

ANNUAL FINANCIAL REPORT

of the

City of Sanger, Texas

**For the Year Ended
September 30, 2021**

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City of Sanger, Texas

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September 30, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on the 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, 2021, 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, 2021, 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. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

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 11, 2022

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

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City of Sanger, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2021

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, 2021.

Financial Highlights

- The City's total combined net position is \$54,742,635 at September 30, 2021. Of this, \$24,857,794 (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 \$15,679,318, an increase of \$4,673,116.
- As of the end of the year, the unassigned fund balance of the general fund was \$10,388,357 or 159% of total general fund expenditures.
- The City had an overall increase in net position of \$6,094,764, 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, 2021

are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *on balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Sanger maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues,

City of Sanger, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2021

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 \$54,742,635 as of September 30, 2021, in the primary government.

City of Sanger, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2021

The largest portion of the City's net position, \$26,883,452, 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, \$3,001,389, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$24,857,794 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, 2021 and September 30, 2020 were \$16,744,494 and \$12,106,859, respectively. The increase of \$4,637,635 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, 2021 and September 30, 2020 were \$34,474,502 and \$13,167,174, respectively. The increase of \$21,307,328 was primarily attributable to unspent bond proceeds received during the current year.

Total long-term liabilities as of September 30, 2021 and September 30, 2020 were \$41,376,358 and \$21,862,434, respectively. The increase of \$19,513,924 was primarily due to new bond issuances in the current year.

City of Sanger, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2021

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2021			2020		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 16,744,494	\$ 34,474,502	\$ 51,218,996	\$ 12,106,859	\$ 13,167,174	\$ 25,274,033
Long-term assets	18,080,240	30,574,110	48,654,350	19,063,124	30,466,678	49,529,802
Total Assets	34,824,734	65,048,612	99,873,346	31,169,983	43,633,852	74,803,835
Deferred Outflows of Resources	403,316	197,052	600,368	373,255	118,518	491,773
Other liabilities	1,311,570	2,739,080	4,050,650	1,745,717	2,715,443	4,461,160
Long-term liabilities	2,626,370	38,749,988	41,376,358	2,956,102	18,906,332	21,862,434
Total Liabilities	3,937,940	41,489,068	45,427,008	4,701,819	21,621,775	26,323,594
Deferred Inflows of Resources	237,175	66,896	304,071	249,483	74,660	324,143
Net Position:						
Net investment						
in capital assets	15,856,494	11,026,958	26,883,452	16,338,660	10,230,683	26,569,343
Restricted	3,001,389	-	3,001,389	1,626,646	-	1,626,646
Unrestricted	12,195,052	12,662,742	24,857,794	8,626,630	11,825,252	20,451,882
Total Net Position	\$ 31,052,935	\$ 23,689,700	\$ 54,742,635	\$ 26,591,936	\$ 22,055,935	\$ 48,647,871

City of Sanger, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2021

Statement of Activities:

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

	For the Year Ended September 30, 2021			For the Year Ended September 30, 2020		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 2,360,472	\$ 13,022,244	\$ 15,382,716	\$ 2,180,918	\$ 12,400,421	\$ 14,581,339
Grants and contributions	1,488,548	30,000	1,518,548	703,800	-	703,800
General revenues:						
Property taxes	5,242,753	-	5,242,753	4,784,777	-	4,784,777
Sales taxes	1,292,326	-	1,292,326	1,104,525	-	1,104,525
Franchise and local taxes	323,503	-	323,503	291,554	-	291,554
Investment income	17,249	468,643	485,892	20,786	389,530	410,316
Other revenues	409,542	-	409,542	543,453	-	543,453
Total Revenues	11,134,393	13,520,887	24,655,280	9,629,813	12,789,951	22,419,764
Expenses						
General government	2,430,570	-	2,430,570	2,404,017	-	2,404,017
Public safety	2,930,532	-	2,930,532	2,764,359	-	2,764,359
Public works	1,530,906	-	1,530,906	1,549,551	-	1,549,551
Culture and recreation	747,976	-	747,976	746,573	-	746,573
Interest and fiscal charges	74,009	1,149,964	1,223,973	80,876	642,843	723,719
Water, sewer, & electric	-	9,696,559	9,696,559	-	9,972,461	9,972,461
Total Expenses	7,713,993	10,846,523	18,560,516	7,545,376	10,615,304	18,160,680
Change in Net Position						
Before Transfers	3,420,400	2,674,364	6,094,764	2,084,437	2,174,647	4,259,084
Transfers	1,040,599	(1,040,599)	-	1,133,804	(1,133,804)	-
Total	1,040,599	(1,040,599)	-	1,133,804	(1,133,804)	-
Change in Net Position	4,460,999	1,633,765	6,094,764	3,218,241	1,040,843	4,259,084
Beginning Net Position	26,591,936	22,055,935	48,647,871	23,373,695	21,015,092	44,388,787
Ending Net Position	\$ 31,052,935	\$ 23,689,700	\$ 54,742,635	\$ 26,591,936	\$ 22,055,935	\$ 48,647,871

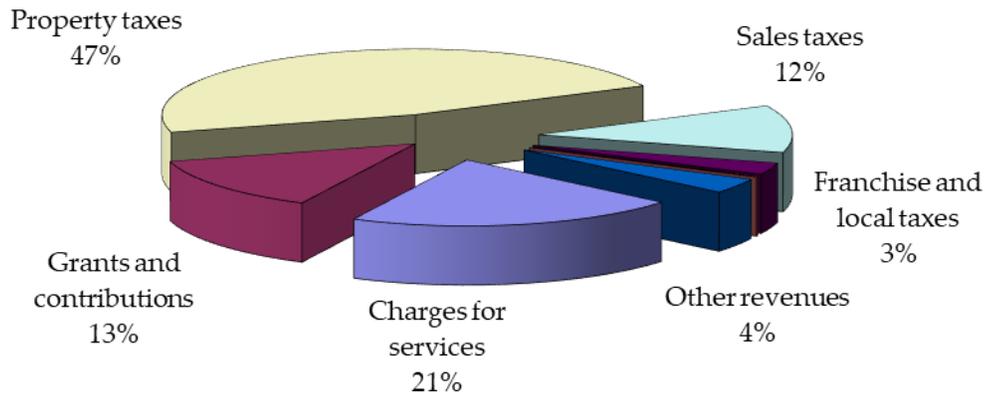
City of Sanger, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2021

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

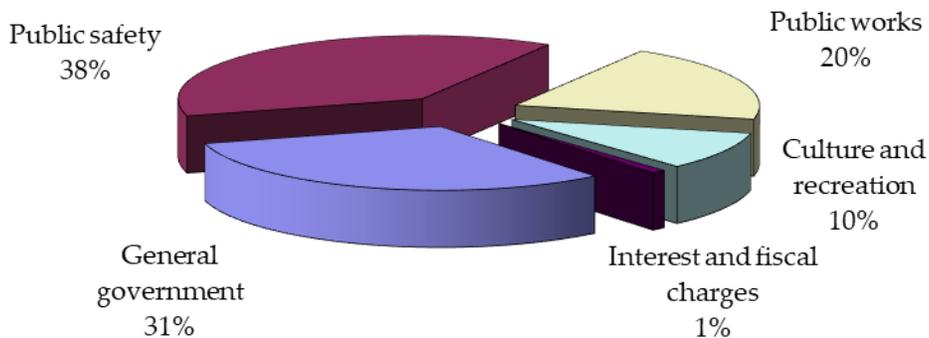
Governmental Activities - Revenues



For the year ended September 30, 2021, revenues from governmental activities totaled \$11,134,393. Property tax, charges for services, and grants/contributions are the City's largest revenue sources. Property tax increased by \$457,976 or 10% due to rising property values. Sales taxes increased by \$187,801 or 17% due to economic growth fueled by local purchases. Charges for services increased \$179,554 or 8% primarily due to greater garbage service revenue and engineering inspection fees. Grants and contributions increased by \$784,748 due to nonrecurring COVID-19 relief funds received in the current year. Other revenues decreased by \$133,911 primarily due to nonrecurring parkland dedication fees received in the prior year and a reduction in roadway impact fees. 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, 2021, expenses for governmental activities totaled \$7,713,993. This represents an increase of \$168,617 from the prior year. The City's largest functional expense is public safety of \$2,930,532, which primarily includes costs for the police department, animal control, fire department, and EMS services. Public safety expenses increased by \$166,173 or 6% primarily due to

