

*ANNUAL FINANCIAL REPORT*

of the

**City of Sanger, Texas**

**For the Year Ended  
September 30, 2019**

(This page intentionally left blank.)

# City of Sanger, Texas

## TABLE OF CONTENTS

September 30, 2019

### FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis	7

### Basic Financial Statements

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

Statement of Net Position	18
Statement of Activities	22

#### **Fund Financial Statements**

##### **Governmental Funds:**

Balance Sheet	24
Reconciliation of the Balance Sheet to the Statement of Net Position- Governmental Funds	27
Statement of Revenues, Expenditures, and Changes in Fund Balance- Governmental Funds	28
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	31

##### **Proprietary Funds:**

Statement of Net Position	32
Statement of Revenues, Expenses, and Changes in Fund Net Position	34
Statement of Cash Flows	35

<b>Notes to Financial Statements</b>	<b>37</b>
--------------------------------------	-----------

### REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual - General Fund	76
Schedule of Changes in Net Pension Liability and Related Ratios	78
Schedule of Employer Contributions to Pension Plan	80
Schedule of Changes in OPEB Liability and Related Ratios	82

### COMBINING AND INDIVIDUAL FUND FINANCIAL SCHEDULES

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds – by Department	84
---	----

(This page intentionally left blank.)



## *INDEPENDENT AUDITOR'S REPORT*

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

### **Report on the Financial Statements**

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

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinions*

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

### *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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Sanger, Texas's basic financial statements. The combining schedule by department for the proprietary fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining schedule by department for the proprietary fund is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional

procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, flowing script.

Brooks Watson & Co.  
Certified Public Accountants, PLLC  
Houston, Texas  
January 2, 2020

(This page intentionally left blank.)

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

(This page intentionally left blank.)

# City of Sanger, Texas

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

September 30, 2019

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, 2019.

### **Financial Highlights**

- The City's total combined net position is \$44,388,787 at September 30, 2019. Of this, \$15,418,850 (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 \$8,542,678, an increase of \$2,291,221.
- As of the end of the year, the unassigned fund balance of the general fund was \$5,616,983 or 91% of total general fund expenditures.
- The City had an overall increase in net position of \$4,162,945, which is 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, 2019

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

# City of Sanger, Texas

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

September 30, 2019

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

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

### **Proprietary Funds**

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

### **Component Units**

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

### **Notes to Financial Statements**

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

### **Other Information**

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Sanger, assets exceeded liabilities by \$44,388,787 as of September 30, 2019, in the primary government.

# City of Sanger, Texas

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

September 30, 2019

The largest portion of the City's net position, \$26,075,110, 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, \$2,894,827, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$15,418,850 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

Current assets of governmental activities as of September 30, 2019 and September 30, 2018 were \$9,264,673 and \$7,224,081, respectively. The increase of \$2,040,592 was primarily due to an increase in cash on hand as a result of revenues exceeding expenses in the current year.

Current assets of business-type activities as of September 30, 2019 and September 30, 2018 were \$14,744,586 and \$16,436,888, respectively. The decrease of \$1,692,302 was primarily attributable to funds being spent on capital asset improvements throughout the year and principal payments made on outstanding debt.

Capital assets of business-type activities as of September 30, 2019 and September 30, 2018 were \$29,272,520 and \$27,575,268, respectively. The increase of \$1,697,252 was a primarily a result of the continued sewer plant expansion.

Other liabilities of business-type as of September 30, 2019 and September 30, 2018 were \$3,182,639 and \$3,801,444, respectively. The decrease of \$618,805 was primarily a result of timing of payments to third party vendors subsequent to the prior year end.

**City of Sanger, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2019**

**Statement of Net Position:**

The following table reflects the condensed Statement of Net Position:

	2019			2018		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 9,264,673	\$ 14,744,586	\$ 24,009,259	\$ 7,224,081	\$ 16,436,888	\$ 23,660,969
Capital assets, net	18,949,169	29,272,520	48,221,689	19,178,754	27,575,268	46,754,022
<b>Total Assets</b>	<b>28,213,842</b>	<b>44,017,106</b>	<b>72,230,948</b>	<b>26,402,835</b>	<b>44,012,156</b>	<b>70,414,991</b>
<b>Deferred Outflows of Resources</b>	<b>596,634</b>	<b>197,169</b>	<b>793,803</b>	<b>228,061</b>	<b>96,605</b>	<b>324,666</b>
Other liabilities	1,348,191	3,182,639	4,530,830	1,664,933	3,801,444	5,466,377
Long-term liabilities	4,082,353	20,014,674	24,097,027	4,022,808	20,726,451	24,749,259
<b>Total Liabilities</b>	<b>5,430,544</b>	<b>23,197,313</b>	<b>28,627,857</b>	<b>5,687,741</b>	<b>24,527,895</b>	<b>30,215,636</b>
<b>Deferred Inflows of Resources</b>	<b>6,237</b>	<b>1,870</b>	<b>8,107</b>	<b>229,125</b>	<b>69,054</b>	<b>298,179</b>
Net Position:						
Net investment in capital assets	15,502,386	10,572,724	26,075,110	14,712,198	10,012,196	24,724,394
Restricted	2,894,827	-	2,894,827	1,518,760	-	1,518,760
Unrestricted	4,976,482	10,442,368	15,418,850	4,483,072	9,499,616	13,982,688
<b>Total Net Position</b>	<b>\$ 23,373,695</b>	<b>\$ 21,015,092</b>	<b>\$ 44,388,787</b>	<b>\$ 20,714,030</b>	<b>\$ 19,511,812</b>	<b>\$ 40,225,842</b>

**City of Sanger, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2019**

**Statement of Activities:**

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

	For the Year Ended September 30, 2019			For the Year Ended September 30, 2018		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 2,035,376	\$ 12,594,574	\$ 14,629,950	\$ 1,946,040	\$ 12,722,292	\$ 14,668,332
Grants and contributions	770,917	-	770,917	3,846,351	475,000	4,321,351
General revenues:						
Property taxes	4,480,452	-	4,480,452	3,953,836	-	3,953,836
Sales taxes	914,748	-	914,748	872,250	-	872,250
Franchise and local taxes	283,573	-	283,573	261,611	-	261,611
Investment income	11,916	169,808	181,724	5,012	25,558	30,570
Other revenues	399,167	-	399,167	396,025	-	396,025
<b>Total Revenues</b>	<b>8,896,149</b>	<b>12,764,382</b>	<b>21,660,531</b>	<b>11,281,125</b>	<b>13,222,850</b>	<b>24,503,975</b>
<b>Expenses</b>						
General government	2,186,197	-	2,186,197	1,808,163	-	1,808,163
Public safety	2,759,901	-	2,759,901	2,517,223	-	2,517,223
Public works	1,070,180	-	1,070,180	1,061,776	-	1,061,776
Culture and recreation	719,658	-	719,658	737,343	-	737,343
Interest and fiscal charges	181,723	681,277	863,000	173,032	718,056	891,088
Water, sewer, & electric	-	9,898,650	9,898,650	-	9,981,037	9,981,037
<b>Total Expenses</b>	<b>6,917,659</b>	<b>10,579,927</b>	<b>17,497,586</b>	<b>6,297,537</b>	<b>10,699,093</b>	<b>16,996,630</b>
<b>Change in Net Position</b>						
<b>Before Transfers</b>	1,978,490	2,184,455	4,162,945	4,983,588	2,523,757	7,507,345
Transfers	681,175	(681,175)	-	781,259	(781,259)	-
<b>Total</b>	<b>681,175</b>	<b>(681,175)</b>	<b>-</b>	<b>781,259</b>	<b>(781,259)</b>	<b>-</b>
<b>Change in Net Position</b>	<b>2,659,665</b>	<b>1,503,280</b>	<b>4,162,945</b>	<b>5,764,847</b>	<b>1,742,498</b>	<b>7,507,345</b>
Beginning Net Position	20,714,030	19,511,812	40,225,842	14,949,183	17,769,314	32,718,497
<b>Ending Net Position</b>	<b>\$ 23,373,695</b>	<b>\$ 21,015,092</b>	<b>\$ 44,388,787</b>	<b>\$ 20,714,030</b>	<b>\$ 19,511,812</b>	<b>\$ 40,225,842</b>

