sewer |
|----------------------------------------------------------------------|---------------|
| Net Revenue Available for Debt Service, 9/30/2025                    | \$ 3,738,297  |
| Less: Revenue Bonds Outstanding Debt Service, Fiscal Year 2026       | \$ -          |
| Net Revenue Available for General Obligation Debt Service            | \$ 3,738,297  |
| G.O. Self-Supported Debt Service, Fiscal Year 2026 <sup>(1)</sup>    | \$ 548,347    |
| <b>General Obligation Refunding Bonds, Series 2021<sup>(1)</sup></b> |               |
| Par Amount Outstanding                                               | \$ 4,565,000  |
| Less: Par Amount supported by Interest and Sinking Fund Tax Revenue  | 3,935,000     |
| Par Amount supported by Waterworks and Sewer System Surplus Revenues | 630,000       |
| Percentage Self-Supported                                            | 13.80%        |
| <b>Certificates of Obligation, Series 2025<sup>(1)</sup></b>         |               |
| Par Amount Outstanding                                               | \$ 3,745,000  |
| Less: Par Amount supported by Interest and Sinking Fund Tax Revenue  | -             |
| Par Amount supported by Waterworks and Sewer System Surplus Revenues | 3,745,000     |
| Percentage Self-Supported                                            | 100.00%       |

- (1) Subject to change at any time. It is the City's current policy to pay the above-described self-supporting debt from revenue source shown above; this policy is subject to change in the future. In the event the City changes its policy, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service. Par amount outstanding at the beginning of Fiscal Year 2026.

**TABLE 10 – INTEREST AND SINKING FUND BUDGET PROJECTION**

|                                                                  |                     |
|------------------------------------------------------------------|---------------------|
| General Obligation Debt Service Requirements, Fiscal Year 2026   | \$ 448,470          |
| Interest and Sinking Fund Balance, 9/30/2025                     | 983,191             |
| Calculated Interest and Sinking Fund Tax Levy at 98% Collections | 642,270             |
| Estimated Interest and Sinking Fund Balance, 9/30/2026           | 1,625,461           |
|                                                                  | <u>\$ 1,176,991</u> |

**ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT**

The City does not anticipate issuing any tax-supported debt within the next twelve months.

*[The remainder of this page left blank intentionally]*

**TABLE 11 – OTHER OBLIGATIONS**

The City’s outstanding notes payable and Subscription-Based Information Technology Arrangements (“SBITA”) liabilities at fiscal year ended 2025 were as follows:

|                                                                                                                                                          | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>      |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|-------------------------------------|-------------------|
| <b>Notes Payable:</b>                                                                                                                                    |                                    |                                     |                   |
| \$987,127 Various banking institutions for vehicles/equip.<br>due in annual installments, with interest rates from<br>3.25%-4.55%, maturing through 2029 | \$ 307,804                         | \$ 28,076                           | \$ 335,880        |
| <b>Total Notes Payable</b>                                                                                                                               | <b>\$ 307,804</b>                  | <b>\$ 28,076</b>                    | <b>\$ 335,880</b> |
| <b>SBITA Liabilities:</b>                                                                                                                                |                                    |                                     |                   |
| Software subscrip. for Incode 10, due in monthly install.<br>of \$3,638, with an interest rate of 4.95%, maturing in 2027                                | \$ 62,990                          | \$ -                                | \$ 62,990         |
| <b>Total SBITA Liabilities</b>                                                                                                                           | <b>\$ 62,990</b>                   | <b>\$ -</b>                         | <b>\$ 62,990</b>  |

Annual debt service requirements to maturity as follows:

Notes Payable

| <b>Year ending<br/>September 30,</b> | <b>Governmental Activities</b> |                  |                   | <b>Business-Type Activities</b> |                 |                  |
|--------------------------------------|--------------------------------|------------------|-------------------|---------------------------------|-----------------|------------------|
|                                      | <b>Principal</b>               | <b>Interest</b>  | <b>Total</b>      | <b>Principal</b>                | <b>Interest</b> | <b>Total</b>     |
| 2026                                 | \$ 102,235                     | \$ 12,228        | \$ 114,463        | \$ 16,076                       | \$ 1,343        | \$ 17,419        |
| 2027                                 | 98,660                         | 7,605            | 106,265           | 12,000                          | 504             | 12,504           |
| 2028                                 | 62,639                         | 3,667            | 66,306            | -                               | -               | -                |
| 2029                                 | 43,254                         | 1,127            | 44,381            | -                               | -               | -                |
| 2030                                 | 1,016                          | 4                | 1,020             | -                               | -               | -                |
|                                      | <b>\$ 307,804</b>              | <b>\$ 24,631</b> | <b>\$ 332,435</b> | <b>\$ 28,076</b>                | <b>\$ 1,847</b> | <b>\$ 29,923</b> |

SBITA Liabilities

| <b>Year ending<br/>September 30,</b> | <b>Governmental Activities</b> |                 |                  |
|--------------------------------------|--------------------------------|-----------------|------------------|
|                                      | <b>Principal</b>               | <b>Interest</b> | <b>Total</b>     |
| 2026                                 | \$ 41,472                      | \$ 2,185        | \$ 43,657        |
| 2027                                 | 21,518                         | 312             | 21,830           |
|                                      | <b>\$ 62,990</b>               | <b>\$ 2,497</b> | <b>\$ 65,487</b> |

**PENSION FUND . . .** The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System (“TMRS”), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense. For more detailed information concerning the retirement plan, see Appendix B, “Excerpts from the Annual Financial Report”.

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## FINANCIAL INFORMATION

**TABLE 12 – GENERAL FUND REVENUE AND EXPENDITURE HISTORY**

|                                          | Fiscal Year Ended September 30, |                     |                     |                     |                     |
|------------------------------------------|---------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                          | 2025                            | 2024                | 2023                | 2022                | 2021                |
| <b>REVENUES</b>                          |                                 |                     |                     |                     |                     |
| Property Tax                             | \$ 3,295,628                    | \$ 2,961,880        | \$ 2,594,019        | \$ 2,234,080        | \$ 2,016,587        |
| Sales, Franchise and Other Taxes         | 2,148,543                       | 1,534,789           | 1,362,491           | 1,193,604           | 956,960             |
| Fines and Fees                           | 249,253                         | 185,839             | 232,439             | 233,164             | 180,303             |
| Permits                                  | 2,067,463                       | 4,055,115           | 1,557,399           | 2,022,976           | 698,030             |
| Charges for Services                     | 2,041,439                       | 1,920,909           | 1,437,701           | 1,056,562           | 756,702             |
| Operating Grants                         | 99,320                          | 108,865             | -                   | -                   | 264,075             |
| Interest Income                          | 596,351                         | 108,092             | 58,280              | 26,125              | 17,835              |
| Other                                    | 120,838                         | 121,200             | 204,351             | 52,413              | 58,804              |
| Total Revenues                           | <u>\$10,618,835</u>             | <u>\$10,996,689</u> | <u>\$ 7,446,680</u> | <u>\$ 6,818,924</u> | <u>\$ 4,949,296</u> |
| <b>EXPENDITURES</b>                      |                                 |                     |                     |                     |                     |
| General Government                       | \$ 2,038,122                    | \$ 2,058,612        | \$ 1,328,266        | \$ 2,631,034        | \$ 1,033,206        |
| Public Service                           | 856,748                         | 967,587             | 338,433             | 322,232             | 268,529             |
| Public Safety                            | 3,346,657                       | 2,742,531           | 2,526,331           | 2,118,956           | 1,680,679           |
| Public Works                             | 218,538                         | 229,545             | 188,626             | 285,441             | 185,637             |
| TIRZ                                     | 254,408                         | 39,080              | -                   | -                   | -                   |
| Bond Issuance Costs                      | -                               | -                   | -                   | -                   | 162,236             |
| Capital Outlay                           | 1,104,132                       | 1,259,819           | 1,091,257           | 719,213             | 516,188             |
| Debt Service:                            |                                 |                     |                     |                     |                     |
| Principal, Interest and Fiscal Charges   | 499,083                         | 532,241             | 398,118             | 368,902             | 348,683             |
| Total Expenditures                       | <u>\$ 8,317,688</u>             | <u>\$ 7,829,415</u> | <u>\$ 5,871,031</u> | <u>\$ 6,445,778</u> | <u>\$ 4,195,158</u> |
| Excess (Deficiency) of Revenues          |                                 |                     |                     |                     |                     |
| Over (Under) Expenditures                | <u>\$ 2,301,147</u>             | <u>\$ 3,167,274</u> | <u>\$ 1,575,649</u> | <u>\$ 373,146</u>   | <u>\$ 754,138</u>   |
| <b>OTHER FINANCING SOURCES (USES)</b>    |                                 |                     |                     |                     |                     |
| Note Proceeds                            | \$ 53,919                       | \$ -                | \$ -                | \$ -                | \$ -                |
| Sales of Capital Assets                  | 28,951                          | -                   | -                   | -                   | -                   |
| Proceeds of refunding debt               | -                               | 223,833             | 207,587             | 98,400              | 5,332,548           |
| Payment to refunding Debt escrow account | -                               | -                   | 75,800              | 120,257             | (5,085,000)         |
| Transfers                                | (47,206)                        | (159,275)           | (160,466)           | (157,200)           | (210,449)           |
| Total Other Financing Sources (Uses)     | <u>\$ 35,664</u>                | <u>\$ 64,558</u>    | <u>\$ 122,921</u>   | <u>\$ 61,457</u>    | <u>\$ 37,099</u>    |
| Net Change in Fund Balances              | \$ 2,336,811                    | \$ 3,231,832        | \$ 1,698,570        | \$ 434,603          | \$ 791,237          |
| Fund Balances at Beginning of Year       | 7,151,066                       | 3,919,234           | 2,220,664           | 1,786,061           | 994,824             |
| Fund Balances at End of Year             | <u>\$ 9,487,877</u>             | <u>\$ 7,151,066</u> | <u>\$ 3,919,234</u> | <u>\$ 2,220,664</u> | <u>\$ 1,786,061</u> |

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**TABLE 13 – MUNICIPAL SALES TAX HISTORY**

The City has adopted the Municipal Sales and Use Tax Act, Texas Tax Code, Chapter 321, as amended, by which the City imposes a 1% Local Sales and Use Tax within the City. Collections from the imposition of this sales and use tax are credited to the General Fund and are not pledged to the payment of the Certificates.

In addition to the 1% local sales and use tax referred to above, the City imposes an additional one-half percent (½%) local sales and use tax for economic development that is collected solely for the benefit of the Crandall Economic Development Corporation, a Type B corporation (the “EDC”). Collections from this tax are remitted to the EDC and are limited to certain economic development projects, and may be pledged to secure the payment of sales tax revenue bonds issued by the EDC, but not be pledged to secure the Obligations issued herein. The City also levies a one-half percent (½%) sales and use tax for property tax reduction.

Collections and enforcements of the local sales and use taxes are effected through the Texas Comptroller of Public Accounts, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. State law provides certain cities the option of assessing a sales and use tax for a variety of other purposes, including property tax reduction, economic and industrial development, municipal street maintenance and repair, and sports and community venues. State law limits the maximum aggregate sales and use tax rate in any area to 8¼%. Accordingly, the collection of local sales and use taxes by the City is limited to no more than 2% (the State sales and use tax rate is 6¼%).

| Fiscal Year Ended 9/30 | 1 cent City Sales Tax Collections <sup>(1)</sup> | 1/2 cent Property Tax Relief Collections | 1/2 cent EDC Sales Tax Collections | Total Collected          | Total Collections as % of Ad Valorem Tax Levy | Equivalent of Ad Valorem Tax Rate |
|------------------------|--------------------------------------------------|------------------------------------------|------------------------------------|--------------------------|-----------------------------------------------|-----------------------------------|
| 2022                   | \$ 633,923                                       | \$ 316,962                               | \$ 316,962                         | \$ 1,267,847             | 54.12%                                        | \$ 0.4113                         |
| 2023                   | 711,194                                          | 355,597                                  | 355,597                            | 1,422,388                | 52.83%                                        | 0.3857                            |
| 2024                   | 837,057                                          | 418,528                                  | 418,528                            | 1,674,114                | 53.79%                                        | 0.3927                            |
| 2025                   | 947,643                                          | 473,821                                  | 473,821                            | 1,895,286                | 57.80%                                        | 0.3620                            |
| 2026                   | 876,269 <sup>(2)</sup>                           | 438,135 <sup>(2)</sup>                   | 438,135 <sup>(2)</sup>             | 1,752,538 <sup>(2)</sup> | 35.58%                                        | 0.2540                            |

(1) As reported by the Texas Comptroller of Public Accounts.

(2) Collections as of July 2026.

The sales tax breakdown for the City is as follows:

|                                           |            |
|-------------------------------------------|------------|
| Crandall Economic Development Corporation | ½¢         |
| Property Tax Reduction                    | ½¢         |
| City Sales and Use Tax                    | 1¢         |
| State Sales & Use Tax                     | 6¼¢        |
| <b>TOTAL</b>                              | <b>8¼¢</b> |

The City has entered into two Chapter 380 economic development agreements pursuant to Section 380.001, Texas Local Government Code. Under an agreement with Walmart, the City has agreed to rebate up to \$6,000,000 of new sales tax revenue generated by the Walmart store over a 15-year period. Under an agreement with Home Depot, the City has agreed to rebate up to \$3,000,000 of new sales tax revenue generated by the Home Depot store over a 15-year period.

## FINANCIAL POLICIES

**Basis of Accounting** . . . The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred. Interest on long term debt is recorded when due.

Ad valorem and sales tax revenues are recognized under the susceptible to accrual concept. Licenses and permits, franchise taxes, charges for services, fines and miscellaneous revenues (except earnings on investments) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned because they are measurable and available.

The accrual basis of accounting is utilized by proprietary funds.

**Budgetary Procedures** . . . The City Council follows these procedures in establishing budgetary data reflected in the financial statements:

- (1) Prior to September 1, the City Manager/Finance Officer submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted to obtain taxpayer comments.
- (3) Prior to September 30, the budget is legally enacted through passage of an ordinance.
- (4) The City Manager is authorized to transfer budgeted amounts within a category in a department. Transfers between categories or between departments require Council approval.
- (5) Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Fund and Debt Service Fund. Budgetary control is maintained at the function level.
- (6) Budgets for the General, Special Revenue, and Debt Service Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- (7) Budgetary data for the Capital Projects Funds are not presented in combined financial statements of the City as such funds are budgeted over the life of the respective project and not on an annual basis. Accordingly, formal budgetary integration of the Capital Projects Funds is not employed and comparison of actual results of operations to budgetary data for such fund is not presented.

**Fund Investments** . . . The City's investment policy parallels the State laws which govern the investment of public funds. The City generally restricts investments to direct obligations of the United States Government, governmental agencies, and to insured or collateralized bank certificates of deposit.

## **INVESTMENTS**

The City invests its investable funds in investments authorized by State law in accordance with investment policies approved by the City Council of the City. Both State law and the City's investment policies are subject to change.

**LEGAL INVESTMENTS**...Available City funds are invested as authorized by Texas law and in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change. Under State law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in this State that the investing entity selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Insurance Fund or its successor, or are secured as to principal by obligations described in the clauses (1) through (8) or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R.

Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less, (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (13) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (14) a no-load money market mutual fund registered with and regulated by the Securities and Exchange Commission that provides the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and complies with federal Securities and Exchange Commission Rule 2a-7, and (15) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAA-m or an equivalent by at least one nationally recognized rating service. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

**INVESTMENT POLICIES.** . . Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield. Under State law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City on the date of the report, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value, and the fully accrued interest of of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

**ADDITIONAL PROVISIONS** . . . Under State law the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio and requires an interpretation of subjective investment standards) and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and

adherence to the City’s investment policy; (6) provide specific investment training for the City’s designated Investment Officer; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

**TABLE 14—CURRENT INVESTMENTS**

As of June 30, 2026 the City’s investable funds were invested in the following categories:

| Description             | % of Total<br>Portfolio | Market Value      |
|-------------------------|-------------------------|-------------------|
| TexPool                 | 30.48%                  | \$ 239,015        |
| Certificates of Deposit | 69.52%                  | 545,154           |
|                         | <u>100.00%</u>          | <u>\$ 784,170</u> |

## TAX MATTERS

**TAX EXEMPTION . . .**The delivery of the Certificates is subject to the opinions of Bond Counsel to the effect that interest on the Certificates for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinions (the “Code”), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. A form of Bond Counsel’s opinion is reproduced as Appendix C. The statutes, regulations, rulings, and court decisions on which such opinions are based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the date of delivery of the Certificates pertaining to the use, expenditure, and investment of the proceeds of the Certificates and will assume continuing compliance by the City with the provisions of the Ordinances subsequent to the issuance of the Certificates. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Certificates and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Certificates are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage “profits” from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Certificates to be includable in the gross income of the owners thereof from the date of the issuance of the Certificates.

Bond Counsel’s opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the “IRS”) with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Certificates is commenced, under current procedures the IRS is likely to treat the City as the “taxpayer,” and the owners of the Certificates would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Certificates, the City may have different or conflicting interests from the owners of the Certificates. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust (“FASIT”), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than \$1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer’s applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Certificates. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Certificates.

Existing law may change to reduce or eliminate the benefit to owners of the Certificates of the exclusion of interest on the Certificates from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Certificates. Prospective purchasers of the Certificates should consult with their own tax advisors with respect to any proposed or future changes in tax law.

**TAX ACCOUNTING TREATMENT OF DISCOUNT AND PREMIUM ON CERTAIN CERTIFICATES . . .** The initial public offering price of certain Certificates (the "Discount Certificates") may be less than the amount payable on such Certificates at maturity. An amount equal to the difference between the initial public offering price of a Discount Certificate (assuming that a substantial amount of the Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the Underwriter of such Discount Certificate. A portion of such original issue discount allocable to the holding period of such Discount Certificate by the Underwriter will, upon the disposition of such Discount Certificate (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Certificates described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Certificate, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Certificate and generally will be allocated to an Underwriter in a different amount from the amount of the payment denominated as interest actually received by the Underwriter during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Certificate was held) is includable in gross income.

Owners of Discount Certificates should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Certificates. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Certificates may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The purchase price of certain Certificates (the "Premium Certificates") paid by an owner may be greater than the amount payable on such Certificates at maturity. An amount equal to the excess of a purchaser's tax basis in a Premium Certificates over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Certificate in the hands of such purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Certificate. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity (or, in some cases with respect to a callable Certificate, the yield based on a call date that results in the lowest yield on the Certificate).

Purchasers of the Premium Certificates should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Certificates.

## **CONTINUING DISCLOSURE OF INFORMATION**

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system to make such continuing disclosure available to investors free of charge. Investors may access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org).

**ANNUAL REPORTS . . .** The City shall provide annually to the MSRB (1) within six months after the end of each fiscal year (beginning with the fiscal year ending September 30, 2026) financial information and operating data with respect to the City of the general type in Tables 1 through 6 and 8 through 14 hereof and (2) if not provided as part of such financial information and operating data in item (1), audited financial statements of the City within 12 months after the end of each fiscal year ending in or after 2026. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City shall file

unaudited financial statements within such 12-month period and audited financial statements for such fiscal year when and if the audit report on such statements becomes available. Any financial statements so provided shall be prepared in accordance with the accounting principles described in Appendix B hereof and audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's internet web site or filed with the SEC as permitted by the Rule. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

The City's current fiscal year end is September 30. Accordingly, unless the City changes its fiscal year it must provide updated financial information and operating data by March 31 in each year and provide its audited financial statements (or unaudited financial statements if audited financial statements are not available) by September 30. If the City changes its fiscal year, it will notify the MSRB of the change.

**NOTICE OF CERTAIN EVENTS.** . . . The City will also provide the following to the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of any of the following events with respect to the Certificates: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional paying agent/registrant or the change of name of a paying agent/registrant, if material, (15) incurrence of a Financial Obligation (as defined below) of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties. In addition, the City will provide to the MSRB, in a timely manner, notice of any failure by the City to provide the required annual financial information described above under "Annual Reports" and any notices of events in accordance with this section.

For these purposes, (a) any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. "Financial Obligation" means (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. Additionally, the City intends the words used in clauses (15) and (16) of the preceding paragraph and the definition of "financial obligation" in these clauses to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

**AVAILABILITY OF INFORMATION.** . . . The City has agreed to provide the foregoing financial and operating information only as described above. Investors may access continuing disclosure information filed with the MSRB free of charge at [www.emma.msrb.org](http://www.emma.msrb.org).

**LIMITATIONS AND AMENDMENTS** . . . The City has agreed to update information and to provide notices of material events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Certificates may seek a writ of mandamus to compel the City to comply with its agreement. The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements,

a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an Underwriter of the Certificates to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the respective outstanding Certificates consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an Underwriter of the Certificates from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If the City so amends its continuing disclosure agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

**COMPLIANCE WITH PRIOR UNDERTAKINGS.** . . Except described as below, during the last five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

In connection with the City's (i) outstanding general obligation debt and (ii) the City's Special Assessment Revenue Bonds, Series 2022 (River Ridge Public Improvement District Improvement Area #1 Project, the City of Crandall, Texas, Special Assessment Revenue Bonds, Series 2022 (River Ridge Public Improvement District Single-Family Residential Major Improvement Area Project), and the City's Special Assessment Revenue Bonds, Series 2021 (Cartwright Ranch Public Improvement District Improvement Area #1 Project) and Special Assessment Revenue Bonds, Series 2021 (Cartwright Ranch Public Improvement District Major Improvement Area Project) (collectively, the "City PID Bonds"), the City agreed to file its audited financial statements within 12 months of the end of the City's Fiscal Year, and, if such audited financial statements were not filed within 12 months, unaudited financial statements. The City's 2023 audited financial statements were not available by September 30, 2024, and the City timely filed unaudited financial statements for the 2023 fiscal year for its general obligation debt. However, the City failed to timely file such unaudited financial statements for the City PID Bonds, and failed to timely file a separate notice of failure to file such financial statements pursuant to the terms of the relevant continuing disclosure agreements. The City filed a supplemental annual report containing the City's audited financial statements for the City PID Bonds on November 19, 2024.