City of Sanger, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

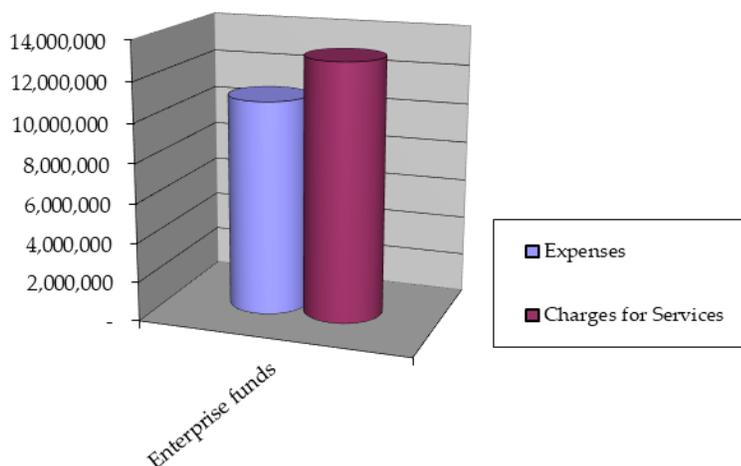
September 30, 2021

greater personnel costs, professional services expenses, and fuel costs. 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, 2021, charges for services by business-type activities totaled \$13,022,244. This represents an increase of \$621,823 or 5% from the previous year, which is primarily due to increased utility consumption by the City's growing customer base.

Business-Type Activities - Revenues and Expenses



Total expenses increased slightly by \$231,219 or 2% compared to the prior year, which is considered relatively consistent with the prior year. Interest and fiscal charges increased by \$507,121 or 79% due to bond issuances in the current year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

As of the end of the year the general fund reflected a total fund balance of \$12,939,232. Of this, \$14,065 is restricted for municipal court, \$99,290 is restricted for tourism, \$105,346 is restricted for library improvements, \$79,137 for public safety, \$11,837 is restricted for parks, \$1,081,833 is restricted for public safety due to the A.R.P COVID grant, and \$1,146,079 is restricted for roadway impact fees. In addition, \$13,288 is committed for employee benefits. Unassigned fund balance totaled \$10,388,357 as

City of Sanger, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2021

of yearend. The general fund increased by \$4,406,384 primarily as a result of greater than anticipated revenues and other financing sources and fewer than anticipated expenditures.

The capital projects fund reflected an ending balance of \$2,276,284, an increase of \$279,216. This increase is attributed to greater transfers in compared to capital outlay expenditures in the current year.

There was an increase in governmental fund balance of \$4,673,116 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 \$4,406,384 in the general fund. This is a combination of a positive revenue variance of \$2,449,588, a positive expenditure variance of \$1,671,006, and a positive variance of \$285,790 in other financing sources and uses. The most significant revenue variances were for intergovernmental revenue, sales tax, and other revenue.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$18,080,240 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 \$30,574,110 in a variety of capital assets and infrastructure, net of accumulated depreciation.

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

- Investments in the 2020-2021 street rehabilitation program for \$241,509.
- Community sidewalk improvements for \$31,969.
- New carpet and furniture for the library totaling \$51,377.
- FM 455 utility relocation for \$622,112.
- Acker and Cowling GST rehabilitation projects totaling \$586,864.
- Sewer plant expansion for \$184,249.
- Elm street sewer repairs for \$85,950.

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

City of Sanger, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2021

LONG-TERM DEBT

At the end of the current year, the City had total bonds (including premiums) and capital leases outstanding of \$41,169,428. The City refunded \$2,505,000 worth of certificates of obligation (including premiums) during the year. The issued new bonds worth \$23,420,341 (including premiums) during the course of the year. The City made principal payments on bonds and capital leases of \$1,580,185. More detailed information about the City's long-term liabilities is presented in note IV. E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Sanger and improving services provided to their public citizens. The City is considering budgeting conservatively for the upcoming year and planning to maintain similar services.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Sanger's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to the City Manager at the City of Sanger City Hall at 502 Elm Street, Sanger, Texas 76266.

FINANCIAL STATEMENTS

City of Sanger, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
September 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 15,410,348	\$ 29,084,560	\$ 44,494,908
Restricted cash	-	2,540,582	2,540,582
Investments	548,098	726,824	1,274,922
Receivables, net	622,246	1,589,197	2,211,443
Prepays	62,180	-	62,180
Inventory	-	500,145	500,145
Due from component unit	134,816	-	134,816
Internal balances	(33,194)	33,194	-
Total Current Assets	16,744,494	34,474,502	51,218,996
Capital assets:			
Non-depreciable	1,044,933	15,662,538	16,707,471
Net depreciable capital assets	17,035,307	14,911,572	31,946,879
	18,080,240	30,574,110	48,654,350
Total Assets	34,824,734	65,048,612	99,873,346
<u>Deferred Outflows of Resources</u>			
Deferred charge on refunding	11,420	86,517	97,937
Pension outflows	363,038	102,396	465,434
OPEB outflows	28,858	8,139	36,997
Total Deferred Outflows of Resources	403,316	197,052	600,368

See Notes to Financial Statements.

Component Units

Sanger Industrial Dev. Corp. (4A)	Sanger Texas Dev. Corp. (4B)
\$ 1,989,272	\$ 1,607,657
-	-
95,755	284,190
101,508	101,508
-	-
-	-
-	-
-	-
<u>2,186,535</u>	<u>1,993,355</u>
-	-
647,059	-
<u>647,059</u>	<u>-</u>
<u>2,833,594</u>	<u>1,993,355</u>
-	-
-	-
-	-
<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>

City of Sanger, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
September 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 845,145	\$ 987,412	\$ 1,832,557
Accrued interest payable	14,845	455,707	470,552
Customer deposits	-	502,814	502,814
Due to primary government	-	-	-
Compensated absences - current	129,790	73,247	203,037
Long term debt due within one year	321,790	719,900	1,041,690
Total Current Liabilities	1,311,570	2,739,080	4,050,650
Noncurrent liabilities:			
Debt due in more than one year	1,655,623	38,472,115	40,127,738
Compensated absences - noncurrent	14,421	8,139	22,560
OPEB liability	133,756	37,727	171,483
Net pension liability	822,570	232,007	1,054,577
	2,626,370	38,749,988	41,376,358
Total Liabilities	3,937,940	41,489,068	45,427,008
Deferred Inflows of Resources			
OPEB inflows	6,845	1,931	8,776
Pension inflows	230,330	64,965	295,295
Total Deferred Inflows of Resources	237,175	66,896	304,071
Net Position			
Net investment in capital assets	15,856,494	11,026,958	26,883,452
Restricted for:			
Debt service	463,802	-	463,802
A.R.P. grant - public safety	1,081,833	-	1,081,833
Parks	11,837	-	11,837
Economic development	-	-	-
Roadway impact fees	1,146,079	-	1,146,079
Other purposes	297,838	-	297,838
Unrestricted	12,195,052	12,662,742	24,857,794
Total Net Position	\$ 31,052,935	\$ 23,689,700	\$ 54,742,635

See Notes to Financial Statements.

