Ratings: S&P Insured "AA" (stable outlook)
Moody's: Insured "A2" (stable outlook)
Moody's: Underlying "A2"
(See "RATINGS" herein)

OFFICIAL STATEMENT
Dated: October 19, 2015

NEW ISSUE: Book-Entry-Only

In the opinion of Bond Counsel, interest on the Certificates is excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" herein, and is not includable in the alternative minimum taxable income of individuals. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel, including the alternative minimum tax consequences for corporations.

THE CERTIFICATES WILL BE DESIGNATED
AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

$5,870,000
CITY OF SANGER, TEXAS
(Denton County)
Combination Tax and Revenue
Certificates of Obligation, Series 2015

Dated Date: November 1, 2015 **Due: November 15, as shown on inside cover**

Interest on the $5,870,000 City of Sanger, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2015 (the "Certificates"), will accrue from their delivery date to the underwriters listed below (the "Underwriters") and will be payable May 15 and November 15 of each year, commencing on May 15, 2016.

The Certificates will be issued only in fully registered form in principal denominations of $5,000 or any integral multiple thereof. Principal of the Certificates will be payable to the registered owner (the "Owner") at maturity or prior redemption upon presentation at the principal corporate office of the paying agent/registrar (the "Paying Agent/Registrar"), initially BOKF, NA, Austin, Texas. The Certificates will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will be responsible for distributing the principal and interest payments to the participating members of DTC and the participating members will be responsible for distributing the payment to the owners of beneficial interests in the Certificates. See "BOOK-ENTRY-ONLY SYSTEM" herein.

ASSURED GUARANTY® MUNICIPAL

The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Certificates by **ASSURED GUARANTY MUNICIPAL CORP.**

Proceeds from the sale of the Certificates will be used to pay contractual obligations to be incurred for (1) the rehabilitation, reconstruction, addition and expansion of the waste water treatment plant, (2) the rehabilitation and construction of wastewater lift stations and wastewater lines, (3) the construction of water lines and associated equipment and facilities; (4) the rehabilitation, reconstruction and construction of streets and drainage, (5) the rehabilitation of municipal facilities, and (6) professional services related thereto. See "THE CERTIFICATES – Sources and Uses of Funds" herein.

The Certificates maturing on and after November 15, 2026, are subject to optional redemption in whole or in part on November 15, 2025, or on any date thereafter at a redemption price equal to the principal amount thereof plus accrued interest as more fully described herein. Additionally, the Certificates maturing on November 15, 2035 are subject to mandatory sinking fund redemption prior to maturity as described herein. See "THE CERTIFICATES – Optional Redemption" and "—Mandatory Redemption" herein.

The Certificates will constitute direct obligations of the City of Sanger, Texas (the "City"), payable from ad valorem taxes levied against all taxable property within the City within the limits prescribed by law, and from a limited subordinate pledge (not to exceed $10,000) of surplus net revenues of the City's water and sewer system as provided in the ordinance authorizing the Certificates.

See Principal Amounts, Maturities, Interest Rates, and Prices on the Inside Cover Page

The Certificates are offered when, as and if issued, subject to the approval of legality by the Attorney General of the State of Texas and McGuireWoods LLP, Bond Counsel, Houston, Texas. Certain legal matters will be passed upon for the Underwriters by their counsel, Norton Rose Fulbright US LLP, Houston, Texas. The Certificates are expected to be available for delivery to the Underwriters through DTC on or about November 12, 2015.

OPPENHEIMER & CO. **WILLIAM BLAIR**

MATURITY SCHEDULE

$5,870,000 Combination Tax and Revenue Certificates of Obligation, Series 2015

$4,195,000 Serial Certificates

Maturity (November 15) [(a)]	Principal Amount	Interest Rate	Initial Yield/Price[(b)]	CUSIP[(c)]
2016	$100,000	2.000%	0.650%	800876 ES9
2017	$115,000	2.000%	1.000%	800876 ET7
2018	$115,000	2.000%	1.150%	800876 EU4
2019	$110,000	3.000%	1.300%	800876 EV2
2020	$180,000	3.000%	1.500%	800876 EW0
2021	$295,000	3.000%	1.700%	800876 EX8
2022	$285,000	3.000%	1.900%	800876 EY6
2023	$290,000	3.000%	2.050%	800876 EZ3
2024	$300,000	3.000%	2.100%	800876 FA7
2025	$310,000	3.000%	2.200%	800876 FB5
2026	$320,000	3.250%	2.300%	800876 FC3
2027	$330,000	3.500%	2.450%	800876 FD1
2028	$340,000	3.500%	2.550%	800876 FE9
2029	$355,000	3.750%	2.650%	800876 FF6
2030	$370,000	3.750%	2.750%	800876 FG4
2031	$380,000	3.750%	2.850%	800876 FH2

$1,675,000 3.750% Term Certificates due November 15, 2035, Yield 3.300% CUSIP No. 800876 FK5[(a)(b)(c)(d)]

(a) The Certificates maturing on and after November 15, 2026, are subject to optional redemption, in whole or in part, on November 15, 2025, or any date thereafter, at a price equal to the par value thereof, plus accrued interest from the most recent interest payment date to the date or redemption. (See "THE CERTIFICATES – Optional Redemption").

(b) The initial yields and prices are established by, and are the sole responsibility of the Underwriters and may subsequently be changed.

(c) CUSIP numbers have been assigned to this issue by the CUSIP Global Services managed by Standard and Poor's Financial Services LLC on behalf of the American Bankers Association and are included solely for the convenience of the purchasers of the Certificates. Neither the City, the Financial Advisor, nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

(d) Subject to mandatory redemption in the years and in the amounts set forth hereunder under the caption "THE CERTIFICATES – Mandatory Redemption".

CITY OF SANGER, TEXAS

CITY COUNCIL

Thomas Muir	Mayor
Russell Martin	Councilmember, Place 1
Gary Bilyeu	Councilmember, Place 2
William Boutwell	Councilmember, Place 3
Allen Chick	Councilmember, Place 4
David Clark	Councilmember, Place 5

ADMINISTRATIVE OFFICERS

Mike Brice	City Manager
Tami Taber	City Secretary
Robert L. Dillard III, Esq. Nichols Jackson Dillard Hagar & Smith Dallas, Texas	City Attorney

CONSULTANTS, ADVISORS AND INDEPENDENT AUDITORS

McGuireWoods LLP, Houston, Texas	Bond Counsel
BrooksCardiel, PLLC, The Woodlands, Texas	Independent Auditor
Government Capital Securities Corporation, Southlake, Texas	Financial Advisor

For additional information regarding the City, please contact:

Mike Brice
City Manager
City of Sanger, Texas
P.O. Box 1729
Sanger, Texas 76266
(940) 458-7930
mbrice@sangertexas.org

Ted Christensen
Government Capital Securities Corporation
559 Silicon Drive, Suite 102
Southlake, TX 76092
(817) 722-0239
tchristensen@govcapsecurities.com

USE OF INFORMATION IN OFFICIAL STATEMENT

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

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

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

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

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information set forth in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Neither the City, the Financial Advisor nor the Underwriters make any representation as to the accuracy, completeness or adequacy of the information contained in this Official Statement regarding The Depository Trust Company or its Book-Entry-Only System.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "Bond Insurance" and "Appendix E - Specimen Municipal Bond Insurance Policy".

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BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Certificates, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Certificates (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Certificates when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

ASSURED GUARANTY MUNICIPAL CORP.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of Certificates insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On June 29, 2015, S&P issued a credit rating report in which it affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On November 13, 2014, KBRA assigned an insurance financial strength rating of "AA+" (stable outlook) to AGM. AGM can give no assurance as to any further ratings action that KBRA may take.