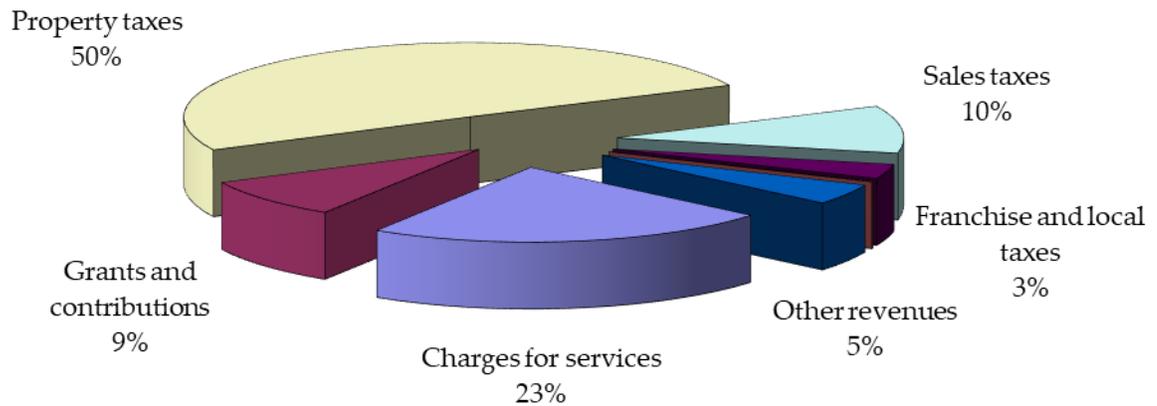
# City of Sanger, Texas

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

### September 30, 2019

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

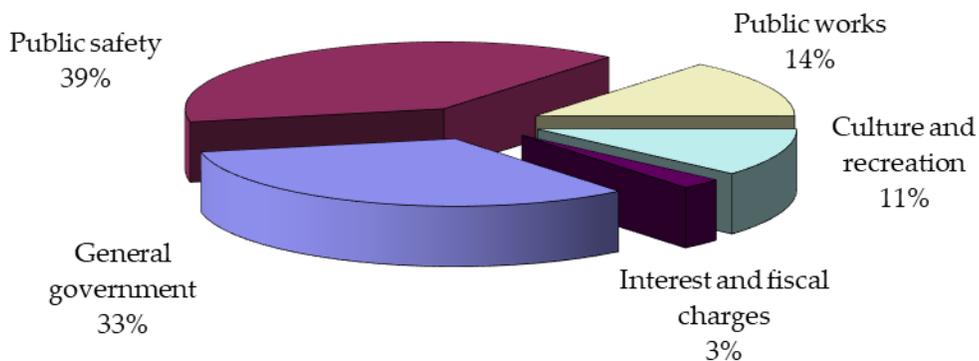
### Governmental Activities - Revenues



For the year ended September 30, 2019, revenues from governmental activities totaled \$8,896,149. Property tax, charges for services, and sales taxes are the City's largest revenue sources. Property tax increased by \$526,616 or 13% due to rising property values. Sales taxes and franchise and local taxes increased by \$42,498 and \$21,962, respectively, due to growth in the local economy. Charges for services increased \$89,336 or 5% primarily due to increases in engineering inspection service fees and sanitation service revenue. Grants and contributions decreased by \$3,075,434 due to nonrecurring funds received from an interlocal agreement with Denton County for street construction in the prior 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, 2019, expenses for governmental activities totaled \$6,917,659. This represents an increase of \$620,122 from the prior year. The City's largest functional expense is public safety of \$2,759,901, which primarily includes costs for the police department, animal control, fire

# City of Sanger, Texas

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

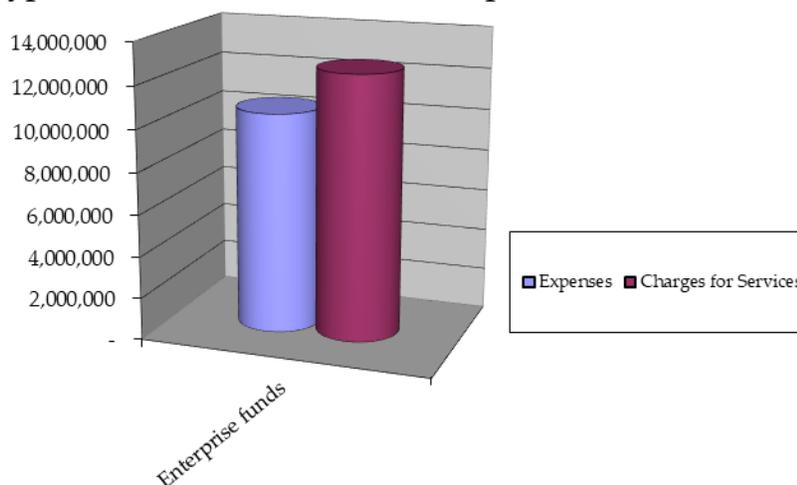
September 30, 2019

department, and EMS services. Public safety expenses increased by \$242,678 or 10%, which is mainly a result of increased personnel and professional services expenses. General government expenses increased by \$378,034 or 21% primarily due to increases in salaries and contract service expenditures. All other expenditures remained relatively consistent with the previous year.

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

For the year ended September 30, 2019, charges for services by business-type activities totaled \$12,594,574. This is a decrease of \$127,718 or 1% from the previous year, which is considered minimal.

### Business-Type Activities - Revenues and Expenses



Total expenses decreased by \$119,166 or 1% compared to the prior year, which is considered minimal.

### 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, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

As of the end of the year the general fund reflected a total fund balance of \$6,437,779. Of this, \$10,003 is restricted for municipal court, \$49,805 is restricted for tourism, \$98,348 is restricted for library improvements, \$61,134 for public safety, \$8,587 is restricted for parks, and \$562,051 is restricted for roadway impact fees. In addition, \$30,868 is committed for employee benefits. Unassigned fund balance totaled \$5,616,983 as of yearend. The general fund increased by \$1,509,042 primarily as a result

# City of Sanger, Texas

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

September 30, 2019

of planned expenditures exceeding current year actual expenditures and an overall increase in the anticipated net change in fund balance.

The capital projects fund reflected an ending balance of \$1,628,718, an increase of \$761,933. This increase is attributed to greater intergovernmental revenues and transfers in compared to capital outlay expenditures in the current year.

There was an increase in governmental fund balance of \$2,291,221 over the prior year. The increase was primarily due to revenues and other financing sources exceeding current year expenditures.

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

### GENERAL FUND BUDGETARY HIGHLIGHTS

There was a total positive budget variance of \$1,434,143 in the general fund. This is a combination of a positive revenue variance of \$465,979 a positive expenditure variance of \$357,188, and a positive variance of \$610,976 in other financing sources and uses. The most significant revenue variances were for property taxes, franchise and local taxes, licenses and permits, fire and rescue, intergovernmental; and other revenues.

### CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$18,949,169 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 \$29,272,520 in a variety of capital assets and infrastructure, net of accumulated depreciation.

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

- Investment in the McReynolds road construction in the amount of \$158,085.
- Investments in street department infrastructure totaling \$300,169.
- Investments in infrastructure for water department totaling \$169,979.
- Investments in infrastructure for sewer department totaling \$208,050.
- Investments in infrastructure and machinery and equipment for electric department totaling \$488,770.
- Sewer plant expansion for \$1,673,200.
- Purchase of public safety equipment and vehicles for \$137,810.

**City of Sanger, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued***  
**September 30, 2019**

- Acquisition of building and infrastructure improvements and machinery and equipment in the parks department for \$108,129.

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 bonds outstanding of \$22,245,000 and capital leases of \$233,023. \$1,575,000 of certificates of obligation bonds were refunded during the year. In addition, the City made principal payments on bonds and capital leases of \$1,613,282. 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 budgeting for growth in the upcoming year.

**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.

(This page intentionally left blank.)

**City of Sanger, Texas**  
**STATEMENT OF NET POSITION (Page 1 of 2)**  
**September 30, 2019**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
Current assets:			
Cash and cash equivalents	\$ 8,168,899	\$ 9,373,086	\$ 17,541,985
Restricted cash	-	2,540,582	2,540,582
Investments	540,374	722,526	1,262,900
Receivables, net	511,844	1,566,982	2,078,826
Inventory	-	450,150	450,150
Due from component unit	134,816	-	134,816
Internal balances	(91,260)	91,260	-
<b>Total Current Assets</b>	<b>9,264,673</b>	<b>14,744,586</b>	<b>24,009,259</b>
Capital assets:			
Non-depreciable	7,840,413	13,874,077	21,714,490
Net depreciable capital assets	11,108,756	15,398,443	26,507,199
	18,949,169	29,272,520	48,221,689
<b>Total Assets</b>	<b>28,213,842</b>	<b>44,017,106</b>	<b>72,230,948</b>
<b><u>Deferred Outflows of Resources</u></b>			
Deferred charge on refunding	12,037	20,977	33,014
Pension contributions	188,265	56,739	245,004
OPEB contributions	239	71	310
Pension investment earnings	352,271	106,168	458,439
Pension (gains) losses	30,549	9,214	39,763
Pension assumption changes	13,273	4,000	17,273
<b>Total Deferred Outflows of Resources</b>	<b>596,634</b>	<b>197,169</b>	<b>793,803</b>

See Notes to Financial Statements.

