



CITY OF
SANGER, TEXAS

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2023

**ANNUAL
FINANCIAL
REPORT**

FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2023



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ANNUAL FINANCIAL REPORT

of the

City of Sanger, Texas

**For the Year Ended
September 30, 2023**

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City of Sanger, Texas

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sanger, Texas (the "City") as of and for the year ended September 30, 2023, 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 units, each major fund, and the aggregate remaining fund information of the City of Sanger, Texas, as of September 30, 2023, 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 Sanger, 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 Matter

As discussed in Note IV.H to the financial statements, the City adopted new accounting guidance Governmental Accounting Standard Board "GASB" Statement No. 96, *Subscription-Based Information Technology Arrangements*. As such, the City restated beginning net position/fund balance for

governmental activities, business-type activities, the water, sewer, and electric fund, and the internal service fund due to the implementation of this new accounting pronouncement. 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 general fund 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 City of Sanger, Texas's basic financial statements. The combining schedule by department for the proprietary fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Brooks Watson & Co.

Brooks Watson & Co.
Certified Public Accountants
Houston, Texas
February 13, 2024

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

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City of Sanger, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2023

As management of the City of Sanger, 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, 2023.

Financial Highlights

- The City's total combined net position is \$61,044,969 at September 30, 2023. Of this, \$28,297,710 (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 \$24,761,254, an increase of \$4,976,712.
- As of the end of the year, the unassigned fund balance of the general fund was \$17,472,103 or 187% of total general fund expenditures.
- The City had an overall increase in net position of \$775,623, which is due to revenues exceeding expenses for governmental activities.

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

City of Sanger, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

September 30, 2023

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).

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 safety, public works, and culture and recreation. The business-type activities of the City include water, sewer and electric operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate Sanger Industrial Development Corporation ("4A") and the Sanger Texas Development Corporation ("4B"), for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City of Sanger. They are usually segregated for specific activities or objectives. The City of Sanger 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 of Sanger maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues,

City of Sanger, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2023

expenditures, and changes in fund balances for the general, debt service, and capital projects funds. The general and capital projects funds are considered to be major funds.

The City of Sanger adopts an annual appropriated budget for all funds. A budgetary comparison schedule has been provided to demonstrate compliance with the general fund budget.

Proprietary Funds

The City maintains two different types of proprietary funds. 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 public utilities. All activities associated with providing such services are accounted for in these funds, including administration, operation, maintenance, debt service, capital improvements, meter maintenance, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for administrative support services to other funds of the City.

Component Units

The City maintains the accounting and financial statements for two component units. The 4A and the 4B are both discretely presented component units displayed on the government-wide financial statements.

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 and schedules for the City's Defined Pension Plan. 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 Sanger, assets and deferred outflows exceeded liabilities and deferred inflows by \$61,044,969 as of September 30, 2023, in the primary government.

City of Sanger, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2023

The largest portion of the City's net position, \$24,901,905, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities), 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, \$7,845,354, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$28,297,710 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

Current and other assets of governmental activities as of September 30, 2023 and September 30, 2022 were \$26,229,537 and \$20,922,562, respectively. The increase of \$5,306,975 was primarily due to greater cash on hand, resulting from operating surpluses during the year.

Current liabilities for governmental activities as of September 30, 2023 and September 30, 2022 were \$2,526,164 and \$1,196,098, respectively. The increase of \$1,330,066 is primarily attributable to greater outstanding payables to vendors and an increase in current debt obligations due to new debt issuances in the current year.

Total long-term liabilities as of September 30, 2023 and September 30, 2022 were \$60,703,570 and \$39,347,362, respectively. The increase of \$21,356,208 was primarily due to new debt issuances in the current year.

City of Sanger, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2023

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2023			2022		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and						
other assets	\$ 26,229,537	\$ 29,175,476	\$ 55,405,013	\$ 20,922,562	\$ 30,161,908	\$ 51,084,470
Long-term assets	30,459,614	41,093,681	71,553,295	17,747,291	35,902,158	53,649,449
Total Assets	56,689,151	70,269,157	126,958,308	38,669,853	66,064,066	104,733,919
Deferred Outflows of Resources	995,991	325,096	1,321,087	433,177	196,269	629,446
Other liabilities	2,526,164	3,766,458	6,292,622	1,196,098	3,682,692	4,878,790
Long-term liabilities	18,596,225	42,107,345	60,703,570	1,849,331	37,498,031	39,347,362
Total Liabilities	21,122,389	45,873,803	66,996,192	3,045,429	41,180,723	44,226,152
Deferred Inflows of Resources	205,582	32,652	238,234	698,075	169,792	867,867
Net Position:						
Net investment						
in capital assets	16,100,358	8,801,547	24,901,905	15,921,622	10,721,549	26,643,171
Restricted	4,479,026	3,366,328	7,845,354	4,349,932	1,626,045	5,975,977
Unrestricted	15,777,787	12,519,923	28,297,710	15,087,972	12,562,226	27,650,198
Total Net Position	\$ 36,357,171	\$ 24,687,798	\$ 61,044,969	\$ 35,359,526	\$ 24,909,820	\$ 60,269,346

City of Sanger, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2023

Statement of Activities:

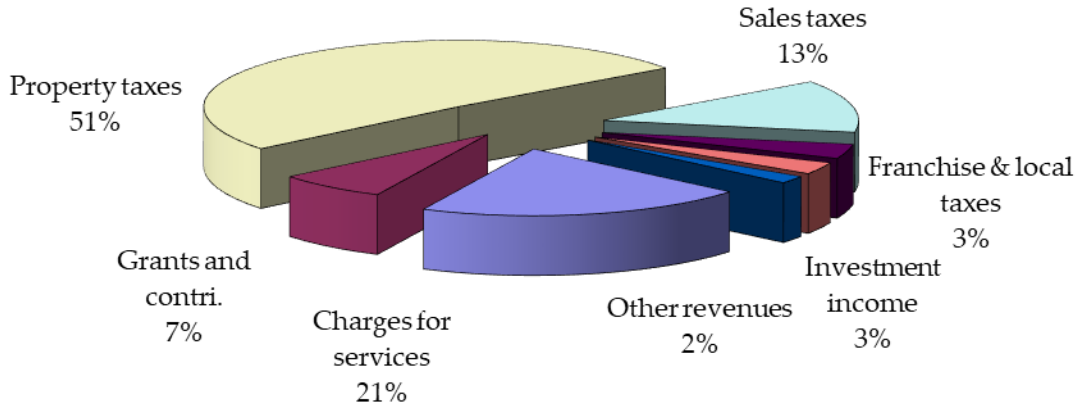
The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2023			For the Year Ended September 30, 2022		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
			Primary Government			Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 2,611,667	\$ 13,784,522	\$ 16,396,189	\$ 2,256,243	\$ 13,597,561	\$ 15,853,804
Grants and contri.	872,225	-	872,225	1,567,144	-	1,567,144
General revenues:						
Property taxes	6,350,864	-	6,350,864	5,768,857	-	5,768,857
Sales taxes	1,585,350	-	1,585,350	1,450,256	-	1,450,256
Franchise & local taxes	439,071	-	439,071	424,614	-	424,614
Investment income	362,586	336,033	698,619	278,570	247,377	525,947
Other revenues	227,129	117,836	344,965	341,653	-	341,653
Total Revenues	12,448,892	14,238,391	26,687,283	12,087,337	13,844,938	25,932,275
Expenses						
General government	3,413,079	-	3,413,079	2,703,118	-	2,703,118
Public safety	5,192,447	-	5,192,447	3,357,133	-	3,357,133
Public works	2,064,310	-	2,064,310	1,590,864	-	1,590,864
Culture and recreation	1,042,923	-	1,042,923	820,872	-	820,872
Interest & fiscal chrgs.	501,935	1,043,948	1,545,883	43,373	1,027,070	1,070,443
Water, sewer, & electric	-	12,653,018	12,653,018	-	10,833,115	10,833,115
Total Expenses	12,214,694	13,696,966	25,911,660	8,515,360	11,860,185	20,375,545
Change in Net Position						
Before Transfers	234,198	541,425	775,623	3,571,977	1,984,753	5,556,730
Transfers	763,447	(763,447)	-	764,763	(764,763)	-
Total	763,447	(763,447)	-	764,763	(764,763)	-
Change in Net Position	997,645	(222,022)	775,623	4,336,740	1,219,990	5,556,730
Beginning Net Position	35,359,526	24,909,820	60,269,346	31,022,786	23,689,830	54,712,616
Ending Net Position	\$ 36,357,171	\$ 24,687,798	\$ 61,044,969	\$ 35,359,526	\$ 24,909,820	\$ 60,269,346

City of Sanger, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2023

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

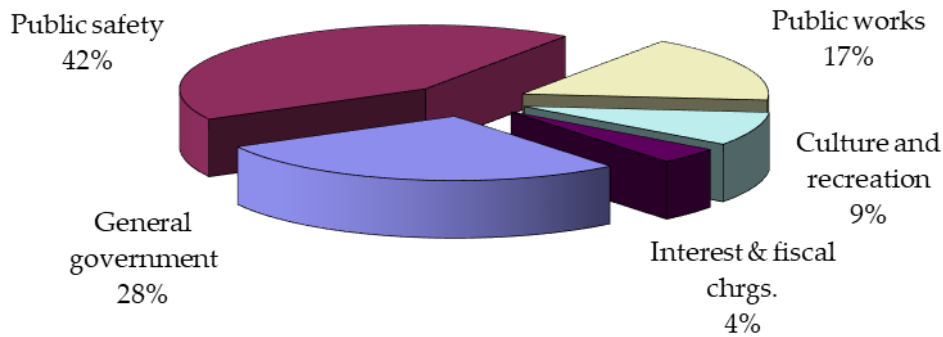
Governmental Activities - Revenues



For the year ended September 30, 2023, revenues from governmental activities totaled \$12,448,892. Property tax, charges for services, and sales taxes are the City's largest revenue sources. Charges for services increased by \$355,424 or 16% primarily due to greater building permits, ambulance services, and sanitation collection revenue in the current year. Grants and contributions decreased by \$694,919 or 44% primarily due to nonrecurring COVID relief funds received in the prior year. Property tax increased by \$582,007 or 10% due to greater appraised property values. Sales taxes increased by \$135,094 or 9% due to economic growth fueled by local purchases. Investment income increased by \$84,016 or 30% primarily due to greater interest-bearing accounts and the realization of higher interest rates. Other revenues decreased by \$114,524 or 34% primarily due to a reduction in roadway impact fees in the current year. All other revenues remained relatively stable when compared to the previous year.