On July 2, 2014, Moody's issued a rating action report stating that it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). On February 18, 2015, Moody's published a credit opinion under its new financial guarantor ratings methodology maintaining its existing rating and outlook on AGM. AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Capitalization of AGM

At June 30, 2015, AGM's policyholders' surplus and contingency reserve were approximately $3,729 million and its net unearned premium reserve was approximately $1,670 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of AGM, AGM's wholly owned subsidiary Assured Guaranty (Europe) Ltd. and 60.7% of AGM's indirect subsidiary Municipal Assurance Corp.; each amount of surplus, contingency

reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (filed by AGL with the SEC on February 26, 2015);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2015 (filed by AGL with the SEC on May 8, 2015); and

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2015 (filed by AGL with the SEC on August 6, 2015).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Certificates shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM or one of its affiliates may purchase a portion of the Certificates or any uninsured Certificates offered under this Official Statement and such purchases may constitute a significant proportion of the Certificates offered. AGM or such affiliate may hold such Certificates or uninsured Certificates for investment or may sell or otherwise dispose of such Certificates or uninsured Certificates at any time or from time to time.

AGM makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

SUMMARY STATEMENT

This Summary Statement is subject in all respects to the more complete information contained in this Official Statement. The offering of the Certificates to potential investors is made only by means of this entire Official Statement, including the schedules and appendices hereto. No person is authorized to detach this Summary Statement from this Official Statement or to otherwise use it without this entire Official Statement including the Appendices hereto.

The Issuer	The City of Sanger, Texas (the "City"), is located in Denton County, Texas. For information regarding the City, see Appendices A and B.
The Certificates	$5,870,000 Combination Tax and Revenue Certificates of Obligation, Series 2015, dated November 1, 2015, maturing on the dates and in the amounts set forth on the inside front cover of this Official Statement. Interest on the Certificates will accrue from their date of delivery and will be paid semiannually on May 15 and November 15, commencing May 15, 2016, until maturity or prior redemption.
Purpose of Certificates	Proceeds from the sale of the Certificates will be used to pay contractual obligations to be incurred for (1) the rehabilitation, reconstruction, addition and expansion of the waste water treatment plant, (2) the rehabilitation and construction of wastewater lift stations and wastewater lines, (3) the construction of water lines and associated equipment and facilities; (4) the rehabilitation, reconstruction and construction of streets and drainage, (5) the rehabilitation of municipal facilities, and (6) professional services related thereto. See "THE CERTIFICATES – Sources and Uses of Funds" herein.
Authorization and Security	The Certificates are direct obligations of the City, issued pursuant to Chapter 271, Subchapter C, Texas Local Government Code, Chapter 1502, Texas Government Code, and an ordinance enacted by the City Council of the City (the "City Council") on October 19, 2015. The Certificates are payable from ad valorem taxes to be levied, within the limits prescribed by law, on all taxable property within the City and a limited subordinate pledge of surplus net revenues derived from the City's water and sewer system, not to exceed $10,000, as provided in the ordinance authorizing the Certificates.
Optional Redemption	The Certificates maturing on and after November 15, 2026, are subject to optional redemption in whole or in part on November 15, 2025, or on any date thereafter at a price of par plus accrued interest as more fully described herein. See "THE CERTIFICATES – Optional Redemption" herein.
Mandatory Redemption	The Certificates maturing on November 15, 2035 (the "Term Certificates") are subject to mandatory sinking fund redemption prior to maturity as described herein. (See "THE CERTIFICATES – Mandatory Redemption").
Tax Matters	In the opinion of Bond Counsel, interest on the Certificates is excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" herein, and is not includable in the alternative minimum taxable income of individuals. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel, including the alternative minimum tax on corporations. The City will designate the Certificates as qualified tax-exempt obligations. See "QUALIFIED TAX-EXEMPT OBLIGATIONS" herein.
Ratings	Standard & Poor's Rating Services ("S&P") and Moody's Investor's Service, Inc. ("Moody's") will assign municipal bond ratings of "AA" (stable outlook) and "A2" (stable outlook), respectively, based upon the Municipal Bond Insurance Policy issued by Assured Guaranty Municipal Corp. The Certificates have also been assigned an underlying ratings of "A2" by Moody's. An explanation of the significance of such ratings may be obtained S&P and Moody's, respectively. See "RATINGS" herein.
Book-Entry-Only System	The Certificates are initially issuable only to Cede & Co., the nominee of The Depository Trust Company, New York, New York, pursuant to the book-entry only system described herein. Beneficial ownership of the Certificates may be acquired in principal denominations of $5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the purchasers thereof. Principal of, premium if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the DTC Participants (as

	defined herein) for subsequent remittance to the owners of the beneficial interests in the Certificates. See "BOOK-ENTRY-ONLY SYSTEM" herein.
Payment Record	The City has never defaulted on the payment of its bonded indebtedness.

SELECTED FINANCIAL INFORMATION
(Unaudited)

2015 Certified Taxable Assessed Valuation……... (100% of Market Value as of January 1, 2015)	$533,911,551 [(a)]
City Debt:	
Outstanding Tax Supported Debt (as of August 31, 2015)…….……	$13,190,000 [(b)]
Plus: The Certificates……..	5,870,000
Total Tax Supported Debt…….	$19,060,000
Estimated Overlapping Debt……...	$15,808,592
Direct and Estimated Overlapping Debt…….	$34,868,592
Debt Service Fund Balance (as of Sept. 30, 2014)……..	$372,961

	% of 2015 Assessed Valuation	2015 Per Capita (7,415)
Debt Ratios:		
Direct Tax Supported Debt…….	3.57%	$2,570
Direct Tax Supported and Estimated Overlapping Debt……..	6.53%	$4,702

2015 Tax Rate (per $100 of Assessed Valuation)	
Maintenance and Operation	$0.498751
Debt Service ……	0.180749
Total ……	$0.679500
Estimated Annual Debt Service Requirements……..	
Average……	$1,180,700
Maximum (2021)…….	$2,016,345
Tax Collections	
Current Year…….	99.80%
Total Collections……..	99.68%

(a) Provided by the Denton Central Appraisal District (the "Appraisal District") and net of exemptions. Such value is further subject to changes as additions, corrections and deletions are made to the tax roll.

(b) Includes self-supporting debt.

OFFICIAL STATEMENT
RELATING TO

$5,870,000
CITY OF SANGER, TEXAS
(Denton County)
Combination Tax and Revenue
Certificates of Obligation, Series 2015

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, the schedules and the appendices hereto, provides certain information regarding the issuance by the City of Sanger, Texas (the "City") of $5,870,000 Combination Tax and Revenue Certificates of Obligation, Series 2015 (the "Certificates").

The Certificates will be authorized to be issued, sold and delivered by an ordinance enacted by the City's governing body (the "City Council"), and such ordinance is referred to herein as the "Ordinance." Capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Ordinance, except as otherwise indicated herein.

The City is a political subdivision of the State of Texas (the "State") and a municipal corporation organized and existing under the laws of the State and the City's home rule charter (the "City Charter"), which was initially approved by the electorate of the City on November 2, 1999. For information regarding the City, see Appendices A and B of this Official Statement.

All financial and other information presented in this Official Statement has been provided by the City, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue to be repeated in the future.

THE CERTIFICATES

Purpose

Proceeds from the sale of the Certificates will be used to pay contractual obligations to be incurred for (1) the rehabilitation, reconstruction, addition and expansion of the waste water treatment plant, (2) the rehabilitation and construction of wastewater lift stations and wastewater lines, (3) the construction of water lines and associated equipment and facilities; (4) the rehabilitation, reconstruction and construction of streets and drainage, (5) the rehabilitation of municipal facilities, and (6) professional services related thereto. See "THE CERTIFICATES – Sources and Uses of Funds" herein.

Authorization

The Certificates are direct obligations of the City, issued pursuant to Chapter 271, Subchapter C, Texas Local Government Code, as amended, Chapter 1502, Texas Government Code, as amended, and the Ordinance, as authorized by the City Charter.

