



**CITY OF
Sanger, Texas**

**2025
ANNUAL
FINANCIAL
REPORT**

FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2025

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ANNUAL FINANCIAL REPORT

of the

City of Sanger, Texas

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

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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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. 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 V.G. to the financial statements, due to the implementation of GASB 101, *Compensated Absences*, the City restated its beginning net position within governmental activities, business-type activities, component unit activities, and the water, sewer, and electric fund. 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' 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2026 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BrooksWatson & Co.

BrooksWatson & Co.
Certified Public Accountants
Houston, Texas
January 22, 2026

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

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City of Sanger, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2025

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, 2025.

Financial Highlights

- The City's total combined net position is \$74,507,016 at September 30, 2025. Of this, \$32,914,662 (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 \$24,083,496, a decrease of \$547,505.
- As of the end of the year, the unassigned fund balance of the general fund was \$18,520,185 or 114% of total general fund expenditures.
- The City had an overall increase in net position of \$8,974,058, which is primarily due to revenues exceeding expenses for both governmental and business-type 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, 2025

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, 2025

expenditures, and changes in fund balances for the general, debt service, and capital projects funds. All three 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 \$74,507,016 as of September 30, 2025, in the primary government.

City of Sanger, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

September 30, 2025

A large portion of the City's net position, \$34,340,623, 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, \$7,251,731, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$32,914,662 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

Long-term assets of governmental activities increased by \$3,354,542 primarily due to greater capital asset balances, which is the result of new roadway improvements and purchase of public safety vehicles/equipment during the year.

Other liabilities of business-type activities decreased by \$789,333 and is primarily attributable to fewer outstanding payables to vendors and timing of repayments during the current year.

Total long-term liabilities of the primary government decreased by \$3,122,913 primarily due to principal payments made on long-term debt and a decline in the City's net pension liability.

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

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2025			2024		
	Governmental Activities		Business-Type Activities	Governmental Activities		Business-Type Activities
			Total			Total
Current and						
other assets	\$ 25,883,428	\$ 22,652,619	\$ 48,536,047	\$ 26,746,021	\$ 21,627,171	\$ 48,373,192
Long-term assets	34,098,411	52,948,427	87,046,838	30,743,869	51,221,002	81,964,871
Total Assets	59,981,839	75,601,046	135,582,885	57,489,890	72,848,173	130,338,063
Def. Outflows						
of Resources	932,495	255,689	1,188,184	817,654	272,625	1,090,279
Other liabilities	3,288,806	3,433,603	6,722,409	3,167,989	4,222,936	7,390,925
Long-term liab.	15,836,428	39,412,069	55,248,497	17,451,891	40,919,519	58,371,410
Total Liabilities	19,125,234	42,845,672	61,970,906	20,619,880	45,142,455	65,762,335
Def. Inflows						
of Resources	249,313	43,834	293,147	118,504	14,545	133,049
Net Position:						
Net investment						
in capital assets	20,281,776	14,058,847	34,340,623	16,792,681	10,828,242	27,620,923
Restricted	4,627,950	2,623,781	7,251,731	4,058,537	3,461,094	7,519,631
Unrestricted	16,630,061	16,284,601	32,914,662	16,717,942	13,674,462	30,392,404
Total Net Position	\$ 41,539,787	\$ 32,967,229	\$ 74,507,016	\$ 37,569,160	\$ 27,963,798	\$ 65,532,958

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

Statement of Activities:

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

	For the Year Ended September 30, 2025			For the Year Ended September 30, 2024		
	Governmental Activities		Total Primary Government	Governmental Activities		Total Primary Government
	Business-Type Activities			Business-Type Activities		
Revenues						
Program revenues:						
Charges for services	\$ 4,439,328	\$ 11,809,446	\$ 16,248,774	\$ 2,824,610	\$ 15,522,110	\$ 18,346,720
Grants and contri.	1,365,862	3,750,153	5,116,015	966,465	-	966,465
General revenues:						
Property taxes	9,074,520	-	9,074,520	8,777,206	-	8,777,206
Sales taxes	1,838,122	-	1,838,122	1,643,141	-	1,643,141
Franchise & local taxes	485,144	-	485,144	473,083	-	473,083
Investment income	635,658	389,020	1,024,678	622,104	446,874	1,068,978
Other revenues	427,275	214,649	641,924	216,945	79,200	296,145
Total Revenues	18,265,909	16,163,268	34,429,177	15,523,554	16,048,184	31,571,738
Expenses						
General government	3,936,995	-	3,936,995	3,504,862	-	3,504,862
Public safety	7,302,986	-	7,302,986	5,332,387	-	5,332,387
Public works	2,171,707	-	2,171,707	2,000,936	-	2,000,936
Culture and recreation	1,031,765	-	1,031,765	974,952	-	974,952
Interest & fiscal chrgs.	696,118	1,181,001	1,877,119	731,793	1,206,352	1,938,145
Water, sewer, & electric	-	12,884,700	12,884,700	-	12,866,631	12,866,631
Total Expenses	15,139,571	14,065,701	29,205,272	12,544,930	14,072,983	26,617,913
Change in Net Position						
Before Transfers	3,126,338	2,097,567	5,223,905	2,978,624	1,975,201	4,953,825
Transfers	844,289	2,905,864	3,750,153	(1,403,155)	1,403,155	-
Total	844,289	2,905,864	3,750,153	(1,403,155)	1,403,155	-
Change in Net Position	3,970,627	5,003,431	8,974,058	1,575,469	3,378,356	4,953,825
Beginning Net Position	37,569,160	27,963,798	65,532,958	35,993,691	24,585,442	60,579,133
Ending Net Position	\$ 41,539,787	\$ 32,967,229	\$ 74,507,016	\$ 37,569,160	\$ 27,963,798	\$ 65,532,958

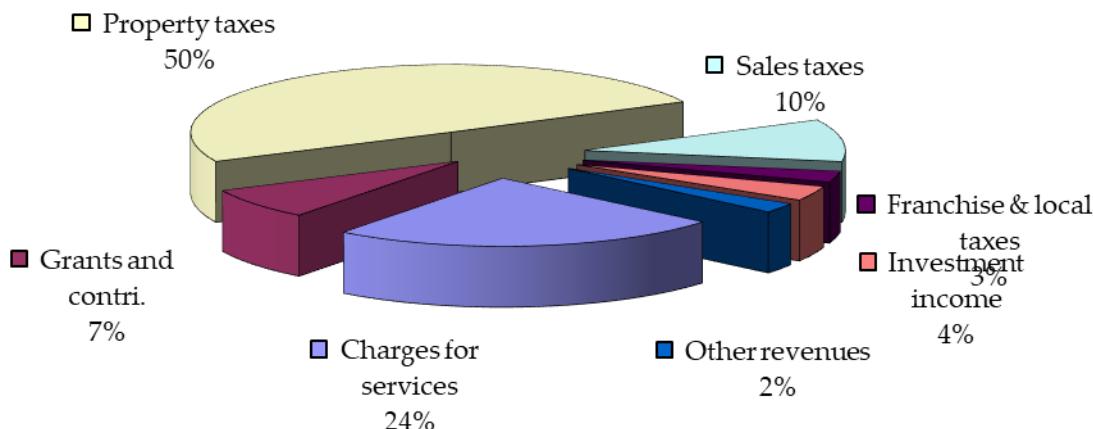
City of Sanger, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2025