The City has taken steps to ensure that, in the future, audited financial statements or unaudited financial statements, as appropriate, are filed promptly after they become available and that appropriate notices of failure to file are filed in a timely fashion in accordance with the relevant continuing disclosure agreements.

## **OTHER INFORMATION**

### **RATING**

The Certificates have been rated "AA-" (stable outlook) by S&P Global Ratings, a division of S&P Global, Inc. ("S&P"), without regard to credit enhancement. The rating reflects only the views of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of said company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

### **LITIGATION**

It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations.

### **REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE**

The sale of the Certificates has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

### **LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS**

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments and investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Certificates by municipalities or other

political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency (see "OTHER INFORMATION - Ratings" herein). In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

No representation is made that the Certificates will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Certificates for such purposes.

#### **LEGAL OPINIONS AND NO LITIGATION CERTIFICATE**

The City will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Certificates including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Certificate and to the effect that the Certificates are valid and legally binding obligations of the City payable from the proceeds of an annual ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the City, and from limited and subordinate revenue pledge described herein and the approving legal opinion of Kelly Hart & Hallman LLP, Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. The customary closing papers including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates will also be furnished. The form of Bond Counsel's opinion is attached hereto as Appendix C. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent upon the sale and delivery of the Certificates. The legal opinions will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates in the event of the discontinuance of the Book-Entry-Only System. Certain legal matter will be passed upon for the City by Kelly Hart & Hallman LLP as Disclosure Counsel.

The various legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

#### **AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION**

The financial data and other information contained herein have been obtained from City records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

#### **MUNICIPAL ADVISOR**

HilltopSecurities is employed as Municipal Advisor to the City in connection with the issuance of the Certificates. The Municipal Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. HilltopSecurities, in its capacity as Municipal Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Municipal Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Municipal Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor does not guarantee the accuracy or completeness of such information.

#### **INITIAL PURCHASER FOR THE CERTIFICATES**

After requesting competitive bids for the Certificates, the City accepted the bid of Robert W. Baird & Co., Inc. (the "Initial Purchaser of the Certificates") to purchase the Certificates at the interest rates shown on page 2 of the Official Statement at a price of par plus a cash premium of \$299,139.56. The Initial Purchaser of the Certificates can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Purchaser of the Certificates. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser of the Certificates.

#### **FORWARD-LOOKING STATEMENTS DISCLAIMER**

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

#### **CERTIFICATION OF THE OFFICIAL STATEMENT**

At the time of payment for and delivery of the Certificates, the City will furnish a certificate, executed by a proper officer, acting in such officer's official capacity, to the effect that to the best of his or her knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in the Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

The Ordinance authorizing the issuance of the Certificates also approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Certificates by the Initial Purchaser.

\_\_\_\_\_  
David Lindsey  
Mayor  
City of Crandall, Texas

**APPENDIX A**

GENERAL INFORMATION REGARDING THE CITY

## THE CITY

The City of Crandall, Texas (established in 1889) is conveniently located 27 miles (just 25 minutes), south-east of Dallas, across the Trinity River. Crandall offers master-planned residential communities, highly-rated schools, tour-quality golf course and convenient access to retail and health care.

The City is located in Kaufman County (the “County”), which is listed as one of the fastest growing counties in Texas. The County’s median household income is above the country’s average at \$89,485 versus \$80,734 for the United States as of 2024.

Crandall Independent School District is the City’s largest employer. The District serves about 7,500 students, approximately 935 employees, and includes nine campuses that serve seven communities over 84 square miles.

## EDUCATION

The Crandall Independent School District serves the City with facilities consisting of six elementary schools, two middle schools, one high school and one alternative school.

Higher education facilities are located near Crandall in Kaufman (Trinity Valley Community College), in Terrell (Southwestern Christian College) and in Dallas (Southern Methodist University and Dallas County Community College).

## EMPLOYMENT

Sample employment statistics for Kaufman County are as follows:

| Kaufman County       | June 2026 | 2025    | 2024    | 2023   | 2022   |
|----------------------|-----------|---------|---------|--------|--------|
| Civilian Labor Force | 103,515   | 103,199 | 101,294 | 95,666 | 88,054 |
| Employment           | 98,360    | 98,959  | 97,282  | 92,019 | 84,907 |
| Unemployment         | 5,155     | 4,240   | 4,012   | 3,647  | 3,147  |
| Unemployment Rate    | 5.0%      | 4.1%    | 4.0%    | 3.8%   | 3.6%   |

Source: Texas Workforce Commission, Local Area Unemployment Statistics (LAUS) Report.

**APPENDIX B**

EXCERPTS FROM THE  
CITY OF CRANDALL, TEXAS  
ANNUAL FINANCIAL REPORT  
For the Year Ended September 30, 2025

The information contained in this Appendix consists of excerpts from the City of Crandall, Texas, Annual Financial Report for the Year Ended September 30, 2025, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete report for further information.

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**CITY OF  
CRANDALL, TEXAS**

**2025  
ANNUAL  
FINANCIAL  
REPORT**

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FOR FISCAL YEAR ENDED  
SEPTEMBER 30, 2025



*ANNUAL  
FINANCIAL REPORT*

of the

**City of Crandall, Texas**

**For the Year Ended  
September 30, 2025**

**Prepared by**

David Sanchez  
City Manager

Karen Bolyard  
Director of Finance



# City of Crandall, Texas

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## ***INDEPENDENT AUDITOR'S REPORT***

To the Honorable Mayor and  
Members of the City Council  
City of Crandall, Texas:

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

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund, of the City of Crandall, Texas (the "City") as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund, of the City of Crandall, Texas, as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

## ***Emphasis of Matters***

As discussed in Note V.F to the financial statements, due to the prior year recognition of SBITA assets and the related SBITA liabilities, the City restated the prior year capital assets and long-term debt balances. This restatement did not impact total beginning net position for the City. Our opinion is not modified with respect to this matter.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of employer contributions to pension plan, schedule of changes in other postemployment benefits liability and related

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

#### *Other Information*

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

This accompanying 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



BrooksWatson & Co.  
Certified Public Accountants  
Houston, Texas  
May 1, 2026



***MANAGEMENT'S DISCUSSION  
AND ANALYSIS***



# City of Crandall, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

### September 30, 2025

As management of the City of Crandall, Texas (the "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, 2025.

#### **Financial Highlights**

- The City's total combined net position is \$96,654,214 at September 30, 2025. Of this, \$23,659,666 (unrestricted net position) may be used to meet the City's ongoing obligations to its citizens and creditors.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$9,796,179, an increase of \$2,532,036.
- As of the end of the year, the unassigned fund balance of the general fund was \$8,362,709 or 101% of total general fund expenditures.
- The City had an overall increase in net position of \$23,875,626. Governmental activities experienced an increase of \$11,657,866, primarily due to expenses being below budget, and the repayment of long-term debt obligations. The business-type net position increased by \$12,217,760, which was primarily due to net operating income of \$3,565,763 and the receipt of capital contributions received totaling \$8,604,791.

#### **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 financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

#### **Government-Wide Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, liabilities, and deferred inflows/outflows with the difference 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. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. 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 for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

# City of Crandall, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2025

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public services, public safety, public works, and TIRZ operations. The business-type activities of the City include water, sewer utility, sanitation, and golf course operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate Crandall Economic Development Corporation (the "EDC") for which the City is financially accountable. Although legally separate, the economic development functions for all practical purposes as a department of the City and therefore has been included as an integral part of the primary government.

### FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City of Crandall. They are usually segregated for specific activities or objectives. The City of Crandall uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The two categories of City funds are governmental and proprietary.

#### 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 year. Such information may be useful in evaluating the City'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 maintains three individual 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 and first responder funds. The general fund is the only major governmental fund. Data from the other governmental funds are combined into a single, aggregated presentation.

# City of Crandall, Texas

## *MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued*

September 30, 2025

The City of Crandall adopts an annual appropriated budget for the general, sewer, water, and solid waste funds. Budgetary comparison schedules have been provided to demonstrate compliance with the general fund.

### **Proprietary Funds**

The City maintains one type of proprietary fund. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses a proprietary fund to account for its water, sewer utility, sanitation, and golf course operations. All activities associated with providing such services are accounted for in these funds, including salaries and benefits, materials and supplies, and other operating expenses. The City's intent is that costs of providing the services to the general public on a continuing basis are financed through user charges in a manner similar to a private enterprise.

### **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

### **Component Unit**

The City maintains the accounting and financial statements for one component unit. The Crandall EDC is a discretely presented component unit displayed on the government-wide financial statements.

The Tax Increment Financing Reinvestment Zone fund ("TIRZ") is a special purpose fund that collects property taxes within its boundaries to encourage and accelerate planned development of a certain geographical area. The City Council exercises the ultimate financial control over the recommendations of the TIRZ board, including its budget and expenditures. Therefore, the TIRZ fund is reported as a blended component unit, and it functions similar to a department of the City.

### **Notes to Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

### **Other Information**

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI that GASB Statement No. 34 requires is a budgetary comparison schedule for the general fund, schedules for the City's Defined Pension Plan,

**City of Crandall, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued***  
**September 30, 2025**

and schedule for changes in postemployment benefits other than pension. RSI can be found after the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Crandall, assets and deferred outflows exceeded liabilities and deferred inflows by \$96,654,214 as of September 30, 2025, in the primary government.

A large portion of the City's net position, \$71,462,733, reflects its investments in capital assets (e.g., land, buildings and improvements, machinery and equipment roads, bridges, sidewalks, and similar items ), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$1,531,815, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$23,659,666 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

Total current assets as of September 30, 2025 and September 30, 2024 were \$26,378,430 and \$19,221,921, respectively. The increase of \$7,156,509 was primarily attributable to operating surpluses, resulting in greater cash and investments on hand at the end of the current year.

Total capital assets for governmental activities September 30, 2025 and September 30, 2024 were \$47,654,635 and \$38,806,891, respectively. The increase of \$8,847,744 was due to new capital improvements and capital contributions received from local developers outweighing current year depreciation. Total capital assets for business-type activities September 30, 2025 and September 30, 2024 were \$34,106,720 and \$25,035,614, respectively. The increase of \$9,071,106 was due to new capital improvements and capital contributions received from local developers outweighing current year depreciation.

Total other liabilities for the primary government as of September 30, 2025 and September 30, 2024 were \$1,828,094 and \$3,931,002, respectively. The decrease of \$2,102,908 was primarily due to nonrecurring vendor payables for capital improvements purchased in the prior year and timing of repayments during fiscal year 2025.

Total long-term liabilities for business-type activities as of September 30, 2025 and September 30, 2024 were \$4,910,233 and \$1,450,699, respectively. The increase of \$3,459,534 was primarily due to new bond issuances in the current year.

**City of Crandall, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2025**

**Statement of Net Position:**

The following table reflects the condensed Statement of Net Position:

|                                           | 2025                       |                             |                      | 2024                       |                             |                      |
|-------------------------------------------|----------------------------|-----------------------------|----------------------|----------------------------|-----------------------------|----------------------|
|                                           | Governmental<br>Activities | Business-Type<br>Activities | Total                | Governmental<br>Activities | Business-Type<br>Activities | Total                |
| Current and<br>other assets               | \$ 10,322,146              | \$ 16,056,284               | \$ 26,378,430        | \$ 8,140,256               | \$ 11,081,665               | \$ 19,221,921        |
| Capital assets, net                       | 47,654,635                 | 34,106,720                  | 81,761,355           | 38,806,891                 | 25,035,614                  | 63,842,505           |
| <b>Total Assets</b>                       | <b>57,976,781</b>          | <b>50,163,004</b>           | <b>108,139,785</b>   | <b>46,947,147</b>          | <b>36,117,279</b>           | <b>83,064,426</b>    |
| <b>Deferred Outflows<br/>of Resources</b> | <b>239,128</b>             | <b>42,936</b>               | <b>282,064</b>       | <b>308,009</b>             | <b>61,255</b>               | <b>369,264</b>       |
| Other liabilities                         | 547,682                    | 1,280,412                   | 1,828,094            | 997,694                    | 2,933,308                   | 3,931,002            |
| Long-term liabilities                     | 4,918,146                  | 4,910,233                   | 9,828,379            | 5,182,548                  | 1,450,699                   | 6,633,247            |
| <b>Total Liabilities</b>                  | <b>5,465,828</b>           | <b>6,190,645</b>            | <b>11,656,473</b>    | <b>6,180,242</b>           | <b>4,384,007</b>            | <b>10,564,249</b>    |
| <b>Deferred Inflows<br/>of Resources</b>  | <b>94,242</b>              | <b>16,920</b>               | <b>111,162</b>       | <b>76,941</b>              | <b>13,912</b>               | <b>90,853</b>        |
| Net Position:                             |                            |                             |                      |                            |                             |                      |
| Net investment<br>in capital assets       | 42,818,396                 | 28,644,337                  | 71,462,733           | 33,650,719                 | 21,630,456                  | 55,281,175           |
| Restricted                                | 1,516,845                  | 14,970                      | 1,531,815            | 1,121,864                  | 3,094,564                   | 4,216,428            |
| Unrestricted                              | 8,320,598                  | 15,339,068                  | 23,659,666           | 6,225,390                  | 7,055,595                   | 13,280,985           |
| <b>Total Net Position</b>                 | <b>\$ 52,655,839</b>       | <b>\$ 43,998,375</b>        | <b>\$ 96,654,214</b> | <b>\$ 40,997,973</b>       | <b>\$ 31,780,615</b>        | <b>\$ 72,778,588</b> |

# City of Crandall, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

### September 30, 2025

#### Statement of Activities:

The following table provides a summary of the City's changes in net position:

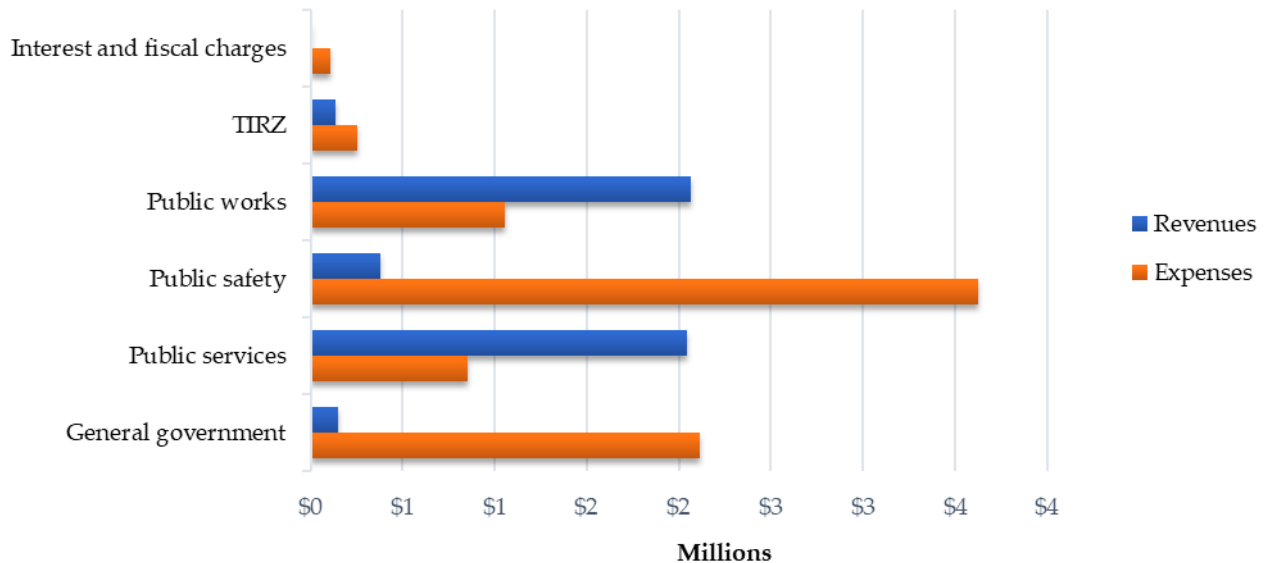
|                                                    | For the Year Ended September 30, 2025 |                             |                                | For the Year Ended September 30, 2024 |                             |                                |
|----------------------------------------------------|---------------------------------------|-----------------------------|--------------------------------|---------------------------------------|-----------------------------|--------------------------------|
|                                                    | Governmental<br>Activities            | Business-Type<br>Activities | Total<br>Primary<br>Government | Governmental<br>Activities            | Business-Type<br>Activities | Total<br>Primary<br>Government |
| <b>Revenues</b>                                    |                                       |                             |                                |                                       |                             |                                |
| Program revenues:                                  |                                       |                             |                                |                                       |                             |                                |
| Charges for services                               | \$ 4,489,214                          | \$ 7,196,735                | \$ 11,685,949                  | \$ 6,274,395                          | \$ 8,619,149                | \$ 14,893,544                  |
| Grant contributions                                | 8,596,731                             | 8,723,131                   | 17,319,862                     | 7,922,755                             | 3,461,649                   | 11,384,404                     |
| General revenues:                                  |                                       |                             |                                |                                       |                             |                                |
| Property taxes                                     | 3,318,346                             | -                           | 3,318,346                      | 2,974,468                             | -                           | 2,974,468                      |
| Sales taxes                                        | 1,905,255                             | -                           | 1,905,255                      | 1,300,799                             | -                           | 1,300,799                      |
| Franchise taxes                                    | 243,288                               | -                           | 243,288                        | 233,990                               | -                           | 233,990                        |
| Investment income                                  | 602,967                               | 170,270                     | 773,237                        | 108,637                               | 31,849                      | 140,486                        |
| Other revenues                                     | 55,080                                | 184,935                     | 240,015                        | 78,510                                | 106,476                     | 184,986                        |
| <b>Total Revenues</b>                              | <b>19,210,881</b>                     | <b>16,275,071</b>           | <b>35,485,952</b>              | <b>18,893,554</b>                     | <b>12,219,123</b>           | <b>31,112,677</b>              |
| <b>Expenses</b>                                    |                                       |                             |                                |                                       |                             |                                |
| General government                                 | 2,111,310                             | -                           | 2,111,310                      | 2,082,282                             | -                           | 2,082,282                      |
| Public services                                    | 855,295                               | -                           | 855,295                        | 971,883                               | -                           | 971,883                        |
| Public safety                                      | 3,626,540                             | -                           | 3,626,540                      | 2,959,907                             | -                           | 2,959,907                      |
| Public works                                       | 552,992                               | -                           | 552,992                        | 476,898                               | -                           | 476,898                        |
| TIRZ                                               | 254,408                               | -                           | 254,408                        | 39,080                                | -                           | 39,080                         |
| Interest                                           | 105,264                               | 261,515                     | 366,779                        | 96,568                                | 10,991                      | 107,559                        |
| Utilities                                          | -                                     | 3,803,823                   | 3,803,823                      | -                                     | 3,381,158                   | 3,381,158                      |
| Golf course                                        | -                                     | 39,179                      | 39,179                         | -                                     | 42,417                      | 42,417                         |
| <b>Total Expenses</b>                              | <b>7,505,809</b>                      | <b>4,104,517</b>            | <b>11,610,326</b>              | <b>6,626,618</b>                      | <b>3,434,566</b>            | <b>10,061,184</b>              |
| <b>Change in Net Position<br/>Before Transfers</b> | <b>11,705,072</b>                     | <b>12,170,554</b>           | <b>23,875,626</b>              | <b>12,266,936</b>                     | <b>8,784,557</b>            | <b>21,051,493</b>              |
| Transfers                                          | (47,206)                              | 47,206                      | -                              | (159,275)                             | 159,275                     | -                              |
| <b>Total</b>                                       | <b>(47,206)</b>                       | <b>47,206</b>               | <b>-</b>                       | <b>(159,275)</b>                      | <b>159,275</b>              | <b>-</b>                       |
| <b>Change in Net Position</b>                      | <b>11,657,866</b>                     | <b>12,217,760</b>           | <b>23,875,626</b>              | <b>12,107,661</b>                     | <b>8,943,832</b>            | <b>21,051,493</b>              |
| Beginning Net Position                             | 40,997,973                            | 31,780,615                  | 72,778,588                     | 28,890,312                            | 22,836,783                  | 51,727,095                     |
| <b>Ending Net Position</b>                         | <b>\$ 52,655,839</b>                  | <b>\$ 43,998,375</b>        | <b>\$ 96,654,214</b>           | <b>\$ 40,997,973</b>                  | <b>\$ 31,780,615</b>        | <b>\$ 72,778,588</b>           |

# City of Crandall, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

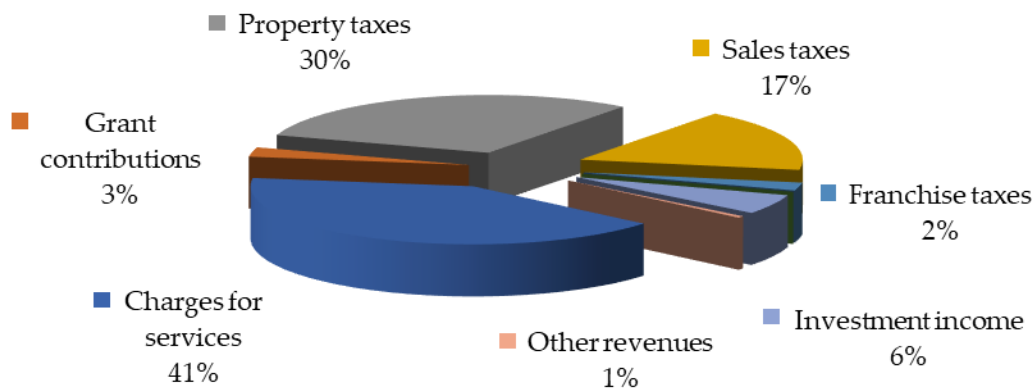
September 30, 2025

### Program Revenues and Expenses - Governmental Activities



Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

### Governmental Activities - Revenues by Source

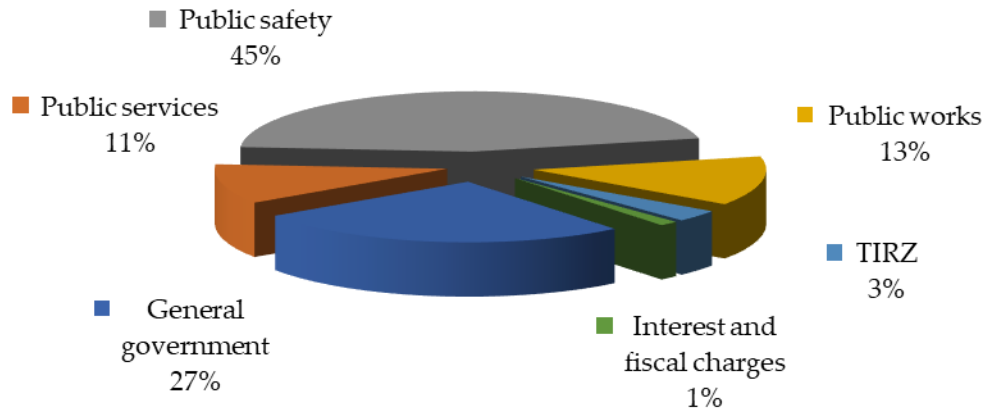


For the year ended September 30, 2025, revenues from governmental activities totaled \$19,210,881. Charges for services and property taxes are the City's largest revenue sources. Charges for services decreased \$1,785,181, or 28%, primarily due to nonrecurring building permit and inspection fees in the prior year. Grant contributions increased by \$673,976, or 9%, primarily due to an increase in capital contributions from a local developer. Property taxes increased by \$343,878, or 12%, primarily due to greater appraised values in the current year. Sales taxes increased by \$604,456, or 46%, primarily due to development throughout the area driving economic growth which has driven additional local purchases. Investment income increased by \$494,330, or over 100%, due to greater interest-bearing accounts in the current year. All other revenues remained relatively stable when compared to the previous year.