**Component Units**

<b>Sanger Industrial Dev. Corp. (4A)</b>	<b>Sanger Texas Dev. Corp. (4B)</b>
\$ 1,094,539	\$ 935,871
-	-
95,314	281,699
80,325	80,325
-	-
-	-
-	-
<u>1,270,178</u>	<u>1,297,895</u>
-	-
731,990	-
<u>731,990</u>	<u>-</u>
<u>2,002,168</u>	<u>1,297,895</u>
-	-
-	-
-	-
-	-
-	-
<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>

**City of Sanger, Texas**  
**STATEMENT OF NET POSITION (Page 2 of 2)**  
**September 30, 2019**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 433,299	\$ 1,543,854	\$ 1,977,153
Accrued interest payable	19,676	246,910	266,586
Customer deposits	-	442,086	442,086
Due to primary government	-	-	-
Compensated absences - current	191,700	119,589	311,289
Long term debt due within one year	703,516	830,200	1,533,716
<b>Total Current Liabilities</b>	<b>1,348,191</b>	<b>3,182,639</b>	<b>4,530,830</b>
Noncurrent liabilities:			
Debt due in more than one year	2,731,621	19,600,930	22,332,551
Compensated absences - noncurrent	21,299	13,288	34,587
OPEB liability	78,769	23,530	102,299
Net pension liability	1,250,664	376,926	1,627,590
	<b>4,082,353</b>	<b>20,014,674</b>	<b>24,097,027</b>
<b>Total Liabilities</b>	<b>5,430,544</b>	<b>23,197,313</b>	<b>28,627,857</b>
<b>Deferred Inflows of Resources</b>			
OPEB (gains) losses	6,167	1,870	8,037
OPEB assumption changes	70	-	70
<b>Total Deferred Inflows of Resources</b>	<b>6,237</b>	<b>1,870</b>	<b>8,107</b>
<b>Net Position</b>			
Net investment in capital assets	15,502,386	10,572,724	26,075,110
Restricted for:			
Debt service	476,181	-	476,181
Capital projects	1,628,718	-	1,628,718
Parks	8,587	-	8,587
Economic development	-	-	-
Roadway impact fees	562,051	-	562,051
Other purposes	219,290	-	219,290
Unrestricted	4,976,482	10,442,368	15,418,850
<b>Total Net Position</b>	<b>\$ 23,373,695</b>	<b>\$ 21,015,092</b>	<b>\$ 44,388,787</b>

See Notes to Financial Statements.

**Component Units**

Sanger Industrial Dev. Corp. (4A)	Sanger Texas Dev. Corp. (4B)
\$ 4,386	\$ -
-	-
-	-
67,408	67,408
-	-
-	-
71,794	67,408
-	-
-	-
-	-
-	-
71,794	67,408
-	-
-	-
-	-
-	-
731,990	-
-	-
-	-
-	-
1,198,384	1,230,487
-	-
-	-
-	-
\$ 1,930,374	\$ 1,230,487

# City of Sanger, Texas

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General government	\$ 2,186,197	\$ 1,292,146	\$ 1,019	\$ -
Public safety	2,759,901	743,230	122,962	-
Public works	1,070,180	-	-	434,436
Culture and recreation	719,658	-	-	-
Interest and fiscal charges	181,723	-	212,500	-
<b>Total Governmental Activities</b>	<b>6,917,659</b>	<b>2,035,376</b>	<b>336,481</b>	<b>434,436</b>
<b>Business-Type Activities</b>				
Water	1,530,085	2,277,432	-	-
Sewer	1,066,304	2,257,858	-	-
Electric	7,287,932	7,846,733	-	-
Fleet services	66	-	-	-
Utility administration	695,540	212,551	-	-
<b>Total Business-Type Activities</b>	<b>10,579,927</b>	<b>12,594,574</b>	<b>-</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 17,497,586</b>	<b>\$ 14,629,950</b>	<b>\$ 336,481</b>	<b>\$ 434,436</b>
<b>Component Units</b>				
Sanger Ind. Dev. Corp. (4A)	176,190	-	-	-
Sanger Texas Dev. Corp. (4B)	256,114	-	-	-
	<b>\$ 432,304</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

### General Revenues:

- Taxes
  - Property taxes
  - Sales taxes
  - Franchise and local taxes
- Investment income
- Other revenues
- Insurance recoveries

### Transfers

**Total General Revenues and Transfers**

### Change in Net Position

Beginning Net Position

**Ending Net Position**

See Notes to Financial Statements.

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

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Sanger Industrial Dev. Corp. (4A)	Sanger Texas Dev. Corp. (4B)
\$ (893,032)	\$ -	\$ (893,032)	\$ -	\$ -
(1,893,709)	-	(1,893,709)	-	-
(635,744)	-	(635,744)	-	-
(719,658)	-	(719,658)	-	-
30,777	-	30,777	-	-
<u>(4,111,366)</u>	<u>-</u>	<u>(4,111,366)</u>	<u>-</u>	<u>-</u>
-	747,347	747,347	-	-
-	1,191,554	1,191,554	-	-
-	558,801	558,801	-	-
-	(66)	(66)	-	-
-	(482,989)	(482,989)	-	-
-	2,014,647	2,014,647	-	-
<u>(4,111,366)</u>	<u>2,014,647</u>	<u>(2,096,719)</u>	<u>-</u>	<u>-</u>
			(176,190)	-
			-	(256,114)
			<u>(176,190)</u>	<u>(256,114)</u>
4,480,452	-	4,480,452	-	-
914,748	-	914,748	454,236	454,236
283,573	-	283,573	-	-
11,916	169,808	181,724	5,754	3,416
377,018	-	377,018	40,000	-
22,149	-	22,149	-	-
681,175	(681,175)	-	-	-
<u>6,771,031</u>	<u>(511,367)</u>	<u>6,259,664</u>	<u>499,990</u>	<u>457,652</u>
2,659,665	1,503,280	4,162,945	323,800	201,538
20,714,030	19,511,812	40,225,842	1,606,574	1,028,949
<u>\$ 23,373,695</u>	<u>\$ 21,015,092</u>	<u>\$ 44,388,787</u>	<u>\$ 1,930,374</u>	<u>\$ 1,230,487</u>

# City of Sanger, Texas

## BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2019

	General	Capital Projects Fund	Nonmajor Debt Service
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 5,834,125	\$ 1,636,792	\$ 476,066
Investments	540,374	-	-
Receivables, net	498,594	-	13,250
Due from component unit	134,816	-	-
<b>Total Assets</b>	<b>\$ 7,007,909</b>	<b>\$ 1,636,792</b>	<b>\$ 489,316</b>
<b><u>Liabilities</u></b>			
Accounts payable and accrued liabilities	\$ 328,691	\$ 8,074	\$ -
Due to other funds	91,260	-	-
<b>Total Liabilities</b>	<b>419,951</b>	<b>8,074</b>	<b>-</b>
<b><u>Deferred Inflows of Resources</u></b>			
Unavailable revenue			
Property taxes	49,826	-	13,135
EMS revenue	100,353	-	-
<b>Total Deferred Inflows of Resources</b>	<b>150,179</b>	<b>-</b>	<b>13,135</b>
<b><u>Fund Balances</u></b>			
Restricted for:			
Municipal court	10,003	-	-
Tourism	49,805	-	-
Library	98,348	-	-
Public safety	61,134	-	-
Debt service	-	-	476,181
Capital projects	-	1,628,718	-
Parks	8,587	-	-
Roadway impact fees	562,051	-	-
Committed for:			
Employee benefits	30,868	-	-
Unassigned reported in:			
General fund	5,616,983	-	-
<b>Total Fund Balances</b>	<b>6,437,779</b>	<b>1,628,718</b>	<b>476,181</b>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<b>\$ 7,007,909</b>	<b>\$ 1,636,792</b>	<b>\$ 489,316</b>

See Notes to Financial Statements.

**Total  
Governmental  
Funds**

---

\$ 7,946,983  
540,374  
511,844  
134,816  

---

\$ 9,134,017

\$ 336,765  
91,260  

---

428,025

62,961  
100,353  

---

163,314

10,003  
49,805  
98,348  
61,134  
476,181  
1,628,718  
8,587  
562,051

30,868

5,616,983  

---

8,542,678

\$ 9,134,017

(Page intentionally left blank.)