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

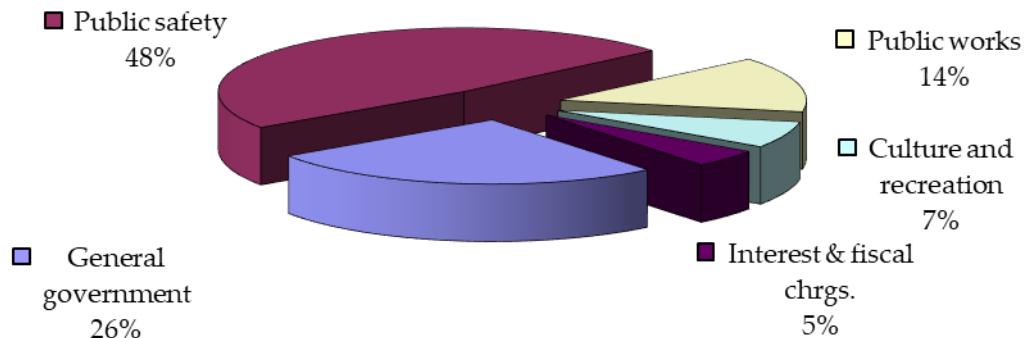
Governmental Activities - Revenues



For the year ended September 30, 2025, revenues from governmental activities totaled \$18,265,909. Property tax, charges for services, and sales taxes are the City's largest revenue sources. Charges for services increased by \$1,614,718 or 57% primarily due to nonrecurring building permits earned on new developments and greater ambulance services in the current year. Grants and contributions increased by \$399,397 or 41% primarily due to an increase in roadway impact fees received in the prior year. Sales taxes increased by \$194,981 or 12% primarily due to economic growth fueled by local purchases. Other revenues increased by \$210,330 or 97% primarily due to gains on sale of capital assets 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, 2025, expenses for governmental activities totaled \$15,139,571. This represents an increase of \$2,594,641 or 21% from the prior year. The City's largest functional expense is public safety of \$7,302,986, which primarily includes costs for the police department, animal control, fire department, and EMS services. Public safety expenses increased by \$1,970,599 or 37% primarily as a result of greater personnel costs, as the City hired new patrol officers, added new fire department

City of Sanger, Texas

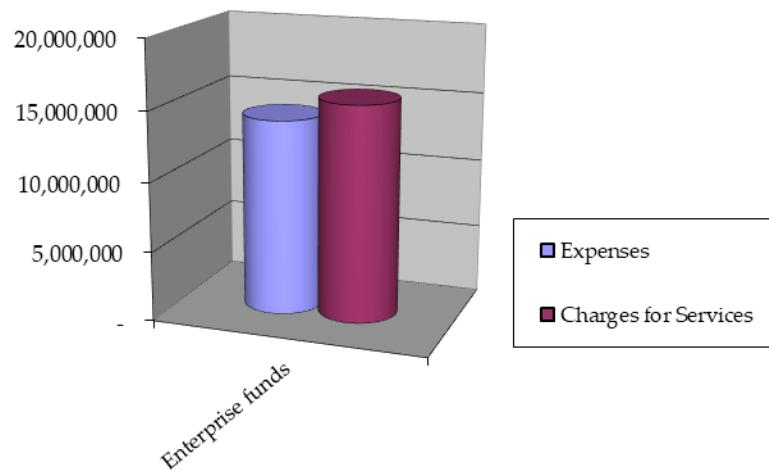
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2025

positions, and approved pay raises during the year. General government increased by \$432,133 or 12% due to administrative support transfers to the internal service fund and greater hours worked by administrative employees during the year. Public works expenses increased by \$170,771 or 9% due to asphalt repairs and engineering fees related to new developments in the current year. Culture and recreation expenses increased by \$56,813 or 6% primarily due to new pay plan increases implemented in October of 2024. All other expenses remained relatively stable when compared to the previous year.

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

Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2025, charges for services by business-type activities totaled \$11,809,446. This represents an increase of \$3,712,664 or less than 1% from the previous year. Grants and contributions increased by \$3,750,153 or over 100% as a direct result of grant reimbursements from TXDOT for the I-35 relocation project in the current year.

Utility service expenses remained relatively consistent with the prior year. Interest and fiscal charges increased by \$25,351 or 2%, and is also considered consistent.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

City of Sanger, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

September 30, 2025

As of the end of the year the general fund reflected a total fund balance of \$23,111,771. Of this, \$23,344 is restricted for municipal court, \$410,033 is restricted for tourism, \$114,111 is restricted for library improvements, \$196,329 for public safety, \$27,289 is restricted for parks, \$2,412,862 is restricted for roadway impact fees, and \$1,239,934 is restricted for capital projects. In addition, \$167,684 is committed for employee benefits. Unassigned fund balance totaled \$18,520,185 as of yearend. The general fund increased by \$383,154 primarily as a result of greater than expected revenues and less than anticipated expenditures.

The capital projects fund reflected an ending balance of \$664,292, a decrease of \$902,867. This decrease was a result of significant capital outlay expenditures recognized during the year.

The debt service fund reflected an ending balance of \$307,433, a decrease of \$27,792. This decrease was due to current year expenditures exceeding revenues.

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 \$638,549 in the general fund. This is a combination of a positive revenue variance of \$126,722, a positive expenditure variance of \$497,447, and a positive variance of \$14,380 in other financing sources and uses. The most significant revenue variances were for licenses/permits and intergovernmental revenues. The net positive budget variance for the general fund was \$638,549 for the year.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$34,065,411 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 \$52,948,427 in a variety of capital assets and infrastructure, net of accumulated depreciation.

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

- I-35 relocation and aesthetics project investments totaling \$3,512,172.
- AMR Metering system investments for \$276,889.
- Marion Road arterial improvements totaling \$372,302.
- Senior Center improvements for \$253,007.
- Purchased four F-150 trucks in the police department totaling \$297,374.

City of Sanger, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

September 30, 2025

- Purchased Axon software in car dash cameras for \$210,091.
- Purchased public safety vehicles & equipment totaling \$2,230,818.
- Purchased Chevrolet Silverado in the electric department for \$99,443.
- Purchased modular building for fire services totaling \$448,780.
- Roadway & street infrastructure improvements totaling \$586,891.
- Purchased new blowers for wastewater treatment plant totaling \$128,140.

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 \$54,228,745. The City made principal payments on outstanding bonds, notes, and leases of \$2,204,035. 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, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 24,066,985	\$ 15,123,972	\$ 39,190,957
Restricted cash	126,428	-	126,428
Investments	595,027	765,159	1,360,186
Receivables, net	978,844	5,170,918	6,149,762
Inventory	-	1,592,570	1,592,570
Due from component units	116,144	-	116,144
Total Current Assets	25,883,428	22,652,619	48,536,047
Noncurrent assets:			
Lease receivable, noncurrent portion	33,000	-	33,000
Capital assets			
Non-depreciable	15,241,797	12,413,090	27,654,887
Net depreciable capital assets	18,823,614	40,535,337	59,358,951
Total Noncurrent Assets	34,098,411	52,948,427	87,046,838
Total Assets	59,981,839	75,601,046	135,582,885
<u>Deferred Outflows of Resources</u>			
Deferred charge on refunding	7,789	57,122	64,911
Pension outflows	918,699	197,312	1,116,011
OPEB outflows	6,007	1,255	7,262
Total Deferred Outflows of Resources	932,495	255,689	1,188,184

See Notes to Financial Statements.

Component Units			
Sanger Industrial	Sanger Texas		
Dev. Corp. (4A)	Dev. Corp. (4B)		
\$ 6,306,468	\$ 3,127,280		
-	-		
102,746	309,488		
153,638	153,638		
-	-		
6,562,852	3,590,406		
<hr/>	<hr/>		
-	-		
-	-		
259	-		
259	-		
6,563,111	3,590,406		
<hr/>	<hr/>		
-	-		
-	-		
-	-		
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City of Sanger, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
September 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 1,523,593	\$ 1,152,398	\$ 2,675,991
Accrued interest payable	119,574	452,469	572,043
Customer deposits	-	581,447	581,447
Due to primary government	-	-	-
Compensated absences - current	452,265	115,989	568,254
Long term debt due within one year	1,193,374	1,131,300	2,324,674
Total Current Liabilities	<u>3,288,806</u>	<u>3,433,603</u>	<u>6,722,409</u>
Noncurrent liabilities:			
Debt due in more than one year	13,084,138	38,820,019	51,904,157
Compensated absences - noncurrent	120,233	26,755	146,988
OPEB liability	143,102	30,735	173,837
Net pension liability	2,488,955	534,560	3,023,515
Total Noncurrent Liabilities	<u>15,836,428</u>	<u>39,412,069</u>	<u>55,248,497</u>
Total Liabilities	<u>19,125,234</u>	<u>42,845,672</u>	<u>61,970,906</u>
<u>Deferred Inflows of Resources</u>			
OPEB inflows	27,815	5,974	33,789
Pension inflows	176,281	37,860	214,141
Lease related	45,217	-	45,217
Total Deferred Inflows of Resources	<u>249,313</u>	<u>43,834</u>	<u>293,147</u>
<u>Net Position</u>			
Net investment in capital assets	20,281,776	14,058,847	34,340,623
Restricted for:			
Debt service	307,433	-	307,433
Parks	27,289	-	27,289
Economic development	-	-	-
Roadway impact fees	2,412,862	-	2,412,862
Capital improvements	1,136,549	2,623,781	3,760,330
Other purposes	743,817	-	743,817
Unrestricted	16,630,061	16,284,601	32,914,662
Total Net Position	<u>\$ 41,539,787</u>	<u>\$ 32,967,229</u>	<u>\$ 74,507,016</u>

See Notes to Financial Statements.