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses



For the year ended September 30, 2023, expenses for governmental activities totaled \$12,214,694. This represents an increase of \$3,699,334 or 43% from the prior year. The City's largest functional expense is

City of Sanger, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

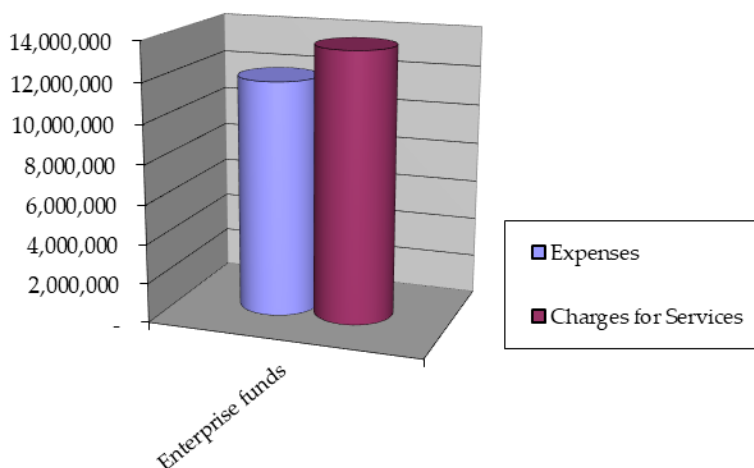
September 30, 2023

public safety of \$5,192,447, which primarily includes costs for the police department, animal control, fire department, and EMS services. Public safety expenses increased by \$1,835,314 or 55% primarily due to greater personnel costs resulting from the hiring of new firefighters and greater police overtime in the current year. General government expenses increased by \$709,961 or 26% primarily due to greater contractual services and personnel costs due to the significant increase in the City's net pension liability over the course of the year. Public works and culture and recreation expenses increased by \$473,446 or 30% and \$222,051 or 27%, respectively, primarily due to greater employee benefit expenses, resulting from the aforementioned increase in the City's net pension liability. Interest and fiscal charges increased by \$458,562 or over 100% primarily due to nonrecurring interest and bond issuance costs due to the issuance of new debt in the current year.

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

For the year ended September 30, 2023, charges for services by business-type activities totaled \$13,784,522. This represents a slight increase of \$186,961 or 1% from the previous year, which is considered minimal.

Business-Type Activities - Revenues and Expenses



Utility service expenses increased by \$1,836,781 or 15% primarily due to greater employee benefit costs, wholesale electricity purchases, nonrecurring utility system maintenance, and asset depreciation over the course of the 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 of Sanger, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2023

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.

As of the end of the year the general fund reflected a total fund balance of \$21,684,437. Of this, \$16,724 is restricted for municipal court, \$186,589 is restricted for tourism, \$106,452 is restricted for library improvements, \$126,178 for public safety, \$19,416 is restricted for parks, \$2,174,861 is restricted for the A.R.P. COVID grant, and \$1,446,341 is restricted for roadway impact fees. In addition, \$135,773 is committed for employee benefits. Unassigned fund balance totaled \$17,472,103 as of yearend. The general fund increased by \$5,708,311 primarily as a result of greater than anticipated revenues and other financing sources and fewer than anticipated expenditures.

The capital projects fund reflected an ending balance of \$2,674,352, a decrease of \$672,663. This decrease is primarily a result of significant capital outlay expenditures recognized during the year.

There was an increase in governmental fund balance of \$4,976,712 over the prior year. The increase was primarily due to revenues and other financing sources exceeding current year expenditures.

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 \$3,890,482 in the general fund. This is a combination of a positive revenue variance of \$274,930, a positive expenditure variance of \$3,345,102, and a positive variance of \$1,651,954 in other financing sources and uses. The most significant revenue variances were for intergovernmental revenue, fire and rescue, and franchise taxes. Actual expenditures did not exceed appropriations at the legal level of control.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$30,387,801 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 \$41,093,681 in a variety of capital assets and infrastructure, net of accumulated depreciation.

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

- Riley property purchase for \$14,177,996.
- Land purchased for new downtown park totaling \$1,712,135.
- Invested in street rehabilitation improvements totaling \$751,161.

City of Sanger, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2023

- Investment in FM 455 utility and I-35 relocation totaling for \$1,713,315 and \$352,177, respectively.
- Investments in AMR metering system totaling \$550,835.
- New paint for wastewater treatment plant for \$596,089.
- Water and sewer line improvements totaling \$265,730.
- Roof replacement at 201 Bolivar for \$46,170.
- City hall renovations totaling \$28,330.

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

LONG-TERM DEBT

At the end of the current year, the City had total long-term debt (including premiums) outstanding of \$58,973,239. The City issued new Certificates of Obligation and Tax Notes totaling \$15,215,000 and \$5,065,000, respectively. The City made principal payments on outstanding bonds, notes, and leases of \$1,365,119. More detailed information about the City's long-term liabilities is presented in note IV. E 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 Sanger and improving services provided to their public citizens. The City is considering budgeting conservatively for the upcoming year and planning to maintain similar services.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Sanger'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 City Manager at the City of Sanger City Hall at 502 Elm Street, Sanger, Texas 76266.

FINANCIAL STATEMENTS

City of Sanger, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
September 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 24,483,254	\$ 25,862,940	\$ 50,346,194
Restricted cash	118,984	-	118,984
Investments	553,714	732,991	1,286,705
Receivables, net	989,028	1,556,194	2,545,222
Inventory	-	973,092	973,092
Due from component units	134,816	-	134,816
Internal balances	(50,259)	50,259	-
Total Current Assets	26,229,537	29,175,476	55,405,013
Noncurrent assets:			
Lease receivable, noncurrent portion	71,813	-	71,813
Capital assets			
Non-depreciable	13,912,870	14,362,262	28,275,132
Net depreciable capital assets	16,474,931	26,731,419	43,206,350
Total Noncurrent Assets	30,459,614	41,093,681	71,553,295
Total Assets	56,689,151	70,269,157	126,958,308
Deferred Outflows of Resources			
Deferred charge on refunding	9,604	70,433	80,037
Pension outflows	984,771	254,279	1,239,050
OPEB outflows	1,616	384	2,000
Total Deferred Outflows of Resources	995,991	325,096	1,321,087

See Notes to Financial Statements.

Component Units

Sanger Industrial Dev. Corp. (4A)	Sanger Texas Dev. Corp. (4B)
\$ 4,829,379	\$ 2,230,627
-	-
96,826	287,519
152,012	152,012
-	-
-	-
-	-
5,078,217	2,670,158
-	-
-	-
3,744	-
3,744	-
5,081,961	2,670,158
-	-
-	-
-	-
-	-

City of Sanger, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
September 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 1,034,413	\$ 1,679,464	\$ 2,713,877
Accrued interest payable	132,244	463,929	596,173
Customer deposits	-	518,387	518,387
Due to primary government	-	-	-
Compensated absences - current	157,043	75,825	232,868
Long term debt due within one year	1,202,464	1,028,853	2,231,317
Total Current Liabilities	2,526,164	3,766,458	6,292,622
Noncurrent liabilities:			
Debt due in more than one year	15,450,704	41,291,218	56,741,922
Compensated absences - noncurrent	17,449	8,425	25,874
OPEB liability	110,523	28,538	139,061
Net pension liability	3,017,549	779,164	3,796,713
Total Noncurrent Liabilities	18,596,225	42,107,345	60,703,570
Total Liabilities	21,122,389	45,873,803	66,996,192
<u>Deferred Inflows of Resources</u>			
OPEB inflows	34,141	8,816	42,957
Pension inflows	92,311	23,836	116,147
Lease related	79,130	-	79,130
Total Deferred Inflows of Resources	205,582	32,652	238,234
<u>Net Position</u>			
Net investment in capital assets	16,100,358	8,801,547	24,901,905
Restricted for:			
Debt service	402,465	-	402,465
A.R.P. grant	2,174,861	-	2,174,861
Parks	19,416	-	19,416
Economic development	-	-	-
Roadway impact fees	1,446,341	-	1,446,341
Capital improvements	-	3,366,328	3,366,328
Other purposes	435,943	-	435,943
Unrestricted	15,777,787	12,519,923	28,297,710
Total Net Position	\$ 36,357,171	\$ 24,687,798	\$ 61,044,969

See Notes to Financial Statements.