# City of Sanger, Texas

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

September 30, 2019

<b>Fund Balances - Total Governmental Funds</b>		\$ 8,542,678
<b>Adjustments for the Statement of Net Position:</b>		
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.		
Capital assets - non-depreciable		7,840,413
Capital assets - net depreciable		11,062,716
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		
Property tax receivable		62,961
EMS receivable		100,353
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		12,037
Pension contributions		140,424
OPEB contributions		177
Pension investment earnings		262,753
Pension gains (losses)		22,804
Pension assumption changes		9,900
OPEB assumption changes		(70)
OPEB gains (losses)		(4,565)
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		
Net position - governmental activities		(53,839)
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.		
Accrued interest		(19,676)
Compensated absences		(179,074)
Bond premium		(168,814)
Net pension liability		(932,850)
OPEB liability		(58,310)
Non-current liabilities due in one year		(703,516)
Non-current liabilities due in more than one year		(2,562,807)
<b>Net Position of Governmental Activities</b>		<u>\$ 23,373,695</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, 2019

	General	Capital Projects Fund	Nonmajor Debt Service
<b>Revenues</b>			
Property tax	\$ 3,752,626	\$ -	\$ 721,281
Sales tax	914,748	-	-
Franchise and local taxes	283,573	-	-
License and permits	285,699	-	-
Charges for services	1,006,447	-	-
Fire and rescue	662,905	-	-
Contributions and donations	1,019	-	-
Intergovernmental	122,962	434,436	212,500
Fines and forfeitures	80,325	-	-
Investment income	11,441	-	475
Other revenue	410,313	-	-
<b>Total Revenues</b>	<b>7,532,058</b>	<b>434,436</b>	<b>934,256</b>
<b>Expenditures</b>			
Current:			
General government	1,677,483	-	1,500
Police department	1,509,652	-	-
Municipal court	180,179	-	-
Fire and EMS	1,032,738	-	-
Parks and recreation	534,881	-	-
Public works	888,382	-	-
Debt service:			
Principal	117,936	-	634,400
Interest	11,417	-	152,102
Bond issuance costs	-	-	57,213
Capital outlay	228,024	347,503	-
<b>Total Expenditures</b>	<b>6,180,692</b>	<b>347,503</b>	<b>845,215</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,351,366</b>	<b>86,933</b>	<b>89,041</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	810,527	675,000	-
Transfers (out)	(675,000)	-	(129,352)
Proceeds from issuance of debt	-	-	1,635,753
Payment to escrow agent for refunding	-	-	(1,575,196)
Insurance recoveries	22,149	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>157,676</b>	<b>675,000</b>	<b>(68,795)</b>
<b>Net Change in Fund Balances</b>	<b>1,509,042</b>	<b>761,933</b>	<b>20,246</b>
Beginning fund balances	4,928,737	866,785	455,935
<b>Ending Fund Balances</b>	<b>\$ 6,437,779</b>	<b>\$ 1,628,718</b>	<b>\$ 476,181</b>

See Notes to Financial Statements.

**Total  
Governmental  
Funds**

---

\$	4,473,907				
	914,748				
	283,573				
	285,699				
	1,006,447				
	662,905				
	1,019				
	769,898				
	80,325				
	11,916				
	410,313				
	<u>8,900,750</u>				
	1,678,983				
	1,509,652				
	180,179				
	1,032,738				
	534,881				
	888,382				
	752,336				
	163,519				
	57,213				
	575,527				
	<u>7,373,410</u>				
	<u>1,527,340</u>				
	1,485,527				
	(804,352)				
	1,635,753				
	(1,575,196)				
	22,149				
	<u>763,881</u>				
	2,291,221				
	6,251,457				
	<u>\$ 8,542,678</u>				

(This page intentionally left blank.)

# 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, 2019**

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

Net changes in fund balances - total governmental funds	\$	2,291,221
---	----	-----------

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		714,946
Depreciation expense		(916,599)
Adjustment for disposal of assets		(33,295)

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

EMS receivable		6,545
----------------	--	-------

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		(14,175)
Accrued interest		20,106
Pension expense		(90,200)
OPEB expense		(6,431)

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.

Deferred charges on refunding		(7,250)
Premium on debt		(100,753)
Principal payments		752,336
Debt refunding		1,575,000
Debt issuance		(1,535,000)
Amortization of bond premium		26,349

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.

(23,135)

<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>2,659,665</b>
--	-----------	------------------

See Notes to Financial Statements.

# City of Sanger, Texas

## STATEMENT OF NET POSITION (Page 1 of 2)

### PROPRIETARY FUND

September 30, 2019

	Water, Sewer & Electric	Governmental Activities Internal Service
<b><u>Assets</u></b>		
<b><u>Current Assets</u></b>		
Cash and cash equivalents	\$ 9,373,086	\$ 221,916
Restricted cash	2,540,582	-
Investments	722,526	-
Receivables, net	1,566,982	-
Inventory	450,150	-
Due from other funds	91,260	-
<b>Total Current Assets</b>	<b>14,744,586</b>	<b>221,916</b>
<b><u>Noncurrent Assets</u></b>		
Capital assets:		
Non-depreciable	13,874,077	-
Net depreciable capital assets	15,398,443	46,040
<b>Total Noncurrent Assets</b>	<b>29,272,520</b>	<b>46,040</b>
<b>Total Assets</b>	<b>44,017,106</b>	<b>267,956</b>
<b><u>Deferred Outflows of Resources</u></b>		
Deferred charge on refunding	20,977	-
Pension contributions	56,739	47,841
OPEB contributions	71	62
Pension assumption changes	4,000	3,373
Pension investment earnings	106,168	89,518
Pension (gains) losses	9,214	7,745
<b>Total Deferred Outflows of Resources</b>	<b>197,169</b>	<b>148,539</b>

# City of Sanger, Texas

## STATEMENT OF NET POSITION (Page 2 of 2)

### PROPRIETARY FUND

September 30, 2019

	Water, Sewer & Electric	Governmental Activities Internal Service
<b><u>Liabilities</u></b>		
<b><u>Current Liabilities</u></b>		
Accounts payable and accrued liabilities	1,543,854	96,534
Accrued interest	246,910	-
Customer deposits	442,086	-
Compensated absences - current	119,589	30,533
Bonds and capital leases payable-current	830,200	-
<b>Total Current Liabilities</b>	3,182,639	127,067
<b><u>Noncurrent Liabilities</u></b>		
Compensated absences - noncurrent	13,288	3,392
Net pension liability	376,926	317,814
OPEB liability	23,530	20,459
Bonds and capital leases payable	19,600,930	-
<b>Total Liabilities</b>	23,197,313	468,732
<b><u>Deferred Inflows of Resources</u></b>		
OPEB (gains) losses	1,870	1,602
<b>Total Deferred Inflow of Resources</b>	1,870	1,602
<b><u>Net Position</u></b>		
Net investment in capital assets	10,572,724	46,040
Unrestricted	10,442,368	(99,879)
<b>Total Net Position</b>	\$ 21,015,092	\$ (53,839)

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, 2019

	Water, Sewer & Electric	Governmental Activities Internal Service
<b><u>Operating Revenues</u></b>		
Charges for services	\$ 11,824,963	\$ 1,768,731
Connection fees	62,510	-
Tap fees	494,550	-
Other revenue	212,551	-
<b>Total Operating Revenues</b>	<b>12,594,574</b>	<b>1,768,731</b>
<b><u>Operating Expenses</u></b>		
Salaries and wages	2,077,358	1,194,615
Contracted services	321,324	327,555
Utilities	303,957	99,024
Materials and supplies	151,351	77,518
Water and electric purchases	5,487,353	-
Repairs and maintenance	556,052	84,260
Depreciation	1,001,255	5,437
<b>Total Operating Expenses</b>	<b>9,898,650</b>	<b>1,788,409</b>
<b>Operating Income (Loss)</b>	<b>2,695,924</b>	<b>(19,678)</b>
<b><u>Nonoperating Revenues (Expenses)</u></b>		
Investment income	169,808	-
Interest expense	(681,277)	(3,457)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(511,469)</b>	<b>(3,457)</b>
<b>Income (Loss) Before Transfers</b>	<b>2,184,455</b>	<b>(23,135)</b>
Transfers (out)	(681,175)	-
<b>Change in Net Position</b>	<b>1,503,280</b>	<b>(23,135)</b>
Beginning net position	19,511,812	(30,704)
<b>Ending Net Position</b>	<b>\$ 21,015,092</b>	<b>\$ (53,839)</b>