Security for the Certificates

The Certificates are payable from ad valorem taxes to be levied and collected, within the limits prescribed by law, on all taxable property within the City, and by a limited subordinate pledge of surplus net revenues derived from the City's water and sewer system (the "System"), not to exceed $10,000, as provided in the Ordinance.

Optional Redemption

The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after November 15, 2026, in whole or in part, in integral multiples of $5,000, on November 15, 2025 or any date thereafter, such redemption date or dates to be fixed by the City, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. If less than all of the Certificates are to be redeemed, the City shall determine the maturity or maturities and the amounts thereof to be redeemed and shall direct the Paying Agent/Registrar (as defined herein) to select by lot the Certificates, or portions thereof, within each maturity to be redeemed.

Mandatory Redemption

The Certificates maturing on November 15, 2035 (the "Term Certificates") are subject to mandatory sinking fund redemption prior to maturity at random, in part by lot or other customary method selected by the Paying Agent/Registrar, at par plus accrued interest to the redemption date, in amounts sufficient to redeem the Term Certificates on November 15 in each of the years and the amounts set forth below:

$1,675,000 Term Certificates Maturing November 15, 2035

Mandatory Redemption Date	Principal Amount
2032	$395,000
2033	$410,000
2034	$425,000
2035 (stated maturity)	$445,000

The particular Term Certificates to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary random selection method, on or before October 1 of each year in which Term Certificates are to be mandatorily redeemed. The principal amount of Term Certificates to be mandatorily redeemed in each year shall be reduced by the principal amount of such Term Certificates that have been optionally redeemed on or before October 1 of such year and which have not been made the basis for a previous reduction.

Notice of Redemption

Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Certificate to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. If notice is so given and sufficient funds are provided for the payment of the redemption price of the Certificates, interest shall cease to accrue after the date fixed for redemption whether or not the Certificates have been submitted for payment. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, AND THE FUNDS NECESSARY TO REDEEM SUCH CERTIFICATES HAVING BEEN PROVIDED, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

Sources and Uses of Funds

The proceeds from the sale of the Certificates will be applied approximately as follows:

Sources	
Principal Amount of Certificates	$5,870,000.00
Original Issue Premium	379,221.35
Total Sources of Funds	$6,249,221.35
Uses	
Deposit to Construction Fund	$6,080,000.00
Costs of Issuance	97,870.00
Underwriters' Discount	46,657.02
Bond Insurance	19,836.70
Deposit to Debt Service Fund	4,857.63
Total Uses of Funds	$6,249,221.35

GENERAL INFORMATION REGARDING THE CERTIFICATES

General Description

The Certificates will be dated November 1, 2015 (the "Dated Date"), and will be issued in fully registered form in denominations of $5,000 or any integral multiple thereof. The Certificates will bear interest from the date of delivery to the underwriters listed on the cover page hereof (the "Underwriters"), and interest will be paid semiannually on each May 15 and November 15, commencing May 15, 2016. Interest will accrue on the Certificates on the basis of a 360-day year consisting of twelve 30-day months. The Certificates will be issued as book-entry only securities pursuant to arrangements made with The Depository Trust Company, New York, New York. See "BOOK-ENTRY-ONLY SYSTEM."

Principal of the Certificates will be payable to the registered owners (the "Owners") at maturity or prior redemption upon presentation and surrender of such Certificates at the principal corporate office of the paying agent/registrar (the "Paying Agent/Registrar"), initially BOKF, NA, Austin, Texas. Interest on the Certificates will be payable by check dated as of the interest payment date and mailed by the Paying Agent/Registrar to Owners as shown on the records of the Paying Agent/Registrar on the Record Date (see "REGISTRATION, TRANSFER AND EXCHANGE – Record Date for Interest Payment" herein), or by such other customary banking arrangement, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Owner. If the date for the payment of the principal of or interest on a Certificate shall be a Saturday, Sunday, legal holiday, or a day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or a day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

The Certificates will mature on the dates, in the amounts and bear interest at the rates as set forth on inside cover page of this Official Statement.

Legality

The Certificates are offered when, as and if issued, subject to the approvals of legality by the Attorney General of the State of Texas and McGuireWoods LLP, Houston, Texas, Bond Counsel. (See "LEGAL MATTERS" and Appendix C – "Form of Opinion of Bond Counsel").

Defeasance

The Ordinance provides that the City may defease the Certificates and discharge its obligation to the holders of any or all of the Certificates to pay the principal of and interest thereon in any manner now or hereafter permitted by law, including by depositing with the Registrar or with the Comptroller of the State of Texas either: (a) cash in an amount equal to the principal amount of and interest thereon to the date of maturity or redemption; or (b) pursuant to an escrow or trust agreement, cash and/or (i) direct noncallable obligations of United States of America, including obligations that are unconditionally guaranteed by the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; or (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Board approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, which, in the case of (i), (ii), or (iii), may be in book entry form, and the principal of and interest on which will, when due or redeemable at the option of the holder, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, provide money in an amount which, together with other moneys, if any, held in such escrow at the same time and available for such purpose, shall be sufficient to provide for the timely payment of the principal of and interest thereon to the date of maturity or earlier redemption; provided, however, that if any of the Certificates are to be redeemed prior to their respective dates of maturity, provision shall be made for the giving of notice of redemption as provided in the Ordinance. Any surplus amount not required to accomplish such defeasance shall be returned to the City.

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

Amendments to the Ordinance

In the Ordinance, the City has reserved the right to amend such Ordinance without the consent of any holder of the Certificates in any manner not detrimental to the interests of the holders of the Certificates, including the curing of any ambiguity, defect or omission therein.

The Ordinance further provides that the holders of the Certificates aggregating in principal amount 51% of the outstanding Certificates shall have the right from time to time to approve any amendment not described above to the Ordinance; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Certificates no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Certificates; (ii) reducing the rate of interest borne by any of the outstanding Certificates; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Certificates; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Certificates; (v) give any preference to any Certificate over any other Certificate, or (vi) changing the minimum percentage of the principal amount of the Certificates necessary for consent to such amendment. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

OWNERSHIP

The City, the Paying Agent/Registrar and any other person may treat the person in whose name any Certificate is registered as the absolute owner of such Certificate for the purpose of making and receiving payment of principal and interest, and for all other purposes, whether or not such Certificate is overdue, and neither the City nor the Paying Agent/Registrar will be bound by any notice or knowledge to the contrary.

All payments made to the person deemed to be the owner of any Certificate in accordance with the Ordinance will be valid and effectual and will discharge the liability of the City and the Paying Agent/Registrar upon such Certificate to the extent of the sums paid.

OWNER'S REMEDIES

The Ordinance does not provide for the appointment of a trustee to represent the interests of the Certificateholders upon any failure of the City to perform in accordance with the terms of the Ordinance or upon any other condition and, in the event of any such failure to perform, the registered owners would be responsible for the initiation and cost of any legal action to enforce performance of the Ordinance. Furthermore, the Ordinance does not establish specific events of default with respect to the Certificates and, under State law, there is no right to the acceleration of maturity of the Certificates upon the failure of the City to observe any covenant under the Ordinance. A registered owner of Certificates could seek a judgment against the City if a default occurred in the payment of principal of or interest on any such Certificates; however, such judgment could not be satisfied by execution against any property of the City and a suit for monetary damages could be vulnerable to the defense of sovereign immunity. A registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the City to levy, assess, and collect an annual ad valorem tax sufficient to pay principal of and interest on the Certificates as it becomes due or perform other material terms and covenants contained in the Ordinance. In general, Texas courts have held that a writ of mandamus may be issued to require a public official to perform legally imposed ministerial duties necessary for the performance of a valid contract, and Texas law provides that, following their approval by the Attorney General and issuance, the Certificates are valid and binding obligations for all purposes according to their terms. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. The City is also eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Certificateholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to creditors under the Bankruptcy Code.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Financial Advisor, and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully registered Certificates in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an

authorized representative of DTC. One fully registered security certificate will be issued for the Certificates, in the aggregate principal amount of such issue, and will be deposited with DTC.