**City of Crandall, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2025**

This graph shows the governmental function expenses of the City:

**Governmental Activities - Expenses by Function**



For the year ended September 30, 2025, expenses for governmental activities totaled \$7,505,809. This represents an increase of \$879,191 or 13% from the prior year. The City's largest functional expense is public safety of \$3,626,540, which primarily includes operational and administrative costs for the City's police and fire suppression activities. Public safety expenses increased by \$666,633, or 23%, primarily due to greater personnel costs, resulting from new hires and annual raises (in accordance with the renewed Interlocal agreements), and greater asset depreciation in the current year. Public services decreased by \$116,588, or 12%, due to nonrecurring building inspection related costs in the prior year. Public works expenses increased by \$76,094, or 16%, primarily due to nonrecurring street repairs/maintenance projects in the current year. TIRZ expenses increased by \$215,328, or over 100%, due to greater development activities. In addition, this department was initially created during the previous year, and the City recorded a full year of administrative expenses during fiscal year 2025. All other expenses remained relatively consistent with the previous year.

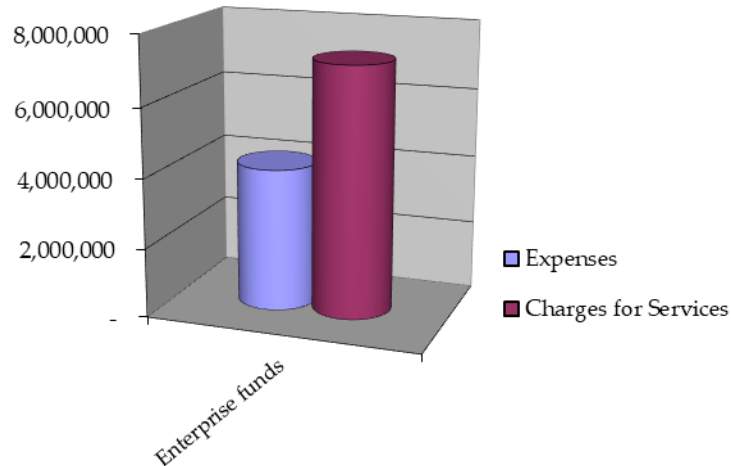
# City of Crandall, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2025

Business-type activities are shown comparing operating costs to revenues generated by related services.

### Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2025, charges for services by business-type activities totaled \$7,196,735. This represents a decrease of \$1,422,414 or 17% from the previous year. The decrease is primarily a result of nonrecurring water and sewer tap/impact fees received in the previous year, as there was a slowdown of new single-family home construction in the current year. Grants and contributions increased by \$5,261,482 or 100% as a result of nonrecurring capital contributions received in the current year.

Total expenses increased by \$669,951 or 20% from the prior year. Golf course activities expenses remained consistent with the prior year. Utilities expenses increased by \$422,665 or 13% primarily due to greater water purchases, personnel costs, material/supply costs, nonrecurring bad debt expenses, and system maintenance in the current year. Interest and fiscal charges for business-type activities increased by \$250,524 or over 100% as a result of a new bond issuance and nonrecurring issuance costs recognized in the current year.

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

**City of Crandall, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2025**

As of the end of the year the general fund reflected a total fund balance of \$9,487,877, \$8,362,709 of which is unassigned. The general fund increased by \$2,336,811 primarily due to greater tax revenues and less than anticipated expenditures in the current year.

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

**GENERAL FUND BUDGETARY HIGHLIGHTS**

There was a total positive budget variance of \$4,284,471 in the general fund. This is a combination of a positive revenue variance of \$1,583,208, a positive expenditure variance of \$2,665,599, and a positive variance for other financing uses of \$35,664. The positive revenue variance was primarily a result of actual tax revenues, licenses/permits, and investment income being greater than budgeted revenues. The positive expenditure variance was primarily due to all departmental expenses coming in under budget appropriations, with the exception of debt service - principal.

**CAPITAL ASSETS**

As of the end of the year, the City's governmental activities funds had invested \$47,654,635 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34. The City's business-type activities funds had invested \$34,106,720 in a variety of capital assets and infrastructure, net of accumulated depreciation.

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

- Remodeling improvements and new Main St. office additions totaling \$180,616.
- Police department lobby renovations of \$27,232.
- Mowry Street project investments totaling \$236,457.
- Purchased new public safety equipment totaling \$188,943.
- Purchased 600-gallon hydro excavation trailer for \$20,825.
- FM 741 pump station project investments totaling \$4,758,311.
- River Ridge lift station & forced main line improvements totaling \$628,552.
- River Ridge development contributions totaling \$4,013,178.
- Water meter additions of \$150,368.

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

**City of Crandall, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued***  
**September 30, 2025**

**LONG-TERM DEBT**

At the end of the current year, the City had total bonds and notes payable outstanding (including premiums and discounts) of \$10,173,075. During the year, the City had principal payments on bonds of \$754,731. More detailed information about the City's long-term liabilities is presented in note IV. D to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Crandall and improving services provided to their public citizens. The City is budgeting for growth when preparing the budget for the upcoming year.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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



## *FINANCIAL STATEMENTS*

**City of Crandall, Texas**  
**STATEMENT OF NET POSITION (Page 1 of 2)**  
**September 30, 2025**

|                                              | Primary Government         |                             |                    | Component Unit   |
|----------------------------------------------|----------------------------|-----------------------------|--------------------|------------------|
|                                              | Governmental<br>Activities | Business-Type<br>Activities | Total              | Crandall<br>EDC  |
| <b><u>Assets</u></b>                         |                            |                             |                    |                  |
| Current assets:                              |                            |                             |                    |                  |
| Cash and cash equivalents                    | \$ 7,988,380               | \$ 11,290,719               | \$ 19,279,099      | \$ 5,852,188     |
| Restricted cash                              | 4,935,378                  | 196,542                     | 5,131,920          | -                |
| Investments                                  | 533,694                    | -                           | 533,694            | -                |
| Receivables, net                             | 514,710                    | 781,484                     | 1,296,194          | 163,086          |
| Internal balances                            | (3,757,734)                | 3,757,734                   | -                  | -                |
| Due from component unit                      | 24,343                     | -                           | 24,343             | -                |
| Prepays                                      | -                          | 14,835                      | 14,835             | -                |
| <b>Total Current Assets</b>                  | <b>10,238,771</b>          | <b>16,041,314</b>           | <b>26,280,085</b>  | <b>6,015,274</b> |
| Noncurrent assets:                           |                            |                             |                    |                  |
| Capital assets:                              |                            |                             |                    |                  |
| Non-depreciable                              | 37,386,313                 | 28,244,612                  | 65,630,925         | 215,388          |
| Net depreciable capital assets               | 10,268,322                 | 5,862,108                   | 16,130,430         | 206,280          |
| Long-term receivables due in more than one   | -                          | -                           | -                  | 114,344          |
| Net pension asset                            | 83,375                     | 14,970                      | 98,345             | -                |
| <b>Total Noncurrent Assets</b>               | <b>47,738,010</b>          | <b>34,121,690</b>           | <b>81,859,700</b>  | <b>536,012</b>   |
| <b>Total Assets</b>                          | <b>57,976,781</b>          | <b>50,163,004</b>           | <b>108,139,785</b> | <b>6,551,286</b> |
| <b><u>Deferred Outflows of Resources</u></b> |                            |                             |                    |                  |
| Pension outflows                             | 237,277                    | 42,603                      | 279,880            | -                |
| OPEB outflows                                | 1,851                      | 333                         | 2,184              | -                |
| <b>Deferred Outflows of Resources</b>        | <b>239,128</b>             | <b>42,936</b>               | <b>282,064</b>     | <b>-</b>         |

See Notes to Financial Statements.

**City of Crandall, Texas**  
**STATEMENT OF NET POSITION (Page 2 of 2)**  
**September 30, 2025**

|                                             | Primary Government   |                      |                      | Component Unit      |
|---------------------------------------------|----------------------|----------------------|----------------------|---------------------|
|                                             | Governmental         | Business-Type        |                      | Crandall            |
|                                             | Activities           | Activities           | Total                | EDC                 |
| <b><u>Liabilities</u></b>                   |                      |                      |                      |                     |
| Current liabilities:                        |                      |                      |                      |                     |
| Accounts payable and                        |                      |                      |                      |                     |
| accrued liabilities                         | \$ 348,666           | \$ 345,238           | \$ 693,904           | \$ 5,181            |
| Due to primary government                   | -                    | -                    | -                    | 24,343              |
| Unearned grant revenues                     | -                    | 126,411              | 126,411              | -                   |
| Accrued interest payable                    | 19,848               | 90,314               | 110,162              | -                   |
| Customer deposits                           | -                    | 247,307              | 247,307              | -                   |
| Compensated absences, current               | 179,168              | 30,066               | 209,234              | -                   |
| Long-term debt due within one year          | 283,707              | 441,076              | 724,783              | -                   |
| <b>Total Current Liabilities</b>            | <b>831,389</b>       | <b>1,280,412</b>     | <b>2,111,801</b>     | <b>29,524</b>       |
| Noncurrent liabilities:                     |                      |                      |                      |                     |
| Long-term debt due in more than one year    | 4,552,532            | 4,895,760            | 9,448,292            | 4,598,317           |
| Compensated absences, noncurrent            | 19,908               | 3,341                | 23,249               | -                   |
| OPEB liability                              | 61,999               | 11,132               | 73,131               | -                   |
| <b>Total Noncurrent Liabilities</b>         | <b>4,634,439</b>     | <b>4,910,233</b>     | <b>9,544,672</b>     | <b>4,598,317</b>    |
| <b>Total Liabilities</b>                    | <b>5,465,828</b>     | <b>6,190,645</b>     | <b>11,656,473</b>    | <b>4,627,841</b>    |
| <b><u>Deferred Inflows of Resources</u></b> |                      |                      |                      |                     |
| Lease related                               | -                    | -                    | -                    | 174,955             |
| Pension inflows                             | 75,918               | 13,630               | 89,548               | -                   |
| OPEB inflows                                | 18,324               | 3,290                | 21,614               | -                   |
| <b>Deferred Inflows of Resources</b>        | <b>94,242</b>        | <b>16,920</b>        | <b>111,162</b>       | <b>174,955</b>      |
| <b><u>Net Position</u></b>                  |                      |                      |                      |                     |
| Net investment in capital assets            | 42,818,396           | 28,644,337           | 71,462,733           | (4,176,649)         |
| Restricted for:                             |                      |                      |                      |                     |
| Debt service                                | 983,191              | -                    | 983,191              | -                   |
| Public safety                               | 288,988              | -                    | 288,988              | -                   |
| Municipal court                             | 23,678               | -                    | 23,678               | -                   |
| TIRZ activities                             | 137,613              | -                    | 137,613              | -                   |
| Pension                                     | 83,375               | 14,970               | 98,345               | -                   |
| Economic development                        | -                    | -                    | -                    | 5,925,139           |
| Unrestricted                                | 8,320,598            | 15,339,068           | 23,659,666           | -                   |
| <b>Total Net Position</b>                   | <b>\$ 52,655,839</b> | <b>\$ 43,998,375</b> | <b>\$ 96,654,214</b> | <b>\$ 1,748,490</b> |

See Notes to Financial Statements.

# City of Crandall, Texas

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2025

| Functions/Programs                          | Expenses             | Program Revenues     |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                      |                             |
|---------------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|---------------------------------------------------|--------------------------|----------------------|-----------------------------|
|                                             |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                           | Business-Type Activities | Total                | Component Unit Crandall EDC |
| <b>Primary Government</b>                   |                      |                      |                                    |                                  |                                                   |                          |                      |                             |
| <b>Governmental Activities</b>              |                      |                      |                                    |                                  |                                                   |                          |                      |                             |
| General government                          | \$ 2,111,310         | \$ -                 | \$ 151,552                         | \$ 8,308,732                     | \$ 6,348,974                                      | \$ -                     | \$ 6,348,974         | \$ -                        |
| Public services                             | 855,295              | 2,041,439            | -                                  | -                                | 1,186,144                                         | -                        | 1,186,144            | -                           |
| Public safety                               | 3,626,540            | 380,312              | -                                  | -                                | (3,246,228)                                       | -                        | (3,246,228)          | -                           |
| Public works                                | 552,992              | 2,067,463            | -                                  | -                                | 1,514,471                                         | -                        | 1,514,471            | -                           |
| TIRZ                                        | 254,408              | -                    | -                                  | 136,447                          | (117,961)                                         | -                        | (117,961)            | -                           |
| Interest                                    | 105,264              | -                    | -                                  | -                                | (105,264)                                         | -                        | (105,264)            | -                           |
| <b>Total Governmental Activities</b>        | <b>7,505,809</b>     | <b>4,489,214</b>     | <b>151,552</b>                     | <b>8,445,179</b>                 | <b>5,580,136</b>                                  | <b>-</b>                 | <b>5,580,136</b>     | <b>-</b>                    |
| <b>Business-Type Activities</b>             |                      |                      |                                    |                                  |                                                   |                          |                      |                             |
| Utilities                                   | 4,065,338            | 7,196,735            | 118,340                            | 8,604,791                        | -                                                 | 11,854,528               | 11,854,528           | -                           |
| Golf                                        | 39,179               | -                    | -                                  | -                                | -                                                 | (39,179)                 | (39,179)             | -                           |
| <b>Total Business-Type Activities</b>       | <b>4,104,517</b>     | <b>7,196,735</b>     | <b>118,340</b>                     | <b>8,604,791</b>                 | <b>-</b>                                          | <b>11,815,349</b>        | <b>11,815,349</b>    | <b>-</b>                    |
| <b>Total Primary Government</b>             | <b>\$ 11,610,326</b> | <b>\$ 11,685,949</b> | <b>\$ 269,892</b>                  | <b>\$ 17,049,970</b>             | <b>5,580,136</b>                                  | <b>11,815,349</b>        | <b>17,395,485</b>    | <b>-</b>                    |
| <b>Component Unit</b>                       |                      |                      |                                    |                                  |                                                   |                          |                      |                             |
| Economic Development Corporation            | 456,795              | -                    | -                                  | -                                |                                                   |                          |                      | (456,795)                   |
|                                             | <b>\$ 456,795</b>    | <b>\$ -</b>          | <b>\$ -</b>                        | <b>\$ -</b>                      |                                                   |                          |                      | <b>(456,795)</b>            |
| <b>General Revenues:</b>                    |                      |                      |                                    |                                  |                                                   |                          |                      |                             |
| Taxes                                       |                      |                      |                                    |                                  |                                                   |                          |                      |                             |
| Property taxes                              |                      |                      |                                    |                                  | 3,318,346                                         | -                        | 3,318,346            | -                           |
| Sales taxes                                 |                      |                      |                                    |                                  | 1,905,255                                         | -                        | 1,905,255            | 474,795                     |
| Franchise taxes                             |                      |                      |                                    |                                  | 243,288                                           | -                        | 243,288              | -                           |
| Investment income                           |                      |                      |                                    |                                  | 602,967                                           | 170,270                  | 773,237              | 66,720                      |
| Other revenues                              |                      |                      |                                    |                                  | 55,080                                            | 184,935                  | 240,015              | 58,336                      |
| <b>Transfers</b>                            |                      |                      |                                    |                                  | <b>(47,206)</b>                                   | <b>47,206</b>            | <b>-</b>             | <b>-</b>                    |
| <b>Total General Revenues and Transfers</b> |                      |                      |                                    |                                  | <b>6,077,730</b>                                  | <b>402,411</b>           | <b>6,480,141</b>     | <b>599,851</b>              |
| <b>Change in Net Position</b>               |                      |                      |                                    |                                  | <b>11,657,866</b>                                 | <b>12,217,760</b>        | <b>23,875,626</b>    | <b>143,056</b>              |
| Beginning Net Position                      |                      |                      |                                    |                                  | 40,997,973                                        | 31,780,615               | 72,778,588           | 1,605,434                   |
| <b>Ending Net Position</b>                  |                      |                      |                                    |                                  | <b>\$ 52,655,839</b>                              | <b>\$ 43,998,375</b>     | <b>\$ 96,654,214</b> | <b>\$ 1,748,490</b>         |

See Notes to Financial Statements.

# City of Crandall, Texas

## BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2025

|                                                               | General              | Nonmajor          | Total<br>Governmental<br>Funds |
|---------------------------------------------------------------|----------------------|-------------------|--------------------------------|
| <b><u>Assets</u></b>                                          |                      |                   |                                |
| Cash and cash equivalents                                     | \$ 7,680,071         | \$ 308,309        | \$ 7,988,380                   |
| Restricted cash                                               | 4,935,378            | -                 | 4,935,378                      |
| Investments                                                   | 533,694              | -                 | 533,694                        |
| Receivables, net                                              | 498,710              | 16,000            | 514,710                        |
| Due from component unit                                       | 24,343               | -                 | 24,343                         |
| <b>Total Assets</b>                                           | <b>\$ 13,672,196</b> | <b>\$ 324,309</b> | <b>\$ 13,996,505</b>           |
| <b><u>Liabilities</u></b>                                     |                      |                   |                                |
| Accounts payable and<br>accrued liabilities                   | \$ 332,659           | \$ 16,007         | \$ 348,666                     |
| Due to other funds                                            | 3,757,734            | -                 | 3,757,734                      |
| <b>Total Liabilities</b>                                      | <b>4,090,393</b>     | <b>16,007</b>     | <b>4,106,400</b>               |
| <b><u>Deferred Inflows of Resources</u></b>                   |                      |                   |                                |
| Unavailable revenue                                           |                      |                   |                                |
| Property taxes                                                | 93,926               | -                 | 93,926                         |
| <b>Total Deferred Inflows of Resources</b>                    | <b>93,926</b>        | <b>-</b>          | <b>93,926</b>                  |
| <b><u>Fund Balances</u></b>                                   |                      |                   |                                |
| Restricted for:                                               |                      |                   |                                |
| Public safety                                                 | 118,299              | 170,689           | 288,988                        |
| Debt service                                                  | 983,191              | -                 | 983,191                        |
| Municipal court                                               | 23,678               | -                 | 23,678                         |
| TIRZ activities                                               | -                    | 137,613           | 137,613                        |
| Unassigned                                                    | 8,362,709            | -                 | 8,362,709                      |
| <b>Total Fund Balances</b>                                    | <b>9,487,877</b>     | <b>308,302</b>    | <b>9,796,179</b>               |
| <b>Total Liabilities, Deferred Inflows, and Fund Balances</b> | <b>\$ 13,672,196</b> | <b>\$ 324,309</b> | <b>\$ 13,996,505</b>           |

See Notes to Financial Statements.