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, 2019**

	<b>Water, Sewer &amp; Electric</b>	<b>Governmental Activities Internal Service</b>
<b><u>Cash Flows from Operating Activities</u></b>		
Receipts from customers	\$ 12,573,545	\$ -
Receipts from interfund charges for administrative services	-	1,768,731
Payments to suppliers	(7,419,736)	(555,766)
Payments to employees	(2,043,389)	(1,172,046)
Payments/receipts for other	6,830	-
<b>Net Cash Provided by (Used) by Operating Activities</b>	<b>3,117,250</b>	<b>40,919</b>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>		
Operating transfers (out)	(681,175)	-
<b>Net Cash Provided by (Used) by Noncapital Financing Activities</b>	<b>(681,175)</b>	<b>-</b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>		
Capital purchases	(2,698,507)	(10,800)
Principal paid on debt	(860,946)	-
Interest paid on debt	(769,138)	(3,457)
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<b>(4,328,591)</b>	<b>(14,257)</b>
<b><u>Cash Flows from Investing Activities</u></b>		
Purchases of investments, net	(2,973)	-
Interest on investments	169,808	-
<b>Net Cash Provided by Investing Activities</b>	<b>166,835</b>	<b>-</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(1,725,681)</b>	<b>26,662</b>
Beginning cash and cash equivalents	13,639,349	195,254
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 11,913,668</b>	<b>\$ 221,916</b>

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, 2019**

	Water, Sewer & Electric	Governmental Activities Internal Service
<b><u>Reconciliation of Operating Income</u></b>		
<b><u>to Net Cash Provided by Operating Activities</u></b>		
Operating Income / (Loss)	\$ 2,695,924	\$ (19,678)
Adjustments to reconcile operating income / (loss) to net cash provided / (used):		
Depreciation	1,001,255	5,437
<b>Changes in Operating Assets and Liabilities:</b>		
<b>(Increase) Decrease in:</b>		
Accounts receivable	(25,250)	-
Inventory	(11,986)	-
Due from/to other funds	6,830	-
Deferred outflows of resources - pension contributions	(5,885)	(4,962)
Deferred outflows of resources - OPEB contributions	(6)	(6)
Deferred inflows of resources - pension investment earnings	(159,293)	(134,311)
Deferred inflows of resources - pension (gains) losses	(25,143)	(21,176)
Deferred inflows of resources - OPEB (gains) losses	3,721	3,212
Deferred outflows of resources - pension assumption changes	6,133	5,171
<b>Increase (Decrease) in:</b>		
Accounts payable and accrued liabilities	(587,713)	32,591
Compensated absences	(5,074)	(10,418)
Customer deposits	4,221	-
Net pension liability	220,634	186,033
OPEB liability	(1,118)	(974)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 3,117,250</b>	<b>\$ 40,919</b>

See Notes to Financial Statements.

**City of Sanger, Texas**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

**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, 2019**

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

**Discretely Presented Component Units**

Sanger Industrial Development Corporation (4A)

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

Sanger Texas Development Corporation (4B)

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

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

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

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

**City of Sanger, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

interfund services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

The government reports the following major governmental funds:

**Governmental Funds**

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

**General Fund**

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, parks and recreation and public works.

**Capital Projects Fund**

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

The government reports the following nonmajor governmental fund:

**Debt Service Fund**

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

**City of Sanger, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2019

**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

**City of Sanger, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

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

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service

**City of Sanger, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
**September 30, 2019**

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

**City of Sanger, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
**September 30, 2019**

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

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

**2. Fair Value**

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

**3. Receivables and Interfund Transactions**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either “interfund receivables/payables” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds” in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as “due to/from component unit/primary government.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

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

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

**4. Property Taxes**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

# City of Sanger, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2019

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 \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

# City of Sanger, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2019

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

<b>Asset Description</b>	<b>Estimated Useful Life</b>
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, 2019**

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, 2019

**11. Compensated Absences**

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

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

**12. Long-Term Obligations**

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

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

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

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital

**City of Sanger, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
**September 30, 2019**

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, 2019

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.

### 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

**City of Sanger, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

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.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

As of September 30, 2019, the primary government had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Average Maturity (Years)</u>
Certificates of deposit	\$ 1,262,900	0.52
Total fair value	<u>\$ 1,262,900</u>	
Portfolio weighted average maturity		0.52

As of September 30, 2019, the 4A Component Unit had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Average Maturity (Years)</u>
Certificates of deposit	\$ 95,314	0.01
Total fair value	<u>\$ 95,314</u>	
Portfolio weighted average maturity		0.01

As of September 30, 2019, the 4B Component Unit had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Average Maturity (Years)</u>
Certificates of deposit	\$ 281,699	0.42
Total fair value	<u>\$ 281,699</u>	
Portfolio weighted average maturity		0.42

*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.

# City of Sanger, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2019

*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 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, 2019, 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

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

	<u>General</u>	<u>Debt Service</u>	<u>Water, Sewer &amp; Electric</u>	<u>Total</u>
Property taxes	\$ 82,143	\$ 24,395	\$ -	\$ 106,538
Sales tax	160,650	-	-	160,650
Franchise & local taxes	42,910	-	-	42,910
EMS	338,601	-	-	338,601
Accounts	118,353	-	1,775,895	1,894,248
Other	1,600	-	-	1,600
Allowance	(245,663)	(11,145)	(208,913)	(465,721)
	<u>\$ 498,594</u>	<u>\$ 13,250</u>	<u>\$ 1,566,982</u>	<u>\$ 2,078,826</u>

**City of Sanger, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

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

	<b>4A</b>	<b>4B</b>	<b>Total</b>
Sales tax	\$ 80,325	\$ 80,325	\$ 160,650
	\$ 80,325	\$ 80,325	\$ 160,650

**C. Inventory**

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

<b>Inventory type</b>	<b>Cost</b>
Electric Department	\$ 375,213
Water Department	74,937
Total	\$ 450,150

**City of Sanger, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

**D. Capital Assets**

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Disposals / Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 1,044,933	\$ -	\$ -	\$ 1,044,933
Construction in progress	6,633,637	161,843	-	6,795,480
Total capital assets not being depreciated	<u>7,678,570</u>	<u>161,843</u>	<u>-</u>	<u>7,840,413</u>
Capital assets, being depreciated:				
Infrastructure	12,087,810	336,400	-	12,424,210
Buildings and improvements	6,798,040	29,414	-	6,827,454
Machinery and equipment	4,010,518	198,089	(49,481)	4,159,126
Total capital assets being depreciated	<u>22,896,368</u>	<u>563,903</u>	<u>(49,481)</u>	<u>23,410,790</u>
Less accumulated depreciation				
Infrastructure	6,460,660	336,334	-	6,796,994
Buildings and improvements	2,275,201	292,651	-	2,567,852
Machinery and equipment	2,660,323	293,051	(16,186)	2,937,188
Total accumulated depreciation	<u>11,396,184</u>	<u>922,036</u>	<u>(16,186)</u>	<u>12,302,034</u>
Net capital assets being depreciated	<u>11,500,184</u>	<u>(358,133)</u>	<u>(33,295)</u>	<u>11,108,756</u>
<b>Total Capital Assets</b>	<u>\$ 19,178,754</u>	<u>\$ (196,290)</u>	<u>\$ (33,295)</u>	<u>\$ 18,949,169</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 73,932
Public safety	103,607
Public works	373,469
Culture and recreation	281,984
Fire and rescue	83,607
Internal service	5,437
<b>Total Governmental Activities Depreciation Expense</b>	<u>\$ 922,036</u>

**City of Sanger, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Disposals / Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 496,857	\$ 10	\$ -	\$ 496,867
Construction in progress	11,545,501	1,831,709	-	13,377,210
Total capital assets not being depreciated	<u>12,042,358</u>	<u>1,831,719</u>	<u>-</u>	<u>13,874,077</u>
Capital assets, being depreciated:				
Infrastructure	29,561,571	717,718	-	30,279,289
Buildings and improvements	865,245	-	-	865,245
Machinery and equipment	2,169,446	149,070	-	2,318,516
Total capital assets being depreciated	<u>32,596,262</u>	<u>866,788</u>	<u>-</u>	<u>33,463,050</u>
Less accumulated depreciation				
Infrastructure	14,989,534	816,299	-	15,805,833
Buildings and improvements	523,160	51,855	-	575,015
Machinery and equipment	1,550,658	133,101	-	1,683,759
Total accumulated depreciation	<u>17,063,352</u>	<u>1,001,255</u>	<u>-</u>	<u>18,064,607</u>
Net capital assets being depreciated	<u>15,532,910</u>	<u>(134,467)</u>	<u>-</u>	<u>15,398,443</u>
<b>Total Capital Assets</b>	<u>\$ 27,575,268</u>	<u>\$ 1,697,252</u>	<u>\$ -</u>	<u>\$ 29,272,520</u>

Depreciation was charged to business-type activities as follows:

Water	\$ 380,564
Sewer	382,003
Electric	224,359
Other	14,329
<b>Total Business-type Activities Depreciation Expense</b>	<u>\$ 1,001,255</u>

**City of Sanger, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

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

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 1,080,797	\$ -	\$ -	\$ 1,080,797
Furniture and fixtures	40,950	-	-	40,950
Total capital assets being depreciated	<u>1,121,747</u>	<u>-</u>	<u>-</u>	<u>1,121,747</u>
Less accumulated depreciation				
Buildings and improvements	329,865	38,231	-	368,096
Furniture and fixtures	17,298	4,363	-	21,661
Total accumulated depreciation	<u>347,163</u>	<u>42,594</u>	<u>-</u>	<u>389,757</u>
Net capital assets being depreciated	<u>774,584</u>	<u>(42,594)</u>	<u>-</u>	<u>731,990</u>
<b>Total Capital Assets</b>	<u><u>\$ 774,584</u></u>	<u><u>\$ (42,594)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 731,990</u></u>

The 4A Component Unit recognized depreciation expense of \$42,594 during the year ended September 30, 2019.