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

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

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

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

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

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

Principal, interest, and redemption payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest, and redemption payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

BOKF, NA, Austin, Texas has been named to serve as initial Paying Agent/Registrar for the Certificates. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. If the City replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the City shall be a commercial bank; a trust company organized under applicable law; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

In the event the Book-Entry Only System should be discontinued, interest on the Certificates will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest will be paid (i) by check sent United States mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying

Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal and redemption payments of the Certificates will be paid to the registered owner at the stated maturity or earlier redemption upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. If the date for the payment of the principal or interest on the Certificates is a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment was due. So long as Cede & Co. is the registered owner of the Certificates, principal, interest, and redemption payments on the Certificates will be made as described in "BOOK-ENTRY ONLY SYSTEM" above.

Future Registration

In the event the book-entry only system should be discontinued, printed Certificates will be delivered to the Owners and thereafter the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the Owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate will be delivered by the Paying Agent/Registrar in lieu of the Certificate being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered Owner at the Owner's request, risk and expense. New Certificates issued in an exchange or transfer of Certificates will be delivered to the registered Owner or assignee of the Owner after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the Owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be of like kind and in authorized denominations and for a like aggregate principal amount as the Certificate or Certificates surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" for a description of the system to be utilized initially in the settlement and transfer of the Certificates.

Record Date for Interest Payment

The record date ("Record Date") for the interest payable on any interest payment date is the last business day of the month next preceding such interest payment date, as specified in the Ordinance. In the event of a nonpayment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (the "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least 5 days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each Owner of a Certificate appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Limitation on Transfer of Certificates

Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Certificate, or any portion thereof, called for redemption prior to maturity within 45 days prior to its redemption date, provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate.

Replacement of Certificates

If any Certificate is mutilated, destroyed, stolen or lost, a new Certificate in the same principal amount as the Certificate so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Certificate, such new Certificate will be delivered only upon surrender and cancellation of such mutilated Certificate. In the case of any

Certificate issued in lieu of and in substitution for a Certificate which has been destroyed, stolen or lost, such new Certificate will be delivered only (a) upon filing with the City and the Paying Agent/Registrar evidence satisfactory to them that such Certificate has been destroyed, stolen or lost and proof of the ownership thereof and (b) upon furnishing the City and the Paying Agent/Registrar with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Certificate must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

TAX INFORMATION

Summary of Certain Provisions of the Property Tax Code

The appraisal of property within the City is the responsibility of the Denton Central Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under Title I of the Texas Tax Code (referred to herein as the "Property Tax Code") to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal, and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the property's market value in the most recent tax year in which the market value was determined by the appraisal office, or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value the preceding tax year, plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by the Appraisal Review Board, whose members are appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least once every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

Under Article VIII of the Texas Constitution ("Article VIII") and State law, the governing body of a county, municipality or junior college district may provide for a freeze on total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, the total amount of taxes imposed on such homestead cannot be increased except for improvements (excluding maintenance, repairs or improvements required to comply with governmental requirements) and such freeze is transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. If improvements (other than repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repealed or rescinded.

Reference is made to the Property Tax Code, for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII and State law also provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Under Section 1-b of Article VIII, and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of

age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than $3,000 of the market value.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption tor the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of $5,000.

In the case of residence homestead exemptions granted under Section 1-b of Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to $12,000, dependent upon the degree of disability or whether the exemption is applicable to a surviving spouse or children. In addition, veterans who are 100% disabled (being a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100% disability compensation due to a service-connected disability and a rating of 100% disabled or of individual unemployability) are entitled to an exemption from taxation of the total appraised value of the veteran's residential homestead. Additionally, effective January 1, 2012, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

Non-business personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as non-business property are exempt from ad valorem taxation.

Section 1-j of Article VIII authorizes an ad valorem tax exemption for "freeport property". Freeport property is defined as goods detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Notwithstanding such exemption, counties, school districts, junior college districts and cities may tax such tangible personal property, provided official action to tax the same was taken before April 1, 1990. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by Section 11.253 of the Tax Code as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. Section 11.253 of the Tax Code permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax "goods-in-transit" during the following tax year. A taxpayer may only receive either the freeport exemption or the "goods-in-transit" exemption for items of personal property.

A city or a county may utilize tax increment financing ("TIF"), pursuant to the Tax Increment Financing Act, Texas Tax Code, Chapter 311, to encourage development and redevelopment within a designated reinvestment zone. Taxes collected from increases in valuation above the base value (the "captured appraised value") by each taxing unit that levies ad valorem taxes on real property in the reinvestment zone may be used to pay costs of infrastructure or other public improvements in the reinvestment zone and to supplement or act as a catalyst for private development in the defined area of the reinvestment zone. The tax increment base value for a taxing unit is the total appraised value of all real property taxable by the taxing unit and located in the reinvestment zone as of January I of the year in which the city created the reinvestment zone. Each taxing unit can choose to dedicate all, any portion or none of its taxes collected from the captured appraised value to the costs of improvements in the reinvestment zone. The amount of a taxing unit's tax increment for a year is the amount of property taxes levied by the taxing unit for that year on the captured appraised value of real property taxable by the taxing unit and located in the reinvestment zone, multiplied by the taxing unit's percentage level of participation.

The City also may enter into tax abatement agreements to encourage economic development. Under an abatement agreement, a property owner agrees to construct certain improvements on its property. The City in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the abatement agreement. The abatement agreement could last for a period of up to 10 years. The City has adopted a tax abatement policy with respect to certain areas within the City.

The City is also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("Chapter 380"), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds for economic development purposes; provided, however, that no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City. The City may contract with the federal government, the State, another political subdivision, a nonprofit organization or any other entity, including private entities, for the administration of such a program.

See Appendix A – Tables 1, 3 and 4 for information relating to the City's taxable assessed valuation, property tax rates and collections and tax rate distribution.

Effective Tax Rate and Rollback Tax Rate

Before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the City, the City Council must adopt a tax rate per $100 taxable value for the current year. If the City Council does not adopt a tax rate by such required date the tax rate for that tax year is the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the City for the preceding tax year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Property Tax Code, the City must annually calculate and publicize its "effective tax rate" and "rollback tax rate". A tax rate cannot be adopted by the City Council that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings have been held on the proposed tax rate following notice of such public hearings (including the requirement that notice be posted on the City's website if the City owns, operates or controls an internet website and public notice be given by television if the City has free access to a television channel) and the City Council has otherwise complied with the legal requirements for the adoption of such tax rate. If the adopted tax rate exceeds the rollback tax rate the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

"Effective tax rate" means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values.

"Rollback tax rate" means the rate that will produce last year's maintenance and operation tax levy (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (unadjusted) divided by the anticipated tax collection rate.

The Property Tax Code provides that certain cities and counties in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items. If the additional tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year.

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

Property Assessment and Tax Payment

Property within the City is assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses an average daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years of age and over and taxpayers qualifying for the disabled person exemption are allowed to pay taxes on their residential homestead in four installments with the first installment due on February 1 of each year and the final installment due on August 1.

Penalties and Interest

Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

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

After July, the penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest penalty is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge. A taxpayer who is 65 years of age or older or is disabled may defer the collection of delinquent property taxes on his or her residence homestead and prevent the filing of a lawsuit to collect delinquent taxes until the 181st day after the taxpayer no longer owns and occupies the property as a residence homestead. However, taxes and interest continue to accrue against the property, and the delinquent taxes incur a penalty of 8% per annum with no additional penalties or interest assessed. The lien securing such taxes and interest remains in existence during the deferral or abatement period. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

City Application of Property Tax Code

The City grants an exemption of $30,000 of the market value of the residence homestead for persons 65 years of age or older and an exemption of $20,000 of the market value of the residence homestead for persons that are disabled. See Appendix A – Table 1 for a listing of the total amount of these exemptions.

The City does not grant an additional exemption for residence homesteads.