Component Units		
Sanger Industrial	Sanger Texas	
Dev. Corp. (4A)	Dev. Corp. (4B)	
\$ 13,992	\$ 14,951	
-	-	
-	-	
58,072	58,072	
12,330	-	
-	-	
84,394	73,023	
-	-	
3,166	-	
-	-	
-	-	
3,166	-	
87,560	73,023	
-	-	
-	-	
-	-	
-	-	
-	-	
259	-	
-	-	
-	-	
6,475,292	3,517,383	
-	-	
-	-	
-	-	
-	-	
\$ 6,475,551	\$ 3,517,383	

City of Sanger, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2025

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government					
Governmental Activities					
General government	\$ 3,936,995	\$ 3,209,673	\$ 180,000	\$ -	
Public safety	7,302,986	1,229,655	206,514	-	
Public works	2,171,707	-	-	979,348	
Culture and recreation	1,031,765	-	-	-	
Interest and fiscal charges	696,118	-	-	-	
Total Governmental Activities	15,139,571	4,439,328	386,514	979,348	
Business-Type Activities					
Water	2,437,273	3,104,287	-	-	
Sewer	2,464,073	(674,211)	-	3,750,153	
Electric	7,526,366	9,379,370	-	-	
Utility administration	1,637,989	-	-	-	
Total Business-Type Activities	14,065,701	11,809,446	-	3,750,153	
Total Primary Government	\$ 29,205,272	\$ 16,248,774	\$ 386,514	\$ 4,729,501	
Component Units					
Sanger Ind. Dev. Corp. (4A)	400,345	-	-	-	
Sanger Texas Dev. Corp. (4B)	349,145	-	-	-	
\$ 749,490	\$ -	\$ -	\$ -	\$ -	

General Revenues:

Taxes

Property taxes

Sales taxes

Franchise and local taxes

Investment income

Other revenues

Gain on sale of capital assets

Insurance recoveries

Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position, as previously presented

Adoption of GASB 101

Beginning Net Position, as adjusted

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)	
\$ (547,322)	\$ -	\$ (547,322)	\$ -	\$ -	\$ -
(5,866,817)	-	(5,866,817)	-	-	-
(1,192,359)	-	(1,192,359)	-	-	-
(1,031,765)	-	(1,031,765)	-	-	-
(696,118)	-	(696,118)	-	-	-
(9,334,381)	-	(9,334,381)	-	-	-
- 667,014		667,014	-	-	-
- 611,869		611,869	-	-	-
- 1,853,004		1,853,004	-	-	-
- (1,637,989)		(1,637,989)	-	-	-
- 1,493,898		1,493,898	-	-	-
(9,334,381)	1,493,898	(7,840,483)	-	-	-
			(400,345)	-	-
			-	(349,145)	
			(400,345)	(349,145)	
9,074,520	-	9,074,520	-	-	-
1,838,122	-	1,838,122	909,167	909,167	
485,144	-	485,144	-	-	-
635,658	389,020	1,024,678	148,564	75,702	
328,051	214,649	542,700	-	1,800	
94,918	-	94,918	-	-	-
4,306	-	4,306	-	-	-
844,289	2,905,864	3,750,153	-	-	-
13,305,008	3,509,533	16,814,541	1,057,731	986,669	
3,970,627	5,003,431	8,974,058	657,386	637,524	
37,932,640	28,066,154	65,998,794	5,827,419	2,879,859	
(363,480)	(102,356)	(465,836)	(9,254)	-	-
37,569,160	27,963,798	65,532,958	5,818,165	2,879,859	
\$ 41,539,787	\$ 32,967,229	\$ 74,507,016	\$ 6,475,551	\$ 3,517,383	

City of Sanger, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2025

	General	Capital Projects Fund	Debt Service
Assets			
Cash and cash equivalents	\$ 22,819,165	\$ 641,249	\$ 307,433
Restricted cash	-	126,428	-
Investments	595,027	-	-
Receivables, net	739,124	186,151	33,776
Lease receivables	52,793	-	-
Due from component units	116,144	-	-
Total Assets	\$ 24,322,253	\$ 953,828	\$ 341,209
Liabilities			
Accounts payable and accrued liabilities	\$ 961,752	\$ 289,536	\$ -
Total Liabilities	961,752	289,536	-
Deferred Inflows of Resources			
Unavailable revenue			
Property taxes	178,120	-	33,776
EMS revenue	25,393	-	-
Lease related	45,217	-	-
Total Deferred Inflows of Resources	248,730	-	33,776
Fund Balances			
Restricted for:			
Municipal court	23,344	-	-
Tourism	410,033	-	-
Library	114,111	-	-
Public safety	196,329	-	-
Debt service	-	-	307,433
Parks	27,289	-	-
Roadway impact fees	2,412,862	-	-
Capital projects	1,239,934	664,292	-
Committed for:			
Employee benefits	167,684	-	-
Unassigned reported in:			
General fund	18,520,185	-	-
Total Fund Balances	23,111,771	664,292	307,433
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 24,322,253	\$ 953,828	\$ 341,209

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$	23,767,847
	126,428
	595,027
	959,051
	52,793
	116,144
<hr/>	<hr/>
\$	25,617,290
<hr/>	<hr/>

\$	1,251,288
<hr/>	<hr/>
	1,251,288

	211,896
	25,393
<hr/>	<hr/>
	45,217
<hr/>	<hr/>
	282,506
<hr/>	<hr/>

	23,344
	410,033
	114,111
	196,329
	307,433
	27,289
	2,412,862
	1,904,226

167,684

	18,520,185
<hr/>	<hr/>
	24,083,496

\$	25,617,290
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City of Sanger, Texas

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

September 30, 2025

Fund Balances - Total Governmental Funds	\$ 24,083,496
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	15,241,797
Capital assets - net depreciable	18,621,272
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Property tax receivable	211,896
EMS receivable	25,393
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	7,789
Pension contributions	583,089
OPEB contributions	2,190
Pension outflows	203,756
Pension inflows	(150,981)
OPEB outflows	2,991
OPEB inflows	(23,823)
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	(168,690)
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Accrued interest	(119,574)
Compensated absences	(467,593)
Bond premium	(16,904)
Net pension liability	(2,131,735)
OPEB liability	(122,564)
Non-current liabilities due in one year	(1,187,472)
Non-current liabilities due in more than one year	(13,054,546)
Net Position of Governmental Activities	<u>\$ 41,539,787</u>

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, 2025

	General	Capital Projects Fund	Debt Service
<u>Revenues</u>			
Property tax	\$ 7,526,421	\$ -	\$ 1,624,485
Sales tax	1,838,122	-	-
Franchise and local taxes	485,144	-	-
License and permits	1,825,281	-	-
Charges for services	1,384,392	-	-
Fire and rescue	1,082,150	-	-
Contributions and donations	107,790	-	-
Intergovernmental	98,724	186,151	180,000
Fines and forfeitures	147,505	-	-
Investment income	583,292	35,392	16,974
Roadway impact fees	793,197	-	-
Other revenue	328,051	-	-
Total Revenues	16,200,069	221,543	1,821,459
<u>Expenditures</u>			
Current:			
General government	3,760,495	-	1,250
Police department	3,651,772	-	-
Municipal court	231,812	-	-
Fire and EMS	5,767,897	-	-
Parks and recreation	795,624	-	-
Public works	2,030,449	-	-
Debt service:			
Principal	4,439	-	1,129,700
Interest	-	-	718,301
Capital outlay	25,902	1,616,448	-
Total Expenditures	16,268,390	1,616,448	1,849,251
Excess of Revenues Over (Under) Expenditures	(68,321)	(1,394,905)	(27,792)
<u>Other Financing Sources (Uses)</u>			
Transfers in	844,289	492,038	-
Transfers (out)	(492,038)	-	-
Sale of capital assets	94,918	-	-
Insurance recoveries	4,306	-	-
Total Other Financing Sources (Uses)	451,475	492,038	-
Net Change in Fund Balances	383,154	(902,867)	(27,792)
Beginning fund balances	22,728,617	1,567,159	335,225
Ending Fund Balances	\$ 23,111,771	\$ 664,292	\$ 307,433

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$	9,150,906
	1,838,122
	485,144
	1,825,281
	1,384,392
	1,082,150
	107,790
	464,875
	147,505
	635,658
	793,197
	328,051
	<hr/>
	18,243,071

3,761,745
3,651,772
231,812
5,767,897
795,624
2,030,449

1,134,139
718,301
<hr/>
1,642,350
<hr/>
19,734,089
<hr/>
(1,491,018)

1,336,327
(492,038)
94,918
4,306
<hr/>
943,513
<hr/>
(547,505)
24,631,001
<hr/>
\$ 24,083,496

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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, 2025

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

Net changes in fund balances - total governmental funds	\$ (547,505)
---	--------------

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	4,968,491
Depreciation expense	(1,602,985)

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

EMS receivable	(170,149)
Property tax receivable	93,763

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	(76,018)
Accrued interest	8,405
Pension expense	(7,291)
OPEB expense	(20,674)

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	1,134,139
Amortization of deferred charges	(907)
Amortization of bond premium	14,685

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	176,673
	\$ 3,970,627

See Notes to Financial Statements.