Component Units

Sanger Industrial Dev. Corp. (4A)	Sanger Texas Dev. Corp. (4B)
\$ 4,632	\$ 132,610
-	-
-	-
67,408	67,408
-	-
-	-
72,040	200,018
-	-
-	-
-	-
-	-
72,040	200,018
-	-
-	-
-	-
-	-
3,744	-
-	-
-	-
-	-
5,006,177	2,470,140
-	-
-	-
-	-
-	-
\$ 5,009,921	\$ 2,470,140

City of Sanger, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 3,413,079	\$ 1,714,265	\$ -	\$ -
Public safety	5,192,447	897,402	302,928	-
Public works	2,064,310	-	-	-
Culture and recreation	1,042,923	-	-	356,797
Interest and fiscal charges	501,935	-	212,500	-
Total Governmental Activities	12,214,694	2,611,667	515,428	356,797
Business-Type Activities				
Water	1,920,001	2,651,876	-	-
Sewer	2,479,240	2,865,820	-	-
Electric	8,149,754	8,266,826	-	-
Utility administration	1,147,971	-	-	-
Total Business-Type Activities	13,696,966	13,784,522	-	-
Total Primary Government	\$ 25,911,660	\$ 16,396,189	\$ 515,428	\$ 356,797
Component Units				
Sanger Ind. Dev. Corp. (4A)	167,968	-	-	-
Sanger Texas Dev. Corp. (4B)	722,470	-	8,080	-
	\$ 890,438	\$ -	\$ 8,080	\$ -

General Revenues:

- Taxes
 - Property taxes
 - Sales taxes
 - Franchise and local taxes
- Investment income
- Other revenues
- Gain on sale of assets
- Insurance recoveries

Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Sanger Industrial Dev. Corp. (4A)	Sanger Texas Dev. Corp. (4B)
\$ (1,698,814)	\$ -	\$ (1,698,814)	\$ -	\$ -
(3,992,117)	-	(3,992,117)	-	-
(2,064,310)	-	(2,064,310)	-	-
(686,126)	-	(686,126)	-	-
(289,435)	-	(289,435)	-	-
<u>(8,730,802)</u>	<u>-</u>	<u>(8,730,802)</u>	<u>-</u>	<u>-</u>
-	731,875	731,875	-	-
-	386,580	386,580	-	-
-	117,072	117,072	-	-
-	(1,147,971)	(1,147,971)	-	-
<u>-</u>	<u>87,556</u>	<u>87,556</u>	<u>-</u>	<u>-</u>
<u>(8,730,802)</u>	<u>87,556</u>	<u>(8,643,246)</u>	<u>-</u>	<u>-</u>
			(167,968)	-
			-	(714,390)
			<u>(167,968)</u>	<u>(714,390)</u>
6,350,864	-	6,350,864	-	-
1,585,350	-	1,585,350	784,551	784,551
439,071	-	439,071	-	-
362,586	336,033	698,619	67,770	37,926
221,024	117,836	338,860	15,040	900
-	-	-	938,768	-
6,105	-	6,105	-	-
763,447	(763,447)	-	-	-
<u>9,728,447</u>	<u>(309,578)</u>	<u>9,418,869</u>	<u>1,806,129</u>	<u>823,377</u>
997,645	(222,022)	775,623	1,638,161	108,987
35,359,526	24,909,820	60,269,346	3,371,760	2,361,153
<u>\$ 36,357,171</u>	<u>\$ 24,687,798</u>	<u>\$ 61,044,969</u>	<u>\$ 5,009,921</u>	<u>\$ 2,470,140</u>

City of Sanger, Texas

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2023

	General	Capital Projects Fund	Nonmajor Debt Service
<u>Assets</u>			
Cash and cash equivalents	\$ 21,209,725	\$ 2,586,352	\$ 402,452
Restricted cash	-	118,984	-
Investments	553,714	-	-
Receivables, net	961,498	-	9,264
Lease receivables	90,079	-	-
Due from component units	134,816	-	-
Total Assets	\$ 22,949,832	\$ 2,705,336	\$ 411,716
<u>Liabilities</u>			
Accounts payable and accrued liabilities	\$ 839,442	\$ 30,984	\$ -
Due to other funds	50,259	-	-
Total Liabilities	889,701	30,984	-
<u>Deferred Inflows of Resources</u>			
Unavailable revenue			
Property taxes	129,874	-	9,251
EMS revenue	166,690	-	-
Lease related	79,130	-	-
Total Deferred Inflows of Resources	375,694	-	9,251
<u>Fund Balances</u>			
Restricted for:			
Municipal court	16,724	-	-
Tourism	186,589	-	-
Library	106,452	-	-
Public safety	126,178	-	-
Debt service	-	-	402,465
A.R.P. grant	2,174,861	-	-
Parks	19,416	-	-
Roadway impact fees	1,446,341	-	-
Capital projects		2,674,352	
Committed for:			
Employee benefits	135,773	-	-
Unassigned reported in:			
General fund	17,472,103	-	-
Total Fund Balances	21,684,437	2,674,352	402,465
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 22,949,832	\$ 2,705,336	\$ 411,716

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 24,198,529
118,984
553,714
970,762
90,079
134,816

\$ 26,066,884

\$ 870,426
50,259

920,685

139,125
166,690
79,130

384,945

16,724
186,589
106,452
126,178
402,465
2,174,861
19,416
1,446,341
2,674,352

135,773

17,472,103

24,761,254

\$ 26,066,884

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City of Sanger, Texas

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

September 30, 2023

Fund Balances - Total Governmental Funds	\$ 24,761,254
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	13,912,870
Capital assets - net depreciable	16,215,559
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Property tax receivable	139,125
EMS receivable	166,690
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) (revenue) until then.	
Deferred charge on refunding	9,604
Pension contributions	227,177
OPEB contributions	1,319
Pension outflows	556,112
Pension inflows	(73,424)
OPEB inflows	(27,156)
Internal service funds are used by management to charge the cost of internal services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	
Net position - governmental activities	(190,857)
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Accrued interest	(132,244)
Compensated absences	(133,000)
Bond premium	(46,275)
Net pension liability	(2,400,165)
OPEB liability	(87,911)
Non-current liabilities due in one year	(1,137,078)
Non-current liabilities due in more than one year	(15,404,429)
Net Position of Governmental Activities	\$ 36,357,171

See Notes to Financial Statements.

City of Sanger, Texas

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

For the Year Ended September 30, 2023

	General	Capital Projects Fund	Nonmajor Debt Service
Revenues			
Property tax	\$ 6,157,009	\$ -	\$ 155,090
Sales tax	1,585,350	-	-
Franchise and local taxes	439,071	-	-
License and permits	446,781	-	-
Charges for services	1,267,484	-	-
Fire and rescue	766,972	-	-
Contributions and donations	18,306	-	-
Intergovernmental	284,622	-	212,500
Fines and forfeitures	130,430	-	-
Investment income	270,417	43,208	48,961
Other revenue	221,024	-	-
Total Revenues	11,587,466	43,208	416,551
Expenditures			
Current:			
General government	2,724,268	-	1,000
Police department	2,007,736	-	-
Municipal court	217,480	-	-
Fire and EMS	1,985,355	-	-
Parks and recreation	688,190	-	-
Public works	1,235,802	-	-
Debt service:			
Principal	60,768	-	288,000
Interest	3,278	-	139,465
Bond issuance costs	33,460	217,027	-
Capital outlay	402,292	13,142,036	-
Total Expenditures	9,358,629	13,359,063	428,465
Excess of Revenues Over (Under) Expenditures	2,228,837	(13,315,855)	(11,914)
Other Financing Sources (Uses)			
Transfers in	826,930	-	4,513
Transfers (out)	-	(4,513)	(51,535)
Lease issuance	39,144	-	-
Debt issuance	2,607,295	12,647,705	-
Insurance recoveries	6,105	-	-
Total Other Financing Sources (Uses)	3,479,474	12,643,192	(47,022)
Net Change in Fund Balances	5,708,311	(672,663)	(58,936)
Beginning fund balances	15,976,126	3,347,015	461,401
Ending Fund Balances	\$ 21,684,437	\$ 2,674,352	\$ 402,465

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$	6,312,099
	1,585,350
	439,071
	446,781
	1,267,484
	766,972
	18,306
	497,122
	130,430
	362,586
	221,024
	<u>12,047,225</u>

2,725,268
2,007,736
217,480
1,985,355
688,190
1,235,802

348,768
142,743
250,487
13,544,328
<u>23,146,157</u>
(11,098,932)

831,443
(56,048)
39,144
15,255,000
6,105
<u>16,075,644</u>
4,976,712
19,784,542
<u>\$ 24,761,254</u>

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City of Sanger, 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, 2023

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

Net changes in fund balances - total governmental funds	\$ 4,976,712
---------------------------------------------------------	--------------

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	13,684,439
Depreciation expense	(1,391,769)
Capital asset contributions from 4B component unit	356,797

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

EMS receivable	(22,816)
Property tax receivable	61,581

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	(20,346)
Accrued interest	(122,483)
Pension expense	(1,324,052)
OPEB expense	(19,201)

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.

Principal payments	348,768
Lease issuance	(39,144)
Debt issuance	(15,255,000)
Amortization of deferred charges	(908)
Amortization of bond premium	14,686

Internal service funds are used by management to charge the cost of internal services to individual funds. The City reports the net gain (loss) of internal service funds within governmental activities.

Change in Net Position of Governmental Activities	\$ 997,645
----------------------------------------------------------	-------------------

See Notes to Financial Statements.