Component Units

Sanger Industrial Dev. Corp. (4A)	Sanger Texas Dev. Corp. (4B)
\$ 8,338	\$ 5,070
-	-
-	-
67,408	67,408
-	-
-	-
<u>75,746</u>	<u>72,478</u>
-	-
-	-
-	-
-	-
<u>75,746</u>	<u>72,478</u>
-	-
-	-
-	-
647,059	-
-	-
-	-
-	-
2,110,789	1,920,877
-	-
-	-
-	-
<u>\$ 2,757,848</u>	<u>\$ 1,920,877</u>

City of Sanger, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 2,430,570	\$ 1,582,234	\$ -	\$ -
Public safety	2,930,532	778,238	1,274,738	-
Public works	1,530,906	-	-	-
Culture and recreation	747,976	-	1,310	-
Interest and fiscal charges	74,009	-	212,500	-
Total Governmental Activities	7,713,993	2,360,472	1,488,548	-
Business-Type Activities				
Water	1,643,246	2,505,981	-	30,000
Sewer	1,226,943	2,570,960	-	-
Electric	6,812,107	7,842,681	-	-
Utility administration	1,164,227	102,622	-	-
Total Business-Type Activities	10,846,523	13,022,244	-	30,000
Total Primary Government	\$ 18,560,516	\$ 15,382,716	\$ 1,488,548	30,000
Component Units				
Sanger Ind. Dev. Corp. (4A)	252,415	-	-	-
Sanger Texas Dev. Corp. (4B)	296,396	-	-	-
	\$ 548,811	\$ -	\$ -	\$ -

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)
\$ (848,336)	\$ -	\$ (848,336)	\$ -	\$ -
(877,556)	-	(877,556)	-	-
(1,530,906)	-	(1,530,906)	-	-
(746,666)	-	(746,666)	-	-
138,491	-	138,491	-	-
<u>(3,864,973)</u>	<u>-</u>	<u>(3,864,973)</u>	<u>-</u>	<u>-</u>
-	892,735	892,735	-	-
-	1,344,017	1,344,017	-	-
-	1,030,574	1,030,574	-	-
-	(1,061,605)	(1,061,605)	-	-
-	2,205,721	2,205,721	-	-
<u>(3,864,973)</u>	<u>2,205,721</u>	<u>(1,659,252)</u>	<u>-</u>	<u>-</u>
			(252,415)	-
			-	(296,396)
			<u>(252,415)</u>	<u>(296,396)</u>
5,242,753	-	5,242,753	-	-
1,292,326	-	1,292,326	641,438	641,438
323,503	-	323,503	-	-
17,249	468,643	485,892	881	3,917
380,798	-	380,798	30,000	36,786
28,744	-	28,744	-	-
1,040,599	(1,040,599)	-	-	-
<u>8,325,972</u>	<u>(571,956)</u>	<u>7,754,016</u>	<u>672,319</u>	<u>682,141</u>
4,460,999	1,633,765	6,094,764	419,904	385,745
26,591,936	22,055,935	48,647,871	2,337,944	1,535,132
<u>\$ 31,052,935</u>	<u>\$ 23,689,700</u>	<u>\$ 54,742,635</u>	<u>\$ 2,757,848</u>	<u>\$ 1,920,877</u>

City of Sanger, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2021

	General	Capital Projects Fund	Nonmajor Debt Service
<u>Assets</u>			
Cash and cash equivalents	\$ 12,290,969	\$ 2,517,793	\$ 462,810
Investments	548,098	-	-
Receivables, net	606,508	-	15,738
Prepaid insurance	62,180	-	-
Due from component unit	134,816	-	-
Total Assets	\$ 13,642,571	\$ 2,517,793	\$ 478,548
<u>Liabilities</u>			
Accounts payable and accrued liabilities	\$ 505,974	\$ 241,509	\$ -
Due to other funds	33,194	-	-
Total Liabilities	539,168	241,509	-
<u>Deferred Inflows of Resources</u>			
Unavailable revenue			
Property taxes	73,714	-	14,746
EMS revenue	90,457	-	-
Total Deferred Inflows of Resources	164,171	-	14,746
<u>Fund Balances</u>			
Restricted for:			
Municipal court	14,065	-	-
Tourism	99,290	-	-
Library	105,346	-	-
Public safety	79,137	-	-
Debt service	-	-	463,802
A.R.P. grant - public safety	1,081,833	-	-
Parks	11,837	-	-
Roadway impact fees	1,146,079	-	-
Committed for:			
Capital projects	-	2,276,284	-
Employee benefits	13,288	-	-
Unassigned reported in:			
General fund	10,388,357	-	-
Total Fund Balances	12,939,232	2,276,284	463,802
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 13,642,571	\$ 2,517,793	\$ 478,548

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 15,271,572
548,098
622,246
62,180
134,816

\$ 16,638,912

\$ 747,483
33,194

780,677

88,460
90,457

178,917

14,065
99,290
105,346
79,137
463,802
1,081,833
11,837
1,146,079

2,276,284
13,288

10,388,357

15,679,318

\$ 16,638,912

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City of Sanger, Texas

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

September 30, 2021

Fund Balances - Total Governmental Funds	\$ 15,679,318
Adjustments for the Statement of Net Position:	
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	
Capital assets - non-depreciable	1,044,933
Capital assets - net depreciable	16,930,526
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Property tax receivable	88,460
EMS receivable	90,457
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	11,420
Pension contributions	160,801
OPEB contributions	369
Pension outflows	104,496
Pension inflows	(168,318)
OPEB outflows	20,720
OPEB inflows	(5,002)
Internal service funds are used by management to charge the cost of internal services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	
Net position - governmental activities	(106,661)
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Accrued interest	(14,845)
Compensated absences	(107,472)
Bond premium	(75,647)
Net pension liability	(601,109)
OPEB liability	(97,745)
Non-current liabilities due in one year	(321,790)
Non-current liabilities due in more than one year	(1,579,976)
Net Position of Governmental Activities	\$ 31,052,935