The City taxes only business personal property.

The County Tax Collector collects property taxes for the City. The County does not permit split payments and does not allow discounts.

The City grants the Article VIII, Section 1-j ("freeport property") exemption but at this time has no Article VIII, Section 1-j property.

Municipal Sales Tax

The City has adopted the provisions of V.A.T.C.S. Tax Code § 321.001 et seq., which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City. The proceeds of such tax are credited to the General Fund and are not pledged to payment of the Certificates. Collections and enforcements are effected through the offices of the State Comptroller of Public Accounts, who monthly remits the proceeds of the tax, after deduction of a 2% service fee, to the City.

The Tax Code provides certain cities and counties the option of assessing a maximum one-half percent (1/2%) sales tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional tax is approved and levied, the ad valorem property tax levy must be reduced by the estimated amount of the sales tax revenues to be generated in the current year. Subject to the approval of a majority of the voters in a local option election, state law also provides certain cities the option of assessing a sales and use tax for a variety of other purposes, including economic and industrial development, municipal street maintenance and repair, and sports and community venues.

State law limits the maximum aggregate sales and use tax rate in any area to 8¼%. Accordingly, the collection of local sales and use taxes in the area of the City (including sales and use taxes levied by the City) is limited to no more than 2% (when combined with the State sales and use tax rate of 6¼%).

In addition to the one percent (1%) local sales and use tax referred to above, at an election held on May 2, 1998 voters of the City approved the imposition of an additional one-half percent (1/2%) sales and use tax for economic development purposes in accordance with Section 4A, Article 5190.6 of Vernon's Annotated Texas Civil Statutes. Levy of the additional sales and use tax began in December, 1998. At an election held on May 2, 1998 voters of the City approved the imposition of an additional one-half percent (1/2%) sales and use tax for economic development purposes in accordance with Section 4B, Article 5190.6 of Vernon's Annotated Texas Civil Statutes. Levy of the additional sales and use tax began in December, 1998. The City has not held an election regarding an additional sales tax for the purpose of reducing its ad valorem taxes.

TAX RATE LIMITATIONS

Article XI, Section 5, of the State Constitution is applicable to the City and imposes a limitation on ad valorem taxes which can be imposed by the City of $2.50 per $100 taxable assessed valuation. The Attorney General of Texas follows a policy, with respect to Home Rule Cities which have such a $2.50 limitation, of approving ad valorem tax bonds only to the extent that all of such city's ad valorem tax debt can be serviced by a debt service tax rate of $1.50 at 90% collection.

RETIREMENT PLAN

The City participates in the Texas Municipal Retirement System which is a joint contributory retirement plan covering all full-time employees. There are no benefits guaranteed other than to the extent provided by employee and employer contributions, plus earnings, accumulated in the individual accounts of employees. The contribution rate for employees is 6% of their annual covered salary. The City is required to contribute at an actuarially determined rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability over the remainder of the plan's 25-year amortization period. Contributions by the City for the year ended September 30, 2014 totaled $210,201.

For additional information regarding the City's Pension Plans, see Appendix D - "Audited Financial Statements for the Fiscal Year Ended September 30, 2014, Note V – Other Information – Pension Plans".

INVESTMENT POLICIES

Accounting Principles Generally Accepted in the United States

The City policy is to adhere to accounting principles generally accepted in the United States (see Appendix D "Audited Financial Statements for the Fiscal Year Ended September 30, 2014").

Legal Investments

Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit (i) meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits or, (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (iii) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (iv) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (v) the City appoints the depository institution selected under (ii) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit issued for the account of the City; (8) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (10) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share; and (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan

made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Investment Policies

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Texas Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the City's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the City's investment officers must submit an investment report to the Board of Trustees detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest City funds without express written authority from the City Council.

Additional Provisions

Under Texas law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City, (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the

City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the City's investment policy, (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements and (8) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer.

Current Investments

As of September 30, 2014, the City's investment portfolio was invested in the following categories. As of such date, the market value of such investments was approximately 100% of their book value.

Type of Investment	Amount
Certificates of Deposit	$1,881,566
Total	$1,881,566

RATINGS

Standard & Poor's Ratings Services ("S&P") and Moody's Investor's Service, Inc. ("Moody's") will assign municipal bond ratings of "AA" (stable outlook) and "A2" (stable outlook), respectively, based upon the Municipal Bond Insurance Policy issued by Assured Guaranty Municipal Corp. Moody's has also assigned an underlying rating of "A2" to the Certificates. The ratings reflect only the view of such organizations at the time such ratings were given and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by S&P or Moody's, if in the judgment of S&P or Moody's, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Certificates.

PENDING LITIGATION

There is no material litigation currently pending against the City.

LEGAL MATTERS

The City will furnish a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the approving legal opinions of the Attorney General of the State of Texas to the effect that the Certificates are valid and binding obligations of the City, and based upon examination of such transcripts of proceedings, the approving legal opinions of Bond Counsel to the effect that (i) the Certificates issued in compliance with the provisions of the Ordinance are valid and legally binding obligations of the City and (ii) the interest on the Certificates is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions (see "TAX MATTERS"). Bond Counsel has not been engaged to investigate the financial resources of the City or its ability to provide for payment of the Certificates, and the opinion of Bond Counsel will make no statement as to such matters, or any other information that may have been relied on by anyone in making the decision to purchase the Certificates. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates are contingent on the sale and delivery of the Certificates. The applicable legal opinion will be printed on or attached to the definitive Certificates.

Bond Counsel has reviewed the statements and information appearing in the Official Statement under the captions "THE CERTIFICATES" (except the subcaption "Sources and Uses of Funds"), "GENERAL INFORMATION REGARDING THE CERTIFICATES," "REGISTRATION, TRANSFER AND EXCHANGE," "TAX RATE LIMITATIONS," "LEGAL MATTERS," "TAX MATTERS," "TAX TREATMENT OF ORIGINAL ISSUE DISCOUNT AND PREMIUM CERTIFICATES," "QUALIFIED TAX EXEMPT OBLIGATIONS," "LEGAL INVESTMENTS IN TEXAS," "REGISTRATION AND QUALIFICATION OF ISSUE FOR SALE" and

"CONTINUING DISCLOSURE OF INFORMATION" (except the subcaption "Compliance With Prior Undertakings") fairly summarizes the procedures and documents referred to therein and is correct as to matters of law. Bond Counsel has not independently verified any of the factual information contained in this Official Statement nor have they conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained herein.

TAX MATTERS

Tax Exemption

In the opinion of McGuireWoods LLP, Houston, Texas, Bond Counsel, interest on the Certificates is (1) excludable from gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (2) is not includable in the alternative minimum taxable income of individuals or, except as described below, corporations.

The foregoing opinions of Bond Counsel are based on the Code and the regulations, rulings and court decisions thereunder in existence on the date of issue of the Certificates. Such authorities are subject to change and any such change could prospectively or retroactively result in the inclusion of the interest on the Certificates in gross income of the owners thereof or change the treatment of such interest for purposes of computing alternative minimum taxable income.

In rendering its opinions, Bond Counsel has assumed continuing compliance by the City with certain covenants of the Ordinance and has relied on representations by the City with respect to matters solely within the knowledge of the City, which Bond Counsel has not independently verified. The covenants and representations relate to, among other things, the use of Certificate proceeds and any facilities financed therewith, the source of repayment of the Certificates, the investment of Certificate proceeds and certain other amounts prior to expenditure, and requirements that excess arbitrage earned on the investment of Certificate proceeds and certain other amounts be paid periodically to the United States and that the City file an information report with the Internal Revenue Service (the "Service"). If the City should fail to comply with the covenants in the Ordinance, or if its representations relating to the Certificates that are contained in the Ordinance should be determined to be inaccurate or incomplete, interest on the Certificates could become taxable from the date of delivery of the Certificates, regardless of the date on which the event causing such taxability occurs.