City of Sanger, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
PROPRIETARY FUND
September 30, 2023

	Water, Sewer & Electric	Governmental Activities Internal Service
<u>Assets</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 25,862,940	\$ 284,725
Investments	732,991	-
Receivables, net	1,556,194	-
Inventory	973,092	-
Due from other funds	50,259	-
Total Current Assets	29,175,476	284,725
 <u>Noncurrent Assets</u>		
Capital assets:		
Non-depreciable	14,362,262	-
Net depreciable capital assets	26,731,419	259,372
Total Noncurrent Assets	41,093,681	259,372
Total Assets	70,269,157	544,097
 <u>Deferred Outflows of Resources</u>		
Deferred charge on refunding	70,433	-
Pension outflows	254,279	201,482
OPEB outflows	384	297
Total Deferred Outflows of Resources	325,096	201,779

City of Sanger, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
PROPRIETARY FUND
September 30, 2023

	Water, Sewer & Electric	Governmental Activities Internal Service
<u>Liabilities</u>		
<u>Current Liabilities</u>		
Accounts payable and accrued liabilities	\$ 1,679,464	\$ 163,987
Accrued interest	463,929	-
Customer deposits	518,387	-
Subscription liabilities - current	2,453	65,386
Compensated absences - current	75,825	37,343
Bonds and leases liabilities - current	1,026,400	-
Total Current Liabilities	3,766,458	266,716
<u>Noncurrent Liabilities</u>		
Compensated absences - noncurrent	8,425	4,149
Net pension liability	779,164	617,384
OPEB liability	28,538	22,612
Bonds and lease liabilities - noncurrent	41,291,218	-
Total Liabilities	45,873,803	910,861
<u>Deferred Inflows of Resources</u>		
OPEB inflows	8,816	6,985
Pension inflows	23,836	18,887
Total Deferred Inflows of Resources	32,652	25,872
<u>Net Position</u>		
Net investment in capital assets	8,801,547	193,986
Restricted for capital improvements	3,366,328	-
Unrestricted	12,519,923	(384,843)
Total Net Position	\$ 24,687,798	\$ (190,857)

See Notes to Financial Statements.

City of Sanger, Texas

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

For the Year Ended September 30, 2023

	Water, Sewer & Electric	Governmental Activities Internal Service
<u>Operating Revenues</u>		
Charges for services	\$ 13,167,352	\$ 3,157,602
Connection fees	54,920	-
Tap fees	562,250	-
Other revenue	117,836	30,000
Total Operating Revenues	13,902,358	3,187,602
<u>Operating Expenses</u>		
Salaries and wages	3,043,599	2,113,578
Contracted services	617,356	849,944
Utilities	379,174	146,517
Materials and supplies	193,010	142,855
Water and electric purchases	5,580,158	-
Repairs and maintenance	1,040,688	157,558
Depreciation	1,701,437	64,957
Total Operating Expenses	12,555,422	3,475,409
Operating Income (Loss)	1,346,936	(287,807)
<u>Nonoperating Revenues (Expenses)</u>		
Investment income	336,033	-
Bond issuance costs	(97,596)	-
Interest expense	(1,043,948)	(122)
Total Nonoperating Revenues (Expenses)	(805,511)	(122)
Income (Loss) Before Transfers	541,425	(287,929)
Transfers in	11,948	38,310
Transfers (out)	(775,395)	-
Change in Net Position	(222,022)	(249,619)
Beginning net position	24,909,820	58,762
Ending Net Position	\$ 24,687,798	\$ (190,857)

See Notes to Financial Statements.

City of Sanger, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUND (Page 1 of 2)
For the Year Ended September 30, 2023

	Water, Sewer & Electric	Governmental Activities Internal Service
<u>Cash Flows from Operating Activities</u>		
Receipts from customers	\$ 13,871,770	\$ -
Receipts from interfund charges for administrative services	-	3,187,602
Payments to suppliers	(7,668,315)	(1,275,535)
Payments to employees	(2,637,401)	(1,814,381)
Receipts from (payments to) other funds	20,289	-
Net Cash Provided (Used) by Operating Activities	3,586,343	97,686
<u>Cash Flows from Noncapital Financing Activities</u>		
Operating transfers in	11,948	38,310
Operating transfers (out)	(775,395)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(763,447)	38,310
<u>Cash Flows from Capital and Related Financing Activities</u>		
Capital purchases	(7,209,952)	(112,583)
Proceeds from bond issuance	5,097,596	-
Principal paid on lease liabilities	(2,330)	(37,021)
Principal paid on debt	(977,000)	-
Interest paid on debt (including bond issuance costs)	(1,252,935)	(122)
Net Cash Provided (Used) by Capital and Related Financing Activities	(4,344,621)	(149,726)
<u>Cash Flows from Investing Activities</u>		
Purchases of investments, net	(5,526)	-
Interest on investments	336,033	-
Net Cash Provided by Investing Activities	330,507	-
Net Increase (Decrease) in Cash and Cash Equivalents	(1,191,218)	(13,730)
Beginning cash and cash equivalents	27,054,158	298,455
Ending Cash and Cash Equivalents	\$ 25,862,940	\$ 284,725

See Notes to Financial Statements.

City of Sanger, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUND (Page 2 of 2)
For the Year Ended September 30, 2023

	Water, Sewer & Electric	Governmental Activities Internal Service
<u>Reconciliation of Operating Income</u>		
<u>to Net Cash Provided by Operating Activities</u>		
Operating Income / (Loss)	\$ 1,346,936	\$ (287,807)
Adjustments to reconcile operating income / (loss) to net cash provided / (used):		
Depreciation	1,701,437	64,957
Loss on disposal of capital assets	316,992	-
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Accounts receivable	(57,474)	-
Inventory	(162,075)	-
Due from/to other funds	20,289	-
Other deferred outflows of resources - pensions	(143,227)	(95,478)
Deferred inflows of resources - pensions	(144,447)	(141,747)
Other deferred outflows of resources - OPEB	7,745	7,462
Deferred inflows of resources - OPEB	7,307	5,545
Increase (Decrease) in:		
Accounts payable and accrued liabilities	(12,846)	21,339
Compensated absences	(1,597)	4,918
Customer deposits	26,886	-
Net pension liability	695,036	537,080
OPEB liability	(14,619)	(18,583)
Net Cash Provided (Used) by Operating Activities	\$ 3,586,343	\$ 97,686
 <u>Schedule of Non-Cash Capital and Related Financing Activities</u>		
Right-to-use assets	\$ -	\$ 33,505

See Notes to Financial Statements.

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

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. *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 Sanger, Texas (the “City”) was incorporated in 1886 and operates under a Council-Manager form of government. The City provides: general government, public safety, public works, culture and recreation, water, sewer, and electricity operations.

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. The Sanger Industrial Development Corporation (“4A fund”) and the Sanger Texas Development Corporation (“4B fund”), although legally separate, are considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments.

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, *Continued*
September 30, 2023

Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Discretely Presented Component Units

Sanger Industrial Development Corporation (4A)

The Sanger Texas Industrial Development Corporation ("4A") is governed by a board of five directors, all of whom are appointed by the City Council of the City of Sanger and any of whom can be removed from office by the City Council at its will. The 4A fund was incorporated in the state of Texas as a non-profit industrial development corporation under Section 4A of the Development Corporation Act of 1979. The purpose of the 4A fund is to promote economic development within the City of Sanger. Discrete presentation is appropriate because the District's Board is not substantially the same as the City.

Sanger Texas Development Corporation (4B)

The Sanger Texas Development Corporation ("4B") is governed by a board of seven directors, all of whom are appointed by the City Council at its will. The 4B fund was incorporated in the state of Texas as a nonprofit industrial development corporation under Section 4B of the Development Corporation Act of 1979. The purpose of the 4B fund is to promote economic and community development within the City of Sanger. Discrete presentation is appropriate because the District's Board is not substantially the same as the City.

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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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interfund services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the government's funds. 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 major governmental funds:

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed.

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, fines and forfeitures, and charges for services. Expenditures include general government, public safety, parks and recreation and public works.

Capital Projects Fund

The capital projects fund is used to account for capital asset activities for governmental fund types.

The government reports the following nonmajor governmental fund:

Debt Service Fund

The debt service fund is used to account for debt service activities for governmental fund types.

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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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, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB) and all financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, 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 fund:

Water, Sewer, & Electric Fund

This fund is used to account for the provision of water, sewer and electric services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water production and distribution system, water collection and treatment systems, and electric services. The fund also accounts for the accumulation of resources for and the payment of long-term debt. All costs are financed through charges to utility customers.

Additionally, the government reports the following fund type:

Internal Service Fund

Revenues and expenses related to services provided to organizations inside the City on a cost reimbursement basis are accounted for in an internal service fund. The City's internal service fund was set up to provide administrative support services to other funds of the City.

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

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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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 expenditures related to compensated absences, and claims

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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 TexPool, 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.

In summary, the City is authorized to invest in the following:

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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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 calculated after February 1 at the rate of 1% per month up to the

City of Sanger, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

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 are valued at the lower of cost or market using the average cost method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

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 \$5,000 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 are recorded at estimated fair market 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.

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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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.

Asset Description	Estimated Useful Life
Vehicles	5-10 years
Furniture and equipment	5 to 10 years
Infrastructure	10-30 years
Water and sewer system	10-30 years
Buildings and improvements	5-40 years

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 position 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 position 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 two sources: property taxes and EMS revenues. 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

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

flow assumption must be made about the order in which the resources are considered to be applied.

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 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.

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

11. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

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 and accrued compensated absences.

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

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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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.

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 (SDB) plan, with retiree coverage. The TMRS 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

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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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.

16. Leases

Lessee: The City is a lessee for a noncancellable lease of equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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Lessor: The City is a lessor for a noncancellable lease of a cell tower. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

17. Subscription based information technology arrangements (“SBITA”)

The City has adopted the provision of Governmental Accounting Standard Board (GASB) Statement No. 96, entitled Subscription-Based Information Technology Arrangements (“SBITA”). When implementing GASB 96, 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.

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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 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 all governmental and enterprise funds.