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, 2021

	General	Capital Projects Fund	Nonmajor Debt Service
Revenues			
Property tax	\$ 4,669,778	\$ -	\$ 573,987
Sales tax	1,292,326	-	-
Franchise and local taxes	323,503	-	-
License and permits	413,621	-	-
Charges for services	1,168,613	-	-
Fire and rescue	622,422	-	-
Contributions and donations	1,935	-	-
Intergovernmental	1,274,113	-	212,500
Fines and forfeitures	155,816	-	-
Investment income	16,247	-	1,002
Other revenue	380,798	-	-
Total Revenues	10,319,172	-	787,489
Expenditures			
Current:			
General government	2,097,030	-	1,250
Police department	1,616,631	-	-
Municipal court	214,207	-	-
Fire and EMS	1,157,429	-	-
Parks and recreation	550,524	-	-
Public works	797,082	-	-
Debt service:			
Principal	45,185	-	649,800
Interest	6,350	-	88,535
Bond issuance costs	-	-	8,045
Capital outlay	37,356	241,509	-
Total Expenditures	6,521,794	241,509	747,630
Excess of Revenues Over (Under) Expenditures	3,797,378	(241,509)	39,859
Other Financing Sources (Uses)			
Transfers in	1,100,987	520,725	-
Transfers (out)	(520,725)	-	(60,388)
Bond issuance	-	-	339,600
Premium on bond issuance	-	-	3,803
Payment to escrow agent for refunding	-	-	(335,358)
Insurance recoveries	28,744	-	-
Total Other Financing Sources (Uses)	609,006	520,725	(52,343)
Net Change in Fund Balances	4,406,384	279,216	(12,484)
Beginning fund balances	8,532,848	1,997,068	476,286
Ending Fund Balances	\$ 12,939,232	\$ 2,276,284	\$ 463,802

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$	5,243,765
	1,292,326
	323,503
	413,621
	1,168,613
	622,422
	1,935
	1,486,613
	155,816
	17,249
	380,798
	<hr/>
	11,106,661
	<hr/>

2,098,280
1,616,631
214,207
1,157,429
550,524
797,082

694,985
94,885
8,045
278,865
<hr/>
7,510,933
<hr/>
3,595,728

1,621,712
(581,113)
339,600
3,803
(335,358)
28,744
<hr/>
1,077,388
<hr/>
4,673,116
11,006,202
<hr/>
\$ 15,679,318
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City of Sanger, Texas

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

For the Year Ended September 30, 2021

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

Net changes in fund balances - total governmental funds	\$ 4,673,116
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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	363,823
Depreciation expense	(1,333,871)

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

EMS receivable	(26,511)
Property tax receivable	25,499

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	67,316
Accrued interest	818
Pension expense	22,285
OPEB expense	(14,112)

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 current year refunding	11,798
Premium on debt issued	(3,803)
Principal payments	694,985
Debt and premium refunding	323,560
Debt issuance	(339,600)
Amortization of deferred charges	(5,165)
Amortization of bond premium	33,268

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

Change in Net Position of Governmental Activities	\$ 4,460,999
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See Notes to Financial Statements.

City of Sanger, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
PROPRIETARY FUND
September 30, 2021

	Water, Sewer & Electric	Governmental Activities Internal Service
<u>Assets</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 29,084,560	\$ 138,776
Restricted cash	2,540,582	-
Investments	726,824	-
Receivables, net	1,589,197	-
Inventory	500,145	-
Due from other funds	33,194	-
Total Current Assets	34,474,502	138,776
<u>Noncurrent Assets</u>		
Capital assets:		
Non-depreciable	15,662,538	-
Net depreciable capital assets	14,911,572	104,781
Total Noncurrent Assets	30,574,110	104,781
Total Assets	65,048,612	243,557
<u>Deferred Outflows of Resources</u>		
Deferred charge on refunding	86,517	-
Pension outflows	102,396	97,741
OPEB outflows	8,139	7,769
Total Deferred Outflows of Resources	197,052	105,510

City of Sanger, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
PROPRIETARY FUND
September 30, 2021

	Water, Sewer & Electric	Governmental Activities Internal Service
<u>Liabilities</u>		
<u>Current Liabilities</u>		
Accounts payable and accrued liabilities	987,412	97,662
Accrued interest	455,707	-
Customer deposits	502,814	-
Compensated absences - current	73,247	33,065
Bonds and capital leases payable - current	719,900	-
Total Current Liabilities	2,739,080	130,727
<u>Noncurrent Liabilities</u>		
Compensated absences - noncurrent	8,139	3,674
Net pension liability	232,007	221,461
OPEB liability	37,727	36,011
Bonds and capital leases payable - noncurrent	38,472,115	-
Total Liabilities	41,489,068	391,873
<u>Deferred Inflows of Resources</u>		
OPEB inflows	1,931	1,843
Pension inflows	64,965	62,012
Total Deferred Inflows of Resources	66,896	63,855
<u>Net Position</u>		
Net investment in capital assets	11,026,958	104,781
Unrestricted	12,662,742	(211,442)
Total Net Position	\$ 23,689,700	\$ (106,661)

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, 2021

	Water, Sewer & Electric	Governmental Activities Internal Service
<u>Operating Revenues</u>		
Charges for services	\$ 12,100,202	\$ 2,179,235
Connection fees	71,070	-
Tap fees	748,350	-
Other revenue	102,622	-
Total Operating Revenues	13,022,244	2,179,235
<u>Operating Expenses</u>		
Salaries and wages	2,034,146	1,337,384
Contracted services	477,523	533,803
Utilities	345,244	107,534
Materials and supplies	145,783	91,313
Water and electric purchases	5,060,330	-
Repairs and maintenance	578,123	119,045
Depreciation	1,055,410	18,488
Total Operating Expenses	9,696,559	2,207,567
Operating Income (Loss)	3,325,685	(28,332)
<u>Nonoperating Revenues (Expenses)</u>		
Investment income	468,643	-
Intergovernmental	30,000	-
Interest expense	(1,149,964)	(4,075)
Total Nonoperating Revenues (Expenses)	(651,321)	(4,075)
Income (Loss) Before Transfers	2,674,364	(32,407)
Transfers (out)	(1,040,599)	-
Change in Net Position	1,633,765	(32,407)
Beginning net position	22,055,935	(74,254)
Ending Net Position	\$ 23,689,700	\$ (106,661)

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, 2021

	Water, Sewer & Electric	Governmental Activities Internal Service
<u>Cash Flows from Operating Activities</u>		
Receipts from customers	\$ 12,750,310	\$ -
Receipts from interfund charges for administrative services	-	2,179,235
Payments to suppliers	(6,638,328)	(874,818)
Payments to employees	(2,079,459)	(1,349,249)
Receipts from other funds	39,444	-
Net Cash Provided (Used) by Operating Activities	4,071,967	(44,832)
<u>Cash Flows from Noncapital Financing Activities</u>		
Operating transfers in	-	-
Operating transfers (out)	(1,040,599)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(1,040,599)	-
<u>Cash Flows from Capital and Related Financing Activities</u>		
Capital purchases	(1,626,906)	(5,652)
Deposit payment for capital assets purchase	464,064	-
Capital grant	30,000	-
Proceeds from bond issuance	23,076,938	-
Current year debt refunding	(2,372,777)	-
Principal paid on debt	(885,200)	-
Interest paid on debt	(1,132,768)	(4,075)
Net Cash Provided (Used) by Capital and Related Financing Activities	17,553,351	(9,727)
<u>Cash Flows from Investing Activities</u>		
Purchases of investments, net	(1,439)	-
Interest on investments	468,643	-
Net Cash Provided by Investing Activities	467,204	-
Net Increase (Decrease) in Cash and Cash Equivalents	21,051,923	(54,559)
Beginning cash and cash equivalents	10,573,219	193,335
Ending Cash and Cash Equivalents	\$ 31,625,142	\$ 138,776

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, 2021

	Water, Sewer & Electric	Governmental Activities Internal Service
<u>Reconciliation of Operating Income</u>		
<u>to Net Cash Provided by Operating Activities</u>		
Operating Income / (Loss)	\$ 3,325,685	\$ (28,332)
Adjustments to reconcile operating income / (loss) to net cash provided / (used):		
Depreciation	1,055,410	18,488
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Accounts receivable	(266,415)	-
Inventory	(26,995)	-
Due from/to other funds	39,444	-
Other deferred outflows of resources - pensions	3,376	1,151
Deferred inflows of resources - pensions	(7,359)	(5,608)
Other deferred outflows of resources - OPEB	(3,645)	(3,470)
Deferred inflows of resources - OPEB	(405)	(392)
Increase (Decrease) in:		
Accounts payable and accrued liabilities	(4,330)	(23,123)
Compensated absences	(24,405)	3,864
Customer deposits	(5,519)	-
Net pension liability	(20,196)	(14,338)
OPEB liability	7,321	6,928
Net Cash Provided (Used) by Operating Activities	\$ 4,071,967	\$ (44,832)

See Notes to Financial Statements.