Interest on the Certificates, owned by a corporation (other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC) or a financial asset securitization investment trust (FASIT)) will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt or accrual of interest on or acquisition or disposition of the Certificates.

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

Under the Code, taxpayers are required to provide information on their returns regarding the amount of tax-exempt interest, such as interest on the Certificates, received or accrued during the year.

Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations, such as the Certificates, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. Such prospective purchasers should consult their tax advisors as to the consequences of investing in the Certificates.

Proposed Tax Legislation

Tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Certificates to be subject, directly or indirectly, to federal income taxation or state income taxation, or otherwise prevent the beneficial owners of the Certificates from realizing the full current benefit of the tax status of such interest. For example, future legislation to resolve certain federal budgetary issues may significantly reduce the benefit of, or otherwise affect, the exclusion of gross income for federal income tax purposes of interest on all state and local obligations, including the Certificates. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the Certificates. Prospective purchasers of the Certificates should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations, as to which Bond Counsel express no opinion

TAX TREATMENT OF ORIGINAL ISSUE DISCOUNT AND PREMIUM CERTIFICATES

Discount Certificates

Some of the Certificates may be offered at an initial offering price which is less than the stated redemption price at maturity of such Certificates. If a substantial amount of any maturity of the Certificates is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or entities acting in the capacity of wholesalers or underwriters) at such initial offering price, each of the Certificates of that maturity (the "Discount Certificate") will be considered to have "original issue discount" for federal income tax purposes equal to the difference between (a) the stated redemption price payable at the maturity of such Discount Certificate and (b) the initial offering price to the public of such Discount Certificate. Under existing law, such original issue discount will be treated for federal income tax purposes as additional interest on a Discount Certificate and such initial owner will be entitled to exclude from gross income for federal income tax purposes that portion of such original issue discount deemed to be earned (as discussed below) during the period while such Discount Certificate continues to be owned by such initial owner. Except as otherwise provided herein, the discussion regarding interest on the Certificates under the caption "TAX EXEMPTION" generally applies to original issue discount deemed to be earned on a Discount Certificate while held by an owner who has purchased such Certificate at the initial offering price in the initial public offering of the Certificates and that discussion should be considered in connection with this portion of the Official Statement.

In the event of a redemption, sale, or other taxable disposition of a Discount Certificate prior to its stated maturity, however, any amount realized by such initial owner in excess of the basis of such Discount Certificate in the hands of such owner (increased to reflect the portion of the original issue discount deemed to have been earned while such Discount Certificate continues to be held by such initial owner) will be includable in gross income for federal income tax purposes.

Because original issue discount on a Discount Certificate will be treated for federal income tax purposes as interest on a Certificate, such original issue discount must be taken into account for certain federal income tax purposes as it is deemed to be earned even though there will not be a corresponding cash payment. Corporations that purchase Discount Certificates must take into account original issue discount as it is deemed to be earned for purposes of determining alternative minimum tax. Other owners of a Discount Certificate may be required to take into account such original issue discount as it is deemed to be earned for purposes of determining certain collateral federal tax consequences of owning a Discount Certificate. See "TAX EXEMPTION" for a discussion regarding the

alternative minimum taxable income consequences for corporations and for a reference to collateral federal tax consequences for certain other owners.

The characterization of original issue discount as interest is for federal income tax purposes only and does not otherwise affect the rights or obligations of the owner of a Discount Certificate or of the City. The portion of the principal of a Discount Certificate representing original issue discount is payable upon the maturity or earlier redemption of such Certificate to the registered owner of the Discount Certificate at that time.

Under special tax accounting rules prescribed by existing law, a portion of the original issue discount on each Discount Certificate is deemed to be earned each day. The portion of the original issue discount deemed to be earned each day is determined under an actuarial method of accrual, using the yield to maturity as the constant interest rate and semi-annual compounding.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Discount Certificates by an owner that did not purchase such Certificates in the initial public offering and at the initial offering price may be determined according to rules which differ from those described above. All prospective purchasers of Discount Certificates should consult their tax advisors with respect to the determination for federal, state and local income tax purposes of interest and original issue discount accrued upon redemption, sale or other disposition of such Discount Certificates and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Discount Certificates.

Premium Certificates

Some of the Certificates may be offered at an initial offering price which exceeds the stated redemption price payable at the maturity of such Certificates. If a substantial amount of any maturity of the Certificates is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or entities acting in the capacity of wholesalers or underwriters) at such initial offering price, each of the Certificates of such maturity ("Premium Certificate") will be considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis for federal income tax purposes of a Premium Certificate in the hands of an initial purchaser who purchases such Certificate in the initial offering must be reduced each year and upon the sale or other taxable disposition of the Certificate by the amount of amortizable bond premium. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes upon the sale or other taxable disposition of a Premium Certificate by the initial purchaser. Generally, no corresponding deduction is allowed for federal income tax purposes, for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Certificate which is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Certificate) is determined under special tax accounting rules which use a constant yield throughout the term of the Premium Certificate based on the initial purchaser's original basis in such Certificate.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition by an owner of Certificates that are not purchased in the initial offering or which are purchased at an amount representing a price other than the initial offering prices for the Certificates of the same maturity may be determined according to rules which differ from those described above. Moreover, all prospective purchasers of Certificates should consult their tax advisors with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of Premium Certificates.

QUALIFIED TAX-EXEMPT OBLIGATIONS

Section 265(a) of the Code provides, in general, that interest expense incurred to acquire or carry tax-exempt obligations is not deductible from the gross income of the holder. For certain holders that are "financial institutions" within the meaning of such section, complete disallowance of such expense would apply to taxable years beginning after December 31, 1986, with respect to tax-exempt obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this rule for interest expense incurred by financial institutions to carry tax-exempt obligations (other than certain private activity bonds) which are designated by an issuer as "qualified tax-exempt obligations." An issuer may only designate an issue as an issue of "qualified tax-exempt obligations" where less than $10 million of tax-exempt obligations are issued by the issuer during the calendar year 2015.

The City has designated the Certificates as "qualified tax-exempt obligations." Further, the City will represent that it has or will take such action necessary for the Certificates to constitute "qualified tax-exempt obligations."

Notwithstanding the designation of the Certificates as "qualified tax-exempt obligations," financial institutions acquiring the Certificates will be subject to a twenty percent (20%) disallowance of interest expenses allocable to the Certificates.

LEGAL INVESTMENTS IN TEXAS

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), the Certificates (1) are negotiable instruments, (2) are investment securities to which Chapter 8 of the Texas Uniform Commercial Code applies, and (3) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Certificates may have to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency before such Certificates are eligible investments for sinking funds and other public funds. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least $1 million of capital and savings and loan associations.

The City has made no investigation of other laws, rules, regulations, or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Certificates for such purposes. The City has made no review of laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

REGISTRATION AND QUALIFICATION OF ISSUE FOR SALE

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

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available free of charge from the MSRB via Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

Annual Reports

The City will provide certain updated financial information and operating data to the MSRB annually in an electronic format as prescribed by the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included this Official Statement in Appendix A - Financial Information Regarding the City of Sanger. Texas (Tables 1-10) and in Appendix D. The City will update and provide this information within six months after the end of each fiscal year.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by the last day of March in each year following the end of its fiscal year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

Material Event Notices

The City will also provide timely notices of certain events to the MSRB (not in excess of ten (10) days after the occurrence of the event). The City will provide notice of any of the following events with respect to the Certificates: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. (Neither the Certificates nor the Ordinance make any provision for debt service reserves, liquidity enhancement, or credit enhancement). In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports".

All documents provided to the MSRB shall be accompanied by identifying information, as prescribed by the MSRB.

Limitations and Amendments

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

This continuing disclosure agreement may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell Certificates in the primary offering of the Certificates in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal of the outstanding Certificates consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final

jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If the City amends its agreement, it must include with the next financial information and opening data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in type of information and data provided. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates.