City of Sanger, Texas

STATEMENT OF NET POSITION (Page 1 of 2)
PROPRIETARY FUND
September 30, 2025

	Water, Sewer & Electric	Governmental Activities
	Internal Service	
<u>Assets</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 15,123,972	\$ 299,138
Investments	765,159	-
Receivables, net	5,170,918	-
Inventory	1,592,570	-
Total Current Assets	22,652,619	299,138
<u>Noncurrent Assets</u>		
Capital assets:		
Non-depreciable	12,413,090	-
Net depreciable capital assets	40,535,337	202,342
Total Noncurrent Assets	52,948,427	202,342
Total Assets	75,601,046	501,480
<u>Deferred Outflows of Resources</u>		
Deferred charge on refunding	57,122	-
Pension outflows	197,312	131,854
OPEB outflows	1,255	826
Total Deferred Outflows of Resources	255,689	132,680

City of Sanger, Texas

STATEMENT OF NET POSITION (Page 2 of 2)
PROPRIETARY FUND
September 30, 2025

	Water, Sewer & Electric	Governmental Activities	Internal Service
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts payable and accrued liabilities	\$ 1,152,398	\$ 272,305	-
Accrued interest	452,469	-	-
Customer deposits	581,447	-	-
Lease liabilities - current	-	5,902	-
Compensated absences - current	115,989	83,776	-
Bonds and leases liabilities - current	1,131,300	-	-
Total Current Liabilities	3,433,603	361,983	-
<u>Noncurrent Liabilities</u>			
Compensated absences - noncurrent	26,755	21,129	-
Lease liabilities - noncurrent	-	12,688	-
Net pension liability	534,560	357,220	-
OPEB liability	30,735	20,538	-
Bonds and lease liabilities - noncurrent	38,820,019	-	-
Total Liabilities	42,845,672	773,558	-
<u>Deferred Inflows of Resources</u>			
OPEB inflows	5,974	3,992	-
Pension inflows	37,860	25,300	-
Total Deferred Inflows of Resources	43,834	29,292	-
<u>Net Position</u>			
Net investment in capital assets	14,058,847	183,752	-
Restricted for capital improvements	2,623,781	-	-
Unrestricted	16,284,601	(352,442)	-
Total Net Position	\$ 32,967,229	\$ (168,690)	-

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, 2025

	Water, Sewer & Electric	Internal Service	Governmental Activities
<u>Operating Revenues</u>			
Charges for services	\$ 15,113,178	\$ 4,043,016	
Connection fees	73,608	-	
Tap fees	372,813	-	
Other revenue	214,649	30,000	
Total Operating Revenues	15,774,248		4,073,016
<u>Operating Expenses</u>			
Salaries and wages	3,297,150	2,048,546	
Contracted services	1,027,171	1,282,625	
Utilities	372,284	118,206	
Materials and supplies	323,367	313,181	
Water and electric purchases	4,924,221	-	
Repairs and maintenance	804,405	100,090	
Depreciation	2,136,102	33,695	
Total Operating Expenses	12,884,700		3,896,343
Operating Income (Loss)	2,889,548		176,673
<u>Nonoperating Revenues (Expenses)</u>			
Investment income	389,020	-	
Interest expense	(1,181,001)	-	
Total Nonoperating Revenues (Expenses)	(791,981)		-
Income (Loss) Before Transfers	2,097,567		176,673
Capital grants	3,750,153	-	
Transfers (out)	(844,289)	-	
Change in Net Position	5,003,431		176,673
Beginning net position, as previously reported	28,066,154	(225,756)	
Adoption of GASB 101	(102,356)	(119,607)	
Beginning net position, as adjusted	27,963,798	(345,363)	
Ending Net Position	\$ 32,967,229		\$ (168,690)

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, 2025

	<u>Water, Sewer & Electric</u>	<u>Governmental Activities</u>
	<u>Internal Service</u>	
<u>Cash Flows from Operating Activities</u>		
Receipts from customers	\$ 12,593,633	\$ -
Receipts from interfund charges for administrative services	- -	4,073,016
Payments to suppliers	(9,025,388)	(1,742,537)
Payments to employees	(3,463,363)	(2,261,246)
Receipts from (payments to) other funds	1,910	- -
Net Cash Provided (Used) by Operating Activities	106,792	69,233
<u>Cash Flows from Noncapital Financing Activities</u>		
Operating transfers (out)	(844,289)	- -
Net Cash Provided (Used) by Noncapital Financing Activities	(844,289)	- -
<u>Cash Flows from Capital and Related Financing Activities</u>		
Capital purchases	(3,863,527)	(42,525)
Capital grants	3,750,153	- -
Principal paid on lease liabilities	- -	(9,596)
Principal paid on debt	(1,060,300)	- -
Interest paid on debt (including bond issuance costs)	(1,322,338)	- -
Net Cash Provided (Used) by Capital and Related Financing Activities	(2,496,012)	(52,121)
<u>Cash Flows from Investing Activities</u>		
Purchases of investments, net	(17,259)	- -
Interest on investments	389,020	- -
Net Cash Provided by Investing Activities	371,761	- -
Net Increase (Decrease) in Cash and Cash Equivalents	(2,861,748)	17,112
Beginning cash and cash equivalents	<u>17,985,720</u>	<u>282,026</u>
Ending Cash and Cash Equivalents	\$ 15,123,972	\$ 299,138

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, 2025

	Water, Sewer & Electric	Internal Service	Governmental Activities
<u>Reconciliation of Operating Income</u>			
<u>to Net Cash Provided by Operating Activities</u>			
Operating Income / (Loss)	\$ 2,889,548	\$ 176,673	
Adjustments to reconcile operating income / (loss) to net cash provided / (used):			
Depreciation	2,136,102	33,695	
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in:			
Accounts receivable	(3,263,612)	-	
Inventory	(608,235)	-	
Due from/to other funds	1,910	-	
Other deferred outflows of resources - pensions	10,749	33,007	
Deferred inflows of resources - pensions	29,142	18,392	
Other deferred outflows of resources - OPEB	(468)	(210)	
Deferred inflows of resources - OPEB	147	(625)	
Increase (Decrease) in:			
Accounts payable and accrued liabilities	(965,705)	71,565	
Compensated absences	(54,366)	(73,122)	
Customer deposits	82,997	-	
Net pension liability	(148,020)	(183,635)	
OPEB liability	(3,397)	(6,507)	
Net Cash Provided (Used) by Operating Activities	<u>\$ 106,792</u>	<u>\$ 69,233</u>	

See Notes to Financial Statements.

City of Sanger, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *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, 2025

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 Corporation'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 Corporation'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*

September 30, 2025

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.

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

September 30, 2025

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, 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*

September 30, 2025

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, 2025

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.

City of Sanger, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2025

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

- Obligations of the United States Government, its agencies and instrumentalities, not to exceed two years to stated maturity.
- Fully collateralized certificates of deposit from a bank doing business in the State of Texas, not to exceed three years to the stated maturity.
- Money market funds authorized by the Public Funds Investment Act of the Texas Government Code Chapter 2256
- 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,

City of Sanger, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2025

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 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 \$10,000 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*

September 30, 2025

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, 2025

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, 2025

11. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation and sick time 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

City of Sanger, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

lease payments at inception of the lease. In the year of acquisition, lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

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

September 30, 2025

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.