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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

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

7. Deferred Outflows/Inflows of Resources

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

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

8. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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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
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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

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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
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period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

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, 2021

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, 2021, the primary government had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Average Maturity (Years)</u>
Certificates of deposit	\$ 1,274,922	0.48
Total fair value	<u>\$ 1,274,922</u>	
Portfolio weighted average maturity		0.48

As of September 30, 2021, the 4A Component Unit had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Average Maturity (Years)</u>
Certificates of deposit	\$ 95,755	0.50
Total fair value	<u>\$ 95,755</u>	
Portfolio weighted average maturity		0.50

As of September 30, 2021, the 4B Component Unit had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Average Maturity (Years)</u>
Certificates of deposit	\$ 284,190	0.54
Total fair value	<u>\$ 284,190</u>	
Portfolio weighted average maturity		0.54

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, 2021

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, 2021, 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 & Electric</u>	<u>Total</u>
Property taxes	\$ 109,517	\$ 20,017	\$ -	\$ 129,534
Sales tax	203,015	-	-	203,015
Franchise & local taxes	39,852	-	-	39,852
Hotel occupancy	34,600	-	-	34,600
EMS	322,442	-	-	322,442
Accounts	117,449	-	1,649,049	1,766,498
Other	5,901	-	-	5,901
Allowance	(226,268)	(4,279)	(59,852)	(290,399)
	<u>\$ 606,508</u>	<u>\$ 15,738</u>	<u>\$ 1,589,197</u>	<u>\$ 2,211,443</u>

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

	4A	4B	Total
Sales tax	\$ 101,508	\$ 101,508	\$ 203,016
	\$ 101,508	\$ 101,508	\$ 203,016

C. Inventory

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

Inventory type	Cost
Electric Department	\$ 460,874
Water Department	39,271
Total	\$ 500,145

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

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Disposals / Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 1,044,933	\$ -	\$ -	\$ 1,044,933
Total capital assets not being depreciated	<u>1,044,933</u>	<u>-</u>	<u>-</u>	<u>1,044,933</u>
Capital assets, being depreciated:				
Infrastructure	20,044,381	307,850	-	20,352,231
Buildings and improvements	6,859,980	18,805	-	6,878,785
Machinery and equipment	4,656,099	42,820	-	4,698,919
Total capital assets being depreciated	<u>31,560,460</u>	<u>369,475</u>	<u>-</u>	<u>31,929,935</u>
Less accumulated depreciation				
Infrastructure	7,452,914	746,973	-	8,199,887
Buildings and improvements	2,862,076	289,184	-	3,151,260
Machinery and equipment	3,227,279	316,202	-	3,543,481
Total accumulated depreciation	<u>13,542,269</u>	<u>1,352,359</u>	<u>-</u>	<u>14,894,628</u>
Net capital assets being depreciated	18,018,191	(982,884)	-	17,035,307
Total Capital Assets	<u>\$ 19,063,124</u>	<u>\$ (982,884)</u>	<u>\$ -</u>	<u>\$ 18,080,240</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 77,591
Public safety	86,111
Public works	785,855
Culture and recreation	270,187
Fire and rescue	114,127
Internal service	18,488
Total Governmental Activities Depreciation Expense	<u>\$ 1,352,359</u>

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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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	\$ 496,867	\$ -	\$ -	\$ 496,867
Construction in progress	14,178,734	1,573,801	(586,864)	15,165,671
Total capital assets not being depreciated	<u>14,675,601</u>	<u>1,573,801</u>	<u>(586,864)</u>	<u>15,662,538</u>
Capital assets, being depreciated:				
Infrastructure	31,226,672	26,860	586,864	31,840,396
Buildings and improvements	865,245	-	-	865,245
Machinery and equipment	2,238,876	26,245	(18,508)	2,246,613
Total capital assets being depreciated	<u>34,330,793</u>	<u>53,105</u>	<u>568,356</u>	<u>34,952,254</u>
Less accumulated depreciation				
Infrastructure	16,665,567	918,696	-	17,584,263
Buildings and improvements	626,870	21,731	-	648,601
Machinery and equipment	1,711,343	114,983	(18,508)	1,807,818
Total accumulated depreciation	<u>19,003,780</u>	<u>1,055,410</u>	<u>(18,508)</u>	<u>20,040,682</u>
Net capital assets being depreciated	15,327,013	(1,002,305)	586,864	14,911,572
Total Capital Assets	<u>\$ 30,002,614</u>	<u>\$ 571,496</u>	<u>\$ -</u>	<u>\$ 30,574,110</u>

Depreciation was charged to business-type activities as follows:

Water	\$ 391,910
Sewer	414,312
Electric	234,925
Other	14,263
Total Business-type Activities Depreciation Expense	<u>\$ 1,055,410</u>

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NOTES TO FINANCIAL STATEMENTS, Continued
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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	406,069	38,360	-	444,429
Furniture and fixtures	26,024	4,235	-	30,259
Total accumulated depreciation	<u>432,093</u>	<u>42,595</u>	<u>-</u>	<u>474,688</u>
Net capital assets being depreciated	<u>689,654</u>	<u>(42,595)</u>	<u>-</u>	<u>647,059</u>
Total Capital Assets	<u><u>\$ 689,654</u></u>	<u><u>\$ (42,595)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 647,059</u></u>

The 4A Component Unit recognized depreciation expense of \$42,595 during the year ended September 30, 2021.

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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E. Long-term Debt

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended. The City uses the debt service fund to liquidate governmental activities debts.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Amortization/ Payments</u>	<u>Refunding</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities:						
Bonds, notes and other payables:						
General Obligation Bonds	\$ 393,600	\$ 339,600	\$ (393,600)	\$ -	\$ 339,600	\$ 6,600
Certificates of Obligation	1,974,900	-	(256,200)	(300,600)	1,418,100	268,500
Less deferred amounts:						
For issuance premiums	128,072	3,803	(33,268)	(22,960)	75,647	-
	<u>2,496,572</u>	<u>343,403</u>	<u>(683,068)</u>	<u>(323,560)</u>	<u>1,833,347</u>	<u>275,100</u>
Other liabilities:						
Capital leases payable	189,251	-	(45,185)	-	144,066	46,690
Total Governmental Activities	<u>\$ 2,685,823</u>	<u>\$ 343,403</u>	<u>\$ (728,253)</u>	<u>\$ (323,560)</u>	<u>\$ 1,977,413</u>	<u>\$ 321,790</u>
Long-term liabilities due in more than one year					<u>\$ 1,655,623</u>	
Business-Type Activities:						
General Obligation Bonds	\$ 476,400	\$ 2,490,400	\$ (476,400)	\$ -	\$ 2,490,400	\$ 48,400
Certificates of Obligation	17,905,100	18,615,000	(408,800)	(2,204,400)	33,906,900	671,500
Less deferred amounts:						
For issuance premiums	1,116,844	1,971,538	(125,290)	(168,377)	2,794,715	-
	<u>19,498,344</u>	<u>23,076,938</u>	<u>(1,010,490)</u>	<u>(2,372,777)</u>	<u>39,192,015</u>	<u>719,900</u>
Total Business-Type Activities	<u>\$ 19,498,344</u>	<u>\$ 23,076,938</u>	<u>\$ (1,010,490)</u>	<u>\$ (2,372,777)</u>	<u>\$ 39,192,015</u>	<u>\$ 719,900</u>
Long-term liabilities due in more than one year					<u>\$ 38,472,115</u>	