# City of Crandall, Texas

## RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS

September 30, 2025

|                                                                                                                                                                                                                                            |                      |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| <b>Fund Balances - Total Governmental Funds</b>                                                                                                                                                                                            | <b>\$ 9,796,179</b>  |
| <b>Adjustments for the Statement of Net Position:</b>                                                                                                                                                                                      |                      |
| Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.                                                                                                 |                      |
| Capital assets - non-depreciable                                                                                                                                                                                                           | 37,386,313           |
| Capital assets - net depreciable                                                                                                                                                                                                           | 10,268,322           |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.                                                                                                    |                      |
| Property tax receivable                                                                                                                                                                                                                    | 93,926               |
| Net pension asset                                                                                                                                                                                                                          | 83,375               |
| Deferred outflows (inflows) of resources, represent a consumption (acquisition) of net position that applies to a future period(s) and is not recognized as an outflow (inflow) of resources (expense/ expenditure)/(revenues) until then. |                      |
| Pension outflows                                                                                                                                                                                                                           | 237,277              |
| Pension inflows                                                                                                                                                                                                                            | (75,918)             |
| OPEB outflows                                                                                                                                                                                                                              | 1,851                |
| OPEB inflows                                                                                                                                                                                                                               | (18,324)             |
| Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.                                                                                                                 |                      |
| Accrued interest                                                                                                                                                                                                                           | (19,848)             |
| Compensated absences                                                                                                                                                                                                                       | (199,076)            |
| Bond premium                                                                                                                                                                                                                               | (530,445)            |
| OPEB liability                                                                                                                                                                                                                             | (61,999)             |
| Non-current liabilities due in one year                                                                                                                                                                                                    | (283,707)            |
| Non-current liabilities due in more than one year                                                                                                                                                                                          | (4,022,087)          |
| <b>Net Position of Governmental Activities</b>                                                                                                                                                                                             | <b>\$ 52,655,839</b> |

See Notes to Financial Statements.

# City of Crandall, Texas

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended September 30, 2025

|                                                     | General             | Nonmajor          | Total<br>Governmental<br>Funds |
|-----------------------------------------------------|---------------------|-------------------|--------------------------------|
| <b><u>Revenues</u></b>                              |                     |                   |                                |
| Property tax                                        | \$ 3,295,628        | \$ -              | \$ 3,295,628                   |
| Sales taxes                                         | 1,905,255           | -                 | 1,905,255                      |
| Franchise taxes                                     | 243,288             | -                 | 243,288                        |
| License and permits                                 | 2,067,463           | -                 | 2,067,463                      |
| Charges for services                                | 2,041,439           | 131,059           | 2,172,498                      |
| Grants and contributions                            | 99,320              | -                 | 99,320                         |
| Intergovernmental revenue                           | 52,232              | -                 | 52,232                         |
| Fines and forfeitures                               | 249,253             | -                 | 249,253                        |
| Investment income                                   | 596,351             | 6,616             | 602,967                        |
| Other revenue                                       | 68,606              | 136,447           | 205,053                        |
| <b>Total Revenues</b>                               | <b>10,618,835</b>   | <b>274,122</b>    | <b>10,892,957</b>              |
| <b><u>Expenditures</u></b>                          |                     |                   |                                |
| Current:                                            |                     |                   |                                |
| General government                                  | 2,038,122           | 7,193             | 2,045,315                      |
| Public service                                      | 856,748             | -                 | 856,748                        |
| Public safety                                       | 3,346,657           | -                 | 3,346,657                      |
| Public works                                        | 218,538             | -                 | 218,538                        |
| TIRZ                                                | 254,408             | -                 | 254,408                        |
| Debt service -                                      |                     |                   |                                |
| Principal                                           | 322,194             | -                 | 322,194                        |
| Interest                                            | 176,889             | -                 | 176,889                        |
| Capital outlay                                      | 1,104,132           | 71,704            | 1,175,836                      |
| <b>Total Expenditures</b>                           | <b>8,317,688</b>    | <b>78,897</b>     | <b>8,396,585</b>               |
| <b>Excess of Revenues Over (Under) Expenditures</b> | <b>2,301,147</b>    | <b>195,225</b>    | <b>2,496,372</b>               |
| <b><u>Other Financing Sources (Uses)</u></b>        |                     |                   |                                |
| Transfers in                                        | 112,692             | -                 | 112,692                        |
| Transfers (out)                                     | (159,898)           | -                 | (159,898)                      |
| Note issuance                                       | 53,919              | -                 | 53,919                         |
| Sale of assets                                      | 28,951              | -                 | 28,951                         |
| <b>Total Other Financing Sources (Uses)</b>         | <b>35,664</b>       | <b>-</b>          | <b>35,664</b>                  |
| <b>Net Change in Fund Balances</b>                  | <b>2,336,811</b>    | <b>195,225</b>    | <b>2,532,036</b>               |
| Beginning fund balances                             | 7,151,066           | 113,077           | 7,264,143                      |
| <b>Ending Fund Balances</b>                         | <b>\$ 9,487,877</b> | <b>\$ 308,302</b> | <b>\$ 9,796,179</b>            |

See Notes to Financial Statements.



# City of Crandall, Texas

## *RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES*

**For the Year Ended September 30, 2025**

Amounts reported for governmental activities in the statement of activities are different because:

|                                                         |              |
|---------------------------------------------------------|--------------|
| Net changes in fund balances - total governmental funds | \$ 2,532,036 |
|---------------------------------------------------------|--------------|

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

|                                           |           |
|-------------------------------------------|-----------|
| Capital outlay                            | 1,175,836 |
| Contribution of capital assets            | 8,308,732 |
| Depreciation expense                      | (696,806) |
| Adjustment for disposal of capital assets | (42,477)  |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

|                         |        |
|-------------------------|--------|
| Property tax receivable | 22,718 |
|-------------------------|--------|

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

|                          |         |
|--------------------------|---------|
| Compensated absences     | (8,327) |
| Accrued interest         | 1,267   |
| Pension (expense) income | 29,085  |
| OPEB expense             | (2,831) |

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation)

provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

|                                            |          |
|--------------------------------------------|----------|
| Note issuance                              | (53,919) |
| Amortization of bond premium               | 63,363   |
| Amortization of deferred gain on refunding | 6,995    |
| Principal payments                         | 322,194  |

|                                                          |                      |
|----------------------------------------------------------|----------------------|
| <b>Change in Net Position of Governmental Activities</b> | <b>\$ 11,657,866</b> |
|----------------------------------------------------------|----------------------|

See Notes to Financial Statements.

# City of Crandall, Texas

## STATEMENT OF NET POSITION

### PROPRIETARY FUNDS

September 30, 2025

|                                              | Utilities            | Golf                | Total<br>Enterprise<br>Funds |
|----------------------------------------------|----------------------|---------------------|------------------------------|
| <b><u>Assets</u></b>                         |                      |                     |                              |
| <b><u>Current Assets</u></b>                 |                      |                     |                              |
| Cash and cash equivalents                    | \$ 11,290,719        | \$ -                | \$ 11,290,719                |
| Restricted cash                              | 196,542              | -                   | 196,542                      |
| Receivables, net                             | 781,484              | -                   | 781,484                      |
| Prepays                                      | 14,835               | -                   | 14,835                       |
| Due from other funds                         | 3,757,734            | -                   | 3,757,734                    |
| <b>Total Current Assets</b>                  | <b>16,041,314</b>    | <b>-</b>            | <b>16,041,314</b>            |
| <b><u>Noncurrent Assets</u></b>              |                      |                     |                              |
| Net pension asset                            | 14,970               | -                   | 14,970                       |
| Capital assets:                              |                      |                     |                              |
| Non-depreciable                              | 28,244,612           | -                   | 28,244,612                   |
| Net depreciable capital assets               | 5,862,108            | -                   | 5,862,108                    |
| <b>Total Noncurrent Assets</b>               | <b>34,121,690</b>    | <b>-</b>            | <b>34,121,690</b>            |
| <b>Total Assets</b>                          | <b>50,163,004</b>    | <b>-</b>            | <b>50,163,004</b>            |
| <b><u>Deferred Outflows of Resources</u></b> |                      |                     |                              |
| Pension outflows                             | 42,603               | -                   | 42,603                       |
| OPEB outflows                                | 333                  | -                   | 333                          |
| <b>Total Deferred Outflows of Resources</b>  | <b>42,936</b>        | <b>-</b>            | <b>42,936</b>                |
| <b><u>Liabilities</u></b>                    |                      |                     |                              |
| <b><u>Current Liabilities</u></b>            |                      |                     |                              |
| Accounts payable and accrued liabilities     | 345,238              | -                   | 345,238                      |
| Accrued interest                             | 86,295               | 4,019               | 90,314                       |
| Customer deposits                            | 247,307              | -                   | 247,307                      |
| Grants received in advance                   | 126,411              | -                   | 126,411                      |
| Compensated absences - current               | 30,066               | -                   | 30,066                       |
| Bonds and notes payable - current            | 306,076              | 135,000             | 441,076                      |
| <b>Total Current Liabilities</b>             | <b>1,141,393</b>     | <b>139,019</b>      | <b>1,280,412</b>             |
| <b><u>Noncurrent Liabilities</u></b>         |                      |                     |                              |
| Compensated absences - noncurrent            | 3,341                | -                   | 3,341                        |
| OPEB liability                               | 11,132               | -                   | 11,132                       |
| Bonds and notes payable - noncurrent         | 4,329,912            | 565,848             | 4,895,760                    |
| <b>Total Noncurrent Liabilities</b>          | <b>4,344,385</b>     | <b>565,848</b>      | <b>4,910,233</b>             |
| <b>Total Liabilities</b>                     | <b>5,485,778</b>     | <b>704,867</b>      | <b>6,190,645</b>             |
| <b><u>Deferred Inflows of Resources</u></b>  |                      |                     |                              |
| Pension inflows                              | 13,630               | -                   | 13,630                       |
| OPEB inflows                                 | 3,290                | -                   | 3,290                        |
| <b>Total Deferred Inflows of Resources</b>   | <b>16,920</b>        | <b>-</b>            | <b>16,920</b>                |
| <b><u>Net Position</u></b>                   |                      |                     |                              |
| Net investment in capital assets             | 29,345,185           | (700,848)           | 28,644,337                   |
| Restricted for pension                       | 14,970               | -                   | 14,970                       |
| Unrestricted                                 | 15,343,087           | (4,019)             | 15,339,068                   |
| <b>Total Net Position (Deficit)</b>          | <b>\$ 44,703,242</b> | <b>\$ (704,867)</b> | <b>\$ 43,998,375</b>         |

See Notes to Financial Statements.

# City of Crandall, Texas

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

For the Year Ended September 30, 2025

|                                                                 | Utilities            | Golf                | Total<br>Enterprise<br>Funds |
|-----------------------------------------------------------------|----------------------|---------------------|------------------------------|
| <b><u>Operating Revenues</u></b>                                |                      |                     |                              |
| Water sales                                                     | \$ 4,167,382         | \$ -                | \$ 4,167,382                 |
| Sewer charges                                                   | 2,540,612            | -                   | 2,540,612                    |
| Sanitation revenue                                              | 488,741              | -                   | 488,741                      |
| Other income                                                    | 184,935              | -                   | 184,935                      |
| <b>Total Operating Revenues</b>                                 | <b>7,381,670</b>     | <b>-</b>            | <b>7,381,670</b>             |
| <b><u>Operating Expenses</u></b>                                |                      |                     |                              |
| Salaries and benefits                                           | 657,886              | -                   | 657,886                      |
| Materials and supplies                                          | 381,855              | -                   | 381,855                      |
| Contractual services                                            | 2,150,255            | -                   | 2,150,255                    |
| Utilities                                                       | 78,025               | -                   | 78,025                       |
| Depreciation                                                    | 478,921              | -                   | 478,921                      |
| Other                                                           | 56,881               | -                   | 56,881                       |
| <b>Total Operating Expenses</b>                                 | <b>3,803,823</b>     | <b>-</b>            | <b>3,803,823</b>             |
| <b>Operating Income (Loss)</b>                                  | <b>3,577,847</b>     | <b>-</b>            | <b>3,577,847</b>             |
| <b><u>Nonoperating Revenues (Expenses)</u></b>                  |                      |                     |                              |
| Interest income                                                 | 170,270              | -                   | 170,270                      |
| Intergovernmental revenue                                       | 118,340              | -                   | 118,340                      |
| Interest expense                                                | (261,515)            | (39,179)            | (300,694)                    |
| <b>Total Nonoperating Revenues (Expenses)</b>                   | <b>27,095</b>        | <b>(39,179)</b>     | <b>(12,084)</b>              |
| <b>Income (Loss) Before Transfers and Capital Contributions</b> | <b>3,604,942</b>     | <b>(39,179)</b>     | <b>3,565,763</b>             |
| <b><u>Transfers and Capital Contributions</u></b>               |                      |                     |                              |
| Capital contributions                                           | 8,604,791            | -                   | 8,604,791                    |
| Transfers in                                                    | -                    | 159,898             | 159,898                      |
| Transfers (out)                                                 | (112,692)            | -                   | (112,692)                    |
| <b>Total Transfers and Capital Contributions</b>                | <b>8,492,099</b>     | <b>159,898</b>      | <b>8,651,997</b>             |
| <b>Change in Net Position</b>                                   | <b>12,097,041</b>    | <b>120,719</b>      | <b>12,217,760</b>            |
| Beg. net position, as adjusted                                  | 32,606,201           | (825,586)           | 31,780,615                   |
| <b>Ending Net Position (Deficit)</b>                            | <b>\$ 44,703,242</b> | <b>\$ (704,867)</b> | <b>\$ 43,998,375</b>         |

See Notes to Financial Statements.

# City of Crandall, Texas

## STATEMENT OF CASH FLOWS PROPRIETARY FUND (Page 1 of 2) For the Year Ended September 30, 2025

|                                                                                 | Utilities            | Golf             | Total<br>Enterprise<br>Funds |
|---------------------------------------------------------------------------------|----------------------|------------------|------------------------------|
| <b><u>Cash Flows from Operating Activities</u></b>                              |                      |                  |                              |
| Receipts from customers                                                         | \$ 7,506,956         | \$ -             | \$ 7,506,956                 |
| Receipts (payments) for interfund transactions                                  | (3,762,846)          | -                | (3,762,846)                  |
| Payments to suppliers                                                           | (4,156,025)          | -                | (4,156,025)                  |
| Payments to employees                                                           | (649,852)            | -                | (649,852)                    |
| <b>Net Cash Provided (Used) by Operating Activities</b>                         | <b>(1,061,767)</b>   | <b>-</b>         | <b>(1,061,767)</b>           |
| <b><u>Cash Flows from Noncapital Financing Activities</u></b>                   |                      |                  |                              |
| Transfers in                                                                    | -                    | 159,898          | 159,898                      |
| Transfers (out)                                                                 | (112,692)            | -                | (112,692)                    |
| <b>Net Cash Provided (Used) by Noncapital<br/>Financing Activities</b>          | <b>(112,692)</b>     | <b>159,898</b>   | <b>47,206</b>                |
| <b><u>Cash Flows from Capital and Related Financing<br/>Activities</u></b>      |                      |                  |                              |
| Capital purchases                                                               | (5,545,246)          | -                | (5,545,246)                  |
| Capital grants and contributions                                                | 4,402,938            | -                | 4,402,938                    |
| Proceeds from capital debt                                                      | 3,932,944            | -                | 3,932,944                    |
| Principal paid on debt                                                          | (302,537)            | (130,000)        | (432,537)                    |
| Interest paid on debt                                                           | (215,884)            | (29,898)         | (245,782)                    |
| <b>Net Cash Provided (Used) by Capital and Related<br/>Financing Activities</b> | <b>2,272,215</b>     | <b>(159,898)</b> | <b>2,112,317</b>             |
| <b><u>Cash Flows from Investing Activities</u></b>                              |                      |                  |                              |
| Interest on investments                                                         | 170,270              | -                | 170,270                      |
| <b>Net Cash Provided (Used) by<br/>Investing Activities</b>                     | <b>170,270</b>       | <b>-</b>         | <b>170,270</b>               |
| <b>Net Increase (Decrease) in Cash<br/>and Cash Equivalents</b>                 | <b>1,268,026</b>     | <b>-</b>         | <b>1,268,026</b>             |
| Beginning cash and cash equivalents                                             | 10,219,235           | -                | 10,219,235                   |
| <b>Ending Cash and Cash Equivalents</b>                                         | <b>\$ 11,487,261</b> | <b>\$ -</b>      | <b>\$ 11,487,261</b>         |

See Notes to Financial Statements.

# City of Crandall, Texas

## STATEMENT OF CASH FLOWS PROPRIETARY FUND (Page 2 of 2) For the Year Ended September 30, 2025

|                                                                    | Utilities             | Golf        | Total<br>Enterprise<br>Funds |
|--------------------------------------------------------------------|-----------------------|-------------|------------------------------|
| <b><u>Reconciliation of Operating Income</u></b>                   |                       |             |                              |
| <b><u>to Net Cash Provided by Operating Activities</u></b>         |                       |             |                              |
| Operating Income                                                   | \$ 3,577,847          | \$ -        | \$ 3,577,847                 |
| Adjustments to reconcile operating<br>income to net cash provided: |                       |             |                              |
| Depreciation                                                       | 478,921               | -           | 478,921                      |
| Loss on disposal of capital assets                                 | 8,397                 | -           | 8,397                        |
| <b>Changes in Operating Assets and Liabilities:</b>                |                       |             |                              |
| <b>(Increase) Decrease in:</b>                                     |                       |             |                              |
| Accounts receivable                                                | 71,223                | -           | 71,223                       |
| Deferred outflows of resources - pension                           | 17,679                | -           | 17,679                       |
| Deferred outflows of resources - OPEB                              | 640                   | -           | 640                          |
| Deferred inflows of resources - pension                            | 2,430                 | -           | 2,430                        |
| Deferred inflows of resources - OPEB                               | 578                   | -           | 578                          |
| <b>Increase (Decrease) in:</b>                                     |                       |             |                              |
| Accounts payable and accrued liabilities                           | (1,489,009)           | -           | (1,489,009)                  |
| Compensated absences                                               | 10,047                | -           | 10,047                       |
| Customer deposits                                                  | 45,666                | -           | 45,666                       |
| Due to (from) other funds                                          | (3,762,846)           | -           | (3,762,846)                  |
| OPEB liability                                                     | (2,175)               | -           | (2,175)                      |
| Net pension liability (asset)                                      | (21,165)              | -           | (21,165)                     |
| <b>Net Cash Provided by Operating Activities</b>                   | <b>\$ (1,061,767)</b> | <b>\$ -</b> | <b>\$ (1,061,767)</b>        |
| <b><u>Schedule of Non-Cash Capital and Related</u></b>             |                       |             |                              |
| <b><u>Financing Activities</u></b>                                 |                       |             |                              |
| Contribution of capital assets                                     | \$ 4,013,178          | \$ -        | \$ 4,013,178                 |

See Notes to Financial Statements.

**City of Crandall, Texas**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**September 30, 2025**

|                                           | <b>Fiduciary<br/>Funds</b> |
|-------------------------------------------|----------------------------|
| <b><u>Assets</u></b>                      |                            |
| <b><u>Current Assets</u></b>              |                            |
| Cash and cash equivalents                 | \$ 9,055,152               |
| Special assessment receivable             | 67,499,000                 |
| <b>Total Current Assets</b>               | <b>76,554,152</b>          |
| <b><u>Liabilities</u></b>                 |                            |
| Long-term debt                            | \$ 67,499,000              |
| <b>Total Noncurrent Liabilities</b>       | <b>67,499,000</b>          |
| <b><u>Net Position</u></b>                |                            |
| Net position restricted for PIDs          | 9,055,152                  |
| <b>Total Net Position</b>                 | <b>9,055,152</b>           |
| <b>Total Liabilities and Net Position</b> | <b>\$ 76,554,152</b>       |

See Notes to Financial Statements.

**City of Crandall, Texas**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**For the Year Ended September 30, 2025**

|                                   | <b>Fiduciary<br/>Funds</b> |
|-----------------------------------|----------------------------|
| <b><u>Additions:</u></b>          |                            |
| Property owner assessments        | \$ 3,021,302               |
| Special assessments               | 17,344,483                 |
| Other income                      | 282,307                    |
| Interest income                   | 389,694                    |
| <b>Total Additions</b>            | <b>\$ 21,037,786</b>       |
| <b><u>Deductions:</u></b>         |                            |
| Payment to developer              | \$ 12,321,911              |
| Administrative expenses           | 123,824                    |
| Bond issuance costs               | 1,385,962                  |
| Interest expense                  | 3,144,834                  |
| <b>Total Deductions</b>           | <b>\$ 16,976,531</b>       |
| <b>Net Change in Net Position</b> | <b>4,061,255</b>           |
| <b>Beginning Net Position</b>     | <b>4,993,897</b>           |
| <b>Ending Net Position</b>        | <b>\$ 9,055,152</b>        |

See Notes to Financial Statements.

**City of Crandall, Texas**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2025**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Government-Wide 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 units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**B. Reporting Entity**

The City of Crandall, Texas (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. The City operates under a Council-Manager form of government and provides the following services: general government, public service (code enforcement, animal control, building inspections, & municipal court), public safety (police & fire), public works (streets & parks), and tax increment reinvestment zone (“TIRZ”) activities.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity.

For financial reporting purposes, management has considered all potential component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The criteria used are as follows:

Financial Accountability – The primary government is deemed to be financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits or impose specific financial burdens on the primary government. Additionally, the primary government may be financially accountable if an organization is fiscally dependent on the primary government and there is a potential for the organization to provide specific financial benefits or impose

**City of Crandall, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

specific financial burdens on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government or a jointly appointed board.

**Blended Component Unit**

Tax Increment Financing Reinvestment Zone

The City created the Tax Increment Financing Reinvestment Zone Fund (the "TIRZ") to encourage and accelerate planned development of a certain contiguous geographic area within its jurisdiction and extra-territorial jurisdiction. Of the seven-member Board of Directors six are appointed by the City Council and one member shall be appointed by the County Commissioners Court and serve for two-year staggered terms. Any future debt obligations issued and backed by the TIRZ are to be repaid from property tax levies, based on the incremental increase in the real property values from the base year.