Compliance with Prior Undertakings

The annual Financial Report for the year ending September 30, 2010, due to be filed on March 31, 2011, was filed on February 3, 2012, and the annual audited financial statements for the year ending September 30, 2011, due to be filed on March 31, 2012, was filed on June 8, 2012. Since that time, the City has implemented procedures to ensure timely filing in the future. Otherwise, during the last five years, the City has not failed to comply in any material respect with any continuing disclosure agreement made by it in accordance with the Rule.

FINANCIAL ADVISOR

In its role as Financial Advisor, Government Capital Securities Corporation has relied on the City for certain information concerning the City and the Certificates. The fee of the Financial Advisor for services with respect to the Certificates is contingent upon the issuance and sale of the Certificates. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

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

UNDERWRITING

Oppenheimer & Co. Inc. and William Blair & Company, the Underwriters, have agreed to purchase the Certificates from the City for $6,202,564.33 (being the principal amount of the Certificates, plus a premium of $379,221.35, less an Underwriters' discount of $46,657.02).

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information set forth in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

CONCLUDING STATEMENT

The information set forth herein has been obtained from the City's records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and the Ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and the Ordinance. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

The City has reviewed and approved the Official Statement and said instrument has been authorized for use and distribution by the Underwriters for the purpose of offering the Certificates.

CITY OF SANGER, TEXAS

/s/ Thomas Muir
Mayor, City of Sanger, Texas

ATTEST:

/s/ Tami Taber
City Secretary, City of Sanger, Texas

APPENDIX A

FINANCIAL INFORMATION REGARDING
THE
CITY OF SANGER, TEXAS

FINANCIAL INFORMATION FOR THE CITY

ASSESSED VALUATION — **TABLE 1**

2015 Total Value of Taxable Property		$533,911,551
Less Exemptions:		
Local, Optional Over-65 and/or Disabled Homestead Exemptions	$ 10,918,422	
Disabled and Deceased Veterans' Exemptions	1,191,071	
Productivity Value Loss	29,948,451	
Homestead 10% Cap Adjustment	1,616,420	
Abatement	0	
Freeport	12,943,610	
Other	11,488,748	
		68,106,722
2015 Net Taxable Assessed Valuation (100% of Actual)[(a)]		$465,804,829

[(a)] *See "TAX INFORMATION - City Application of the Property Tax Code" in the Official Statement for a description of the City's taxation procedures.*

Source: Denton County Appraisal District

PRINCIPAL TAXPAYERS — **TABLE 2**

Name	Type of Business	2014 Net Taxable Assessed Valuation	% of Total 2014 Assessed Valuation*
Walmart Stores East, L.P.	Distribution	$104,504,825	22.44%
Intercapital Sanger Trails	Real Estate	10,171,686	2.18%
Stonewood Resorts, LLC	Real Estate	3,306,170	0.71%
MacCamp LTD	RV Sales and Service	3,223,088	0.69%
Sam's East, Inc.	Distribution	3,063,092	0.66%
Springer Family Rentals LLC	Real Estate	2,949,700	0.63%
Sam's Cross Dock	Distribution	2,265,000	0.49%
Latham Zane	Real Estate	2,066,399	0.44%
Springer, John D	Real Estate	2,100,410	0.45%
S&T Rentals, LLC	Real Estate	1,953,498	0.42%
Total		$135,603,868	29.11%

* Based on 2014 Net Taxable Assessed Valuation of $465,804,829.

Source: Texas Comptroller of Public Accounts and Denton Central Appraisal District

PROPERTY TAX RATES AND COLLECTIONS[(a)] **TABLE 3**

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Collection % Current	Collection % Total[(b)]	Fiscal Year Ended
2002	$226,882,983	0.565470	97.03%	99.39%	9-30-03
2003	289,937,097	0.565470	97.38%	99.71%	9-30-04
2004	312,537,172	0.570830	97.40%	99.70%	9-30-05
2005	338,298,363	0.590460	98.16%	99.70%	9-30-06
2006	353,244,529	0.599600	97.36%	99.74%	9-30-07
2007	372,374,916	0.620000	98.13%	99.68%	9-30-08
2008	383,511,572	0.620000	97.72%	99.43%	9-30-09
2009	363,053,298	0.620000	97.78%	98.99%	9-30-10
2010	365,706,678	0.633049	97.70%	97.70%	9-30-11
2011	358,015,773	0.633049	98.69%	98.71%	9-30-12
2012	389,390,028	0.633049	99.20%	101.00%	9-30-13
2013	415,503,377	0.665000	99.80%	99.68%	9-30-14
2014	433,858,191	0.679500	In progress		9-30-15

[(a)] *See "TAX INFORMATION - The City Application of the Property Tax Code" in the Official Statement for a description of the City's taxation procedures.*

[(b)] *Excludes interest and penalties.*

Source: Texas Municipal Report published by the Municipal Advisory Council of Texas, the Denton County Appraisal District, and the City's 2014 Annual Financial Statements.

Note: Assessed Valuations may change during the year due to various supplements and protests, and valuations on a later date or in other tables of this Official Statement may not match those shown on this table.

TAX RATE DISTRIBUTION **TABLE 4**

	2014-15	2013-14	2012-13	2011-12	2010-11
Maintenance & Operations	$0.418751	$0.409405	$0.446044	$0.446044	$0.439418
Dedicated for Street Maintenance	0.080000	0.080000			
I & S Fund	0.180749	0.175595	0.187005	0.187005	0.193631
TOTAL	$0.679500	$0.665000	$0.633049	$0.633049	$0.633049

Source: City

WATER RATES* **TABLE 5**

Existing Rates

Residential (Effective January 1, 2015)

Minimum per unit served for 0 - 1,000 gallons	$19.72	
Next 4,000 gallons	3.41	per thousand gallons
Next 10,000 gallons	3.75	per thousand gallons
Next 15,000 gallons	4.60	per thousand gallons
Over 30,000	5.92	per thousand gallons

Commercial (Effective January 1, 2015)

Minimum per unit served for 0 - 1,000 gallons	$24.97	
Next 4,000 gallons	3.96	per thousand gallons
Next 10,000 gallons	4.29	per thousand gallons
Next 15,000 gallons	4.68	per thousand gallons
Over 30,000	5.78	per thousand gallons

PRINCIPAL WATER CUSTOMERS 2013-14* **TABLE 6**

(For the twelve months ending September 30, 2014)

Name of Customer	Average Monthly Consumption in Gallons	Average Monthly Bill
SISD High School	553,500	$3,176
Stonewood Resorts, LLC	527,600	3,474
Walmart Distribution Center	337,100	2,040
Stonewood Resorts, LLC	138,200	1,167
Chisum Trail/Integra Peak Mgt	115,800	1,122
Elk River	114,300	572
SISD Sanger Middle School	107,800	614
Khoscrow Sadeghian	103,300	527
Karl Klement Properties	76,600	641
Total	2,074,200	$13,333

* The City's pledge of revenues from the water and sewer system for payment of the Certificates is limited to $10,000, and the City does not anticipate that it would ever use such revenues to make payment on the Certificates.

SEWER RATES* **TABLE 7**

Existing Rates

Residential (Effective January 1, 2015)

Minimum (first 1,000 gallons)	$	22.77
Per 1,000 gallons over first 1,000 gallons		3.16
Per 1,000 gallons in excess of 10,000 gallons		3.51
Maximum per month		60.00

Commercial (Effective January 1, 2015)

¾ inch meter	$	33.52
1 inch meter		36.69
1½ inch meter		41.75
2 inch meter		50.77
3 inch meter		62.62
4 inch meter		116.21
6 inch meter		154.45
8 inch meter		203.84
Per 1,000 gallons over first 1,000 gallons		
Per 1,000 gallons in excess of 10,000 gallons		3.51

Multi-Family Dwellings

The amount due for multi-family dwellings shall be the residential rate multiplied by the number of occupied dwelling units.