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

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

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
General Obligation Bonds:			
\$2,830,000 General Obligation Refunding Bond, Series 2021B, due in installments through 2033, interest at 0.25% to 2.13%	\$ 339,600	\$ 2,490,400	\$ 2,830,000
Total General Obligation Bonds	<u>\$ 339,600</u>	<u>\$ 2,490,400</u>	<u>\$ 2,830,000</u>
Certificates of Obligation:			
\$1,750,000 Certificates of Obligation, Series 2007, due in annual installments through 2027, interest at 4.4%	\$ 236,300	\$ 458,700	\$ 695,000
\$4,260,000 Certificates of Obligation, Series 2013, due in annual installments through 2033, interest at 2% to 3.7%	46,800	343,200	390,000
\$5,870,000 Certificates of Obligation, Series 2015, due in annual installments through 2035, interest at 3.4% to 5.5%	-	5,250,000	5,250,000
\$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%	1,135,000	-	1,135,000
\$18,615,000 Certificates of Obligation, Series 2021A, due in annual installments through 2046, interest at 2% to 4%	-	18,615,000	18,615,000
Total Certificates of Obligation	<u>\$ 1,418,100</u>	<u>\$ 33,906,900</u>	<u>\$ 35,325,000</u>
Plus deferred amounts:			
Issuance premium	\$ 75,647	\$ 2,794,715	\$ 2,870,362
Total Deferred Amounts	<u>\$ 75,647</u>	<u>\$ 2,794,715</u>	<u>\$ 2,870,362</u>
Capital Leases Payable:			
\$435,000 Capital lease payable to financial institution, due in annual installments of \$51,535 through 2024, interest at 3.346%	\$ 144,066	\$ -	\$ 144,066
Total Capital Leases Payable	<u>\$ 144,066</u>	<u>\$ -</u>	<u>\$ 144,066</u>
Total Long-term Liabilities	<u><u>\$ 1,977,413</u></u>	<u><u>\$ 39,192,015</u></u>	<u><u>\$ 41,169,428</u></u>

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

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

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

General Obligation Bonds

General Obligation Bonds

Year ending September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 6,600	\$ 5,174	\$ 48,400	\$ 37,942
2023	6,600	5,157	48,400	37,821
2024	31,200	5,134	228,800	37,652
2025	30,600	4,956	224,400	36,348
2026	31,200	4,690	228,800	34,395
Thereafter	233,400	18,769	1,711,600	137,637
	<u>\$ 339,600</u>	<u>\$ 43,880</u>	<u>\$ 2,490,400</u>	<u>\$ 321,795</u>

Combination Tax and Revenue Certificates of Obligations

Year ending September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2022	268,500	107,063	671,500	1,231,638
2023	281,400	88,008	928,600	1,220,027
2024	262,400	53,781	797,600	1,086,489
2025	274,100	34,135	835,900	1,061,395
2026	287,500	13,615	902,500	1,037,405
2027	44,200	1,945	935,800	1,011,425
Thereafter	-	-	28,835,000	9,739,875
	<u>\$ 1,418,100</u>	<u>\$ 298,547</u>	<u>\$ 33,906,900</u>	<u>\$ 16,388,254</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, 2021

Capital Leases

Year ending September 30,	Governmental Activities	
	Principal	Interest
2022	46,690	4,845
2023	48,252	3,283
2024	49,124	1,668
	\$ 144,066	\$ 9,796

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 of \$252,632. This property serves as collateral for the leases. In the event the City were to default on the agreements the lessor has the right to take possession of the property.

F. Current Year Advance Refunding

On April 19, 2021, the City issued \$2,830,000 in general obligation refunding bonds with an approximate interest rate of 0.25% - 2.13%. Bond proceeds received of \$2,830,000 and a city contribution of \$31,693 to advance refund \$2,505,000 of outstanding 2013 combination tax and revenue certificates of obligation, which had an average interest rate of 2% - 5%. The net proceeds of the refunding portion of \$2,794,651 after payment of \$67,042 in underwriting fees and other issuance costs were deposited into an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded certificates of obligation. As a result, the obligations are considered defeased and the liability for those certificates has been removed from the statement of net position.

The net carrying amount of the reacquisition price exceeded the refunded debt principal (\$2,505,000) and debt premium (\$191,337) by \$98,314. This amount is being amortized over the remaining life of the refunding debt. This advance refunding reduced the city's total debt service payments by \$291,988 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$263,316. The refunding did not significantly change the payment term of the related debt.

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

G. Other Long-term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Compensated Absences	\$ 174,788	\$ -	\$ (67,316)	\$ 107,472	\$ 96,725
Compensated Absences in internal service fund	32,875	3,864	-	36,739	33,065
Total Governmental Activities	<u>\$ 207,663</u>	<u>\$ 3,864</u>	<u>\$ (67,316)</u>	<u>\$ 144,211</u>	<u>\$ 129,790</u>
Long-term Liabilities Due in More than One Year				<u>\$ 14,421</u>	
Business-Type Activities:					
Compensated Absences	\$ 105,791	\$ -	\$ (24,405)	\$ 81,386	\$ 73,247
Total Business-Type Activities	<u>\$ 105,791</u>	<u>\$ -</u>	<u>\$ (24,405)</u>	<u>\$ 81,386</u>	<u>\$ 73,247</u>
Long-term Liabilities Due in More than One Year				<u>\$ 8,139</u>	

H. Conduit Debt

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

I. Deferred Charge on Refunding

Deferred charges resulting from the issuance of 2021B general obligation refunding bonds have been recorded as a deferred outflow of resources and are being amortized to interest expense over the terms of the respective refunded debts. Current year balances for governmental and business-type activities totaled \$11,420 and \$86,517, respectively. Current year amortization expense for governmental and business-type activities totaled \$5,165 and \$11,025, respectively.

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

J. Interfund Transactions

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

Transfer In			
Transfer out:	General	Capital Projects	Total
General	\$ -	\$ 520,725	\$ 520,725
Debt Service	60,388	-	60,388
Water, sewer, & electric	1,040,599	-	1,040,599
	\$ 1,100,987	\$ 520,725	\$ 1,621,712

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, 2021:

Received by:	
Paid by:	Internal Service
General	\$ 871,694
Enterprise	1,307,541
	\$ 2,179,235

The compositions of interfund due to/from balances as of the year ended September 30, 2021 were as follows:

Receivable fund:	
Payable fund:	Enterprise
General	\$ 33,194
	\$ 33,194

As of September 30, 2021, the 4A and 4B component unit had a payable balance of \$67,408, respectively, totaling \$134,816, due to the primary government.