City of Sanger, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2025

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

Lessor: The City is a lessor for a noncancelable 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 noncancelable 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, 2025

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, 2025

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Investment Type	Value	Average Maturity (Years)
Certificates of deposit	\$ 1,360,186	0.52
Total fair value	<u><u>\$ 1,360,186</u></u>	
Portfolio weighted average maturity		0.52

As of September 30, 2025, the 4A Component Unit had the following investments:

Investment Type	Value	Average Maturity (Years)
Certificates of deposit	\$ 102,746	0.09
Total fair value	<u><u>\$ 102,746</u></u>	
Portfolio weighted average maturity		0.09

As of September 30, 2025, the 4B Component Unit had the following investments:

Investment Type	Value	Average Maturity (Years)
Certificates of deposit	\$ 309,488	0.43
Total fair value	<u><u>\$ 309,488</u></u>	
Portfolio weighted average maturity		0.43

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*

September 30, 2025

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, 2025, 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:

	General	Capital Projects	Debt Service	Water, Sewer & Electric	Total
Property taxes	\$ 205,528	\$ -	\$ 38,055	\$ -	\$ 243,583
Sales tax	307,277	-	-	-	307,277
Franchise & local taxes	65,683	-	-	-	65,683
Hotel occupancy	34,600	-	-	-	34,600
EMS	925,721	-	-	-	925,721
Accounts	67,082	186,151	-	1,761,772	2,015,005
Grants	-	-	-	3,483,521	3,483,521
Lease	52,793	-	-	-	52,793
Allowance	(866,767)	-	(4,279)	(74,375)	(945,421)
	<u>\$ 791,917</u>	<u>\$ 186,151</u>	<u>\$ 33,776</u>	<u>\$ 5,170,918</u>	<u>\$ 6,182,762</u>

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

2. The following comprise trade receivable balances of the component units at year end:

	4A	4B	Total
Sales tax	\$ 153,638	\$ 153,638	\$ 307,276
	\$ 153,638	\$ 153,638	\$ 307,276

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, 2025, the lease receivable and offsetting deferred inflows amounted to \$52,793 and \$45,217, respectively.

The annual principal and interest payments to be received for the lease receivable are as follows:

Year ending September 30,	Governmental Activities	
	Principal	Interest (4%)
2026	\$ 19,794	\$ 1,750
2027	20,601	944
2028	12,398	169
	<hr/>	<hr/>
	\$ 52,793	\$ 2,863

C. Inventory

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

Inventory type	Cost
Electric Department	\$ 1,399,977
Water Department	192,593
Total	\$ 1,592,570

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

D. Capital Assets

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

	Beginning Balances	Increases	Disposals / Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 13,409,922	\$ -	\$ -	\$ 13,409,922
Construction in progress	802,318	1,029,557	-	1,831,875
Total capital assets not being depreciated	<u>14,212,240</u>	<u>1,029,557</u>	<u>-</u>	<u>15,241,797</u>
Capital assets, being depreciated:				
Infrastructure	22,154,573	618,537	-	22,773,110
Buildings and improvements	7,415,915	448,780	-	7,864,695
Subscription assets	120,990	-	-	120,990
Right to use assets	72,649	-	-	72,649
Machinery and equipment	6,054,432	2,914,142	(107,853)	8,860,721
Total capital assets being depreciated	<u>35,818,559</u>	<u>3,981,459</u>	<u>(107,853)</u>	<u>39,692,165</u>
Less accumulated depreciation/amortization				
Infrastructure	10,414,838	781,775	-	11,196,613
Buildings and improvements	4,066,495	344,469	-	4,410,964
Subscription assets	120,990	-	-	120,990
Right to use assets	31,994	2,483	-	34,477
Machinery and equipment	4,705,407	507,953	(107,853)	5,105,507
Total accumulated depreciation/amortization	<u>19,339,724</u>	<u>1,636,680</u>	<u>(107,853)</u>	<u>20,868,551</u>
Net capital assets being depreciated	16,478,835	2,344,779	-	18,823,614
Total Capital Assets	<u>\$ 30,691,075</u>	<u>\$ 3,374,336</u>	<u>\$ -</u>	<u>\$ 34,065,411</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 111,493
Police department	194,338
Public works	792,370
Culture and recreation	276,345
Fire and rescue	228,440
Internal service	33,694
Total Governmental Activities Depreciation Expense	<u>\$ 1,636,680</u>

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

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	\$ 4,022,009	\$ -	\$ -	\$ 4,022,009
Construction in progress	12,878,794	3,695,999	(8,183,712)	8,391,081
Total capital assets not being depreciated	<u>16,900,803</u>	<u>3,695,999</u>	<u>(8,183,712)</u>	<u>12,413,090</u>
Capital assets, being depreciated:				
Infrastructure	55,333,918	52,438	8,183,712	63,570,068
Buildings and improvements	1,526,712	-	-	1,526,712
Machinery and equipment	2,560,868	115,090	-	2,675,958
Subscription assets	7,369	-	-	7,369
Total capital assets being depreciated	<u>59,428,867</u>	<u>167,528</u>	<u>8,183,712</u>	<u>67,780,107</u>
Less accumulated depreciation/amortization				
Infrastructure	22,248,080	1,909,972	-	24,158,052
Buildings and improvements	748,897	86,767	-	835,664
Machinery and equipment	2,104,322	139,363	-	2,243,685
Subscription assets	7,369	-	-	7,369
Total accumulated depreciation/amortization	<u>25,108,668</u>	<u>2,136,102</u>	<u>-</u>	<u>27,244,770</u>
Net capital assets being depreciated	34,320,199	(1,968,574)	8,183,712	40,535,337
Total Capital Assets	<u>\$ 51,221,002</u>	<u>\$ 1,727,425</u>	<u>\$ -</u>	<u>\$ 52,948,427</u>

Depreciation was charged to business-type activities as follows:

Water	\$ 638,226
Sewer	1,226,537
Electric	271,339
Total Business-type Activities Depreciation/Amortization Expense	<u>\$ 2,136,102</u>

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

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

	Beginning Balances	Additions	Retirements/ Reclassifications	Ending Balances
Capital assets, being depreciated:				
Furniture and fixtures	\$ 40,950	\$ -	\$ -	\$ 40,950
Total capital assets being depreciated	<u>40,950</u>	<u>-</u>	<u>-</u>	<u>40,950</u>
Less accumulated depreciation				
Furniture and fixtures	40,691	-	-	40,691
Total accumulated depreciation	<u>40,691</u>	<u>-</u>	<u>-</u>	<u>40,691</u>
Net capital assets being depreciated	259	-	-	259
Total Capital Assets	<u>\$ 259</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 259</u>

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

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.

	Beginning Balance		Amortization/ Payments	Ending Balance	Amounts Due within One Year
Governmental Activities:					
Bonds and certificates:					
General Obligation Bonds	\$ 295,200	\$ -	\$ (30,600)	\$ 264,600	\$ 31,200
Certificates of Obligation	10,635,800	-	(429,100)	10,206,700	452,500
Tax Notes	4,419,000	-	(670,000)	3,749,000	695,000
Less deferred amounts:					
For issuance premiums	31,589	-	(14,685)	16,904	-
	<u>15,381,589</u>	<u>-</u>	<u>(1,144,385)</u>	<u>14,237,204</u>	<u>1,178,700</u>
Other liabilities:					
Lease liabilities	54,343	-	(14,035)	40,308	14,674
Total Governmental Activities	\$ 15,435,932	\$ -	\$ (1,158,420)	\$ 14,277,512	\$ 1,193,374
Long-term liabilities due in more than one year				\$ 13,084,138	
Business-Type Activities:					
General Obligation Bonds	\$ 2,164,800	\$ -	\$ (224,400)	\$ 1,940,400	\$ 228,800
Certificates of Obligation	36,534,200	-	(835,900)	35,698,300	902,500
Less deferred amounts:					
For issuance premiums	2,452,276	-	(139,657)	2,312,619	-
	<u>41,151,276</u>	<u>-</u>	<u>(1,199,957)</u>	<u>39,951,319</u>	<u>1,131,300</u>
Total Business-Type Activities	\$ 41,151,276	\$ -	\$ (1,199,957)	\$ 39,951,319	\$ 1,131,300
Long-term liabilities due in more than one year				\$ 38,820,019	