The TIRZ Board of Directors acts primarily in an advisory role to the City Council, who exercises the ultimate financial control over the recommendations of the TIRZ board, including its budget and expenditures. The financial information of the TIRZ is blended as a governmental fund into the primary government. Separate financial statements are not prepared.

**Discretely Presented Component Unit**

Crandall Economic Development Corporation (the "EDC")

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.

**C. Basis of Presentation Government-Wide and Fund Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

**City of Crandall, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are interfund services provided and used, where the amounts are reasonably equivalent in value to the services provided and other charges between the government's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues (i.e. charges for services, licenses and permits, garbage services, fines and forfeitures, grants and contributions, etc.) reported for the various functions concerned.

The fund financial statements provide information about the government's funds, including its fiduciary funds and component units. Separate statements for each fund category—governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following funds within the primary government:

**Governmental Funds**

Governmental funds are those funds through which most governmental functions are typically financed. The City reports the following governmental funds:

**General Fund**

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, charges for services, and fines and forfeitures. Expenditures include general government, public service, public safety, public works, and TIRZ related expenditures. This fund is presented as major governmental fund.

**First Responder Fund**

The first responder fund accounts for the receipts and related expenditures for the City's first responder activities. This fund is presented as a nonmajor governmental fund.

**City of Crandall, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

**Proprietary Fund Types**

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials/supplies, contractual services, utilities, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Subsequent to November 30, 1989, the City accounts for its enterprise funds as presented by GASB. The proprietary fund types used by the City include enterprise funds.

The government reports the following major enterprise funds:

**Utilities Fund**

The utilities 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.

**Golf Fund**

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.

Additionally, the City reports the following fund types:

**Special Revenue Funds**

The City accounts for resources restricted to, or designated for, specific purposes in a special revenue fund.

**Fiduciary Funds**

The City is the trustee, or fiduciary, for certain amounts held on behalf of developers. The funding for the developments are derived from Public Improvement Districts (PID) bonds that are held in trust by the City. The City is responsible for ensuring that the assets reported are used for their intended purposes. These custodial funds use the economic resources measurement focus. The City reports two fiduciary funds, which are Cartwright Ranch and River Ridge.

**City of Crandall, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

**D. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. 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

**City of Crandall, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance**

**1. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexStar, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. Pursuant to those requirements, the City may invest in obligations of the U.S. Government, its agencies and instrumentalities, fully insured or collateralized certificates of deposit, bankers acceptances and repurchase agreements not to exceed 180 days to maturity, No-load, SEC registered money market funds, Texas

# City of Crandall, Texas

## *NOTES TO FINANCIAL STATEMENTS, Continued*

### September 30, 2025

Local Government Investment Pools, No-load mutual funds registered with the SEC, and investment quality commercial paper. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

## **2. Fair Value**

The City has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

## **3. Receivables and Interfund Transactions**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (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" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." 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 are offset by a fund balance reserve account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

## **4. Property Taxes**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Penalties are calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is

**City of Crandall, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

calculated after February 1 at the rate of 1% per month up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

**5. Inventories and Prepaid Items**

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories of supplies are reported at cost using the first-in/first-out method, whereas inventories held for resale are reported at lower of cost or market. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized (the consumption method).

**6. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, 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 cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

| <b>Asset Description</b> | <b>Estimated Useful Life</b> |
|--------------------------|------------------------------|
| Machinery & equipment    | 5 - 10 years                 |
| Infrastructure           | 40 years                     |
| Buildings                | 20 years                     |
| Buildings improvements   | 10 - 40 years                |

**City of Crandall, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, which 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 revenues from property taxes revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**8. Net Position Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**9. Fund Balance Flow Assumptions**

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered

**City of Crandall, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**10. Fund Balance Policies**

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).

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 governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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 governing body (council) has by resolution authorized the City Manager to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. 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. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**11. Compensated Absences**

The City accounts for vacation and sick leave in accordance with the provisions of GASB Statement No. 101, *Compensated Absences*.

Under GASB Statement No. 101, the City recognizes a liability for compensated absences for vacation leave that is attributable to services already rendered and for which the City has a present obligation to provide compensation through paid time off or cash settlement. Vacation leave is reported as a liability regardless of whether it is expected to be paid within one year.

**City of Crandall, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

Sick leave is considered a non-separation benefit and is recognized as a liability only to the extent it is probable that the leave will be used for qualifying absences and the amount can be reasonably estimated. Because unused sick leave is not paid upon separation from employment, the City does not record a liability for sick leave beyond amounts expected to be taken as paid absences in the future.

It is the City's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental funds recognize accrued compensated absences when it is paid.

**12. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable, notes payable, and lease liabilities.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed as incurred in accordance with GASB statement no. 65.

Assets acquired under the terms of leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

**City of Crandall, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

**13. Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**14. 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.

**15. Other Postemployment Benefits ("OPEB")**

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits plan, with retiree coverage. The TMRS Supplemental Death Benefits Fund (SDBF) covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. 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 on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

**City of Crandall, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

**16. Subscription- Based Information Technology Arrangements**

The City has adopted the provision of Governmental Accounting Standard Board (GASB) Statement No. 96, entitled *Subscription-Based Information Technology Arrangements* ("SBITA"). The City records right to use assets and subscription liabilities based on the present value of the payments for the related arrangements. The assets will be included within capital assets, and amortized straight-line over the term of the arrangement. The liabilities will accrue interest at the implied rate estimated by the City, and are relieved with payments over the term of the arrangements.

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.**

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities states that, "the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities."

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general, sewer, water, and solid waste funds.

The appropriated budget is prepared by fund, function, and department. 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 of Crandall, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2025

City Council. The legal level of budgetary control is the fund level. Appropriations lapse at the end of the year. Several budget amendments were made during the year.

#### A. Deficit Fund Balance

As of September 30, 2025, the golf course fund presented a deficit fund balance of \$704,867. This is a result of the sale of the golf course in March 2009 and the City's obligation to pay off the remaining associated debt balances.

## IV. DETAILED NOTES ON ALL FUNDS

#### B. Deposits and Investments

As of September 30, 2025, the primary government had the following investments:

| Investment Type                     | Value      | Average Maturity<br>(Years) |
|-------------------------------------|------------|-----------------------------|
| Certificates of deposit             | \$ 533,694 | 0.18                        |
| External investment pools           | 232,374    | 0.12                        |
| Total value                         | \$ 766,068 |                             |
| Portfolio weighted average maturity |            | 0.16                        |

As of September 30, 2025, the discretely presented component unit had the following investments:

| Investment Type                     | Value        | Average Maturity<br>(Years) |
|-------------------------------------|--------------|-----------------------------|
| External investment pools           | \$ 5,634,745 | 0.14                        |
| Total value                         | \$ 5,634,745 |                             |
| Portfolio weighted average maturity |              | 0.14                        |

*Interest rate risk* – In accordance with its investment policy, 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; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

*Credit risk* – The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality

# City of Crandall, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2025

rating of not less than “A” or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAAM, or equivalent, by at least one nationally recognized rating service.

*Custodial credit risk – deposits* In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of the deposits. As of September 30, 2025, the City’s bank balances did not exceed the market values of pledged securities and FDIC.

*Custodial credit risk – investments* For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City’s safekeeping account prior to the release of funds.

#### **TexPool**

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor’s rate TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor’s, as well as to the office of the Comptroller of Public Accounts for review. As of September 30, 2025, the fair value of the portion in TexPool approximates fair value of the shares. There were no limitations or restrictions on withdrawals.

#### **TexSTAR**

TexSTAR has been established for governmental entities pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code and operates in a manner

# City of Crandall, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2025

consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexSTAR's governing body is a five-member Board consisting of three representatives of participants and one member designated by each of the co-administrators. The Board holds legal title to all money, investments, and assets and has the authority to employ personnel, contract for services, and engage in other administrative activities necessary or convenient to accomplish the objectives of TexSTAR. Board oversight of TexSTAR is maintained through daily, weekly, and monthly reporting requirements. TexSTAR is rated AAAm by Standard & Poor's. The City's fair value position is stated at the value of the position upon withdrawal. There were no limitations or restrictions on withdrawals.

#### B. Receivables

- The following comprise receivable balances of the primary government at year end:

|                         | General    | Utilities  | Nonmajor<br>Govt. | Total        |
|-------------------------|------------|------------|-------------------|--------------|
| Property taxes          | \$ 111,728 | \$ -       | \$ -              | \$ 111,728   |
| Sales tax               | 231,975    | -          | -                 | 231,975      |
| Franchise & local taxes | 27,756     | -          | -                 | 27,756       |
| Court                   | 15,650     | -          | -                 | 15,650       |
| Grants                  | -          | -          | -                 | -            |
| Accounts                | -          | 830,952    | -                 | 830,952      |
| Other                   | 136,526    | -          | 16,000            | 152,526      |
| Allowance               | (24,925)   | (49,468)   | -                 | (74,393)     |
|                         | \$ 498,710 | \$ 781,484 | \$ 16,000         | \$ 1,296,194 |

- The following comprise receivable balances of the discretely presented component unit at year end:

|                  | EDC        |
|------------------|------------|
| Sales tax        | \$ 102,475 |
| Lease receivable | 174,955    |
|                  | \$ 277,430 |

#### 3. Lease Receivables

The EDC is the lessor of a contract in which the EDC receives lease payments for the use of a building. The lease commenced in fiscal year 2007, with a term of 20 years. Monthly lease payments range between \$3,375 to \$6,441 and will be paid through fiscal year 2028. As of September 30, 2025, the lease receivable and offsetting deferred inflows amounted to \$174,955, respectively.

**City of Crandall, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

The annual principal and interest payments to be received are as follows:

| Year ending<br>September 30, | Component Unit Activities |                 |
|------------------------------|---------------------------|-----------------|
|                              | Principal                 | Interest (4%)   |
| 2026                         | \$ 60,611                 | \$ 5,926        |
| 2027                         | 69,854                    | 3,336           |
| 2028                         | 44,490                    | 595             |
|                              | <u>\$ 174,955</u>         | <u>\$ 9,857</u> |

**C. Capital Assets**

A summary of changes in governmental activities capital assets for the year end was as follows:

|                                            | Beginning<br>Balances | Increases           | Disposals /<br>Reclassifications | Ending<br>Balances   |
|--------------------------------------------|-----------------------|---------------------|----------------------------------|----------------------|
| Capital assets, not being depreciated:     |                       |                     |                                  |                      |
| Land                                       | \$ 382,737            | \$ 5,000            | \$ -                             | \$ 387,737           |
| Construction in progress                   | 28,495,863            | 8,545,190           | (42,477)                         | 36,998,576           |
| Total capital assets not being depreciated | <u>28,878,600</u>     | <u>8,550,190</u>    | <u>(42,477)</u>                  | <u>37,386,313</u>    |
| Capital assets, being depreciated:         |                       |                     |                                  |                      |
| Buildings and improvements                 | 4,841,178             | 213,418             | (14,500)                         | 5,040,096            |
| Machinery, vehicles, equipment             | 1,738,081             | 215,668             | (424,150)                        | 1,529,599            |
| Infrastructure                             | 6,816,532             | 505,292             | (35,861)                         | 7,285,963            |
| SBITA assets                               | 121,476               | -                   | -                                | 121,476              |
| Total capital assets being depreciated     | <u>13,517,267</u>     | <u>934,378</u>      | <u>(474,511)</u>                 | <u>13,977,134</u>    |
| Less accumulated depreciation              |                       |                     |                                  |                      |
| Buildings and improvements                 | 714,865               | 160,977             | (14,500)                         | 861,342              |
| Machinery, vehicles, equipment             | 855,164               | 253,774             | (424,150)                        | 684,788              |
| Infrastructure                             | 1,897,471             | 242,583             | (35,861)                         | 2,104,193            |
| SBITA assets                               | 19,017                | 39,472              | -                                | 58,489               |
| Total accumulated depreciation             | <u>3,486,517</u>      | <u>696,806</u>      | <u>(474,511)</u>                 | <u>3,708,812</u>     |
| Net capital assets being depreciated       | <u>10,030,750</u>     | <u>237,572</u>      | <u>-</u>                         | <u>10,268,322</u>    |
| <b>Total Capital Assets</b>                | <u>\$ 38,909,350</u>  | <u>\$ 8,787,762</u> | <u>\$ (42,477)</u>               | <u>\$ 47,654,635</u> |

**City of Crandall, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

Depreciation was charged to governmental functions as follows:

|                                                           |                   |
|-----------------------------------------------------------|-------------------|
| General government                                        | \$ 69,742         |
| Public safety                                             | 291,602           |
| Public works                                              | 335,462           |
| <b>Total Governmental Activities Depreciation Expense</b> | <b>\$ 696,806</b> |

A summary of changes in business-type activities capital assets for the year end was as follows:

|                                            | <b>Beginning<br/>Balances</b> | <b>Increases</b>    | <b>Disposals /<br/>Reclassifications</b> | <b>Ending<br/>Balances</b> |
|--------------------------------------------|-------------------------------|---------------------|------------------------------------------|----------------------------|
| Capital assets, not being depreciated:     |                               |                     |                                          |                            |
| Land                                       | \$ 46,190                     | \$ -                | \$ -                                     | \$ 46,190                  |
| Construction in progress                   | 18,790,365                    | 9,408,057           | -                                        | 28,198,422                 |
| Total capital assets not being depreciated | 18,836,555                    | 9,408,057           | -                                        | 28,244,612                 |
| Capital assets, being depreciated:         |                               |                     |                                          |                            |
| Buildings and improvements                 | 1,038,215                     | -                   | (204,563)                                | 833,652                    |
| Machinery, vehicles, & equipment           | 935,574                       | 150,367             | (399,551)                                | 686,390                    |
| Infrastructure                             | 10,534,843                    | -                   | -                                        | 10,534,843                 |
| Total capital assets being depreciated     | 12,508,632                    | 150,367             | (604,114)                                | 12,054,885                 |
| Less accumulated depreciation              |                               |                     |                                          |                            |
| Buildings and improvements                 | 309,442                       | 22,539              | (196,164)                                | 135,817                    |
| Machinery, vehicles, & equipment           | 651,180                       | 50,535              | (399,553)                                | 302,162                    |
| Infrastructure                             | 5,348,951                     | 405,847             | -                                        | 5,754,798                  |
| Total accumulated depreciation             | 6,309,573                     | 478,921             | (595,717)                                | 6,192,777                  |
| Net capital assets being depreciated       | 6,199,059                     | (328,554)           | (8,397)                                  | 5,862,108                  |
| <b>Total Capital Assets</b>                | <b>\$ 25,035,614</b>          | <b>\$ 9,079,503</b> | <b>\$ (8,397)</b>                        | <b>\$ 34,106,720</b>       |

Depreciation was charged to business-type functions as follows:

|                                                       |                   |
|-------------------------------------------------------|-------------------|
| Sewer utility                                         | \$ 201,484        |
| Water                                                 | 277,437           |
| <b>Total Bus-Type Activities Depreciation Expense</b> | <b>\$ 478,921</b> |

**City of Crandall, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

A summary of changes in the discretely presented component unit's activities capital assets for the year end was as follows:

|                                            | <b>Beginning<br/>Balances</b> | <b>Increases</b>         | <b>Disposals /<br/>Reclassifications</b> | <b>Ending<br/>Balances</b> |
|--------------------------------------------|-------------------------------|--------------------------|------------------------------------------|----------------------------|
| Capital assets, not being depreciated:     |                               |                          |                                          |                            |
| Land                                       | \$ 215,388                    | \$ -                     | \$ -                                     | \$ 215,388                 |
| Total capital assets not being depreciated | <u>215,388</u>                | <u>-</u>                 | <u>-</u>                                 | <u>215,388</u>             |
| Capital assets, being depreciated:         |                               |                          |                                          |                            |
| Office furniture                           | 9,909                         | 520                      | -                                        | 10,429                     |
| Machinery & equipment                      | 18,190                        | 1,682                    | -                                        | 19,872                     |
| Buildings & leasehold improvements         | 160,947                       | -                        | -                                        | 160,947                    |
| Infrastructure                             | 180,928                       | -                        | -                                        | 180,928                    |
| Total capital assets being depreciated     | <u>369,974</u>                | <u>2,202</u>             | <u>-</u>                                 | <u>372,176</u>             |
| Less accumulated depreciation              |                               |                          |                                          |                            |
| Office furniture                           | 3,945                         | 1,024                    | -                                        | 4,969                      |
| Machinery & equipment                      | 18,190                        | 336                      | -                                        | 18,526                     |
| Buildings & leasehold improvements         | 70,615                        | 3,566                    | -                                        | 74,181                     |
| Infrastructure                             | 63,697                        | 4,523                    | -                                        | 68,220                     |
| Total accumulated depreciation             | <u>156,447</u>                | <u>9,449</u>             | <u>-</u>                                 | <u>165,896</u>             |
| Net capital assets being depreciated       | <u>213,527</u>                | <u>(7,247)</u>           | <u>-</u>                                 | <u>206,280</u>             |
| <b>Total Capital Assets</b>                | <u><u>\$ 428,915</u></u>      | <u><u>\$ (7,247)</u></u> | <u><u>\$ -</u></u>                       | <u><u>\$ 421,668</u></u>   |

**City of Crandall, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

**D. Long-term Debt**

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended. The City uses the general and utilities funds to liquidate governmental activities debts.

|                                                        | <b>Beginning<br/>Balance</b> | <b>Additions</b>    | <b>Reductions</b>   | <b>Ending<br/>Balance</b> | <b>Amounts<br/>Due within<br/>One Year</b> |
|--------------------------------------------------------|------------------------------|---------------------|---------------------|---------------------------|--------------------------------------------|
| <b>Governmental Activities:</b>                        |                              |                     |                     |                           |                                            |
| Bonds, notes and other payables:                       |                              |                     |                     |                           |                                            |
| General obligation refunding                           | \$ 4,115,000                 | \$ -                | \$ (180,000)        | \$ 3,935,000              | \$ 140,000                                 |
| Less deferred amounts:                                 |                              |                     |                     |                           |                                            |
| Issuance Premium                                       | 593,808                      | -                   | (63,363)            | 530,445                   | -                                          |
| Total bonds payable                                    | 4,708,808                    | -                   | (243,363)           | 4,465,445                 | 140,000                                    |
| Notes payable                                          | 356,610                      | 53,919              | (102,725)           | 307,804                   | 102,235                                    |
| SBITA liabilities                                      | 102,459                      | -                   | (39,469)            | 62,990                    | 41,472                                     |
| <b>Total Governmental Activities</b>                   | <b>\$ 5,167,877</b>          | <b>\$ 53,919</b>    | <b>\$ (385,557)</b> | <b>\$ 4,836,239</b>       | <b>\$ 283,707</b>                          |
| <b>Long-term liabilities due in more than one year</b> |                              |                     |                     | <b>\$ 4,552,532</b>       |                                            |
| <b>Business-Type Activities:</b>                       |                              |                     |                     |                           |                                            |
| Bonds, notes and other payables:                       |                              |                     |                     |                           |                                            |
| General obligation refunding                           | \$ 1,765,000                 | \$ -                | \$ (410,000)        | \$ 1,355,000              | \$ 425,000                                 |
| Certificates of Obligation                             | -                            | 3,745,000           | -                   | 3,745,000                 | -                                          |
| Less deferred amounts:                                 |                              |                     |                     |                           |                                            |
| Issuance Premium                                       | 79,217                       | 187,944             | (34,249)            | 232,912                   | -                                          |
| Issuance Discount                                      | (33,433)                     | -                   | 9,281               | (24,152)                  | -                                          |
| Total bonds payable                                    | 1,810,784                    | 3,932,944           | (434,968)           | 5,308,760                 | 425,000                                    |
| Note payable                                           | 50,613                       | -                   | (22,537)            | 28,076                    | 16,076                                     |
| <b>Total Business-Type Activities</b>                  | <b>\$ 1,861,397</b>          | <b>\$ 3,932,944</b> | <b>\$ (457,505)</b> | <b>\$ 5,336,836</b>       | <b>\$ 441,076</b>                          |
| <b>Long-term liabilities due in more than one year</b> |                              |                     |                     | <b>\$ 4,895,760</b>       |                                            |
| <b>Component Unit Activities:</b>                      |                              |                     |                     |                           |                                            |
| Bonds, notes and other payables:                       |                              |                     |                     |                           |                                            |
| General obligation refunding                           | \$ 35,000                    | \$ -                | (35,000)            | \$ -                      | \$ -                                       |
| Special revenue                                        | -                            | 4,545,000           | -                   | 4,545,000                 | -                                          |
| Less deferred amounts:                                 |                              |                     |                     |                           |                                            |
| Issuance Premium                                       | 1,333                        | 53,317              | (1,333)             | 53,317                    | -                                          |
| Total bonds payable                                    | 36,333                       | 4,598,317           | (36,333)            | 4,598,317                 | -                                          |
| <b>Total Component Unit Activities</b>                 | <b>\$ 36,333</b>             | <b>\$ 4,651,634</b> | <b>\$ (36,333)</b>  | <b>\$ 4,598,317</b>       | <b>\$ -</b>                                |
| <b>Long-term liabilities due in more than one year</b> |                              |                     |                     | <b>\$ 4,598,317</b>       |                                            |