The appropriated budget is prepared by fund, function, and department. The legal level of control is the fund level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year. Budget amendments were only re-classes at the function level and below and there was no increase in budgeted revenues or expenses by function from amendments.

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2023, the primary government had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Average Maturity (Years)</u>
Certificates of deposit	\$ 1,286,705	0.48
Total fair value	<u>\$ 1,286,705</u>	
Portfolio weighted average maturity		0.48

As of September 30, 2023, the 4A Component Unit had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Average Maturity (Years)</u>
Certificates of deposit	\$ 96,826	0.51
Total fair value	<u>\$ 96,826</u>	
Portfolio weighted average maturity		0.51

As of September 30, 2023, the 4B Component Unit had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Average Maturity (Years)</u>
Certificates of deposit	\$ 287,519	0.65
Total fair value	<u>\$ 287,519</u>	
Portfolio weighted average maturity		0.65

Interest rate risk – In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed five years; 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 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

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, 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 market value of not less than the principal amount of the deposits. As of September 30, 2023, the market values of pledged securities and FDIC exceeded bank balances.

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.

B. Receivables

1. The following comprise trade receivable balances of the primary government at year end:

	<u>General</u>	<u>Debt Service</u>	<u>Water, Sewer & Electric</u>	<u>Total</u>
Property taxes	\$ 157,741	\$ 13,543	\$ -	\$ 171,284
Sales tax	304,025	-	-	304,025
Franchise & local taxes	64,718	-	-	64,718
Hotel occupancy	34,600	-	-	34,600
EMS	556,651	-	-	556,651
Accounts	206,156	-	1,604,619	1,810,775
Lease	90,079	-	-	90,079
Allowance	(362,393)	(4,279)	(48,425)	(415,097)
	<u>\$ 1,051,577</u>	<u>\$ 9,264</u>	<u>\$ 1,556,194</u>	<u>\$ 2,617,035</u>

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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2. The following comprise trade receivable balances of the component units at year end:

	4A	4B	Total
Sales tax	\$ 152,012	\$ 152,012	\$ 304,024
	\$ 152,012	\$ 152,012	\$ 304,024

3. The City is the lessor of a contract in which the City receives lease payments from AT&T for the use of an existing cell tower. The lease commenced on May 1, 2018, with a term of 120 months. Monthly lease payments of \$1,632 will be paid through April 1, 2023. The lease payments increase to \$1,795 per month for the duration of the lease term, ending in April 2028. As of September 30, 2023, the lease receivable and offsetting deferred inflows amounted to \$90,079 and \$79,130, respectively.

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

Year ending September 30,	Governmental Activities	
	Principal	Interest (4%)
2024	\$ 18,266	\$ 3,279
2025	19,019	2,525
2026	19,794	1,750
2027	20,601	944
2028	12,399	169
	\$ 90,079	\$ 8,667

C. Inventory

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

Inventory type	Cost
Electric Department	\$ 880,760
Water Department	92,332
Total	\$ 973,092

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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D. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Disposals / Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 1,044,933	\$ 12,364,989	\$ -	\$ 13,409,922
Construction in progress	21,000	481,948	-	502,948
Total capital assets not being depreciated	<u>1,065,933</u>	<u>12,846,937</u>	<u>-</u>	<u>13,912,870</u>
Capital assets, being depreciated:				
Infrastructure	20,573,730	838,470	-	21,412,200
Buildings and improvements	6,878,785	125,958	-	7,004,743
Subscription assets	120,990	-	-	120,990
Right to use assets	16,988	72,649	(16,988)	72,649
Machinery and equipment	5,344,907	303,310	-	5,648,217
Total capital assets being depreciated	<u>32,935,400</u>	<u>1,340,387</u>	<u>(16,988)</u>	<u>34,258,799</u>
Less accumulated depreciation/amortization				
Infrastructure	8,914,661	733,811	-	9,648,472
Buildings and improvements	3,440,482	293,603	-	3,734,085
Subscription assets	40,330	40,330	-	80,660
Right to use assets	10,729	15,003	(16,988)	8,744
Machinery and equipment	3,937,928	373,979	-	4,311,907
Total accumulated depreciation/amortization	<u>16,344,130</u>	<u>1,456,726</u>	<u>(16,988)</u>	<u>17,783,868</u>
Net capital assets being depreciated	16,591,270	(116,339)	-	16,474,931
Total Capital Assets	<u>\$ 17,657,203</u>	<u>\$ 12,730,598</u>	<u>\$ -</u>	<u>\$ 30,387,801</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 107,744
Police department	127,987
Public works	779,177
Culture and recreation	261,360
Fire and rescue	115,501
Internal service	64,957
Total Governmental Activities Depreciation Expense	<u>\$ 1,456,726</u>

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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

	Beginning Balances	Increases	Disposals / Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 496,867	\$ 3,525,142	\$ -	\$ 4,022,009
Construction in progress	8,274,924	3,233,071	(1,167,742)	10,340,253
Total capital assets not being depreciated	<u>8,771,791</u>	<u>6,758,213</u>	<u>(1,167,742)</u>	<u>14,362,262</u>
Capital assets, being depreciated:				
Infrastructure	45,597,645	438,135	850,750	46,886,530
Buildings and improvements	865,245	-	-	865,245
Machinery and equipment	2,281,268	13,604	-	2,294,872
Subscription assets	7,369	-	-	7,369
Total capital assets being depreciated	<u>48,751,527</u>	<u>451,739</u>	<u>850,750</u>	<u>50,054,016</u>
Less accumulated depreciation/amortization				
Infrastructure	19,043,046	1,584,645	-	20,627,691
Buildings and improvements	670,179	21,426	-	691,605
Machinery and equipment	1,905,479	92,910	-	1,998,389
Subscription assets	2,456	2,456	-	4,912
Total accumulated depreciation/amortization	<u>21,621,160</u>	<u>1,701,437</u>	<u>-</u>	<u>23,322,597</u>
Net capital assets being depreciated	27,130,367	(1,249,698)	850,750	26,731,419
Total Capital Assets	<u>\$ 35,902,158</u>	<u>\$ 5,508,515</u>	<u>\$ (316,992)</u>	<u>\$ 41,093,681</u>

Depreciation was charged to business-type activities as follows:

Water	\$ 412,636
Sewer	1,075,109
Electric	209,658
Administration	4,034
Total Business-type Activities Depreciation/Amortization Expense	<u>\$ 1,701,437</u>

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

A summary of changes in component unit (4A Component Unit) capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 1,080,797	\$ -	\$ (1,080,797)	\$ -
Furniture and fixtures	40,950	-	-	40,950
Total capital assets being depreciated	<u>1,121,747</u>	<u>-</u>	<u>(1,080,797)</u>	<u>40,950</u>
Less accumulated depreciation				
Buildings and improvements	482,638	38,360	(520,869)	129
Furniture and fixtures	33,744	3,333	-	37,077
Total accumulated depreciation	<u>516,382</u>	<u>41,693</u>	<u>(520,869)</u>	<u>37,206</u>
Net capital assets being depreciated	<u>605,365</u>	<u>(41,693)</u>	<u>(559,928)</u>	<u>3,744</u>
Total Capital Assets	<u><u>\$ 605,365</u></u>	<u><u>\$ (41,693)</u></u>	<u><u>\$ (559,928) *</u></u>	<u><u>\$ 3,744</u></u>

The 4A component unit sold warehouse assets with a book value of \$559,928 during the current year.

* The component unit received \$1,498,696 for the sale of a building. Therefore, a gain of \$938,768 was recognized during the fiscal year ended 2023.

The 4A Component Unit recognized depreciation expense of \$41,693 during the year ended September 30, 2023.

A summary of changes in component unit (4B Component Unit) capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 356,797	\$ (356,797)	\$ -
Total capital assets not being depreciated	<u>-</u>	<u>356,797</u>	<u>(356,797)</u>	<u>-</u>
Net capital assets not being depreciated	<u>-</u>	<u>356,797</u>	<u>(356,797)</u>	<u>-</u>
Total Capital Assets	<u><u>\$ -</u></u>	<u><u>\$ 356,797</u></u>	<u><u>\$ (356,797) **</u></u>	<u><u>\$ -</u></u>

** Assets were transferred to governmental activities during the current year.

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

E. 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 debt service fund to liquidate governmental activities debts.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Amortization/ Payments</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities:					
Bonds and certificates:					
General Obligation Bonds	\$ 333,000	\$ -	\$ (6,600)	\$ 326,400	\$ 31,200
Certificates of Obligation	1,149,600	10,190,000	(281,400)	11,058,200	422,400
Tax Notes	-	5,065,000	-	5,065,000	646,000
Less deferred amounts:					
For issuance premiums	60,961	-	(14,686)	46,275	-
	<u>1,543,561</u>	<u>15,255,000</u>	<u>(302,686)</u>	<u>16,495,875</u>	<u>1,099,600</u>
Other liabilities:					
Note payable	97,290	-	(48,287)	49,003	49,003
Lease liabilities	6,614	72,649	(11,255)	68,008	13,579
Subscription liabilities	78,529	-	(38,247)	40,282	40,282
Total Governmental Activities	<u>\$ 1,725,994</u>	<u>\$ 15,327,649</u>	<u>\$ (400,475)</u>	<u>\$ 16,653,168</u>	<u>\$ 1,202,464</u>
Long-term liabilities due in more than one year				<u>\$ 15,450,704</u>	
Business-Type Activities:					
General Obligation Bonds	\$ 2,442,000	\$ -	\$ (48,400)	\$ 2,393,600	\$ 228,800
Certificates of Obligation	33,235,400	5,025,000	(928,600)	37,331,800	797,600
Less deferred amounts:					
For issuance premiums	2,656,978	72,596	(137,356)	2,592,218	-
	<u>38,334,378</u>	<u>5,097,596</u>	<u>(1,114,356)</u>	<u>42,317,618</u>	<u>1,026,400</u>
Other liabilities:					
Subscription liabilities	4,783	-	(2,330)	2,453	2,453
Total Business-Type Activities	<u>\$ 38,339,161</u>	<u>\$ 5,097,596</u>	<u>\$ (1,116,686)</u>	<u>\$ 42,320,071</u>	<u>\$ 1,028,853</u>
Long-term liabilities due in more than one year				<u>\$ 41,291,218</u>	