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

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

	Business -		
	Governmental	Type	
	Activities	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%	\$ 264,600	\$ 1,940,000	\$ 2,204,600
Total General Obligation Bonds	\$ 264,600	\$ 1,940,000	\$ 2,204,600
Certificates of Obligation:			
\$1,750,000 Certificates of Obligation, Series 2007, due in annual installments through 2027, interest at 4.4%	\$ 86,700	\$ 168,300	\$ 255,000
\$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%	-	4,080,000	4,080,000
\$9,240,000 Certificates of Obligation, Series 2017, due in annual installments through 2035, interest at 3% to 4%	-	8,825,000	8,825,000
\$1,535,000 Certificates of Obligation, Series 2019, due in annual installments through 2026, interest at 3% to 4.75%	245,000	-	245,000
\$18,615,000 Certificates of Obligation, Series 2021A, due in annual installments through 2046, interest at 2% to 4%	-	17,600,000	17,600,000
\$10,190,000 Certificates of Obligation, Series 2023C, due in annual installments through 2053, interest at 4.89% to 5.55%	9,875,000	-	9,875,000
Total Certificates of Obligation	\$ 10,206,700	\$ 35,698,300	\$ 45,905,000
Plus deferred amounts:			
Issuance premiums	\$ 16,904	\$ 2,312,619	\$ 2,329,523
Total Deferred Amounts	\$ 16,904	\$ 2,312,619	\$ 2,329,523
Limited Tax Notes:			
\$5,065,000 Tax Notes, Series 2023, due in installments through August 1, 2030, interest at 3.7%	\$ 3,749,000	\$ -	\$ 3,749,000
Total Tax Notes	\$ 3,749,000	\$ -	\$ 3,749,000

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

	Business -		
	Governmental	Type	
	Activities	Activities	Total
Long-term Debt (Continued):			
Lease & Subscription Liabilities:			
Lease for use of copier; with a term of 60 months; monthly payments of \$1,331; optional renewal period; 4% interest	\$ 40,308	\$ -	\$ 40,308
Total Long-term Liabilities	<u>\$ 14,277,512</u>	<u>\$ 39,951,319</u>	<u>\$ 54,228,831</u>

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	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
September 30,				
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
2029	33,000	3,390	242,000	24,860
2030	33,000	2,786	242,000	20,431
Thereafter	103,800	4,362	761,200	31,992
	<u>\$ 264,600</u>	<u>\$ 23,458</u>	<u>\$ 1,940,400</u>	<u>\$ 172,032</u>

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

Combination Tax and Revenue Certificates of Obligations

Year ending September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
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
2029	190,000	509,328	1,060,000	1,157,756
2030	200,000	499,828	1,100,000	1,117,950
Thereafter	8,970,000	7,066,370	30,690,000	9,812,038
	<u>\$ 10,206,700</u>	<u>\$ 9,670,169</u>	<u>\$ 35,698,300</u>	<u>\$ 15,766,017</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
2026	\$ 695,000	\$ 125,856
2027	722,000	99,641
2028	749,000	72,428
2029	777,000	59,108
2030	806,000	14,911
	<u>\$ 3,749,000</u>	<u>\$ 371,944</u>

Lease liabilities

Year ending September 30,	Governmental Activities	
	Principal	Interest
2026	\$ 14,674	\$ 1,303
2027	15,230	474
2028	10,404	156
	<u>\$ 40,308</u>	<u>\$ 1,933</u>

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

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 \$25,879.

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.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 391,575	\$ 386,602	\$ (310,584)	\$ 467,593	\$ 368,489
Compensated Absences in internal service fund	178,027	66,002	(139,124)	104,905	83,776
Total Governmental Activities	<u>\$ 569,602</u>	<u>\$ 452,604</u>	<u>\$ (449,708)</u>	<u>\$ 572,498</u>	<u>\$ 452,265</u>
Long-term Liabilities Due in More than One Year					
				<u>\$ 120,233</u>	
Business-Type Activities:					
Compensated Absences	\$ 197,110	\$ 106,840	\$ (161,206)	\$ 142,744	\$ 115,989
Total Business-Type Activities	<u>\$ 197,110</u>	<u>\$ 106,840</u>	<u>\$ (161,206)</u>	<u>\$ 142,744</u>	<u>\$ 115,989</u>
Long-term Liabilities Due in More than One Year					
				<u>\$ 26,755</u>	
Component Unit Activities:					
Compensated Absences	\$ 13,278	12,515	(10,297)	15,496	12,330
Total Component Unit Activities	<u>\$ 13,278</u>	<u>\$ 12,515</u>	<u>\$ (10,297)</u>	<u>\$ 15,496</u>	<u>\$ 12,330</u>
Long-term Liabilities Due in More than One Year					
				<u>\$ 3,166</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

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

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 \$7,789 and \$57,122, respectively. Current year amortization expense for governmental and business-type activities totaled \$907 and \$6,655, respectively.

I. Interfund Transactions

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

<u>Transfers (Out):</u>	<u>Transfers In:</u>		
	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
General	\$ -	\$ 492,038	\$ 492,038
Water, sewer, and electric	844,289	-	844,289
Total	\$ 844,289	\$ 492,038	\$ 1,336,327

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, 2025:

<u>Received by:</u>	
<u>Paid by:</u>	<u>Internal Service</u>
General	\$ 2,021,508
Enterprise	2,021,508
	\$ 4,043,016

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

As of September 30, 2025, the 4A and 4B component unit had a payable balance of \$58,072, respectively, totaling \$116,144, due to the primary government.

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. Fund Balance	Committed Fund Balance
Municipal court	\$ 23,344	*
Tourism	410,033	*
Library	114,111	**
Public safety	196,329	*
Debt service	307,433	-
Capital projects	1,904,226	-
Parks	27,289	-
Roadway impact fees	2,412,862	-
A.R.P grant - public safety	-	-
Employee benefits	-	167,684
	<u>\$ 5,395,627</u>	<u>\$ 167,684</u>

* 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 2,700 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

City of Sanger, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

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

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, 2025. 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, 2025

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

Project	Construction Commitment @ 09/30/25	Vendor
various	\$ 147,017	Mayim Municipal
various	65,400	KSA Engineers
various	<u>262,524</u>	Alan Plummer Assoc.
Various Projects Totals	\$ 474,941	
AMR Metering System	\$ 70,666	Aqua Metric Sales
Project Total	\$ 70,666	
Generators for Buildings	\$ 291,696	Power Standard
Project Total	\$ 291,696	
WWTP Site Study	\$ 22,634	KSA Engineers
Various Projects Totals	\$ 22,634	
Total	<u>\$ 900,937</u>	

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.

City of Sanger, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2025

E. Defined Benefit Pension Plans

1. Plan Description

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

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

The plan 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, 2025

Plan provisions for the City were as follows:

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

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	43
Inactive employees entitled to but not yet receiving benefits	53
Active employees	97
Total	193

3. Contributions

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

Employees for the City of Sanger were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Sanger were 12.65% and 13.31% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were \$1,108,834, and equal to the required contributions.

City of Sanger, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2024, 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, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.60% to 11.85%, including inflation 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 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the 3.5% and 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 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..

City of Sanger, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

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, Gabriel, Roeder, Smith & Company (GRS) focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

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

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

Discount Rate:

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

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

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/23	\$ 17,499,390	\$ 14,173,311	\$ 3,326,079
Changes for the year:			
Service Cost	1,122,216	-	1,122,216
Interest (on the Total Pension Liab.)	1,192,219	-	1,192,219
Change in benefit terms	-	-	-
Difference between expected and actual experience	335,271	-	335,271
Changes of assumptions	-	-	-
Contributions – employer	-	982,847	(982,847)
Contributions – employee	-	503,881	(503,881)
Net investment income	-	1,475,208	(1,475,208)
Benefit payments, including refunds of emp. contributions	(795,980)	(795,980)	-
Administrative expense	-	(9,445)	9,445
Other changes	-	(221)	221
Net changes	1,853,726	2,156,290	(302,564)
Balance at 12/31/24	<u>\$ 19,353,116</u>	<u>\$ 16,329,601</u>	<u>\$ 3,023,515</u>

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 6.75%	1% Increase 7.75%
\$ 5,807,278	\$ 3,023,515	\$ 734,659

Pension Plan Fiduciary Net Position:

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

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

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

For the year ended September 30, 2025, the City recognized pension expense of \$948,026.