**City of Sanger, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

**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	Additions	Amortization/ Payments	Refunding	Ending Balance	Amounts Due within One Year
<b>Governmental Activities:</b>						
Bonds, notes and other payables:						
General Obligation Bonds	\$ 1,197,300	\$ -	\$ (392,800)	\$ -	\$ 804,500	\$ 410,900
Certificates of Obligation	2,510,400	1,535,000	(241,600)	(1,575,000)	2,228,800	248,900
Less deferred amounts:						
For issuance premiums	94,410	100,753	(26,349)	-	168,814	-
	3,802,110	1,635,753	(660,749)	(1,575,000)	3,202,114	659,800
Other liabilities:						
Capital leases payable	350,959	-	(117,936)	-	233,023	43,716
<b>Total Governmental Activities</b>	<b>\$ 4,153,069</b>	<b>\$ 1,635,753</b>	<b>\$ (778,685)</b>	<b>\$ (1,575,000)</b>	<b>\$ 3,435,137</b>	<b>\$ 703,516</b>
<b>Long-term liabilities due in more than one year</b>					<b>\$ 2,731,621</b>	
<b>Business-Type Activities:</b>						
General Obligation Bonds	\$ 1,452,700	\$ -	\$ (477,200)	\$ -	\$ 975,500	\$ 499,100
Certificates of Obligation	18,564,600	-	(328,400)	-	18,236,200	331,100
Less deferred amounts:						
For issuance premiums	1,320,016	-	(100,586)	-	1,219,430	-
	21,337,316	-	(906,186)	-	20,431,130	830,200
Other liabilities:						
Capital leases payable	55,346	-	(55,346)	-	-	-
<b>Total Business-Type Activities</b>	<b>\$ 21,392,662</b>	<b>\$ -</b>	<b>\$ (961,532)</b>	<b>\$ -</b>	<b>\$ 20,431,130</b>	<b>\$ 830,200</b>
<b>Long-term liabilities due in more than one year</b>					<b>\$ 19,600,930</b>	
<b>Component Units (4A Fund)</b>						
Notes payable	\$ 308,495	\$ -	\$ (308,495)	\$ -	\$ -	\$ -
	<b>\$ 308,495</b>	<b>\$ -</b>	<b>\$ (308,495)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Long-term liabilities due in more than one year</b>					<b>\$ -</b>	

**City of Sanger, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

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

	<b>Governmental Activities</b>	<b>Business - Type Activities</b>	<b>Total</b>
<b>General Obligation Bonds:</b>			
\$3,495,000 General Obligation Refunding Bond, Series 2012, due in installments through 2021, interest at 2% to 3%	\$ 314,600	\$ 400,400	\$ 715,000
\$2,535,000 General Obligation Refunding Bond, Series 2016, due in installments through 2021, interest at 2% to 4%	489,900	575,100	1,065,000
<b>Total General Obligation Bonds</b>	<b>\$ 804,500</b>	<b>\$ 975,500</b>	<b>\$ 1,780,000</b>
<b>Certificates of Obligation:</b>			
\$1,750,000 Certificates of Obligation, Series 2007, due in annual installments through 2027, interest at 4.4%	\$ 302,600	\$ 587,400	\$ 890,000
\$4,260,000 Certificates of Obligation, Series 2013, due in annual installments through 2033, interest at 2% to 3.7%	391,200	2,868,800	3,260,000
\$5,870,000 Certificates of Obligation, Series 2015, due in annual installments through 2035, interest at 3.4% to 5.5%	-	5,540,000	5,540,000
\$9,240,000 Certificates of Obligation, Series 2017, due in annual installments through 2035, interest at 3% to 4%	-	9,240,000	9,240,000
\$1,535,000 Certificates of Obligation, Series 2019, due in annual installments through 2026, interest at 3% to 4.75%	1,535,000	-	1,535,000
<b>Total Certificates of Obligation</b>	<b>\$ 2,228,800</b>	<b>\$ 18,236,200</b>	<b>\$ 20,465,000</b>
<b>Plus deferred amounts:</b>			
Issuance premium	\$ 168,814	\$ 1,219,430	\$ 1,388,244
<b>Total Deferred Amounts</b>	<b>\$ 168,814</b>	<b>\$ 1,219,430</b>	<b>\$ 1,388,244</b>
<b>Capital Leases Payable:</b>			
\$435,000 Capital lease payable to financial institution, due in annual installments of \$51,535 through 2024, interest at 3.346%	\$ 233,023	\$ -	\$ 233,023
<b>Total Capital Leases Payable</b>	<b>\$ 233,023</b>	<b>\$ -</b>	<b>\$ 233,023</b>
<b>Total Long-term Liabilities</b>	<b>\$ 3,435,137</b>	<b>\$ 20,431,130</b>	<b>\$ 23,866,267</b>

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.

**City of Sanger, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

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

General Obligation Bonds

Year ending September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 410,900	\$ 27,824	\$ 499,100	\$ 33,476
2021	393,600	13,929	476,400	16,746
	<u>\$ 804,500</u>	<u>\$ 41,753</u>	<u>\$ 975,500</u>	<u>\$ 50,222</u>

Combination Tax and Revenue Certificates of Obligations

Year ending September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 248,900	\$ 82,794	\$ 331,100	\$ 706,516
2021	256,200	76,725	408,800	694,655
2022	268,500	66,563	616,500	679,742
2023	281,400	55,908	633,600	660,427
2024	287,000	44,743	658,000	640,327
2025	299,300	33,236	675,700	618,519
2026	313,900	20,982	701,100	593,113
2027	76,800	13,024	998,200	566,321
2028	28,800	9,768	1,086,200	526,357
2029	30,600	8,400	1,124,400	482,800
2030	31,800	6,870	1,173,200	436,574
2031	33,600	5,280	1,221,400	387,920
2032	35,400	3,600	1,269,600	337,338
2033	36,600	1,830	1,323,400	284,626
2034	-	-	1,420,000	229,713
2035	-	-	1,475,000	173,656
2036	-	-	1,535,000	115,344
2037	-	-	1,585,000	63,400
	<u>\$ 2,228,800</u>	<u>\$ 429,724</u>	<u>\$ 18,236,200</u>	<u>\$ 8,197,346</u>

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

**City of Sanger, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

Capital Leases

Year ending September 30,	Governmental Activities	
	Principal	Interest
2020	\$ 43,716	\$ 7,819
2021	45,179	6,357
2022	46,690	4,845
2023	48,252	3,283
2024	49,186	1,668
	\$ 233,023	\$ 23,972

The City has entered into capital lease agreements. The leased property under capital leases is classified as machinery and equipment with a total carrying value as of yearend for governmental activities and business type activities of \$379,697 and \$390,840, respectively.

**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
<b>Governmental Activities:</b>					
Compensated Absences	\$ 164,899	\$ 14,175	\$ -	\$ 179,074	\$ 161,167
Compensated Absences in internal service funds	44,343	-	(10,418)	33,925	30,533
<b>Total Governmental Activities</b>	\$ 209,242	\$ 14,175	\$ (10,418)	\$ 212,999	\$ 191,700
<b>Business-Type Activities:</b>					
Compensated Absences	\$ 137,951	\$ -	\$ (5,074)	\$ 132,877	\$ 119,589
<b>Total Business-Type Activities</b>	\$ 137,951	\$ -	\$ (5,074)	\$ 132,877	\$ 119,589

**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, 2019**

borrowers. Accordingly, the bonds are not reported as liabilities in the City's financial statements.

**H. Advance Refunding**

On July 1, 2019, the City issued \$1,535,000 in general obligation refunding bonds with an interest rate of 2 - 4%. The proceeds were used to advance refund \$1,575,000 of an outstanding 2009 Combination Tax and Revenue Certificate of Obligation which had an interest rate of 4% - 4.75%. The net proceeds of \$1,575,196 (after payment of \$57,213 in issuance costs and \$3,344 deposited into the debt service fund) were deposited with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the former 2009 obligations are considered defeased, and the liability for those certificates have been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$196. This amount was considered immaterial, and was therefore expensed rather than deferred and amortized. This advance refunding reduced the City's total debt service payments by \$126,040 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$117,778.