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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

	Governmental Activities	Business - Type Activities	Total
General Obligation Bonds:			
\$2,830,000 General Obligation Refunding Bond, Series 2021B, due in installments through 2033, interest at 0.25% to 2.13%	\$ 326,400	\$ 2,393,600	\$ 2,720,000
Total General Obligation Bonds	\$ 326,400	\$ 2,393,600	\$ 2,720,000
Certificates of Obligation:			
\$1,750,000 Certificates of Obligation, Series 2007, due in annual installments through 2027, interest at 4.4%	\$ 163,200	\$ 316,800	\$ 480,000
\$5,025,000 Certificates of Obligation, Series 2023B, due in annual installments through 2053, interest at 4% to 5%	-	5,025,000	5,025,000
\$5,870,000 Certificates of Obligation, Series 2015, due in annual installments through 2035, interest at 3.4% to 5.5%	-	4,670,000	4,670,000
\$9,240,000 Certificates of Obligation, Series 2017, due in annual installments through 2035, interest at 3% to 4%	-	9,055,000	9,055,000
\$1,535,000 Certificates of Obligation, Series 2019, due in annual installments through 2026, interest at 3% to 4.75%	705,000	-	705,000
\$18,615,000 Certificates of Obligation, Series 2021A, due in annual installments through 2046, interest at 2% to 4%	-	18,265,000	18,265,000
\$10,190,000 Certificates of Obligation, Series 2023C, due in annual installments through 2053, interest at 4.89% to 5.55%	10,190,000	-	10,190,000
Total Certificates of Obligation	\$ 11,058,200	\$ 37,331,800	\$ 48,390,000
Plus deferred amounts:			
Issuance premiums	\$ 46,275	\$ 2,592,218	\$ 2,638,493
Total Deferred Amounts	\$ 46,275	\$ 2,592,218	\$ 2,638,493
Limited Tax Notes:			
\$5,065,000 Tax Notes, Series 2023, due in installments through August 1, 2030, interest at 3.7%	\$ 5,065,000	\$ -	\$ 5,065,000
Total Tax Notes	\$ 5,065,000	\$ -	\$ 5,065,000

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

	Governmental Activities	Business - Type Activities	Total
Long-term Debt (Continued):			
Note Payable:			
\$435,000 Note payable to financial institution, due in annual installments of \$51,535 through 2024, interest at 3.346%	\$ 49,003	\$ -	\$ 49,003
Total Note Payable	\$ 49,003	\$ -	\$ 49,003
Lease & Subscription Liabilities:			
Lease for use of copier; with a term of 60 months; monthly payments of \$1,331; optional renewal period; 4% interest	\$ 68,008	\$ -	\$ 68,008
Subscription liability for computer software, with a term of 3 years, annual payments of \$45,047; 5.38% interest	40,282	2,453	42,735
Total Long-term Liabilities	\$ 16,653,168	\$ 42,320,071	\$ 58,973,239

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 ending were as follows:

General Obligation Bonds

General Obligation Bonds

Year ending September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 31,200	\$ 5,134	\$ 228,800	\$ 37,652
2025	30,600	4,956	224,400	36,348
2026	31,200	4,690	228,800	34,395
2027	31,800	4,341	233,200	31,833
2028	31,800	3,889	233,200	28,521
Thereafter	169,800	10,539	1,245,200	77,283
	\$ 326,400	\$ 33,549	\$ 2,393,600	\$ 246,032

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

Combination Tax and Revenue Certificates of Obligations

Year ending September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 422,400	\$ 591,108	\$ 797,600	\$ 1,298,119
2025	429,100	576,536	835,900	1,278,451
2026	452,500	548,126	902,500	1,254,461
2027	214,200	528,387	935,800	1,228,481
2028	180,000	518,130	1,010,000	1,195,331
Thereafter	9,360,000	8,075,525	32,850,000	12,087,744
	<u>\$ 11,058,200</u>	<u>\$ 10,837,812</u>	<u>\$ 37,331,800</u>	<u>\$ 18,342,587</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.

Tax Notes

Year ending September 30,	Governmental Activities	
	Principal	Interest
2024	\$ 646,000	\$ 175,454
2025	670,000	151,108
2026	695,000	125,856
2027	722,000	99,641
2028	749,000	72,428
Thereafter	1,583,000	59,108
	<u>\$ 5,065,000</u>	<u>\$ 683,595</u>

Note payable

Year ending September 30,	Governmental Activities	
	Principal	Interest
2024	\$ 49,003	\$ 1,668
	<u>\$ 49,003</u>	<u>\$ 1,668</u>

The City entered into a note payable to finance property. The property is classified as machinery and equipment with a total carrying value as of yearend for governmental activities of \$15,381. This property serves as collateral for the note

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

payable. In the event the City were to default on the agreements the lender has the right to take possession of the property.

Lease & subscription liabilities

Year ending September 30,	Governmental Activities	
	Principal	Interest
2024	\$ 53,861	\$ 4,577
2025	14,121	1,856
2026	14,674	1,303
2027	15,230	747
2028	10,404	156
	\$ 108,290	\$ 8,639

Subscription liabilities

Year ending September 30,	Business-Type Activities	
	Principal	Interest
2024	\$ 2,453	\$ 2,312
	\$ 2,453	\$ 2,312

The City entered into leases to finance two copier machines. The property is classified as right to use assets with a total carrying value as of yearend for governmental activities of \$63,905.

The City owns computer software that qualifies as right to use assets with a total carrying value as of yearend for governmental activities of \$40,240.

The City owns computer software that qualifies as right to use assets with a total carrying value as of yearend for business-type activities of \$2,457.

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

F. 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 to liquidate governmental activities compensated absences.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Compensated Absences	\$ 112,654	\$ 121,735	\$ (101,389)	\$ 133,000	\$ 119,700
Compensated Absences in internal service fund	36,574	37,835	(32,917)	41,492	37,343
Total Governmental Activities	<u>\$ 149,228</u>	<u>\$ 159,570</u>	<u>\$ (134,306)</u>	<u>\$ 174,492</u>	<u>\$ 157,043</u>
Long-term Liabilities Due in More than One Year				<u>\$ 17,449</u>	
Business-Type Activities:					
Compensated Absences	\$ 85,847	\$ 75,665	\$ (77,262)	\$ 84,250	\$ 75,825
Total Business-Type Activities	<u>\$ 85,847</u>	<u>\$ 75,665</u>	<u>\$ (77,262)</u>	<u>\$ 84,250</u>	<u>\$ 75,825</u>
Long-term Liabilities Due in More than One Year				<u>\$ 8,425</u>	

G. Conduit Debt

Before the current year, the City issued notes payable totaling \$230,461,407 for the purpose of assisting with financing needed by not-for-profit organizations to promote their cause. The final maturities on notes payable range from March 2019 through December 2041. The notes are secured by various assets of the borrower. The City has no liability for the notes payable in the event of default by the borrowers. Accordingly, the bonds are not reported as liabilities in the City's financial statements.

H. Deferred Charge on Refunding

Deferred charges resulting from the issuance of 2021B general obligation refunding bonds have been recorded as a deferred outflow of resources and are being amortized to interest expense over the terms of the respective refunded debts. Current year balances for governmental and business-type activities totaled \$9,604 and \$70,433, respectively. Current year amortization expense for governmental and business-type activities totaled \$908 and \$6,655, respectively.

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

I. Interfund Transactions

Amounts transferred between funds relate to amounts collected, various capital expenditures, annual funding, and debt payments.

Transfers Out:	Transfers In:				Total
	General	Debt Service	Water, Sewer, Electric	Internal Service	
Debt service	\$ 51,535	\$ -	\$ -	\$ -	\$ 51,535
Capital projects	-	4,513	-	-	4,513
Water, sewer, and electric	775,395	-	-	-	775,395
Governmental activities	-	-	11,948	38,310	50,258
Total	\$ 826,930	\$ 4,513	\$ 11,948	\$ 38,310	\$ 881,701

The internal service fund provides administrative services to the general and water, sewer, & electric funds.

Below is a summary of the amounts paid from these funds to the internal service fund for the year ended September 30, 2023:

Paid by:	Received by:
General	Internal Service
Enterprise	\$ 1,263,041
	1,894,561
	\$ 3,157,602

The compositions of interfund due to/from balances as of the year ended September 30, 2023 were as follows:

Payable fund:	Receivable fund:
General	Enterprise
-	\$ 50,259
	\$ 50,259

As of September 30, 2023, the 4A and 4B component unit had a payable balance of \$67,408, respectively, totaling \$134,816, due to the primary government.

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

Interfund balances resulted from the timing difference between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All balances are expected to be paid in the subsequent year.

J. Fund Equity

The City records fund balance restrictions on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

The following is a list of fund balances restricted/committed by the City:

	Restricted Gov.	Committed
	Fund Balance	Fund Balance
Municipal court	\$ 16,724 *	\$ -
Tourism	186,589 *	-
Library	106,452 **	-
Public safety	126,178 *	-
Debt service	402,465	-
Capital projects	2,674,352	-
Parks	19,416	-
Streets	1,446,341	-
A.R.P grant - public safety	2,174,861	-
Employee benefits	-	135,773
	\$ 7,153,378	\$ 135,773

* Restricted by enabling legislation

** Restricted by donor

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 over 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.