At September 30, 2025, 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	\$ -	\$ (177,544)
Changes in actuarial assumptions	- -	(36,597)
Differences between expected and actual economic experience	288,995	-
Contributions subsequent to the measurement date	<u>827,016</u>	-
Total	<u><u>\$ 1,116,011</u></u>	<u><u>\$ (214,141)</u></u>

The City reported \$827,016 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, 2026.

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

Year ended December 31:		
2025	\$ 79,016	
2026	210,397	
2027	(137,835)	
2028	(76,724)	
2029	-	
Thereafter	-	
	<u><u>\$ 74,854</u></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

City of Sanger, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

(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.

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	30
Inactive employees entitled to but not yet receiving benefits	17
Active employees	97
Total	144

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

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2023	0.05%	0.05%	100.0%
2024	0.06%	0.06%	100.0%
2025	0.05%	0.05%	100.0%

City of Sanger, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2025

The City's contributions to the TMRS SDBF for the years ended 2025, 2024, and 2023 were \$3,330, \$3,169, and \$2,246, 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, 2024, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

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

Inflation	2.50% per year
Overall payroll growth	3.60% to 11.85%, including inflation per year
Discount rate	4.08%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

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

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

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 4.08%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2024.

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

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

1% Decrease	Current Single Rate	1% Increase
(3.08%)	4.08%	(5.08%)
\$ 212,580	\$ 173,837	\$ 144,230

Changes in the Total OPEB Liability:

Total OPEB Liability	
Balance at 12/31/23	\$ 166,321
Changes for the year:	
Service Cost	13,677
Interest	6,447
Change in benefit terms	-
Difference between expected and actual experience	2,677
Changes of assumptions	(10,966)
Benefit payments	(4,319)
Net changes	7,516
Balance at 12/31/24	\$ 173,837

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

For the year ended September 30, 2025, the City recognized OPEB expense of \$14,059.

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

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual economic experience	\$ 4,242	\$ -
Changes in assumptions	- -	(33,789)
Contributions subsequent to measurement date	3,020	- -
Total	\$ 7,262	\$ (33,789)

The City reported \$3,020 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, 2026.

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:		
2025	\$ (5,094)	
2026	(5,575)	
2027	(10,085)	
2028	(7,531)	
2029	(1,262)	
Thereafter	- -	
	<u>\$ (29,547)</u>	

G. Restatements

Due to the implementation of GASB 101, *Compensated Absences*, the City restated beginning net position/fund balance for governmental activities, business-type activities, component-unit activities, and the water, sewer, and electric fund. The restatements are summarized on the next page.

City of Sanger, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

	Governmental Activities	Business-type Activities	Water, Sewer Electric Fund
Prior year ending net position/fund balance, as reported	\$ 37,932,640	\$ 28,066,154	\$ 28,066,154
Implementation of GASB 101	(363,480)	(102,356)	(102,356)
Restated beginning net position/fund balance	\$ 37,569,160	\$ 27,963,798	\$ 27,963,798

	Component-Unit Activities	Sanger Indust. Dev. Corp (4A)
Prior year ending net position/fund balance, as reported	\$ 8,707,278	\$ 5,827,419
Implementation of GASB 101	(9,254)	(9,254)
Restated beginning net position/fund balance	\$ 8,698,024	\$ 5,818,165

H. New Accounting Standards

The City adopted GASB 101, *Compensated Absences*, during the year. The goal of the standard is to create a more consistent model for accounting for compensated absences that can be applied to all types of compensated absence arrangements.

The new guidance introduces three criteria for recording a liability in financial statements prepared using the economic resources measurement focus (often referred to as a “full accrual” basis). A liability should be recognized for leave that has not been used if all of the following are true:

- The leave is attributable to services already rendered.
- The leave accumulates.
- The leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means (likelihood of more than 50 percent).

This standard was applied retroactively and resulted in a sick leave liability of \$316,554, which was included within compensated absences as of September 30, 2025.

I. Subsequent Events

There were no subsequent events warranting disclosure through January 22, 2026, 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, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property tax	\$ 7,715,872	\$ 7,715,872	\$ 7,526,421	\$ (189,451)
Sales tax	1,943,000	1,943,000	1,838,122	(104,878)
Franchise and local taxes	553,950	400,950	485,144	84,194
License and permits	459,250	659,250	1,825,281	1,166,031
Charges for services	1,427,850	1,427,850	1,384,392	(43,458)
Fire and rescue	885,947	885,947	1,082,150	196,203
Contributions and donations	57,170	154,699	107,790	(46,909)
Intergovernmental	2,053,803	2,053,803	98,724	(1,955,079)
Fines and forfeitures	196,926	196,926	147,505	(49,421)
Investment income	418,150	418,150	583,292	165,142
Roadway impact fees	100,000	100,000	793,197	693,197
Other revenue	116,900	116,900	328,051	211,151
Total Revenues	15,928,818	16,073,347	16,200,069	126,722
Expenditures				
Current:				
General government	3,741,641	3,741,641	3,760,495	(18,854)
Police department	3,798,189	3,927,138	3,651,772	275,366
Municipal court	283,894	283,894	231,812	52,082
Fire and EMS	5,626,104	5,626,104	5,767,897	(141,793)
Parks and recreation	964,390	964,390	795,624	168,766
Public works	1,991,170	2,191,170	2,030,449	160,721
Debt service:				
Principal	-	-	4,439	(4,439)
Capital outlay	31,500	31,500	25,902	5,598
Total Expenditures	16,436,888	16,765,837	16,268,390	497,447
Revenues Over (Under) Expenditures				
	\$ (508,070)	\$ (692,490)	\$ (68,321)	\$ 624,169

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, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Other Financing Sources (Uses)</u>				
Transfers in	\$ 1,144,289	\$ 1,144,289	\$ 844,289	\$ (300,000)
Transfers (out)	(757,194)	(757,194)	(492,038)	265,156
Sale of capital assets	25,000	25,000	94,918	69,918
Insurance recoveries	25,000	25,000	4,306	(20,694)
Total Other Financing Sources (Uses)	437,095	437,095	451,475	14,380
Net Change in Fund Balance	\$ (70,975)	\$ (255,395)	383,154	\$ 638,549
Beginning fund balance			22,728,617	
Ending Fund Balance			\$ 23,111,771	

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,

	2024	2023	2022	2021
Total pension liability				
Service cost	\$ 1,122,216	\$ 893,655	\$ 776,119	\$ 579,590
Interest (on the Total Pension Liability)	1,192,219	1,090,782	1,028,630	845,902
Changes in benefit terms	-	-	1,680,179	-
Differences between expected and actual experience	335,271	221,273	(260,060)	70,056
Changes of assumptions	-	(66,111)	-	-
Benefit payments, including refunds of participant contributions	(795,980)	(706,224)	(659,161)	(474,649)
Net change in total pension liability	1,853,726	1,433,375	2,565,707	1,020,899
Total pension liability - beginning	17,499,390	16,066,015	13,500,308	12,479,409
Total pension liability - ending (a)	\$ 19,353,116	\$ 17,499,390	\$ 16,066,015	\$ 13,500,308
Plan fiduciary net position				
Contributions - employer	\$ 982,847	\$ 773,936	\$ 449,999	\$ 401,724
Contributions - members	503,881	423,246	317,647	281,582
Net investment income (loss)	1,475,208	1,422,148	(958,693)	1,491,263
Benefit payments, including refunds of participant contributions	(795,980)	(706,224)	(659,161)	(474,649)
Administrative expenses	(9,445)	(9,034)	(8,286)	(6,891)
Other	(221)	(63)	9,888	47
Net change in plan fiduciary net position	2,156,290	1,904,009	(848,606)	1,693,076
Plan fiduciary net position - beginning	14,173,311	12,269,302	13,117,908	11,424,832
Plan fiduciary net position - ending (b)	\$ 16,329,601	\$ 14,173,311	\$ 12,269,302	\$ 13,117,908
Fund's net pension liability - ending (a) - (b)	\$ 3,023,515	\$ 3,326,079	\$ 3,796,713	\$ 382,400
Plan fiduciary net position as a percentage of the total pension liability	84.38%	80.99%	76.37%	97.17%
Covered payroll	\$ 7,198,306	\$ 6,046,378	\$ 5,294,125	\$ 4,693,038
Fund's net position as a percentage of covered payroll	42.00%	55.01%	71.72%	8.15%