**I. Deferred Charge on Refunding**

Deferred charges resulting from the issuance of the 2012 and 2016 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 \$12,037 and \$20,977, respectively. Current year amortization expense for governmental and business-type activities totaled \$7,250 and \$12,725, respectively.

**City of Sanger, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

**J. Interfund Transactions**

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

<b>Transfer out:</b>	<b>Transfer In</b>			<b>Total</b>
	<b>General</b>	<b>Capital Projects</b>	<b>Internal Service Fund</b>	
General	\$ -	\$ 675,000	\$ 530,619	\$ 1,205,619
Debt Service	129,352	-	-	129,352
Water, sewer, & electric	681,175	-	1,238,112	1,919,287
	\$ 810,527	\$ 675,000	\$ 1,768,731	\$ 3,254,258

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, 2019:

<b>Paid by:</b>	<b>Received by:</b>
General	\$ 530,619
Enterprise	1,238,112
	\$ 1,768,731

The compositions of interfund due to/from balances as of the year ended September 30, 2019 were as follows:

<b>Payable fund:</b>	<b>Receivable fund:</b>
General	Enterprise
	\$ 91,260
	\$ 91,260

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.

**City of Sanger, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

**K. 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:

	<u>Restricted</u>	<u>Committed</u>
Municipal court	\$ 10,003 *	\$ -
Tourism	49,805 *	-
Library	98,348	-
Public safety	61,134 *	-
Debt service	476,181	-
Capital projects	1,628,718	-
Parks	8,587	-
Streets	562,051	-
Employee benefits	-	30,868
	<u>\$ 2,894,827</u>	<u>\$ 30,868</u>

\* Restricted by enabling legislation

**V. OTHER INFORMATION**

**A. Risk Management**

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

**B. Contingent Liabilities**

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the

**City of Sanger, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
**September 30, 2019**

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.

The State of Texas' environmental agency (TCEQ) is pursuing an enforcement action against the City of Sanger to address wastewater compliance issues related to the City of Sanger's discharge permit. Sanger has provided TCEQ with counterproposal language that seeks credit for the City's proactive response to previous wastewater compliance issues, and TCEQ is expected to respond in the coming months to bring the enforcement matter to a close. The City anticipates resolution of the enforcement action without significant burden in light of the City's ongoing commitment to compliance efforts and its substantial investments to date to improve and maintain the City's wastewater infrastructure. The estimated range of potential liability to the City for related TCEQ penalties is between \$0 to \$64,500.

**C. Construction commitments**

The government has active construction projects as of September 30, 2019. 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, 2019**

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

Project	Vendor	Remaining Commitment
McReynolds Road Reconstruction	Pacheco Koch, LLC	\$ 4,675
McReynolds Road Reconstruction	HRM Land Acquisition	397
	<b>Project Total</b>	<u>5,072</u>
Server Consolidation	Austin Lane Technology	<u>15,650</u>
FM 455 Relocation of Utilities	Dannenbaum Engineering	<u>152,016</u>
Sewer 455/Lois	D&S Engineering	<u>4,630</u>
New Sewer Plant	Alan Plummer Associates	23,073
New Sewer Plant	Felix Construction	524,434
	Anixter Inc.	285
	<b>Project Total</b>	<u>547,792</u>
Railroad lift station	Perkins Engineering	9,332
Railroad lift station	Alan Plummer Associates	135,850
	<b>Project Total</b>	<u>145,182</u>
	<b>Total</b>	<u><u>\$ 870,342</u></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, 2019

**E. Defined Benefit Pension Plans**

**1. Plan Description**

The City of Sanger, Texas participates as one of 887 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 comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

**City of Sanger, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

Plan provisions for the City were as follows:

	<u>Plan Year 2018</u>	<u>Plan Year 2017</u>
Employee deposit rate	6.0%	6.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	0% of CPI	0% of CPI

**Employees covered by benefit terms**

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

Inactive employees or beneficiaries currently receiving benefits	19
Inactive employees entitled to but not yet receiving benefits	28
Active employees	70
Total	117

**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 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Sanger were 7.79% and 7.91% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019, were \$320,019, and were equal to the required contributions.

**City of Sanger, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2019

**4. Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, 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, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy.

**City of Sanger, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
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, 2019**

**Changes in the Net Pension Liability:**

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) – (b)</u>
<b>Balance at 12/31/17</b>	\$ 9,494,473	\$ 8,819,595	\$ 674,878
Changes for the year:			
Service Cost	462,521	-	462,521
Interest (on the Total Pension Liab.)	648,013	-	648,013
Difference between expected and actual experience	93,857	-	93,857
Contributions – employer	-	294,606	(294,606)
Contributions – employee	-	226,912	(226,912)
Net investment income	-	(264,466)	264,466
Benefit payments, including refunds of emp. contributions	(251,071)	(251,071)	-
Administrative expense	-	(5,106)	5,106
Other changes	-	(267)	267
Net changes	953,320	608	952,712
<b>Balance at 12/31/18</b>	<u>\$ 10,447,793</u>	<u>\$ 8,820,203</u>	<u>\$ 1,627,590</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 Assumption 6.75%	1% Increase 7.75%
\$ 3,289,872	\$ 1,627,590	\$ 270,354

**Pension Plan Fiduciary Net Position:**

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

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

For the year ended September 30, 2019, the City recognized pension expense of \$477,395.

**City of Sanger, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

At September 30, 2019, the City reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

		<b>Deferred Outflows of Resources</b>
Difference between projected and investment earnings	\$	458,439
Changes in actuarial assumptions		17,273
Differences between expected and actual economic experience		39,763
Contributions subsequent to the measurement date		245,004
<b>Total</b>	<b>\$</b>	<b>760,479</b>

The City reported \$245,004 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, 2020.

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

<b>Year ended December 31:</b>		
2019	\$	168,074
2020		74,041
2021		74,706
2022		189,075
2023		9,579
Thereafter		-
	<b>\$</b>	<b>515,475</b>

**F. Postemployment Benefits Other Than Pensions**

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

# City of Sanger, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2019

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, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	7
Active employees	70
<b>Total</b>	<b>87</b>

The City's retiree contribution rates to the TMRS SDBF for the years ended 2019, 2018 and 2017 are as follows:

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2016	0.01%	0.01%	100.0%
2017	0.01%	0.01%	100.0%
2018	0.01%	0.01%	100.0%

The City's contributions to the TMRS SDBF for the years ended 2019, 2018, and 2017 were \$406, \$371 and \$355, respectively, which equaled the required contributions each year.

**City of Sanger, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2019

**Total OPEB Liability**

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2018, 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, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 10.5%, including inflation per year
Discount rate	3.71%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

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

**Discount Rate:**

The discount rate used to measure the Total OPEB Liability was 3.71%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

**City of Sanger, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.71%, as well as what the City's total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

1% Decrease (2.71%)	Current Single Rate Assumption 3.71%	1% Increase (4.71%)
\$ 123,820	\$ 102,299	\$ 85,333

**Changes in the Total OPEB Liability:**

	Total OPEB Liability
<b>Balance at 12/31/17</b>	\$ 107,167
Changes for the year:	
Service Cost	9,076
Interest	3,691
Change in benefit terms	-
Difference between expected and actual experience	(9,264)
Changes of assumptions	(7,993)
Benefit payments	(378)
Net changes	(4,868)
<b>Balance at 12/31/18</b>	<b>\$ 102,299</b>

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$11,691.

**City of Sanger, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ -	(8,037)
Changes in assumptions	-	(70)
Contributions subsequent to measurement date	310	-
<b>Total</b>	<b>\$ 310</b>	<b>\$ (8,107)</b>

The City reported \$310 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, 2020.

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

<b>Year ended December 31:</b>	
2019	\$ (1,076)
2020	(1,076)
2021	(1,076)
2022	(1,076)
2023	(1,076)
Thereafter	(2,727)
	<b>\$ (8,107)</b>

**G. Subsequent Events**

There were no material subsequent events through January 2, 2020, the date the financial statements were available to be issued.