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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.

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.

C. Construction commitments

The government has active construction projects as of September 30, 2023. The projects include street construction and improvements, sewer plant and the construction of additional water lines and repairs.

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

At year end the government's commitments with contractors are as follows:

Project	Construction Commitment @ 09/30/23	Vendor
Street/Utility Maintenance Program	\$ 26,258.75	New gen Strategies
2022-2023 Street Rehab Program	157,289.21	Reynolds Asphalt
I-35 Aesthetics	1,625.00	Kimley-Horn & Associates
Generators for Buildings	367,287.80	Clifford Power Systems
Various Projects Totals	\$ 552,460.76	
FM 455 Utility Relocation	\$ 20,365.31	Primoris T&D
FM 455 Utility Relocation	53,791.14	Dannenbaum Engineering
FM 455 Utility Relocation	60,679.37	Quality Excavation
FM 455 Utility Relocation	7,000.00	Primoris T&D
FM 455 Utility Relocation	4,460.00	Primoris T&D
FM 455 Utility Relocation	102,283.29	Primoris T&D
FM 455 Utility Relocation	2,046.00	Techline, Inc
FM 455 Utility Relocation	156,228.16	Quality Excavation
Project Total	\$ 406,853.27	
I-35 Utility Relocation	\$ 71,772.67	Kimley-Horn & Associates
I-35 Utility Relocation	41,000.00	Power-D Utility
I-35 Utility Relocation	19,580.00	Power-D Utility
I-35 Utility Relocation	20,000.00	Power-D Utility
Project Total	\$ 152,352.67	
AMR Metering System	\$ 2,185,010.03	Aqua Metric Sales
AMR Metering System	853.33	Tyler Technologies
Project Total	\$ 2,185,863.36	
Generators for Buildings	\$ 264,271.20	Clifford Power Systems
Generators for Buildings	390,900.00	Maguire Iron, Inc
Project Total	\$ 655,171.20	
WWTP Site Study	\$ 26,724.50	KSA Engineers
Various Projects Totals	\$ 26,724.50	
Total	\$ 3,426,965	

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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 will also engage an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations if indicated.

E. Defined Benefit Pension Plans

1. Plan Description

The City of Sanger, Texas participates as one of more than 919 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 (ACFR) that can be obtained at 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.

City of Sanger, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

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

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 2022</u>	<u>Plan Year 2021</u>
Employee deposit rate	6.0%	6.0%
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)	0% of CPI	0% of CPI

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	32
Inactive employees entitled to but not yet receiving benefits	38
Active employees	78
Total	148

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

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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 Sanger were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Sanger were 8.50% and 8.61% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2023, were \$681,853, and \$187,127 greater than the required contributions.

4. Net Pension Liability

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

Actuarial assumptions:

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

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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 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 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.0%	7.7%
Core Fixed Income	6.0%	4.9%
Non-Core Fixed Income	20.0%	8.7%
Other Public/Private Markets	12.0%	8.1%
Real Estate	12.0%	5.8%
Hedge Funds	5.0%	6.9%
Private Equity	10.0%	11.8%
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

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/21	\$ 13,500,308	\$ 13,117,908	\$ 382,400
Changes for the year:			
Service Cost	776,119	-	776,119
Interest (on the Total Pension Liab.)	1,028,630	-	1,028,630
Change in benefit terms	1,680,179	-	1,680,179
Difference between expected and actual experience	(260,060)	-	(260,060)
Changes of assumptions	-	-	-
Contributions – employer	-	449,999	(449,999)
Contributions – employee	-	317,647	(317,647)
Net investment income	-	(958,693)	958,693
Benefit payments, including refunds of emp. contributions	(659,161)	(659,161)	-
Administrative expense	-	(8,286)	8,286
Other changes	-	9,888	(9,888)
Net changes	2,565,707	(848,606)	3,414,313
Balance at 12/31/22	\$ 16,066,015	\$ 12,269,302	\$ 3,796,713

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

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

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 6,178,150	\$ 3,796,713	\$ 1,845,046

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

Pension Plan Fiduciary Net Position:

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

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

For the year ended September 30, 2023, the City recognized pension expense of \$2,525,991.

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between projected and investment earnings	\$ 854,073	\$ -
Changes in actuarial assumptions	25,616	-
Differences between expected and actual economic experience	-	(116,147)
Contributions subsequent to the measurement date	359,361	-
Total	\$ 1,239,050	\$ (116,147)

The City reported \$359,361 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 for the year ending September 30, 2024.

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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:		
2023	\$	66,301
2024		195,291
2025		189,803
2026		321,184
2027		(9,037)
Thereafter		-
	<u>\$</u>	<u>763,542</u>

F. Postemployment Benefits Other Than Pensions

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other postemployment benefit,” or OPEB.

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

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	21
Inactive employees entitled to but not yet receiving benefits	14
Active employees	78
Total	113

The City's retiree contribution rates to the TMRS SDBF for the years ended 2023, 2022 and 2021 are as follows:

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2021	0.05%	0.05%	100.0%
2022	0.05%	0.05%	100.0%
2023	0.05%	0.05%	100.0%

The City's contributions to the TMRS SDBF for the years ended 2023, 2022, and 2021 were \$2,246, \$1,991, and \$1,764, respectively, which equaled the required contributions each year.

Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2022, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

Actuarial assumptions:

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

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.5%, including inflation per year
Discount rate	4.05%
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 RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 4.05%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.

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

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

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

1% Decrease (3.05%)	Current Single Rate Assumption 4.05%	1% Increase (5.05%)
\$ 169,430	\$ 139,061	\$ 115,646

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/21	\$ 196,167
Changes for the year:	
Service Cost	19,059
Interest	3,760
Change in benefit terms	-
Difference between expected and actual experience	2,729
Changes of assumptions	(80,007)
Benefit payments	(2,647)
Net changes	(57,106)
Balance at 12/31/22	\$ 139,061

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$16,941.

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual economic experience	\$ -	\$ (2,698)
Changes in assumptions	-	(40,259)
Contributions subsequent to measurement date	2,000	-
Total	\$ 2,000	\$ (42,957)

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

The City reported \$2,000 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 OPEB liability for the year ending September 30, 2024.

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

Year ended December 31:	
2023	\$ (5,878)
2024	(6,664)
2025	(5,693)
2026	(6,174)
2027	(10,684)
Thereafter	(7,864)
	<u>\$ (42,957)</u>

G. New Accounting Pronouncements

The City has adopted the provision of Governmental Accounting Standard Board (GASB) Statement No. 96, entitled Subscription-Based Information Technology Arrangements (“SBITA”). When implementing GASB 96, 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.

H. Restatements

Due to the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, the City restated beginning net position/fund balance for governmental activities, business-type activities, the water, sewer, and electric fund, and the internal service fund.

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

The restatement of beginning fund balance/net position is as follows:

	Governmental Activities	Internal Service Fund
Prior year ending net position/fund balance, as reported	\$ 35,357,394	\$ 56,962
Adoption of GASB 96 - SBITA	2,132	1,800
Restated beginning net position/fund balance	\$ 35,359,526	\$ 58,762

	Business-Type Activities	Water, Sewer & Electric
Prior year ending net position/fund balance, as reported	\$ 24,909,690	\$ 24,909,690
Adoption of GASB 96 - SBITA	130	130
Restated beginning net position/fund balance	\$ 24,909,820	\$ 24,909,820

I. Subsequent Events

There were no other subsequent events warranting disclosure through February 13, 2024, the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Sanger, 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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property tax	\$ 6,088,455	\$ 6,088,455	\$ 6,157,009	\$ 68,554
Sales tax	1,500,000	1,500,000	1,585,350	85,350
Franchise and local taxes	1,020,895	1,020,895	439,071	(581,824)
License and permits	363,500	363,500	446,781	83,281
Charges for services	1,369,541	1,369,541	1,267,484	(102,057)
Fire and rescue	466,890	466,890	766,972	300,082
Contributions and donations	-	-	18,306	18,306
Intergovernmental	-	-	284,622	284,622
Fines and forfeitures	155,755	155,755	130,430	(25,325)
Investment income	225,000	225,000	270,417	45,417
Other revenue	122,500	122,500	221,024	98,524
Total Revenues	11,312,536	11,312,536	11,587,466	274,930
Expenditures				
Current:				
General government	3,012,484	2,862,884	2,724,268	138,616
Police department	2,261,915	2,044,915	2,007,736	37,179
Municipal court	262,490	262,490	217,480	45,010
Fire and EMS	2,296,782	2,296,782	1,985,355	311,427
Parks and recreation	845,050	845,050	688,190	156,860
Public works	1,491,135	1,491,135	1,235,802	255,333
Debt service:				
Principal	60,768	60,768	60,768	-
Interest	3,278	3,278	3,278	-
Bond issuance costs	-	-	33,460	(33,460)
Capital outlay	1,707,930	2,836,429	402,292	2,434,137
Total Expenditures	11,941,832	12,703,731	9,358,629	3,345,102
Revenues Over (Under)				
Expenditures	\$ (629,296)	\$ (1,391,195)	\$ 2,228,837	\$ 3,620,032