	2020		2019		2018		2017		2016		2015
\$	547,534	\$	498,768	\$	462,521	\$	438,324	\$	408,943	\$	369,950
	780,457		709,455		648,013		590,632		545,333		521,853
-	-	-	-	-	-	-	-	-	-	-	-
	38,473		89,057		93,857		38,794		(78,516)		(89,808)
	-		92,583		-		-		-		47,847
	<u>(351,235)</u>		<u>(373,476)</u>		<u>(251,071)</u>		<u>(208,451)</u>		<u>(230,245)</u>		<u>(260,514)</u>
	<u>1,015,229</u>		<u>1,016,387</u>		<u>953,320</u>		<u>859,299</u>		<u>645,515</u>		<u>589,328</u>
	<u>11,464,180</u>		<u>10,447,793</u>		<u>9,494,473</u>		<u>8,635,174</u>		<u>7,989,659</u>		<u>7,400,331</u>
\$	<u>12,479,409</u>	\$	<u>11,464,180</u>	\$	<u>10,447,793</u>	\$	<u>9,494,473</u>	\$	<u>8,635,174</u>	\$	<u>7,989,659</u>
\$	359,731	\$	321,275	\$	294,606	\$	276,169	\$	240,177	\$	231,097
	264,509		243,698		226,912		217,171		202,113		195,568
	787,844		1,365,511		(264,466)		1,040,205		461,955		9,831
	<u>(351,235)</u>		<u>(373,476)</u>		<u>(251,071)</u>		<u>(208,451)</u>		<u>(230,245)</u>		<u>(260,514)</u>
	<u>(5,093)</u>		<u>(7,705)</u>		<u>(5,106)</u>		<u>(5,387)</u>		<u>(5,214)</u>		<u>(5,988)</u>
	<u>(199)</u>		<u>(231)</u>		<u>(267)</u>		<u>(273)</u>		<u>(281)</u>		<u>(296)</u>
	<u>1,055,557</u>		<u>1,549,072</u>		<u>608</u>		<u>1,319,434</u>		<u>668,505</u>		<u>169,698</u>
	<u>10,369,275</u>		<u>8,820,203</u>		<u>8,819,595</u>		<u>7,500,161</u>		<u>6,831,656</u>		<u>6,661,957</u>
\$	<u>11,424,832</u>	\$	<u>10,369,275</u>	\$	<u>8,820,203</u>	\$	<u>8,819,595</u>	\$	<u>7,500,161</u>	\$	<u>6,831,655</u>
\$	<u>1,054,577</u>	\$	<u>1,094,905</u>	\$	<u>1,627,590</u>	\$	<u>674,878</u>	\$	<u>1,135,013</u>	\$	<u>1,158,004</u>
	91.55%		90.45%		84.42%		92.89%		86.86%		85.51%
\$	4,408,488	\$	4,061,633	\$	3,781,589	\$	3,619,524	\$	3,368,554	\$	3,259,471
	23.92%		26.96%		43.04%		18.65%		33.69%		35.53%

City of Sanger, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Years Ended:

	<u>9/30/2025</u>	<u>9/30/2024</u>	<u>9/30/2023</u>	<u>9/30/2022</u>
Actuarially determined employer contributions	\$ 1,108,834	\$ 868,459	\$ 494,726	\$ 434,276
Contributions in relation to the actuarially determined contribution	\$ 1,108,834	\$ 868,459	\$ 681,853	\$ 434,276
Contribution deficiency (excess)	\$ -	\$ -	\$ (187,127)	\$ -
Annual covered payroll	\$ 8,441,304	\$ 6,843,081	\$ 5,766,288	\$ 5,099,265
Employer contributions as a percentage of covered payroll	13.14%	12.69%	11.82%	8.52%

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.
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Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	20 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% 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 2023 valuation pursuant to an experience study of the period ending 2022
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with imediate convergence).

Other Information:

Notes	There were no benefit changes during the year.
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<u>9/30/2021</u>	<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>
\$ 377,301	\$ 341,109	\$ 320,019	\$ 287,348	\$ 266,753	\$ 247,432
<u>\$ 377,301</u>	<u>\$ 341,109</u>	<u>\$ 320,019</u>	<u>\$ 287,348</u>	<u>\$ 266,753</u>	<u>\$ 247,432</u>
<u>\$ -</u>					
<u>\$ 4,462,235</u>	<u>\$ 4,209,793</u>	<u>\$ 4,060,365</u>	<u>\$ 3,706,912</u>	<u>\$ 3,549,724</u>	<u>\$ 3,475,512</u>
8.46%	8.10%	7.88%	7.75%	7.51%	7.12%

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,

	2024	2023	2022	2021
Total OPEB liability				
Service cost	\$ 13,677	\$ 12,697	\$ 19,059	\$ 16,895
Interest (on the Total OPEB Liability)	6,447	5,828	3,760	3,575
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	2,677	2,822	2,729	81
Changes of assumptions	(10,966)	8,936	(80,007)	6,480
Benefit payments, including refunds of participant contributions	(4,319)	(3,023)	(2,647)	(2,347)
Net changes	7,516	27,260	(57,106)	24,684
Total OPEB liability - beginning	166,321	139,061	196,167	171,483
Total OPEB liability - ending	\$ 173,837	\$ 166,321	\$ 139,061	\$ 196,167
Covered payroll	\$ 7,198,306	\$ 6,046,378	\$ 5,294,125	\$ 4,693,038
Total OPEB Liability as a percentage of covered payroll	2.41%	2.75%	2.63%	4.18%

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.

2020		2019		2018		2017		¹
\$ 12,785	\$ 8,529	\$ 9,076	\$ 7,601					
3,799	3,938	3,691	3,432					
-	-	-	-					
(468)	(3,932)	(9,264)	-					
24,053	22,174	(7,993)	9,310					
(882)	(812)	(377)	(363)					
39,287	29,897	(4,867)	19,980					
132,196	102,299	107,166	87,186					
<u>\$ 171,483</u>	<u>\$ 132,196</u>	<u>\$ 102,299</u>	<u>\$ 107,166</u>	²				
\$ 4,408,488	\$ 4,061,633	\$ 3,781,859	\$ 3,619,524					
3.89%	3.25%	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, 2025**

	Water	Sewer	Electric
<u>Operating Revenues</u>			
Charges for services	\$ 2,949,224	\$ 2,858,192	\$ 9,305,762
Connection fees	-	-	73,608
Tap fees	155,063	217,750	-
Other revenue	-	-	-
Total Operating Revenues	<u>3,104,287</u>	<u>3,075,942</u>	<u>9,379,370</u>
<u>Operating Expenses</u>			
Salaries and wages	915,846	441,668	1,721,044
Contracted services	256,691	79,412	508,961
Utilities	166,152	202,598	3,534
Materials and supplies	84,053	88,694	124,991
Water and electric purchases	205,233	-	4,718,988
Repairs and maintenance	171,072	425,164	177,509
Depreciation	638,226	1,226,537	271,339
Total Operating Expenses	<u>2,437,273</u>	<u>2,464,073</u>	<u>7,526,366</u>
Operating Income (Loss)	<u>667,014</u>	<u>611,869</u>	<u>1,853,004</u>
<u>Nonoperating Revenues (Expenses)</u>			
Investment income	-	-	-
Interest expense	-	-	-
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>-</u>	<u>-</u>
Income (Loss) Before Transfers	<u>667,014</u>	<u>611,869</u>	<u>1,853,004</u>
Capital contributions	-	3,750,153	-
Transfers (out)	-	-	(749,289)
Change in Net Position	<u>\$ 667,014</u>	<u>\$ 4,362,022</u>	<u>\$ 1,103,715</u>

Administration	Total
\$ -	\$ 15,113,178
-	73,608
-	372,813
214,649	214,649
214,649	15,774,248

218,592	3,297,150
182,107	1,027,171
-	372,284
25,629	323,367
-	4,924,221
30,660	804,405
-	2,136,102
456,988	12,884,700
(242,339)	2,889,548

389,020	389,020
(1,181,001)	(1,181,001)
(791,981)	(791,981)

(1,034,320)	2,097,567
-	3,750,153
(95,000)	(844,289)

\$ (1,129,320)	\$ 5,003,431
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