**City of Crandall, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

Long-term debt of primary government was comprised of the following debt issues at year end:

|                                                                                                                                                           | Primary Government  |                     |                      | Component Unit      |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|----------------------|---------------------|
|                                                                                                                                                           | Business -          |                     |                      | Activities          |
|                                                                                                                                                           | Governmental        | Type                |                      | Crandall            |
|                                                                                                                                                           | Activities          | Activities          | Total                | EDC                 |
| <b>General Obligation Refunding Bonds:</b>                                                                                                                |                     |                     |                      |                     |
| \$4,530,000 Series 2021 GO Refunding Bonds,<br>due in annual installments, with an interest rate of<br>3.00% to 5.00%, maturing in 2038.                  | \$ 3,935,000        | \$ -                | \$ 3,935,000         | \$ -                |
| \$1,665,000 Series 2021 GO Refunding Bonds<br>due in annual installments, with an interest rate of<br>3.00% to 5.00%, maturing in 2030.                   | -                   | 725,000             | 725,000              | -                   |
| \$1,630,000 Series 2018 GO Refunding Bonds<br>due in annual installments, with an interest rate of<br>3.00% to 4.00%, maturing in 2030.                   | -                   | 630,000             | 630,000              | -                   |
| <b>Total General Obligation Refunding Bonds</b>                                                                                                           | <b>\$ 3,935,000</b> | <b>\$ 1,355,000</b> | <b>\$ 5,290,000</b>  | <b>\$ -</b>         |
| <b>Certificates of Obligation:</b>                                                                                                                        |                     |                     |                      |                     |
| \$3,745,000 Combination Tax & Revenue CO, Series 2025,<br>due in annual installments, with interest rates of<br>4.125%-5.00%, maturing in 2045.           | -                   | 3,745,000           | 3,745,000            | -                   |
| <b>Total Certificates of Obligation</b>                                                                                                                   | <b>\$ -</b>         | <b>\$ 3,745,000</b> | <b>\$ 3,745,000</b>  | <b>\$ -</b>         |
| <b>Special Revenue Bonds:</b>                                                                                                                             |                     |                     |                      |                     |
| \$4,545,000 Sales Tax Revenue Bond, Series 2025,<br>due in annual installments, with an interest rate of<br>5.00%, maturing in 2050.                      | -                   | -                   | -                    | 4,545,000           |
| <b>Total Special Revenue Bonds</b>                                                                                                                        | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>          | <b>\$ 4,545,000</b> |
| <b>Notes Payable:</b>                                                                                                                                     |                     |                     |                      |                     |
| \$987,127 Various banking institutions for vehicles/equip.<br>due in annual installments, with interest rates from<br>3.25%-4.55%, maturing through 2029. | 307,804             | 28,076              | 335,880              | -                   |
| <b>Total Notes Payable</b>                                                                                                                                | <b>\$ 307,804</b>   | <b>\$ 28,076</b>    | <b>\$ 335,880</b>    | <b>\$ -</b>         |
| <b>Less deferred amounts:</b>                                                                                                                             |                     |                     |                      |                     |
| Issuance premium/discounts                                                                                                                                | \$ 530,445          | \$ 208,760          | \$ 739,205           | \$ 53,317           |
| <b>Total Deferred Amounts</b>                                                                                                                             | <b>\$ 530,445</b>   | <b>\$ 208,760</b>   | <b>\$ 739,205</b>    | <b>\$ 53,317</b>    |
| <b>SBITA Liabilities:</b>                                                                                                                                 |                     |                     |                      |                     |
| Software subscrip. for Incode 10, due in monthly install.<br>of \$3,638, with an interest rate of 4.95%, maturing in 2027.                                | \$ 62,990           | \$ -                | \$ 62,990            | \$ -                |
| <b>Total Notes Payable</b>                                                                                                                                | <b>\$ 62,990</b>    | <b>\$ -</b>         | <b>\$ 62,990</b>     | <b>\$ -</b>         |
| <b>Total Long-term Debt</b>                                                                                                                               | <b>\$ 4,836,239</b> | <b>\$ 5,336,836</b> | <b>\$ 14,771,392</b> | <b>\$ 4,598,317</b> |

**City of Crandall, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

The annual requirements to amortize governmental and business-type activities debt issues outstanding at year end were as follows:

General Obligation Refunding Bonds

| <b>Year ending<br/>September 30,</b> | <b>Governmental Activities</b> |                     |                     |
|--------------------------------------|--------------------------------|---------------------|---------------------|
|                                      | <b>Principal</b>               | <b>Interest</b>     | <b>Total</b>        |
| 2026                                 | \$ 140,000                     | \$ 148,300          | \$ 288,300          |
| 2027                                 | 145,000                        | 141,175             | 286,175             |
| 2028                                 | 155,000                        | 133,675             | 288,675             |
| 2029                                 | 165,000                        | 125,675             | 290,675             |
| 2030                                 | 175,000                        | 117,175             | 292,175             |
| 2031-2035                            | 1,875,000                      | 369,000             | 2,244,000           |
| 2036-2039                            | 1,280,000                      | 58,350              | 1,338,350           |
| Total                                | <u>\$ 3,935,000</u>            | <u>\$ 1,093,350</u> | <u>\$ 5,028,350</u> |

Notes Payable

| <b>Year ending<br/>September 30,</b> | <b>Governmental Activities</b> |                  |                   |
|--------------------------------------|--------------------------------|------------------|-------------------|
|                                      | <b>Principal</b>               | <b>Interest</b>  | <b>Total</b>      |
| 2026                                 | \$ 102,235                     | \$ 12,228        | \$ 114,463        |
| 2027                                 | 98,660                         | 7,605            | 106,265           |
| 2028                                 | 62,639                         | 3,667            | 66,306            |
| 2029                                 | 43,254                         | 1,127            | 44,381            |
| 2030                                 | 1,016                          | 4                | 1,020             |
|                                      | <u>\$ 307,804</u>              | <u>\$ 24,631</u> | <u>\$ 332,435</u> |

SBITA Liabilities

| <b>Year ending<br/>September 30,</b> | <b>Governmental Activities</b> |                 |                  |
|--------------------------------------|--------------------------------|-----------------|------------------|
|                                      | <b>Principal</b>               | <b>Interest</b> | <b>Total</b>     |
| 2026                                 | \$ 41,472                      | \$ 2,185        | \$ 43,657        |
| 2027                                 | 21,518                         | 312             | 21,830           |
|                                      | <u>\$ 62,990</u>               | <u>\$ 2,497</u> | <u>\$ 65,487</u> |

**City of Crandall, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

General Obligation & Certificate of Obligation Bonds

| <b>Year ending<br/>September 30,</b> | <b>Business-Type Activities</b> |                     |                     |
|--------------------------------------|---------------------------------|---------------------|---------------------|
|                                      | <b>Principal</b>                | <b>Interest</b>     | <b>Total</b>        |
| 2026                                 | \$ 425,000                      | \$ 283,517          | \$ 708,517          |
| 2027                                 | 440,000                         | 203,413             | 643,413             |
| 2028                                 | 280,000                         | 187,193             | 467,193             |
| 2029                                 | 290,000                         | 174,638             | 464,638             |
| 2030                                 | 305,000                         | 161,363             | 466,363             |
| 2031-2035                            | 865,000                         | 668,688             | 1,533,688           |
| 2036-2040                            | 1,110,000                       | 424,538             | 1,534,538           |
| 20041-2045                           | 1,385,000                       | 151,388             | 1,536,388           |
| Total                                | <u>\$ 5,100,000</u>             | <u>\$ 2,254,738</u> | <u>\$ 7,354,738</u> |

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds are from taxes levied on all taxable property located within the City. The City is not obligated in any manner for special assessment debt.

Notes Payable

| <b>Year ending<br/>September 30,</b> | <b>Business-Type Activities</b> |                 |                  |
|--------------------------------------|---------------------------------|-----------------|------------------|
|                                      | <b>Principal</b>                | <b>Interest</b> | <b>Total</b>     |
| 2026                                 | \$ 16,076                       | \$ 1,343        | \$ 17,419        |
| 2027                                 | 12,000                          | 504             | 12,504           |
|                                      | <u>\$ 28,076</u>                | <u>\$ 1,847</u> | <u>\$ 29,923</u> |

**City of Crandall, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

The annual requirements to amortize component unit activities debt issues outstanding at year end were as follows:

Special Revenue Bonds

| Year ending<br>September 30, | Component Unit Activities |                     |                     |
|------------------------------|---------------------------|---------------------|---------------------|
|                              | Principal                 | Interest            | Total               |
| 2026                         | \$ -                      | \$ 202,000          | \$ 202,000          |
| 2027                         | 100,000                   | 227,250             | 327,250             |
| 2028                         | 105,000                   | 222,250             | 327,250             |
| 2029                         | 115,000                   | 217,000             | 332,000             |
| 2030                         | 120,000                   | 211,250             | 331,250             |
| 2031-2035                    | 685,000                   | 961,000             | 1,646,000           |
| 2036-2040                    | 875,000                   | 771,500             | 1,646,500           |
| 2041-2045                    | 1,115,000                 | 530,500             | 1,645,500           |
| 2046-2050                    | 1,430,000                 | 221,500             | 1,651,500           |
|                              | <u>\$ 4,545,000</u>       | <u>\$ 3,564,250</u> | <u>\$ 8,109,250</u> |

**E. Deferred Charges on Refunding**

A deferred gain resulting from the issuance of the Series 2018 Tax Notes has been recorded as a deferred outflow of resources and is being amortized to interest expense over the term of the refunded debt. The current year balance for governmental activities totaled \$0 after a current year amortization of \$6,995.

**F. Public Improvement Districts**

Special Assessment Revenue bonds are issued by the City for the Public Improvement Districts (PID) and are secured solely from assessment revenues generated by each PID. The City is not obligated in any manner for this special assessment debt but merely acts as the developer's agent in handling the debt service by each PID and forwarding to the Trustee for payment to the bond holders. The Trustee for the bond proceeds were deposited into trust accounts with Wilmington Trust for the purpose of funding improvements in the projects. Wilmington Trust serves as trustee, for the benefit of the bond holders, for these funds as well as any and all other property or money of every name and nature, which is, from time-to-time hereafter by delivery or in writing of any kind, conveyed, pledged, assigned, or transferred to the Trustee.

**City of Crandall, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

**G. Other Long-term Liabilities**

The following is a summary of changes in the City's other long-term liabilities for the year ended. In general, the City uses the general fund and utilities fund to liquidate compensated absences.

|                                                              | <b>Beginning<br/>Balance</b> | <b>Additions</b>  | <b>Reductions</b>   | <b>Ending<br/>Balance</b> | <b>Amounts<br/>Due Within<br/>One Year</b> |
|--------------------------------------------------------------|------------------------------|-------------------|---------------------|---------------------------|--------------------------------------------|
| <b>Governmental Activities:</b>                              |                              |                   |                     |                           |                                            |
| Compensated Absences                                         | \$ 190,749                   | \$ 180,001        | \$ (171,674)        | \$ 199,076                | \$ 179,168                                 |
| <b>Total Governmental Activities</b>                         | <u>\$ 190,749</u>            | <u>\$ 180,001</u> | <u>\$ (171,674)</u> | <u>\$ 199,076</u>         | <u>\$ 179,168</u>                          |
| <b>Other Long-term Liabilities Due in More than One Year</b> |                              |                   |                     | <u>\$ 19,908</u>          |                                            |
| <b>Business-Type Activities:</b>                             |                              |                   |                     |                           |                                            |
| Compensated Absences                                         | \$ 23,360                    | \$ 31,071         | \$ (21,024)         | \$ 33,407                 | \$ 30,066                                  |
| <b>Total Business-Type Activities</b>                        | <u>\$ 23,360</u>             | <u>\$ 31,071</u>  | <u>\$ (21,024)</u>  | <u>\$ 33,407</u>          | <u>\$ 30,066</u>                           |
| <b>Other Long-term Liabilities Due in More than One Year</b> |                              |                   |                     | <u>\$ 3,341</u>           |                                            |

**H. Interfund Transactions**

The table below summarizes the interfund transfers within the primary government during the year ended September 30, 2025:

|                         | <b>Transfers In:</b> |                   |                   |
|-------------------------|----------------------|-------------------|-------------------|
| <b>Transfers (Out):</b> | <b>General</b>       | <b>Golf</b>       | <b>Total</b>      |
| General                 | \$ -                 | \$ 159,898        | \$ 159,898        |
| Utilities               | 112,692              | -                 | 112,692           |
|                         | <u>\$ 112,692</u>    | <u>\$ 159,898</u> | <u>\$ 272,590</u> |

Transfers between the funds were primarily to support debt service requirements, utilize capital funds for capital projects, and operations of funds.

**City of Crandall, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

The compositions of interfund balances as of the year ended September 30, 2025 were as follows:

| <u>Due to:</u> | <u>Due from:</u>    |                     |
|----------------|---------------------|---------------------|
|                | <u>Utilities</u>    | <u>Total</u>        |
| General        | \$ 3,757,734        | \$ 3,757,734        |
| <b>Total</b>   | <b>\$ 3,757,734</b> | <b>\$ 3,757,734</b> |

The following table summarizes the interfund balances between the primary government and the component unit.

| <u>Due to:</u> | <u>Due From:</u>    |                  |
|----------------|---------------------|------------------|
|                | <u>General Fund</u> | <u>Total</u>     |
| EDC            | \$ 24,343           | \$ 24,343        |
| <b>Total</b>   | <b>\$ 24,343</b>    | <b>\$ 24,343</b> |

## **I. Restricted Net Position**

The City records restricted net position on amounts with externally imposed restrictions (e.g., through debt covenants or by grantors) or restrictions imposed by law through constitutional provisions or enabling legislation.

The following is a list of restricted net position of the City:

|                 | <u>Governmental</u> | <u>Enterprise</u> | <u>Total</u>        |
|-----------------|---------------------|-------------------|---------------------|
| Public safety   | \$ 288,988 *        | -                 | \$ 288,988          |
| Debt service    | 983,191             | -                 | 983,191             |
| Municipal court | 23,678 *            | -                 | 23,678              |
| TIRZ Activities | 137,613             | -                 | 137,613             |
| Pension         | 83,375              | 14,970            | 98,345              |
|                 | <u>\$ 1,516,845</u> | <u>\$ 14,970</u>  | <u>\$ 1,531,815</u> |

\* Represents restriction by enabling legislation.

**City of Crandall, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

**V. OTHER INFORMATION**

**A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

**B. Contingent Liabilities**

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City of Crandall, Texas is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

**City of Crandall, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

**C. Contracts/Commitments**

North Texas Municipal Water District (the "District")

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

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

|                    |             |
|--------------------|-------------|
| Gallons purchased: | 280,020,000 |
| Gallons billed:    | 236,641,933 |

The City contracts with the District 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.

City of Mesquite, Texas Project Financing Agreement

The City has entered into a Project Financing Agreement with City of Mesquite, Texas in which the City of Mesquite will extend their water line and provide water to the City of Crandall. Construction in progress and anticipated to be completed in the fiscal year ending September 30, 2026. Upon completion of the line extension, the City of Crandall will reimburse City of Mesquite for part of the construction cost and will buy water from City of Mesquite at a discounted rate. A total cost estimate will be provided by City of Mesquite once it is determined.

**City of Crandall, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

**D. Arbitrage**

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the City could result. The City does anticipate that it will have an arbitrage liability and performs annual calculations to estimate this potential liability. The City also engages an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations.

**E. Defined Benefit Pension Plans**

**1. Plan Description**

The City of Crandall, Texas participates as one of 938 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

**2. Benefits Provided**

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of

# City of Crandall, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2025

seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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

|                                                                      | <u>Plan Year 2023</u>    | <u>Plan Year 2024</u>    |
|----------------------------------------------------------------------|--------------------------|--------------------------|
| Employee deposit rate                                                | 7.0%                     | 7.0%                     |
| Matching ratio (city to employee)                                    | 2 to 1                   | 2 to 1                   |
| Years required for vesting                                           | 5                        | 5                        |
| Service retirement eligibility (expressed as age / years of service) | 60/5, 0/20               | 60/5, 0/20               |
| Updated service credit                                               | 100% Repeating Transfers | 100% Repeating Transfers |
| Annuity increase (to retirees)                                       | 70% of CPI, Repeating    | 70% of CPI, Repeating    |

#### **Employees covered by benefit terms**

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

|                                                                  |     |
|------------------------------------------------------------------|-----|
| Inactive employees or beneficiaries currently receiving benefits | 17  |
| Inactive employees entitled to but not yet receiving benefits    | 54  |
| Active employees                                                 | 43  |
| Total                                                            | 114 |

### **3. Contributions**

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

Employees for the City of Crandall were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Crandall were 10.97% and 11.00% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were \$338,688, and were equal to the required contributions.

**City of Crandall, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

**4. Net Pension Liability (Asset)**

The City's Net Pension Liability (Asset) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability (Asset) was determined by an actuarial valuation as of that date. The City uses the general fund and the water and sewer fund to liquidate governmental activities and the business-type pension liabilities, respectively.

**Actuarial assumptions:**

The Total Pension Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

|                           |                                                                    |
|---------------------------|--------------------------------------------------------------------|
| Inflation                 | 2.5% per year                                                      |
| Overall payroll growth    | 3.60% to 11.85%, including inflation                               |
| Investment Rate of Return | 6.75%, net of pension plan investment expense, including inflation |

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the 3.5% and 3% floor.

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

# City of Crandall, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2025

as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

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

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2025 are summarized in the following table:

| Asset Class                  | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|------------------------------|-------------------|-----------------------------------------------------|
| Global Public Equity         | 35.0%             | 6.7%                                                |
| Core Fixed Income            | 6.0%              | 4.7%                                                |
| Non-Core Fixed Income        | 20.0%             | 8.0%                                                |
| Other Public/Private Markets | 12.0%             | 8.0%                                                |
| Real Estate                  | 12.0%             | 7.6%                                                |
| Hedge Funds                  | 5.0%              | 6.4%                                                |
| Private Equity               | 10.0%             | 11.6%                                               |
| Total                        | 100.0%            |                                                     |

#### **Discount Rate:**

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

**City of Crandall, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

**Changes in the Net Pension Liability (Asset):**

|                                                           | <b>Total Pension<br/>Liability (a)</b> | <b>Plan Fiduciary Net<br/>Position (b)</b> | <b>Net Pension Liability<br/>(Asset) (a) – (b)</b> |
|-----------------------------------------------------------|----------------------------------------|--------------------------------------------|----------------------------------------------------|
| <b>Balance at 12/31/2023</b>                              | \$ 6,128,973                           | \$ 6,091,632                               | \$ 37,341                                          |
| Changes for the year:                                     |                                        |                                            |                                                    |
| Service Cost                                              | 473,692                                | -                                          | 473,692                                            |
| Interest (on the Total Pension Liab.)                     | 423,559                                | -                                          | 423,559                                            |
| Change in benefit terms                                   | -                                      | -                                          | -                                                  |
| Difference between expected and actual experience         | 88,934                                 | -                                          | 88,934                                             |
| Changes of assumptions                                    | -                                      | -                                          | -                                                  |
| Contributions – employer                                  | -                                      | 300,023                                    | (300,023)                                          |
| Contributions – employee                                  | -                                      | 191,446                                    | (191,446)                                          |
| Net investment income                                     | -                                      | 634,556                                    | (634,556)                                          |
| Benefit payments, including refunds of emp. contributions | (181,751)                              | (181,751)                                  | -                                                  |
| Administrative expense                                    | -                                      | (4,059)                                    | 4,059                                              |
| Other changes                                             | -                                      | (95)                                       | 95                                                 |
| Net changes                                               | 804,434                                | 940,120                                    | (135,686)                                          |
| <b>Balance at 12/31/2024</b>                              | <b>\$ 6,933,407</b>                    | <b>\$ 7,031,752</b>                        | <b>\$ (98,345)</b>                                 |

**Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate**

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

| <b>1% Decrease<br/>5.75%</b> | <b>Current Single Rate<br/>Assumption 6.75%</b> | <b>1% Increase<br/>7.75%</b> |
|------------------------------|-------------------------------------------------|------------------------------|
| \$ 1,135,776                 | \$ (98,345)                                     | \$ (1,074,896)               |

**Pension Plan Fiduciary Net Position:**

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at [www.tmrs.com](http://www.tmrs.com).

**5. Pension Expense/Income and Deferred Outflows of Resources Related to Pensions**

For the year ended September 30, 2025, the City recognized pension expense of \$308,552.

# City of Crandall, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2025

At September 30, 2025, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

|                                                                              | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred<br/>(Inflows) of Resources</b> |
|------------------------------------------------------------------------------|-------------------------------------------|--------------------------------------------|
| Difference between projected and actual earnings on pension plan investments | \$ -                                      | \$ (80,498)                                |
| Changes in assumptions                                                       | -                                         | (9,050)                                    |
| Differences between expected and actual economic experience                  | 12,972                                    | -                                          |
| Contributions subsequent to the measurement date                             | 266,908                                   | -                                          |
| <b>Total</b>                                                                 | <b>\$ 279,880</b>                         | <b>\$ (89,548)</b>                         |

The City reported \$266,908 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability (asset) for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

#### Year ended December 31:

|            |                    |
|------------|--------------------|
| 2025       | \$ (9,615)         |
| 2026       | 70,666             |
| 2027       | (92,956)           |
| 2028       | (44,671)           |
| 2029       | -                  |
| Thereafter | -                  |
|            | <b>\$ (76,576)</b> |

### Other Postemployment Benefits

The City also participates in a defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual

# City of Crandall, Texas

## NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2025

earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other postemployment benefit,” or OPEB. The SDBF covers both active and retiree benefits with no segregation of assets and, therefore, doesn’t meet the definition of a trust under GASB No. 75, paragraph 4b, (i.e., no assets are accumulated for OPEB). As such, the SDBF is considered to be a single-employer unfunded OPEB plan (and not a cost sharing plan) with benefit payments treated as being equal to the employer’s yearly contributions for retirees.