***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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b><u>Revenues</u></b>				
Property tax	\$ 3,631,116	\$ 3,631,116	\$ 3,752,626	\$ 121,510
Sales tax	905,000	905,000	914,748	9,748
Franchise and local taxes	235,000	235,000	283,573	48,573
License and permits	363,070	363,070	285,699	(77,371)
Charges for services	961,516	961,516	1,006,447	44,931
Fire and rescue	776,877	776,877	662,905	(113,972)
Contributions and donations	-	-	1,019	1,019
Intergovernmental	-	-	122,962	122,962
Fines and forfeitures	112,000	112,000	80,325	(31,675)
Investment income	4,000	4,000	11,441	7,441
Other revenue	77,500	77,500	410,313	332,813
<b>Total Revenues</b>	7,066,079	7,066,079	7,532,058	465,979
<b><u>Expenditures</u></b>				
Current:				
General government	1,193,472	1,193,472	1,677,483	(484,011)
Police department	1,516,658	1,516,658	1,509,652	7,006
Municipal court	199,095	199,095	180,179	18,916
Fire and EMS	1,496,017	1,496,017	1,032,738	463,279
Parks and recreation	631,058	621,664	534,881	86,783
Public works	1,048,005	1,048,005	888,382	159,623
Debt service:				
Principal	117,890	117,890	117,936	(46)
Interest	11,463	11,463	11,417	46
Capital outlay	324,222	333,616	228,024	105,592
<b>Total Expenditures</b>	6,537,880	6,537,880	6,180,692	357,188
<b>Revenues Over (Under) Expenditures</b>	\$ 528,199	\$ 528,199	\$ 1,351,366	\$ 823,167

# 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, 2019*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	\$ 831,020	\$ 831,020	\$ 810,527	\$ (20,493)
Transfers (out)	(1,284,320)	(1,284,320)	(675,000)	609,320
Insurance recoveries	-	-	22,149	22,149
<b>Total Other Financing Sources (Uses)</b>	(453,300)	(453,300)	157,676	610,976
<b>Net Change in Fund Balance</b>	\$ 74,899	\$ 74,899	1,509,042	\$ 1,434,143
Beginning fund balance			4,928,737	
<b>Ending Fund Balance</b>			\$ 6,437,779	

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,

	2018	2017	2016	2015
Total pension liability				
Service cost	\$ 462,521	\$ 438,324	\$ 408,943	\$ 369,950
Interest (on the Total Pension Liability)	648,013	590,632	545,333	521,853
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	93,857	38,794	(78,516)	(89,808)
Changes of assumptions	-	-	-	47,847
Benefit payments, including refunds of participant contributions	(251,071)	(208,451)	(230,245)	(260,514)
<b>Net change in total pension liability</b>	<u>953,320</u>	<u>859,299</u>	<u>645,515</u>	<u>589,328</u>
<b>Total pension liability - beginning</b>	<u>9,494,473</u>	<u>8,635,174</u>	<u>7,989,659</u>	<u>7,400,331</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 10,447,793</u>	<u>\$ 9,494,473</u>	<u>\$ 8,635,174</u>	<u>\$ 7,989,659</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 294,606	\$ 276,169	\$ 240,177	\$ 231,097
Contributions - members	226,912	217,171	202,113	195,568
Net investment income	(264,466)	1,040,205	461,955	9,831
Benefit payments, including refunds of participant contributions	(251,071)	(208,451)	(230,245)	(260,514)
Administrative expenses	(5,106)	(5,387)	(5,214)	(5,988)
Other	(267)	(273)	(281)	(296)
<b>Net change in plan fiduciary net position</b>	<u>608</u>	<u>1,319,434</u>	<u>668,505</u>	<u>169,698</u>
<b>Plan fiduciary net position - beginning</b>	<u>8,819,595</u>	<u>7,500,161</u>	<u>6,831,656</u>	<u>6,661,957</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 8,820,203</u>	<u>\$ 8,819,595</u>	<u>\$ 7,500,161</u>	<u>\$ 6,831,655</u>
<b>Fund's net pension liability - ending (a) - (b)</b>	<u>\$ 1,627,590</u>	<u>\$ 674,878</u>	<u>\$ 1,135,013</u>	<u>\$ 1,158,004</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	84.42%	92.89%	86.86%	85.51%
<b>Covered payroll</b>	\$ 3,781,589	\$ 3,619,524	\$ 3,368,554	\$ 3,259,471
<b>Fund's net position as a percentage of covered payroll</b>	43.04%	18.65%	33.69%	35.53%

**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.

	<u>2014</u>	<sup>1</sup>
\$	340,004	
	476,571	
	-	
	47,610	
	-	
	(204,026)	
	<u>660,159</u>	
	<u>6,740,172</u>	
\$	<u>7,400,331</u>	
\$	211,283	
	187,821	
	350,203	
	(204,026)	
	(3,656)	
	(301)	
	<u>541,324</u>	
	<u>6,120,633</u>	
\$	<u>6,661,957</u>	
\$	<u><u>738,374</u></u>	
	90.02%	
\$	3,130,346	
	23.59%	

# City of Sanger, Texas

## SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Years Ended:

	9/30/2019	9/30/2018	9/30/2017	9/30/2016
Actuarially determined employer contributions	\$ 320,019	\$ 287,348	\$ 266,753	\$ 247,432
Contributions in relation to the actuarially determined contribution	\$ 320,019	\$ 287,348	\$ 266,753	\$ 247,432
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Annual covered payroll	\$ 4,060,365	\$ 3,706,912	\$ 3,549,724	\$ 3,475,512
Employer contributions as a percentage of covered payroll	7.88%	7.75%	7.51%	7.12%

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

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

**Valuation Date:**

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

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.0% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

**Other Information:**

Notes There were no benefit changes during the year.

9/30/2015 <sup>1</sup>

\$ 225,111

\$ 225,111

\$ -

\$ 3,130,346

7.19%

# City of Sanger, Texas

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

	2018	2017	
Total OPEB liability			<sup>1</sup>
Service cost	\$ 9,076	\$ 7,601	
Interest (on the Total Pension Liability)	3,691	3,432	
Changes in benefit terms	-	-	
Differences between expected and actual experience	(9,264)	-	
Changes of assumptions	(7,993)	9,310	
Benefit payments, including refunds of participant contributions	(377)	(363)	
<b>Net changes</b>	<b>(4,867)</b>	<b>19,980</b>	
<b>Total OPEB liability - beginning</b>	<b>107,166</b>	<b>87,186</b>	
<b>Total OPEB liability - ending (a)</b>	<b>\$ 102,299</b>	<b>\$ 107,166</b>	<sup>2</sup>
 <b>Covered payroll</b>	 <b>\$ 3,781,859</b>	 <b>\$ 3,619,524</b>	
<b>Total OPEB Liability as a percentage of covered payroll</b>	<b>2.70%</b>	<b>2.96%</b>	

**Notes to schedule:**

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

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

***OTHER SUPPLEMENTARY INFORMATION***

# 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, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Fleet Services</u>
<b><u>Operating Revenues</u></b>				
Charges for services	\$ 2,067,382	\$ 1,973,358	\$ 7,784,223	\$ -
Connection fees	-	-	62,510	-
Tap fees	210,050	284,500	-	-
Other revenue	-	-	-	-
<b>Total Operating Revenues</b>	<b><u>2,277,432</u></b>	<b><u>2,257,858</u></b>	<b><u>7,846,733</u></b>	<b><u>-</u></b>
<b><u>Operating Expenses</u></b>				
Salaries and wages	647,152	317,640	1,112,566	-
Contracted services	35,268	26,333	259,723	-
Utilities	153,118	148,495	2,344	-
Materials and supplies	33,719	50,096	67,536	-
Water and electric purchases	68,276	-	5,419,077	-
Repairs and maintenance	211,988	141,737	202,327	-
Depreciation	380,564	382,003	224,359	66
<b>Total Operating Expenses</b>	<b><u>1,530,085</u></b>	<b><u>1,066,304</u></b>	<b><u>7,287,932</u></b>	<b><u>66</u></b>
<b>Operating Income (loss)</b>	<b><u>747,347</u></b>	<b><u>1,191,554</u></b>	<b><u>558,801</u></b>	<b><u>(66)</u></b>
<b><u>Nonoperating Revenues (Expenses)</u></b>				
Investment income	-	-	-	-
Interest expense	-	-	-	-
<b>Nonoperating Revenues (Expenses)</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Income Before Transfers</b>	<b>747,347</b>	<b>1,191,554</b>	<b>558,801</b>	<b>(66)</b>
Transfers (out)	-	-	(65,556)	-
<b>Change in Net Position</b>	<b><u>\$ 747,347</u></b>	<b><u>\$ 1,191,554</u></b>	<b><u>\$ 493,245</u></b>	<b><u>\$ (66)</u></b>

<u>Administration</u>	<u>Total</u>
\$ -	\$ 11,824,963
-	62,510
-	494,550
212,551	212,551
<u>212,551</u>	<u>12,594,574</u>
-	2,077,358
-	321,324
-	303,957
-	151,351
-	5,487,353
-	556,052
14,263	1,001,255
<u>14,263</u>	<u>9,898,650</u>
198,288	2,695,924
169,808	169,808
(681,277)	(681,277)
<u>(511,469)</u>	<u>(511,469)</u>
(313,181)	2,184,455
<u>(615,619)</u>	<u>(681,175)</u>
<u>\$ (928,800)</u>	<u>\$ 1,503,280</u>

(This page intentionally left blank.)