City of Sanger, 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, 2023*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	\$ 929,296	\$ 935,189	\$ 826,930	\$ (108,259)
Transfers (out)	(300,000)	(300,000)	-	300,000
Lease issuance	-	-	39,144	39,144
Debt issuance	-	2,573,835	2,607,295	33,460
Insurance recoveries	-	-	6,105	6,105
Total Other Financing Sources				
(Uses)	629,296	3,209,024	3,479,474	270,450
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 1,817,829</u>	<u>5,708,311</u>	<u>\$ 3,890,482</u>
Beginning fund balance			<u>15,976,126</u>	
Ending Fund Balance			<u><u>\$ 21,684,437</u></u>	

Notes to Required Supplementary Information

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

City of Sanger, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Years ended December 31,

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total pension liability			
Service cost	\$ 776,119	\$ 579,590	\$ 547,534
Interest (on the Total Pension Liability)	1,028,630	845,902	780,457
Changes in benefit terms	1,680,179	-	-
Differences between expected and actual experience	(260,060)	70,056	38,473
Changes of assumptions	-	-	-
Benefit payments, including refunds of participant contributions	(659,161)	(474,649)	(351,235)
Net change in total pension liability	<u>2,565,707</u>	<u>1,020,899</u>	<u>1,015,229</u>
Total pension liability - beginning	<u>13,500,308</u>	<u>12,479,409</u>	<u>11,464,180</u>
Total pension liability - ending (a)	<u>\$ 16,066,015</u>	<u>\$ 13,500,308</u>	<u>\$ 12,479,409</u>
Plan fiduciary net position			
Contributions - employer	\$ 449,999	\$ 401,724	\$ 359,731
Contributions - members	317,647	281,582	264,509
Net investment income (loss)	(958,693)	1,491,263	787,844
Benefit payments, including refunds of participant contributions	(659,161)	(474,649)	(351,235)
Administrative expenses	(8,286)	(6,891)	(5,093)
Other	9,888	47	(199)
Net change in plan fiduciary net position	<u>(848,606)</u>	<u>1,693,076</u>	<u>1,055,557</u>
Plan fiduciary net position - beginning	<u>13,117,908</u>	<u>11,424,832</u>	<u>10,369,275</u>
Plan fiduciary net position - ending (b)	<u>\$ 12,269,302</u>	<u>\$ 13,117,908</u>	<u>\$ 11,424,832</u>
 Fund's net pension liability - ending (a) - (b)	 <u>\$ 3,796,713</u>	 <u>\$ 382,400</u>	 <u>\$ 1,054,577</u>
 Plan fiduciary net position as a percentage of the total pension liability	 76.37%	 97.17%	 91.55%
Covered payroll	\$ 5,294,125	\$ 4,693,038	\$ 4,408,488
Fund's net position as a percentage of covered payroll	71.72%	8.15%	23.92%

Notes to schedule:

1) 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.

	2019	2018	2017	2016	2015	2014	1
\$	498,768	\$ 462,521	\$ 438,324	\$ 408,943	\$ 369,950	\$ 340,004	
	709,455	648,013	590,632	545,333	521,853	476,571	
	-	-	-	-	-	-	
	89,057	93,857	38,794	(78,516)	(89,808)	47,610	
	92,583	-	-	-	47,847	-	
	(373,476)	(251,071)	(208,451)	(230,245)	(260,514)	(204,026)	
	1,016,387	953,320	859,299	645,515	589,328	660,159	
	10,447,793	9,494,473	8,635,174	7,989,659	7,400,331	6,740,172	
\$	11,464,180	\$ 10,447,793	\$ 9,494,473	\$ 8,635,174	\$ 7,989,659	\$ 7,400,331	
\$	321,275	\$ 294,606	\$ 276,169	\$ 240,177	\$ 231,097	\$ 211,283	
	243,698	226,912	217,171	202,113	195,568	187,821	
	1,365,511	(264,466)	1,040,205	461,955	9,831	350,203	
	(373,476)	(251,071)	(208,451)	(230,245)	(260,514)	(204,026)	
	(7,705)	(5,106)	(5,387)	(5,214)	(5,988)	(3,656)	
	(231)	(267)	(273)	(281)	(296)	(301)	
	1,549,072	608	1,319,434	668,505	169,698	541,324	
	8,820,203	8,819,595	7,500,161	6,831,656	6,661,957	6,120,633	
\$	10,369,275	\$ 8,820,203	\$ 8,819,595	\$ 7,500,161	\$ 6,831,655	\$ 6,661,957	
\$	1,094,905	\$ 1,627,590	\$ 674,878	\$ 1,135,013	\$ 1,158,004	\$ 738,374	
	90.45%	84.42%	92.89%	86.86%	85.51%	90.02%	
\$	4,061,633	\$ 3,781,589	\$ 3,619,524	\$ 3,368,554	\$ 3,259,471	\$ 3,130,346	
	26.96%	43.04%	18.65%	33.69%	35.53%	23.59%	

City of Sanger, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Years Ended:

	9/30/2023	9/30/2022	9/30/2021
Actuarially determined employer contributions	\$ 494,726	\$ 434,276	\$ 377,301
Contributions in relation to the actuarially determined contribution	\$ 681,853	\$ 434,276	\$ 377,301
Contribution deficiency (excess)	\$ (187,127)	\$ -	\$ -
Annual covered payroll	\$ 5,766,288	\$ 5,099,265	\$ 4,462,235
Employer contributions as a percentage of covered payroll	11.82%	8.52%	8.46%

1) 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.

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	23 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes
 Granted 70% ad hoc COLA.
 Increased contribution rate from 6% to 7%.
 Increased statutory max to 13.50%.

<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	¹
\$ 341,109	\$ 320,019	\$ 287,348	\$ 266,753	\$ 247,432	\$ 225,111	
<u>\$ 341,109</u>	<u>\$ 320,019</u>	<u>\$ 287,348</u>	<u>\$ 266,753</u>	<u>\$ 247,432</u>	<u>\$ 225,111</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ 4,209,793	\$ 4,060,365	\$ 3,706,912	\$ 3,549,724	\$ 3,475,512	\$ 3,130,346	
8.10%	7.88%	7.75%	7.51%	7.12%	7.19%	

City of Sanger, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM

Years ended December 31,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total OPEB liability				
Service cost	\$ 19,059	\$ 16,895	\$ 12,785	\$ 8,529
Interest (on the Total OPEB Liability)	3,760	3,575	3,799	3,938
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	2,729	81	(468)	(3,932)
Changes of assumptions	(80,007)	6,480	24,053	22,174
Benefit payments, including refunds of participant contributions	(2,647)	(2,347)	(882)	(812)
Net changes	<u>(57,106)</u>	<u>24,684</u>	<u>39,287</u>	<u>29,897</u>
Total OPEB liability - beginning	<u>196,167</u>	<u>171,483</u>	<u>132,196</u>	<u>102,299</u>
Total OPEB liability - ending	<u>\$ 139,061</u>	<u>\$ 196,167</u>	<u>\$ 171,483</u>	<u>\$ 132,196</u>
Covered payroll	\$ 5,294,125	\$ 4,693,038	\$ 4,408,488	\$ 4,061,633
Total OPEB Liability as a percentage of covered payroll	2.63%	4.18%	3.89%	3.25%

Notes to schedule:

¹ 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.

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

<u>2018</u>	<u>2017</u>	¹
\$ 9,076	\$ 7,601	
3,691	3,432	
-	-	
(9,264)	-	
(7,993)	9,310	
(377)	(363)	
<u>(4,867)</u>	<u>19,980</u>	
<u>107,166</u>	<u>87,186</u>	
<u>\$ 102,299</u>	<u>\$ 107,166</u>	²
\$ 3,781,859	\$ 3,619,524	
2.70%	2.96%	

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OTHER SUPPLEMENTARY INFORMATION

City of Sanger, Texas

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND

NET POSITION

PROPRIETARY FUNDS - BY DEPARTMENT

For the Year Ended September 30, 2023

	Water	Sewer	Electric
<u>Operating Revenues</u>			
Charges for services	\$ 2,390,626	\$ 2,564,820	\$ 8,211,906
Connection fees	-	-	54,920
Tap fees	261,250	301,000	-
Other revenue	-	-	-
Total Operating Revenues	2,651,876	2,865,820	8,266,826
 <u>Operating Expenses</u>			
Salaries and wages	893,897	502,144	1,645,165
Contracted services	121,435	65,577	430,344
Utilities	177,411	198,789	2,974
Materials and supplies	52,573	66,032	74,405
Water and electric purchases	136,632	-	5,443,526
Repairs and maintenance	125,417	571,589	343,682
Depreciation	412,636	1,075,109	209,658
Total Operating Expenses	1,920,001	2,479,240	8,149,754
Operating Income (Loss)	731,875	386,580	117,072
 <u>Nonoperating Revenues (Expenses)</u>			
Investment income	-	-	-
Bond issuance costs	-	-	-
Interest expense	-	-	-
Total Nonoperating Revenues (Expenses)	-	-	-
Income (Loss) Before Transfers	731,875	386,580	117,072
Transfers in	-	-	-
Transfers (out)	-	-	(680,395)
Change in Net Position	\$ 731,875	\$ 386,580	\$ (563,323)

<u>Administration</u>	<u>Total</u>
\$ -	\$ 13,167,352
-	54,920
-	562,250
117,836	117,836
<u>117,836</u>	<u>13,902,358</u>
2,393	3,043,599
-	617,356
-	379,174
-	193,010
-	5,580,158
-	1,040,688
4,034	1,701,437
<u>6,427</u>	<u>12,555,422</u>
111,409	1,346,936
336,033	336,033
(97,596)	(97,596)
(1,043,948)	(1,043,948)
<u>(805,511)</u>	<u>(805,511)</u>
(694,102)	541,425
11,948	11,948
(95,000)	(775,395)
<u>(777,154)</u>	<u>(222,022)</u>