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

### Employees covered by benefit terms

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

|                                                                  |    |
|------------------------------------------------------------------|----|
| Inactive employees or beneficiaries currently receiving benefits | 9  |
| Inactive employees entitled to but not yet receiving benefits    | 11 |
| Active employees                                                 | 43 |
| Total                                                            | 63 |

The City’s retiree contribution rates to the TMRS SDBF for the years ended 2025, 2024 and 2023 are as follows:

| Plan/<br>Calendar Year | Annual<br>Required<br>Contribution<br>(Rate) | Actual<br>Contribution<br>Made<br>(Rate) | Percentage of<br>ARC<br>Contributed |
|------------------------|----------------------------------------------|------------------------------------------|-------------------------------------|
| 2025                   | 0.09%                                        | 0.09%                                    | 100.0%                              |
| 2024                   | 0.11%                                        | 0.11%                                    | 100.0%                              |
| 2023                   | 0.12%                                        | 0.12%                                    | 100.0%                              |

The City’s contributions to the TMRS SDBF for the years ended 2025 and 2024, were \$2,904 and \$2,963, respectively, which equaled the required contributions each year.

### Total OPEB Liability

The City’s Post Employment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2024, and the Total OPEB Liability was determined by an actuarial valuation as of that date. The City uses the general fund and the water and

**City of Crandall, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

sewer fund to liquidate governmental activities and the business-type OPEB liabilities, respectively.

**Actuarial assumptions:**

The Total OPEB Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

|                                          |                                                                                                                                           |
|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| Inflation                                | 2.5% per year                                                                                                                             |
| Overall payroll growth                   | 3.6% to 11.85%, including inflation per year                                                                                              |
| Discount rate                            | 4.08%                                                                                                                                     |
| 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 |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements. For disabled annuitants, the mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the 3.5% and 3% floor.

**Discount Rate:**

The discount rate used to measure the Total OPEB Liability was 4.08%. The discount rate was based on the Fidelity Index's "20-Bond GO Index" rate closest to, but not later than December 31, 2024.

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.08%, as well as what the City's total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08%) or 1-percentage-point higher (5.08%) than the current rate:

**City of Crandall, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

| 1% Decrease<br>3.08% | Current Single Rate<br>Assumption 4.08% | 1% Increase<br>5.08% |
|----------------------|-----------------------------------------|----------------------|
| \$ 90,176            | \$ 73,131                               | \$ 60,333            |

**Changes in the Total OPEB Liability:**

|                                                      | <b>Total OPEB<br/>Liability</b> |
|------------------------------------------------------|---------------------------------|
| <b>Balance at 12/31/23</b>                           | \$ 80,216                       |
| Changes for the year:                                |                                 |
| Service Cost                                         | 4,923                           |
| Interest                                             | 3,060                           |
| Difference between expected and<br>actual experience | (7,213)                         |
| Changes of assumptions                               | (4,847)                         |
| Benefit payments                                     | (3,008)                         |
| Net changes                                          | (7,085)                         |
| <b>Balance at 12/31/24</b>                           | <u>\$ 73,131</u>                |

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

For the year ended September 30, 2025, the City recognized OPEB expense of \$4,778.

**City of Crandall, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

|                                                   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred (Inflows)<br/>of Resources</u> |
|---------------------------------------------------|-------------------------------------------|--------------------------------------------|
| Difference between expected and actual experience | \$ -                                      | (3,873)                                    |
| Change in assumptions                             | -                                         | (17,741)                                   |
| Contributions subsequent to measurement date      | 2,184                                     | -                                          |
| <b>Total</b>                                      | <u>\$ 2,184</u>                           | <u>\$ (21,614)</u>                         |

The City reported \$2,184 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Year ended December 31:**

|            |                    |
|------------|--------------------|
| 2025       | \$ (3,777)         |
| 2026       | (7,011)            |
| 2027       | (7,762)            |
| 2028       | (2,200)            |
| 2029       | (864)              |
| Thereafter | -                  |
|            | <u>\$ (21,614)</u> |

**City of Crandall, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2025**

**F. Restatement**

Due to the prior year recognition of SBITA assets and the related SBITA liabilities, the City restated the prior year capital assets and long-term debt balances. This restatement did not impact total beginning net position of the City. The restatements are summarized below:

|                                             | <b>Governmental<br/>Activities</b> |
|---------------------------------------------|------------------------------------|
| Prior year ending net position, as reported | \$ 40,997,973                      |
| Addition of SBITA assets                    | 102,459                            |
| Addition of SBITA liabilities               | (102,459)                          |
| Restated beginning net position             | <u>\$ 40,997,973</u>               |

**G. Subsequent Events**

There were no material subsequent events through May 1, 2026, the date the financial statements were available to be issued.

## ***REQUIRED SUPPLEMENTARY INFORMATION***

# City of Crandall, Texas

## *SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES* *IN FUND BALANCE - BUDGET AND ACTUAL- GENERAL FUND (Page 1 of 2)* **For the Year Ended September 30, 2025**

|                                           | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b>       | <b>Variance with<br/>Final Budget</b> |
|-------------------------------------------|----------------------------|-------------------------|---------------------|---------------------------------------|
| <b><u>Revenues</u></b>                    |                            |                         |                     |                                       |
| Property tax                              | \$ 3,179,229               | \$ 3,179,229            | \$ 3,295,628        | \$ 116,399                            |
| Sales taxes                               | 1,605,800                  | 1,605,800               | 1,905,255           | 299,455                               |
| Franchise taxes                           | 125,000                    | 125,000                 | 243,288             | 118,288                               |
| License and permits                       | 1,732,500                  | 1,732,500               | 2,067,463           | 334,963                               |
| Charges for services                      | 2,155,866                  | 2,155,866               | 2,041,439           | (114,427)                             |
| Grants and donations                      | 9,000                      | 9,000                   | 99,320              | 90,320                                |
| Intergovernmental revenues                | 52,232                     | 52,232                  | 52,232              | -                                     |
| Fines and forfeitures                     | 114,500                    | 114,500                 | 249,253             | 134,753                               |
| Investment income                         | 30,000                     | 30,000                  | 596,351             | 566,351                               |
| Other revenue                             | 31,500                     | 31,500                  | 68,606              | 37,106                                |
| <b>Total Revenues</b>                     | <b>9,035,627</b>           | <b>9,035,627</b>        | <b>10,618,835</b>   | <b>1,583,208</b>                      |
| <b><u>Expenditures</u></b>                |                            |                         |                     |                                       |
| Current:                                  |                            |                         |                     |                                       |
| General government -                      |                            |                         |                     |                                       |
| Administration                            | 2,174,886                  | 2,267,786               | 2,038,122           | 229,664                               |
| Total General Government                  | 2,174,886                  | 2,267,786               | 2,038,122           | 229,664                               |
| Public service -                          |                            |                         |                     |                                       |
| Code enforcement                          | 115,659                    | 116,159                 | 104,397             | 11,762                                |
| Animal control                            | 10,700                     | 12,700                  | 7,943               | 4,757                                 |
| Building inspections                      | 570,650                    | 570,650                 | 486,985             | 83,665                                |
| Municipal court                           | 388,955                    | 400,165                 | 257,423             | 142,742                               |
| Total Public Service                      | 1,085,964                  | 1,099,674               | 856,748             | 242,926                               |
| Public safety -                           |                            |                         |                     |                                       |
| Police                                    | 3,027,742                  | 3,080,142               | 2,790,200           | 289,942                               |
| Fire                                      | 552,072                    | 552,072                 | 556,457             | (4,385)                               |
| Total Public Safety                       | 3,579,814                  | 3,632,214               | 3,346,657           | 285,557                               |
| Public works -                            |                            |                         |                     |                                       |
| Streets and parks                         | 184,500                    | 184,500                 | 94,865              | 89,635                                |
| Public works                              | 125,253                    | 125,253                 | 123,673             | 1,580                                 |
| Total Public Works                        | 309,753                    | 309,753                 | 218,538             | 91,215                                |
| TIRZ                                      | 261,530                    | 261,530                 | 254,408             | 7,122                                 |
| Debt service -                            |                            |                         |                     |                                       |
| Principal                                 | 310,788                    | 310,788                 | 322,194             | (11,406)                              |
| Interest                                  | 177,648                    | 177,648                 | 176,889             | 759                                   |
| Capital outlay                            | 2,751,800                  | 2,923,894               | 1,104,132           | 1,819,762                             |
| <b>Total Expenditures</b>                 | <b>10,652,183</b>          | <b>10,983,287</b>       | <b>8,317,688</b>    | <b>2,665,599</b>                      |
| <b>Revenues Over (Under) Expenditures</b> | <b>\$ (1,616,556)</b>      | <b>\$ (1,947,660)</b>   | <b>\$ 2,301,147</b> | <b>\$ 4,248,807</b>                   |

# City of Crandall, Texas

## *SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES* *IN FUND BALANCE - BUDGET AND ACTUAL- GENERAL FUND (Page 2 of 2)* For the Year Ended September 30, 2025

|                                              | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>       | <u>Variance with<br/>Final Budget</u> |
|----------------------------------------------|----------------------------|-------------------------|---------------------|---------------------------------------|
| <b><u>Other Financing Sources (Uses)</u></b> |                            |                         |                     |                                       |
| Transfers in                                 | \$ -                       | \$ -                    | \$ 112,692          | \$ 112,692                            |
| Transfers (out)                              | -                          | -                       | (159,898)           | (159,898)                             |
| Note issuance                                | -                          | -                       | 53,919              | 53,919                                |
| Sale of assets                               | -                          | -                       | 28,951              | 28,951                                |
| <b>Total Other Financing Sources (Uses)</b>  | <u>-</u>                   | <u>-</u>                | <u>35,664</u>       | <u>35,664</u>                         |
| <b>Net Change in Fund Balance</b>            | <u>\$ (1,616,556)</u>      | <u>\$ (1,947,660)</u>   | <u>2,336,811</u>    | <u>\$ 4,284,471</u>                   |
| Beginning fund balance                       |                            |                         | 7,151,066           |                                       |
| <b>Ending Fund Balance</b>                   |                            |                         | <u>\$ 9,487,877</u> |                                       |

### Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

# City of Crandall, Texas

## SCHEDULE OF CHANGES IN NET PENSION (ASSET) LIABILITY AND RELATED RATIOS

Years ended December 31,

|                                                                                   | 2024                | 2023                | 2022                | 2021                | 2020                | 2019                | 2018                | 2017                | 2016                | 2015                |
|-----------------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total pension liability                                                           |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Service cost                                                                      | \$ 473,692          | \$ 402,933          | \$ 378,837          | \$ 322,101          | \$ 314,983          | \$ 286,128          | \$ 258,359          | \$ 219,482          | \$ 211,786          | \$ 218,957          |
| Interest (on the Total Pension Liability)                                         | 423,559             | 392,585             | 354,337             | 317,080             | 286,198             | 253,996             | 225,011             | 209,231             | 187,028             | 171,756             |
| Differences between expected and actual experience                                | 88,934              | (136,046)           | 80,757              | 128,782             | 14,005              | 10,165              | 26,143              | (112,730)           | 19,373              | (49,648)            |
| Changes of assumptions                                                            | -                   | (21,982)            | -                   | -                   | -                   | 19,391              | -                   | -                   | -                   | 42,189              |
| Benefit payments, including refunds of participant contributions                  | (181,751)           | (246,254)           | (272,429)           | (216,330)           | (106,132)           | (107,933)           | (80,043)            | (123,263)           | (62,928)            | (62,152)            |
| <b>Net change in total pension liability</b>                                      | <b>804,434</b>      | <b>391,236</b>      | <b>541,502</b>      | <b>551,633</b>      | <b>509,054</b>      | <b>461,747</b>      | <b>429,470</b>      | <b>192,720</b>      | <b>355,259</b>      | <b>321,102</b>      |
| <b>Total pension liability - beginning</b>                                        | <b>6,128,973</b>    | <b>5,737,737</b>    | <b>5,196,235</b>    | <b>4,644,602</b>    | <b>4,135,548</b>    | <b>3,673,801</b>    | <b>3,244,331</b>    | <b>3,051,611</b>    | <b>2,696,352</b>    | <b>2,375,250</b>    |
| <b>Total pension liability - ending (a)</b>                                       | <b>\$ 6,933,407</b> | <b>\$ 6,128,973</b> | <b>\$ 5,737,737</b> | <b>\$ 5,196,235</b> | <b>\$ 4,644,602</b> | <b>\$ 4,135,548</b> | <b>\$ 3,673,801</b> | <b>\$ 3,244,331</b> | <b>\$ 3,051,611</b> | <b>\$ 2,696,352</b> |
| <b>Plan fiduciary net position</b>                                                |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Contributions - employer                                                          | \$ 300,023          | \$ 262,313          | \$ 246,970          | \$ 197,995          | \$ 186,897          | \$ 169,440          | \$ 154,152          | \$ 132,024          | \$ 131,020          | \$ 131,693          |
| Contributions - members                                                           | 191,446             | 167,689             | 156,452             | 125,540             | 121,214             | 111,087             | 98,988              | 85,212              | 83,757              | 83,891              |
| Net investment income                                                             | 634,556             | 614,677             | (407,606)           | 631,730             | 327,590             | 553,628             | (105,226)           | 416,479             | 181,381             | 3,729               |
| Benefit payments, including refunds of participant contributions                  | (181,751)           | (246,254)           | (272,429)           | (216,330)           | (106,132)           | (107,933)           | (80,043)            | (123,263)           | (62,928)            | (62,152)            |
| Administrative expenses                                                           | (4,059)             | (3,900)             | (3,520)             | (2,918)             | (2,117)             | (3,133)             | (2,036)             | (2,164)             | (2,047)             | (2,271)             |
| Other                                                                             | (95)                | (27)                | 4,202               | 19                  | (83)                | (93)                | (108)               | (110)               | (110)               | (112)               |
| <b>Net change in plan fiduciary net position</b>                                  | <b>940,120</b>      | <b>794,498</b>      | <b>(275,931)</b>    | <b>736,036</b>      | <b>527,369</b>      | <b>722,996</b>      | <b>65,727</b>       | <b>508,178</b>      | <b>331,073</b>      | <b>154,778</b>      |
| <b>Plan fiduciary net position - beginning</b>                                    | <b>6,091,632</b>    | <b>5,297,134</b>    | <b>5,573,065</b>    | <b>4,837,029</b>    | <b>4,309,660</b>    | <b>3,586,664</b>    | <b>3,520,937</b>    | <b>3,012,759</b>    | <b>2,681,686</b>    | <b>2,526,908</b>    |
| <b>Plan fiduciary net position - ending (b)</b>                                   | <b>\$ 7,031,752</b> | <b>\$ 6,091,632</b> | <b>\$ 5,297,134</b> | <b>\$ 5,573,065</b> | <b>\$ 4,837,029</b> | <b>\$ 4,309,660</b> | <b>\$ 3,586,664</b> | <b>\$ 3,520,937</b> | <b>\$ 3,012,759</b> | <b>\$ 2,681,686</b> |
| <b>Fund's net pension (asset) liability - ending (a) - (b)</b>                    | <b>\$ (98,345)</b>  | <b>\$ 37,341</b>    | <b>\$ 440,603</b>   | <b>\$ (376,830)</b> | <b>\$ (192,427)</b> | <b>\$ (174,112)</b> | <b>\$ 87,137</b>    | <b>\$ (276,606)</b> | <b>\$ 38,852</b>    | <b>\$ 14,666</b>    |
| <b>Plan fiduciary net position as a percentage of the total pension liability</b> | <b>101.42%</b>      | <b>99.39%</b>       | <b>92.32%</b>       | <b>107.25%</b>      | <b>104.14%</b>      | <b>104.21%</b>      | <b>97.63%</b>       | <b>108.53%</b>      | <b>98.73%</b>       | <b>99.46%</b>       |
| <b>Covered payroll</b>                                                            | <b>\$ 2,734,942</b> | <b>\$ 2,395,561</b> | <b>\$ 2,235,026</b> | <b>\$ 1,793,434</b> | <b>\$ 1,731,629</b> | <b>\$ 1,586,954</b> | <b>\$ 1,414,116</b> | <b>\$ 1,217,314</b> | <b>\$ 1,195,529</b> | <b>\$ 1,198,449</b> |
| <b>Fund's net pension liability as a percentage of covered payroll</b>            | <b>-3.60%</b>       | <b>1.56%</b>        | <b>19.71%</b>       | <b>-21.01%</b>      | <b>-11.11%</b>      | <b>-10.97%</b>      | <b>6.16%</b>        | <b>-22.72%</b>      | <b>3.25%</b>        | <b>1.22%</b>        |

**City of Crandall, Texas**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN**  
**Fiscal Years Ended:**

|                                                                      | 9/30/2025    | 9/30/2024    | 9/30/2023    | 9/30/2022    | 9/30/2021    | 9/30/2020    | 9/30/2019    | 9/30/2018    | 9/30/2017    | 9/30/2016    |
|----------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Actuarially determined employer contributions                        | \$ 338,688   | \$ 289,741   | \$ 258,383   | \$ 247,349   | \$ 198,064   | \$ 171,986   | \$ 170,069   | \$ 152,845   | \$ 131,379   | \$ 128,119   |
| Contributions in relation to the actuarially determined contribution | \$ 338,688   | \$ 289,741   | \$ 258,383   | \$ 247,349   | \$ 198,064   | \$ 171,986   | \$ 170,069   | \$ 152,845   | \$ 131,379   | \$ 128,119   |
| Contribution deficiency (excess)                                     | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| Annual covered payroll                                               | \$ 3,080,765 | \$ 2,642,240 | \$ 2,354,911 | \$ 2,238,924 | \$ 1,793,584 | \$ 1,610,354 | \$ 1,568,836 | \$ 1,372,552 | \$ 1,196,529 | \$ 1,198,449 |
| Employer contributions as a percentage of covered payroll            | 10.99%       | 10.97%       | 10.97%       | 11.05%       | 11.04%       | 10.68%       | 10.84%       | 11.14%       | 10.98%       | 10.69%       |

**NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN**

**Valuation Date:**

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

**Methods and Assumptions Used to Determine Contribution Rates:**

|                               |                                                                                                                                                  |
|-------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|
| Actuarial Cost Method         | Entry Age Normal                                                                                                                                 |
| Amortization Method           | Level Percentage of Payroll, Closed                                                                                                              |
| Remaining Amortization Period | N/A                                                                                                                                              |
| Asset Valuation Method        | 10 Year smoothed fair value; 12% soft corridor                                                                                                   |
| Inflation                     | 2.5%                                                                                                                                             |
| Salary Increases              | 3.6% to 11.85% including inflation                                                                                                               |
| Investment Rate of Return     | 6.75%                                                                                                                                            |
| Retirement Age                | Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022. |

Mortality Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).  
Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

**Other Information:**

Notes There were no benefit changes during the year.

# City of Crandall, Texas

## SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM Year ended December 31,

|                                                                             | 2024             | 2023             | 2022             | 2021              | 2020             | 2019             | 2018             | 2017 <sup>1</sup>             |
|-----------------------------------------------------------------------------|------------------|------------------|------------------|-------------------|------------------|------------------|------------------|-------------------------------|
| Total OPEB liability                                                        |                  |                  |                  |                   |                  |                  |                  |                               |
| Service cost                                                                | \$ 4,923         | \$ 3,593         | \$ 7,376         | \$ 6,098          | \$ 4,675         | \$ 3,809         | \$ 3,535         | \$ 2,678                      |
| Interest                                                                    | 3,060            | 3,098            | 2,101            | 1,900             | 2,023            | 1,940            | 1,856            | 1,794                         |
| Differences between expected and actual experience                          | (7,213)          | (4,493)          | 3,648            | 8,558             | 1,002            | 2,762            | (4,761)          | -                             |
| Changes of assumptions                                                      | (4,847)          | 4,761            | (46,347)         | 4,050             | 14,293           | 12,897           | (3,948)          | 4,237                         |
| Benefit payments, including refunds of participant contributions            | (3,008)          | (2,875)          | (2,235)          | (1,973)           | (519)            | (635)            | (566)            | (487)                         |
| <b>Net changes</b>                                                          | <b>(7,085)</b>   | <b>4,084</b>     | <b>(35,457)</b>  | <b>18,633</b>     | <b>21,474</b>    | <b>20,773</b>    | <b>(3,884)</b>   | <b>8,222</b>                  |
| <b>Total OPEB liability - beginning</b>                                     | <b>80,216</b>    | <b>76,132</b>    | <b>111,589</b>   | <b>92,956</b>     | <b>71,482</b>    | <b>50,709</b>    | <b>54,593</b>    | <b>46,371</b>                 |
| <b>Total OPEB liability - ending</b>                                        | <b>\$ 73,131</b> | <b>\$ 80,216</b> | <b>\$ 76,132</b> | <b>\$ 111,589</b> | <b>\$ 92,956</b> | <b>\$ 71,482</b> | <b>\$ 50,709</b> | <b>\$ 54,593 <sup>2</sup></b> |
| <br><b>Covered-employee payroll</b>                                         | <br>\$ 2,734,942 | <br>\$ 2,395,561 | <br>\$ 2,235,026 | <br>\$ 1,793,434  | <br>\$ 1,731,629 | <br>\$ 1,586,954 | <br>\$ 1,414,116 | <br>\$ 1,217,314              |
| <br><b>Total OPEB Liability as a percentage of covered employee payroll</b> | <br>2.67%        | <br>3.35%        | <br>3.41%        | <br>6.22%         | <br>5.37%        | <br>4.50%        | <br>3.59%        | <br>4.48%                     |

**Notes to schedule:**

<sup>1</sup> This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

<sup>2</sup> No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

***OTHER SUPPLEMENTARY INFORMATION  
COMBINING AND INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES***



## ***NONMAJOR GOVERNMENTAL FUNDS***

### ***FIRST RESPONDER***

The fund accounts for fees and related expenses of local first responder services.