Interfund balances resulted from the timing difference between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2)

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

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.

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:

	Restricted	Committed
Municipal court	\$ 14,065 *	\$ -
Tourism	99,290 *	-
Library	105,346 **	-
Public safety	79,137 *	-
Debt service	463,802	-
Capital projects	-	2,276,284
Parks	11,837	-
Streets	1,146,079	-
A.R.P grant - public safety	1,081,833	-
Employee benefits	-	13,288
	\$ 3,001,389	\$ 2,289,572

* 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.

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

B. Contingent Liabilities

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

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

C. Construction commitments

The government has active construction projects as of September 30, 2021. 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, 2021

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

Project	Vendor	Remaining Commitment
Water Well #6	Maguire Iron	\$ 31,265
	Project Total	31,265
WWTP Phase 2	Alan Plummer Associates	7,246
2019-2020 Street Rehabilitation	Martinez Brothers	21,917
	Project Total	21,917
FM 455 Relocation of Utilities	Dannenbaum Engineering	191,632
FM 455 Relocation of Utilities	Power D Utility Services	24,485
FM 455 Relocation of Utilities	Techline, Inc.	4,708
	Project Total	220,825
Contracted maintenance	Primoris T&D	178,277
System maintenance	Patterson Services	5,000
WWTP Pipeline	Green Tree Farm	81,250
WWTP Bar screen replacement	Taknek, LLC	158,025
New Sewer Plant	Alan Plummer Associates	23,995
New Sewer Plant	Felix Construction	338,840
New Sewer Plant	Anixter Inc.	6,873
	Project Total	369,708
Railroad Lift Station	Alan Plummer Associates	132,979
	Project Total	132,979
	Total	\$ 1,206,492

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

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the City could result. The City does anticipate that it will have an arbitrage liability and performs annual calculations to estimate this potential liability. The City will also engage an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations if indicated.

E. Defined Benefit Pension Plans

1. Plan Description

The City of Sanger, Texas participates as one of 895 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.tmrs.com.

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

2. Benefits Provided

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

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

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

monthly payments, which cannot exceed 75% of the member's deposits and interest.

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

Plan provisions for the City were as follows:

	<u>Plan Year 2020</u>	<u>Plan Year 2019</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, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	25
Inactive employees entitled to but not yet receiving benefits	28
Active employees	70
Total	123

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.

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

Employees for the City of Sanger were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Sanger were 8.16% and 8.56% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$377,301, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, 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, 2020 actuarial valuation was determined using the following actuarial assumptions:

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

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	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, 2021

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>
Balance at 12/31/19	\$ 11,464,180	\$ 10,369,275	\$ 1,094,905
Changes for the year:			
Service Cost	547,534	-	547,534
Interest (on the Total Pension Liab.)	780,457	-	780,457
Difference between expected and actual experience	38,473	-	38,473
Changes of assumptions	-	-	-
Contributions – employer	-	359,731	(359,731)
Contributions – employee	-	264,509	(264,509)
Net investment income	-	787,844	(787,844)
Benefit payments, including refunds of emp. contributions	(351,235)	(351,235)	-
Administrative expense	-	(5,093)	5,093
Other changes	-	(199)	199
Net changes	1,015,229	1,055,557	(40,328)
Balance at 12/31/20	<u>\$ 12,479,409</u>	<u>\$ 11,424,832</u>	<u>\$ 1,054,577</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%
\$ 2,946,895	\$ 1,054,577	\$ (495,467)

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.

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

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

For the year ended September 30, 2021, the City recognized pension expense of \$311,478.

At September 30, 2021, the City reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between projected and investment earnings	\$ -	\$ (295,295)
Changes in actuarial assumptions	61,087	-
Differences between expected and actual economic experience	122,239	-
Contributions subsequent to the measurement date	282,108	-
Total	\$ 465,434	\$ (295,295)

The City reported \$282,108 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, 2022.

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

Year ended December 31:	
2021	\$ (56,705)
2022	57,664
2023	(121,806)
2024	7,184
2025	1,694
Thereafter	-
	\$ (111,969)

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,

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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

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

Employees covered by benefit terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	7
Active employees	70
Total	92

The City’s retiree contribution rates to the TMRS SDBF for the years ended 2021, 2020 and 2019 are as follows:

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2019	0.02%	0.02%	100.0%
2020	0.02%	0.02%	100.0%
2021	0.05%	0.05%	100.0%

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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The City's contributions to the TMRS SDBF for the years ended 2021, 2020, and 2019 were \$1,764, \$746 and \$406, respectively, which equaled the required contributions each year.

Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2020, 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, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.5%, including inflation per year
Discount rate	2.00%
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.

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 2.00%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

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 2.00%, 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 (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

1% Decrease (1.00%)	Current Single Rate Assumption 2.00%	1% Increase (3.00%)
\$ 211,361	\$ 171,483	\$ 140,310

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/19	\$ 132,196
Changes for the year:	
Service Cost	12,785
Interest	3,799
Change in benefit terms	-
Difference between expected and actual experience	(468)
Changes of assumptions	24,053
Benefit payments	(882)
Net changes	39,287
Balance at 12/31/20	\$ 171,483

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$21,329.

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual economic experience	\$ -	(8,776)
Changes in assumptions	36,350	-
Contributions subsequent to measurement date	647	-
Total	\$ 36,997	\$ (8,776)

The City reported \$647 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2022.

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

Year ended December 31:	
2021	\$ 4,745
2022	4,745
2023	4,745
2024	3,959
2025	4,930
Thereafter	4,450
	\$ 27,574

G. Subsequent Events

There were no material subsequent events through January 11, 2022, 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, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property tax	\$ 4,450,618	\$ 4,450,618	\$ 4,669,778	\$ 219,160
Sales tax	925,000	925,000	1,292,326	367,326
Franchise and local taxes	300,000	300,000	323,503	23,503
License and permits	344,500	344,500	413,621	69,121
Charges for services	1,087,500	1,087,500	1,168,613	81,113
Fire and rescue	585,000	585,000	622,422	37,422
Contributions and donations	-	-	1,935	1,935
Intergovernmental	-	-	1,274,113	1,274,113
Fines and forfeitures	74,466	74,466	155,816	81,350
Investment income	18,000	18,000	16,247	(1,753)
Other revenue	84,500	84,500	380,798	296,298
Total Revenues	7,869,584	7,869,584	10,319,172	2,449,588
Expenditures				
Current:				
General government	2,625,292	2,625,292	2,097,030	528,262
Police department	1,817,964	1,792,964	1,616,631	176,333
Municipal court	190,849	190,849	214,207	(23,358)
Fire and EMS	1,358,363	1,383,363	1,157,429	225,934
Parks and recreation	711,592	711,592	550,524	161,068
Public works	1,058,204	1,058,204	797,082	261,122
Debt service:				
Principal	43,716	43,716	45,185	(1,469)
Interest	7,820	7,820	6,350	1,470
Capital outlay	379,000	379,000	37,356	341,644
Total Expenditures	8,192,800	8,192,800	6,521,794	1,671,006
Revenues Over (Under) Expenditures	\$ (323,216)	\$ (323,216)	\$ 3,797,378	\$ 4,120,594

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, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Other Financing Sources (Uses)</u>				
Transfers in	\$ 775,987	\$ 775,987	\$ 1,100,987	\$ 325,000
Transfers (out)	(452,771)	(452,771)	(520,725)	(67,954)
Insurance recoveries	-	-	28,744	28,744
Total Other Financing Sources (Uses)	323,216	323,216	609,006	285,790
Net Change in Fund Balance	\$ -	\$ -	4,406,384	\$ 4,406,384
Beginning fund balance			8,532,848	
Ending Fund Balance			\$ 12,939,232	

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,

	2020	2019	2018	2017
Total pension liability				
Service cost	\$ 547,534	\$ 498,768	\$ 462,521	\$ 438,324
Interest (on the Total Pension Liability)	780,457	709,455	648,013	590,632
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	38,473	89,057	93,857	38,794
Changes of assumptions	-	92,583	-	-
Benefit payments, including refunds of participant contributions	(351,235)	(373,476)	(251,071)	(208,451)
Net change in total pension liability	1,015,229	1,016,387	953,320	859,299
Total pension liability - beginning	11,464,180	10,447,793	9,494,473	8,635,174
Total pension liability - ending (a)	\$ 12,479,409	\$ 11,464,180	\$ 10,447,793	\$ 9,494,473
Plan fiduciary net position				
Contributions - employer	\$ 359,731	\$ 321,275	\$ 294,606	\$ 276,169
Contributions - members	264,509	243,698	226,912	217,171
Net investment income	787,844	1,365,511	(264,466)	1,040,205
Benefit payments, including refunds of participant contributions	(351,235)	(373,476)	(251,071)	(208,451)
Administrative expenses	(5,093)	(7,705)	(5,106)	(5,387)
Other	(199)	(231)	(267)	(273)
Net change in plan fiduciary net position	1,055,557	1,549,072	608	1,319,434
Plan fiduciary net position - beginning	10,369,275	8,820,203	8,819,595	7,500,161
Plan fiduciary net position - ending (b)	\$ 11,424,832	\$ 10,369,275	\$ 8,820,203	\$ 8,819,595
Fund's net pension liability - ending (a) - (b)	\$ 1,054,577	\$ 1,094,905	\$ 1,627,590	\$ 674,878
Plan fiduciary net position as a percentage of the total pension liability	91.55%	90.45%	84.42%	92.89%
Covered payroll	\$ 4,408,488	\$ 4,061,633	\$ 3,781,589	\$ 3,619,524
Fund's net position as a percentage of covered payroll	23.92%	26.96%	43.04%	18.65%

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>2016</u>	<u>2015</u>	<u>2014</u>	1
\$	408,943	\$ 369,950	\$ 340,004	
	545,333	521,853	476,571	
	-	-	-	
	(78,516)	(89,808)	47,610	
	-	47,847	-	
	<u>(230,245)</u>	<u>(260,514)</u>	<u>(204,026)</u>	
	645,515	589,328	660,159	
	<u>7,989,659</u>	<u>7,400,331</u>	<u>6,740,172</u>	
\$	<u>8,635,174</u>	<u>\$ 7,989,659</u>	<u>\$ 7,400,331</u>	
\$	240,177	\$ 231,097	\$ 211,283	
	202,113	195,568	187,821	
	461,955	9,831	350,203	
	(230,245)	(260,514)	(204,026)	
	(5,214)	(5,988)	(3,656)	
	(281)	(296)	(301)	
	<u>668,505</u>	<u>169,698</u>	<u>541,324</u>	
	<u>6,831,656</u>	<u>6,661,957</u>	<u>6,120,633</u>	
\$	<u>7,500,161</u>	<u>\$ 6,831,655</u>	<u>\$ 6,661,957</u>	
\$	<u>1,135,013</u>	<u>\$ 1,158,004</u>	<u>\$ 738,374</u>	
	86.86%	85.51%	90.02%	
\$	3,368,554	\$ 3,259,471	\$ 3,130,346	
	33.69%	35.53%	23.59%	

City of Sanger, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Years Ended:

	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Actuarially determined employer contributions	\$ 377,301	\$ 341,109	\$ 320,019	\$ 287,348
Contributions in relation to the actuarially determined contribution	\$ 377,301	\$ 341,109	\$ 320,019	\$ 287,348
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Annual covered payroll	\$ 4,462,235	\$ 4,209,793	\$ 4,060,365	\$ 3,706,912
Employer contributions as a percentage of covered payroll	8.46%	8.10%	7.88%	7.75%

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

Other Information:

Notes There were no benefit changes during the year.

<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u> ¹
\$ 266,753	\$ 247,432	\$ 225,111
<u>\$ 266,753</u>	<u>\$ 247,432</u>	<u>\$ 225,111</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,549,724	\$ 3,475,512	\$ 3,130,346
7.51%	7.12%	7.19%

City of Sanger, Texas

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

Years ended December 31,

	2020	2019	2018	2017 ¹
Total OPEB liability				
Service cost	\$ 12,785	\$ 8,529	\$ 9,076	\$ 7,601
Interest (on the Total OPEB Liability)	3,799	3,938	3,691	3,432
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	(468)	(3,932)	(9,264)	-
Changes of assumptions	24,053	22,174	(7,993)	9,310
Benefit payments, including refunds of participant contributions	(882)	(812)	(377)	(363)
Net changes	39,287	29,897	(4,867)	19,980
Total OPEB liability - beginning	132,196	102,299	107,166	87,186
Total OPEB liability - ending	\$ 171,483	\$ 132,196	\$ 102,299	\$ 107,166 ²
Covered payroll	\$ 4,408,488	\$ 4,061,633	\$ 3,781,859	\$ 3,619,524
Total OPEB Liability as a percentage of covered payroll	3.89%	3.25%	2.70%	2.96%

Notes to schedule:

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

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

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, 2021

	Water	Sewer	Electric
<u>Operating Revenues</u>			
Charges for services	\$ 2,185,631	\$ 2,142,960	\$ 7,771,611
Connection fees	-	-	71,070
Tap fees	320,350	428,000	-
Other revenue	-	-	-
Total Operating Revenues	2,505,981	2,570,960	7,842,681
<u>Operating Expenses</u>			
Salaries and wages	575,686	335,777	1,122,683
Contracted services	114,933	45,545	317,045
Utilities	156,024	186,049	3,171
Materials and supplies	30,700	49,577	65,506
Water and electric purchases	89,715	-	4,970,615
Repairs and maintenance	284,278	195,683	98,162
Depreciation	391,910	414,312	234,925
Total Operating Expenses	1,643,246	1,226,943	6,812,107
Operating Income (Loss)	862,735	1,344,017	1,030,574
<u>Nonoperating Revenues (Expenses)</u>			
Investment income	-	-	-
Intergovernmental	30,000	-	-
Interest expense	-	-	-
Total Nonoperating Revenues (Expenses)	30,000	-	-
Income (Loss) Before Transfers	892,735	1,344,017	1,030,574
Transfers (out)	-	-	232,242
Change in Net Position	\$ 892,735	\$ 1,344,017	\$ 1,262,816

<u>Administration</u>	<u>Total</u>
\$ -	\$ 12,100,202
-	71,070
-	748,350
102,622	102,622
102,622	13,022,244
-	2,034,146
-	477,523
-	345,244
-	145,783
-	5,060,330
-	578,123
14,263	1,055,410
14,263	9,696,559
88,359	3,325,685
468,643	468,643
-	30,000
(1,149,964)	(1,149,964)
(681,321)	(651,321)
(592,962)	2,674,364
(1,272,841)	(1,040,599)
\$ (1,865,803)	\$ 1,633,765

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