### ***TIRZ FUND***

This fund accounts for revenues and public infrastructure improvement expenditures within a designated area.

**City of Crandall, Texas**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2025**

|                                            | <b>First<br/>Responder</b> | <b>TIRZ</b>       | <b>Total</b>      |
|--------------------------------------------|----------------------------|-------------------|-------------------|
| <b><u>Assets</u></b>                       |                            |                   |                   |
| Cash and cash equivalents                  | \$ 170,689                 | \$ 137,620        | \$ 308,309        |
| Other receivables                          | -                          | 16,000            | 16,000            |
| <b>Total Assets</b>                        | <b>170,689</b>             | <b>153,620</b>    | <b>324,309</b>    |
| <b><u>Liabilities</u></b>                  |                            |                   |                   |
| Accounts payable                           | -                          | 16,007            | 16,007            |
| <b>Total Liabilities</b>                   | <b>-</b>                   | <b>16,007</b>     | <b>16,007</b>     |
| <b><u>Fund Balances</u></b>                |                            |                   |                   |
| Restricted for:                            |                            |                   |                   |
| Public safety                              | 170,689                    | -                 | 170,689           |
| TIRZ activities                            | -                          | 137,613           | 137,613           |
| <b>Total Fund Balances</b>                 | <b>170,689</b>             | <b>137,613</b>    | <b>308,302</b>    |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 170,689</b>          | <b>\$ 153,620</b> | <b>\$ 324,309</b> |

**City of Crandall, Texas**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2025**

|                                    | First             |                   |                   |
|------------------------------------|-------------------|-------------------|-------------------|
| <b><u>Revenues</u></b>             | <b>Responder</b>  | <b>TIRZ</b>       | <b>Total</b>      |
| Charges for services               | \$ 131,059        | \$ -              | \$ 131,059        |
| Investment income                  | 5,450             | 1,166             | 6,616             |
| Other revenue                      | -                 | 136,447           | 136,447           |
| <b>Total Revenues</b>              | <b>136,509</b>    | <b>137,613</b>    | <b>274,122</b>    |
|                                    |                   |                   |                   |
| <b><u>Expenditures</u></b>         |                   |                   |                   |
| General government                 | 7,193             | -                 | 7,193             |
| Capital outlay                     | 71,704            | -                 | 71,704            |
| <b>Total Expenditures</b>          | <b>78,897</b>     | <b>-</b>          | <b>78,897</b>     |
|                                    |                   |                   |                   |
| <b>Net Change in Fund Balances</b> | <b>57,612</b>     | <b>137,613</b>    | <b>195,225</b>    |
|                                    |                   |                   |                   |
| Beginning fund balances            | 113,077           | -                 | 113,077           |
| <b>Ending Fund Balances</b>        | <b>\$ 170,689</b> | <b>\$ 137,613</b> | <b>\$ 308,302</b> |

**City of Crandall, Texas**  
**COMBINING STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**September 30, 2025**

|                                              | Sewer                | Water                | Sanitation       | Total<br>Utilities<br>Fund |
|----------------------------------------------|----------------------|----------------------|------------------|----------------------------|
| <b><u>Assets</u></b>                         |                      |                      |                  |                            |
| <b><u>Current Assets</u></b>                 |                      |                      |                  |                            |
| Cash and cash equivalents                    | \$ 2,266,918         | \$ 8,994,403         | \$ 29,398        | \$ 11,290,719              |
| Restricted cash                              | 66,936               | 129,606              | -                | 196,542                    |
| Receivables, net                             | 237,060              | 473,158              | 71,266           | 781,484                    |
| Prepays                                      | -                    | 14,835               | -                | 14,835                     |
| Due from other funds                         | 3,757,734            | -                    | -                | 3,757,734                  |
| <b>Total Current Assets</b>                  | <b>6,328,648</b>     | <b>9,612,002</b>     | <b>100,664</b>   | <b>16,041,314</b>          |
| <b><u>Noncurrent Assets</u></b>              |                      |                      |                  |                            |
| Net pension asset                            | 3,812                | 10,436               | 722              | 14,970                     |
| Capital assets:                              |                      |                      |                  |                            |
| Non-depreciable                              | 10,571,165           | 17,673,447           | -                | 28,244,612                 |
| Net depreciable capital assets               | 1,746,456            | 4,115,652            | -                | 5,862,108                  |
| <b>Total Noncurrent Assets</b>               | <b>12,321,433</b>    | <b>21,799,535</b>    | <b>722</b>       | <b>34,121,690</b>          |
| <b>Total Assets</b>                          | <b>18,650,081</b>    | <b>31,411,537</b>    | <b>101,386</b>   | <b>50,163,004</b>          |
| <b><u>Deferred Outflows of Resources</u></b> |                      |                      |                  |                            |
| Pension outflows                             | 10,848               | 29,700               | 2,055            | 42,603                     |
| OPEB outflows                                | 85                   | 232                  | 16               | 333                        |
| <b>Total Deferred Outflows of Resources</b>  | <b>10,933</b>        | <b>29,932</b>        | <b>2,071</b>     | <b>42,936</b>              |
| <b><u>Liabilities</u></b>                    |                      |                      |                  |                            |
| <b><u>Current Liabilities</u></b>            |                      |                      |                  |                            |
| Accounts payable and accrued liab.           | 71,109               | 225,476              | 48,653           | 345,238                    |
| Accrued interest                             | 84,098               | 2,197                | -                | 86,295                     |
| Customer deposits                            | -                    | 247,307              | -                | 247,307                    |
| Grants received in advance                   | -                    | 126,411              | -                | 126,411                    |
| Compensated absences - current               | 13,530               | 13,530               | 3,006            | 30,066                     |
| Long-term debt obligations - current         | 170,438              | 135,638              | -                | 306,076                    |
| <b>Total Current Liabilities</b>             | <b>339,175</b>       | <b>750,559</b>       | <b>51,659</b>    | <b>1,141,393</b>           |
| <b><u>Noncurrent Liabilities</u></b>         |                      |                      |                  |                            |
| Compensated absences - noncurrent            | 1,503                | 1,503                | 335              | 3,341                      |
| OPEB liability                               | 2,834                | 7,761                | 537              | 11,132                     |
| Long-term debt obligations - noncurrent      | 4,154,526            | 175,386              | -                | 4,329,912                  |
| <b>Total Noncurrent Liabilities</b>          | <b>4,158,863</b>     | <b>184,650</b>       | <b>872</b>       | <b>4,344,385</b>           |
| <b>Total Liabilities</b>                     | <b>4,498,038</b>     | <b>935,209</b>       | <b>52,531</b>    | <b>5,485,778</b>           |
| <b><u>Deferred Inflows of Resources</u></b>  |                      |                      |                  |                            |
| Pension inflows                              | 3,471                | 9,502                | 657              | 13,630                     |
| OPEB inflows                                 | 838                  | 2,294                | 158              | 3,290                      |
| <b>Total Deferred Inflows of Resources</b>   | <b>4,309</b>         | <b>11,796</b>        | <b>815</b>       | <b>16,920</b>              |
| <b><u>Net Position</u></b>                   |                      |                      |                  |                            |
| Net investment in capital assets             | 7,992,656            | 21,352,529           | -                | 29,345,185                 |
| Restricted for pension                       | 3,812                | 10,436               | 722              | 14,970                     |
| Unrestricted                                 | 6,162,199            | 9,131,499            | 49,389           | 15,343,087                 |
| <b>Total Net Position</b>                    | <b>\$ 14,158,667</b> | <b>\$ 30,494,464</b> | <b>\$ 50,111</b> | <b>\$ 44,703,242</b>       |

See Notes to Financial Statements.

**City of Crandall, Texas**  
**COMBINING STATEMENT OF**  
**REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2025**

|                                                                 | <b>Sewer</b>         | <b>Water</b>         | <b>Sanitation</b> | <b>Total<br/>Utilities<br/>Funds</b> |
|-----------------------------------------------------------------|----------------------|----------------------|-------------------|--------------------------------------|
| <b><u>Operating Revenues</u></b>                                |                      |                      |                   |                                      |
| Water sales                                                     | \$ -                 | \$ 4,167,382         | \$ -              | \$ 4,167,382                         |
| Sewer charges                                                   | 2,540,612            | -                    | -                 | 2,540,612                            |
| Sanitation revenue                                              | -                    | -                    | 488,741           | 488,741                              |
| Other income                                                    | -                    | 184,935              | -                 | 184,935                              |
| <b>Total Operating Revenues</b>                                 | <b>2,540,612</b>     | <b>4,352,317</b>     | <b>488,741</b>    | <b>7,381,670</b>                     |
| <b><u>Operating Expenses</u></b>                                |                      |                      |                   |                                      |
| Salaries and benefits                                           | 170,426              | 455,036              | 32,424            | 657,886                              |
| Materials and supplies                                          | 276,794              | 105,061              | -                 | 381,855                              |
| Contractual services                                            | 424,297              | 1,297,126            | 428,832           | 2,150,255                            |
| Utilities                                                       | 47,417               | 30,608               | -                 | 78,025                               |
| Depreciation                                                    | 201,484              | 277,437              | -                 | 478,921                              |
| Other                                                           | -                    | 56,881               | -                 | 56,881                               |
| <b>Total Operating Expenses</b>                                 | <b>1,120,418</b>     | <b>2,222,149</b>     | <b>461,256</b>    | <b>3,803,823</b>                     |
| <b>Operating Income (Loss)</b>                                  | <b>1,420,194</b>     | <b>2,130,168</b>     | <b>27,485</b>     | <b>3,577,847</b>                     |
| <b><u>Nonoperating Revenues (Expenses)</u></b>                  |                      |                      |                   |                                      |
| Interest income                                                 | 50,134               | 120,136              | -                 | 170,270                              |
| Intergovernmental revenue                                       | -                    | 118,340              | -                 | 118,340                              |
| Interest expense                                                | (258,554)            | (2,961)              | -                 | (261,515)                            |
| <b>Total Nonoperating Revenues (Expenses)</b>                   | <b>(208,420)</b>     | <b>235,515</b>       | <b>-</b>          | <b>27,095</b>                        |
| <b>Income (Loss) Before Transfers and Capital Contributions</b> | <b>1,211,774</b>     | <b>2,365,683</b>     | <b>27,485</b>     | <b>3,604,942</b>                     |
| <b><u>Transfers and Capital Contributions</u></b>               |                      |                      |                   |                                      |
| Capital contributions                                           | 1,844,606            | 6,760,185            | -                 | 8,604,791                            |
| Transfers in (out)                                              | 5,803                | (118,495)            | -                 | (112,692)                            |
| <b>Total Transfers and Capital Contributions</b>                | <b>1,850,409</b>     | <b>6,641,690</b>     | <b>-</b>          | <b>8,492,099</b>                     |
| <b>Change in Net Position</b>                                   | <b>3,062,183</b>     | <b>9,007,373</b>     | <b>27,485</b>     | <b>12,097,041</b>                    |
| Beginning net position                                          | 11,096,484           | 21,487,091           | 22,626            | 32,606,201                           |
| <b>Ending Net Position</b>                                      | <b>\$ 14,158,667</b> | <b>\$ 30,494,464</b> | <b>\$ 50,111</b>  | <b>\$ 44,703,242</b>                 |

See Notes to Financial Statements.

**City of Crandall, Texas**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**September 30, 2025**

|                                           | <b>Cartwright<br/>Ranch</b> | <b>River<br/>Ridge</b> | <b>Total</b>         |
|-------------------------------------------|-----------------------------|------------------------|----------------------|
| <b><u>Assets</u></b>                      |                             |                        |                      |
| <b><u>Current Assets</u></b>              |                             |                        |                      |
| Cash and cash equivalents                 | \$ 3,045,003                | \$ 6,010,149           | \$ 9,055,152         |
| Special assessment receivable             | 28,565,000                  | 38,934,000             | 67,499,000           |
| <b>Total Current Assets</b>               | <b>31,610,003</b>           | <b>44,944,149</b>      | <b>76,554,152</b>    |
| <b><u>Liabilities</u></b>                 |                             |                        |                      |
| Long-term debt                            | \$ 28,565,000               | 38,934,000             | \$ 67,499,000        |
| <b>Total Noncurrent Liabilities</b>       | <b>28,565,000</b>           | <b>38,934,000</b>      | <b>67,499,000</b>    |
| <b><u>Net Position</u></b>                |                             |                        |                      |
| Restricted for:                           |                             |                        |                      |
| PID activities                            | 3,045,003                   | 6,010,149              | 9,055,152            |
| <b>Total Net Position</b>                 | <b>3,045,003</b>            | <b>6,010,149</b>       | <b>9,055,152</b>     |
| <b>Total Net Position and Liabilities</b> | <b>\$ 31,610,003</b>        | <b>\$ 44,944,149</b>   | <b>\$ 76,554,152</b> |

# City of Crandall, Texas

## COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS

For the Year Ended September 30, 2025

|                                   | Cartwright<br>Ranch | River<br>Ridge      | Total               |
|-----------------------------------|---------------------|---------------------|---------------------|
| <b><u>Additions</u></b>           |                     |                     |                     |
| Property owner assessments        | \$ 1,543,578        | \$ 1,477,724        | \$ 3,021,302        |
| Special assessments               | -                   | 17,344,483          | 17,344,483          |
| Other income                      | 189,462             | 92,845              | 282,307             |
| Interest income                   | 154,345             | 235,349             | 389,694             |
| <b>Total Additions</b>            | <b>1,887,385</b>    | <b>19,150,401</b>   | <b>21,037,786</b>   |
| <b><u>Deductions</u></b>          |                     |                     |                     |
| Payment to developer              | -                   | 12,321,911          | 12,321,911          |
| Administrative expenses           | 56,106              | 67,718              | 123,824             |
| Bond issuance costs               | -                   | 1,385,962           | 1,385,962           |
| Interest expense                  | 1,346,110           | 1,798,724           | 3,144,834           |
| <b>Total Deductions</b>           | <b>1,402,216</b>    | <b>15,574,315</b>   | <b>16,976,531</b>   |
| <b>Net Change in Net Position</b> | <b>485,169</b>      | <b>3,576,086</b>    | <b>4,061,255</b>    |
| Beginning Net Position            | 2,559,834           | 2,434,063           | 4,993,897           |
| <b>Ending Net Position</b>        | <b>\$ 3,045,003</b> | <b>\$ 6,010,149</b> | <b>\$ 9,055,152</b> |

**City of Crandall, Texas**  
**BALANCE SHEET**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**September 30, 2025**

|                                                              | <b>Crandall<br/>Economic<br/>Development<br/>Corporation</b> |
|--------------------------------------------------------------|--------------------------------------------------------------|
| <b><u>Assets</u></b>                                         |                                                              |
| Cash and cash equivalents                                    | \$ 5,852,188                                                 |
| Receivables, net                                             | 277,430                                                      |
| <b>Total Assets</b>                                          | <b>\$ 6,129,618</b>                                          |
| <b><u>Liabilities</u></b>                                    |                                                              |
| Accounts payable and<br>accrued liabilities                  | \$ 5,181                                                     |
| Due to primary government                                    | 24,343                                                       |
| <b>Total Liabilities</b>                                     | <b>29,524</b>                                                |
| <b><u>Deferred Inflows of Resources</u></b>                  |                                                              |
| Lease related                                                | 174,955                                                      |
| <b>Total Deferred Inflows of Resources</b>                   | <b>174,955</b>                                               |
| <b><u>Fund Balances</u></b>                                  |                                                              |
| Restricted for:                                              |                                                              |
| Economic development                                         | 5,925,139                                                    |
| <b>Total Fund Balance</b>                                    | <b>5,925,139</b>                                             |
| <b>Total Liabilities, Deferred Inflows, and Fund Balance</b> | <b>\$ 6,129,618</b>                                          |

# City of Crandall, Texas

## *RECONCILIATION OF THE DISCRETELY PRESENTED COMPONENT UNIT BALANCE SHEET TO THE STATEMENT OF NET POSITION*

For the Year Ended September 30, 2025

|                     |              |
|---------------------|--------------|
| <b>Fund Balance</b> | \$ 5,925,139 |
|---------------------|--------------|

**Adjustments for the Statement of Net Position:**

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

|                                  |         |
|----------------------------------|---------|
| Capital assets - non-depreciable | 215,388 |
| Capital assets - net depreciable | 206,280 |

Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.

|                                         |             |
|-----------------------------------------|-------------|
| Bond premium                            | (53,317)    |
| Non-current liabilities due in one year | (4,545,000) |

|                                                                |                     |
|----------------------------------------------------------------|---------------------|
| <b>Net Position of the Discretely Presented Component Unit</b> | <b>\$ 1,748,490</b> |
|----------------------------------------------------------------|---------------------|

# City of Crandall, Texas

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE DISCRETELY PRESENTED COMPONENT UNIT

For the Year Ended September 30, 2025

|                                              | <b>Crandall<br/>Economic<br/>Development<br/>Corporation</b> |
|----------------------------------------------|--------------------------------------------------------------|
| <b><u>Revenues</u></b>                       |                                                              |
| Sales tax                                    | \$ 474,795                                                   |
| Rental income                                | 55,663                                                       |
| Investment income                            | 66,720                                                       |
| Other income                                 | 2,673                                                        |
| <b>Total Revenues</b>                        | <b>599,851</b>                                               |
| <b><u>Expenditures</u></b>                   |                                                              |
| Current:                                     |                                                              |
| Economic development                         | 205,708                                                      |
| Debt service:                                |                                                              |
| Principal                                    | 35,000                                                       |
| Interest and fiscal charges                  | 875                                                          |
| Bond issuance costs                          | 244,298                                                      |
| <b>Total Expenditures</b>                    | <b>485,881</b>                                               |
| <b>Revenues Over (Under) Expenditures</b>    | <b>113,970</b>                                               |
| <b><u>Other Financing Sources (Uses)</u></b> |                                                              |
| Bond issuance                                | 4,545,000                                                    |
| Bond premium                                 | 53,317                                                       |
| <b>Total Other Financing Sources (Uses)</b>  | <b>4,598,317</b>                                             |
| <b>Net Change in Fund Balance</b>            | <b>4,712,287</b>                                             |
| Beginning fund balance                       | 1,212,852                                                    |
| <b>Ending Fund Balance</b>                   | <b>\$ 5,925,139</b>                                          |

**City of Crandall, Texas**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF THE DISCRETELY PRESENTED**  
**COMPONENT UNIT TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2025**

Amounts reported for governmental activities in the statement of activities are different because:

|                             |              |
|-----------------------------|--------------|
| Net changes in fund balance | \$ 4,712,287 |
|-----------------------------|--------------|

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

|                      |         |
|----------------------|---------|
| Depreciation expense | (9,449) |
| Capital outlay       | 2,202   |

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

|                                                                          |                   |
|--------------------------------------------------------------------------|-------------------|
| Amortization of bond premium                                             | 1,333             |
| Bond issuance                                                            | (4,545,000)       |
| Bond premium on current year issuance                                    | (53,317)          |
| Principal payments                                                       | 35,000            |
| <b>Change in Net Position of the Discretely Presented Component Unit</b> | <b>\$ 143,056</b> |



**APPENDIX C**

FORM OF BOND COUNSEL'S OPINION

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## **Form of Opinion of Bond Counsel**

*An opinion in substantially the following form will be delivered by  
Kelly Hart & Hallman LLP, Bond Counsel, upon the delivery of the Bonds,  
assuming no material changes in facts or law.*

### **CITY OF CRANDALL, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026 IN THE AGGREGATE PRINCIPAL AMOUNT OF \$17,155,000**

---

AS BOND COUNSEL FOR THE CITY OF CRANDALL, TEXAS (the “Issuer”) in connection with the issuance of the Certificates described above (the “Certificates”), we have examined into the legality and validity of the Certificates, which Certificates bear interest from the date and mature on the dates specified on the face of the Certificates and are subject to redemption prior to maturity on the dates and in the manner specified in the Certificates, all in accordance with the terms and conditions stated in the text of the Certificates and in the ordinance of the Issuer authorizing the issuance and sale of the Certificates (the “Ordinance”). Terms used herein and not otherwise defined shall have the meaning given in the Ordinance.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Certificates, including executed Certificate Number T-1; however, we express no opinion with respect to any statement of insurance printed on the Certificates.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized, issued, and delivered in accordance with the Constitution and laws of the State of Texas; and that the Certificates, except as may be limited by laws applicable to the Issuer relating to governmental immunity, bankruptcy, reorganization and other similar matters affecting creditors’ rights generally or by general principles of equity which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the Issuer; and that the ad valorem taxes upon all taxable property within the Issuer, necessary to pay the interest on and principal of said Certificates have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates are additionally secured by and payable from a limited pledge (not to exceed \$1,000) of the surplus revenues, derived from the operation of the Issuer’s waterworks and sewer system, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the Issuer’s revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the Issuer’s waterworks and sewer system, as provided in the Ordinance.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Certificates is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Certificates are not “specified private activity bonds” and that, accordingly, interest on the Certificates will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”).

IN EXPRESSING THE AFOREMENTIONED OPINIONS, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Issuer to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Certificates. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Certificates, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Certificates, nor as to any such insurance policies issued in the future.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates for purposes of this opinion is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. For purposes of this opinion, we have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Certificates and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the Issuer. Our role as Bond Counsel in connection with the City's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

Respectfully submitted,

Municipal Advisory Services  
Provided By