PRINCIPAL SEWER CUSTOMERS* **TABLE 8**

(For the twelve months ending September 30, 2014)

Name of Customer	Average Monthly Bill
Stonewood Resorts LLC	$ 3,202
SISD Sanger High School	1,844
Walmart Distribution Center	1,221
Stonewood Resorts, LLC	1,125
Chisum Trail/Integra Peak Mgmt	1,100
SISD Butterfield Elementary	865
Karl Klement Properties	687
Ohio Garden RV Inc	502
Elk River	436
SISD Sanger Middle School	416
Total	$11,398

* The City's pledge of revenues from the water and sewer system for payment of the Certificates is limited to $10,000, and the City does not anticipate that it would ever use such revenues to make payment on the Certificates.

ELECTRIC RATES* **TABLE 9**

Existing Rates
(Effective November 15, 2010)

	Residential	Commercial	Large Industrial
Facility Charge (minimum per month)	$ 10.00	$ 16.00	$ 35.00
Energy Charge (per KWH)	$ 0.1175	$ 0.12	$ 0.105
ERCOT Pass-through per month	$4.00	$4.00	$4.00

PRINCIPAL ELECTRIC CUSTOMERS 2013-2014* **TABLE 10**

(For the twelve months ending September 30, 2014)

Name of Customer	Average Monthly Consumption in Kilowatt Hours	Average Monthly Bill
Walmart Distribution Center	1,132,600	$118,940
Super Save	90,813	10,894
Wagon Master RV Park	70,350	7,993
McCamp LTD	62,950	7,195
Sams/Walmart Stores East	55,466	6,674
McDonalds	42,813	5,087
Latham Stairs & Millworks	33,513	4,040
Jack in the Box	30,583	3,715
North Texas Plastics	29,153	3,575
Sportsman	28,193	3,394
Total	1,576,434	$171.507

* None of the City's revenues from its electric system is pledged to the payment of the Certificates, and the City will not use such revenues to make payment on the Certificates.

PRO FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS **TABLE 11**

Fiscal Year 30-Sept	Existing Debt Service	Principal	Interest	Total Debt Service
2016	$1,796,942.50		$ 100,548.33	$ 1,897,490.83
2017	1,718,572.50	$ 100,000.00	196,800.00	2,015,372.50
2018	1,704,532.50	115,000.00	194,650.00	2,014,182.50
2019	1,708,317.50	115,000.00	192,350.00	2,015,667.50
2020	1,715,222.50	110,000.00	189,550.00	2,014,772.50
2021	1,651,145.00	180,000.00	185,200.00	2,016,345.00
2022	724,986.25	295,000.00	178,075.00	1,198,061.25
2023	730,260.00	285,000.00	169,375.00	1,184,635.00
2024	724,295.00	290,000.00	160,750.00	1,175,045.00
2025	721,705.00	300,000.00	151,900.00	1,173,605.00
2026	725,557.50	310,000.00	142,750.00	1,178,307.50
2027	458,045.00	320,000.00	132,900.00	910,945.00
2028	321,400.00	330,000.00	121,925.00	773,325.00
2029	325,000.00	340,000.00	110,200.00	775,200.00
2030	322,250.00	355,000.00	97,593.75	774,843.75
2031	324,000.00	370,000.00	84,000.00	778,000.00
2032	325,000.00	380,000.00	69,937.50	774,937.50
2033	320,250.00	395,000.00	55,406.25	770,656.25
2034		410,000.00	40,312.50	450,312.50
2035		425,000.00	24,656.25	449,656.25
2036		445,000.00	8,343.75	453,343.75
TOTAL	$16,317,481.25	$5,870,000.00	$2,607,223.33	$24,794,704.58

APPENDIX B

GENERAL INFORMATION REGARDING
THE CITY OF SANGER, TEXAS

General

The City of Sanger is a residential community located on Interstate Highway 35 northeast of the Dallas-Fort Worth industrial area. The City's close proximity to both Dallas and Fort Worth has been a significant factor in the City's growth. According to the 2010 U.S. Census, the City's 2010 population was 6,916. U.S. Census estimates indicate an estimated population of 7,415 as of September 30, 2014. The area continues to see a large influx of new residents each year and this trend is expected to continue for the foreseeable future. In addition to the City's close proximity to Interstate Highway 35, the City also provides ready access to both rail transportation and developable industrial land.

The City of Sanger offers access to several financial institutes, churches of various denominations and a wide variety of retail outlets. The public school system offers a low student to teacher ratio and the City currently has three daycare centers. The City is also located within minutes of Lake Ray Roberts, which provides a variety of sporting and outdoor activities. The local economy is gaining strength and the City has recently seen increases in both construction and sales tax.

Education

The City is served by the Sanger Independent School District. The District covers approximately 42 square miles in Denton County and serves the City and its surrounding rural areas. The District is comprised of one early childhood center for grades pre-kindergarten through kindergarten, one elementary school for grades first through third, one intermediate school for grades fourth through sixth, one junior high school for grades seventh through eighth, and one high school for grades ninth through twelfth. All campuses offer enriched curricula with special programs for gifted/talented students as well as students achieving below grade level and are equipped with computers and cafeteria service.

Denton County

Denton County is located in north central Texas, encompassing 911 square miles, and was created in 1846 from Fannin County. The County is the third largest county of the nine counties comprising the Dallas-Fort Worth Consolidated Metropolitan Statistical Area. The County is traversed by Interstate Highway 35, US Highways 77, 377 and 380 and State Highways 114 and 121. The economy is diversified by manufacturing, state supported institutions and agriculture. According to the 2010 U.S. Census, the County's 2010 population was 662,614.

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

McGuireWoods LLP
JPMorgan Chase Tower
600 Travis Street
Suite 7500
Houston, TX 77002-2906
Phone: 713.571.9191
Fax: 713.571.9652
www.mcguirewoods.com

McGUIREWOODS

November 12, 2015

We have acted as Bond Counsel in connection with the issuance by City of Sanger, Texas (the "Issuer") of its Combination Tax and Revenue Certificates of Obligation, Series 2015 (the "Certificates"), dated November 1, 2015, in the aggregate principal amount of $5,870,000. The Certificates are issuable in fully registered form only, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Certificates and in the ordinance (the "Ordinance") adopted by the City Council of the Issuer authorizing their issuance.

We have acted as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Certificates from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State of Texas; federal income tax law; and a transcript of certain certified proceedings pertaining to the issuance of the Certificates, as described in the Ordinance. The transcript contains certified copies of certain proceedings of the Issuer; certain certifications and representations and other material facts within the knowledge and control of the Issuer, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Certificates. We have also examined executed Certificate No. R-1 of this issue.

We have not been requested to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Certificates. Capitalized terms used herein and not otherwise defined have the meaning assigned in the Ordinance.

Based on such examination, it is our opinion as follows:

(1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Certificates in full compliance with the Constitution and laws of the State of Texas presently in effect; the Certificates constitute valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Certificates may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and the exercise of judicial discretion in appropriate cases; and the Certificates have been authorized and delivered in accordance with law; and

(2) The Certificates are payable, both as to principal and interest, from the receipts of an annual ad valorem tax levied, within the limits prescribed by law, upon taxable property located within the Issuer, which taxes have been pledged irrevocably to pay the principal of and interest on the Certificates, and a pledge of subordinate Net Revenues not to exceed $10,000.

Also based on our examination as described above, it is our further opinion that, subject to the restrictions hereinafter described, interest on the Certificates, including any accrued "original issue discount" properly allocable to the holders of the Certificates, is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended ("Code"), and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. For purposes of the alternative minimum tax imposed on corporations under Section 56 of the Code, interest on the Certificates is included in computing adjusted current earnings. The "original issue discount" on any Certificate is the excess of its stated redemption price at maturity over the initial offering price to the public at which price a substantial amount of the Certificates of the same maturity was sold. The "public" does not include bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. We express no opinion regarding other federal tax consequences arising with respect to the Certificates.

In providing the opinion set forth in the foregoing paragraph, we are assuming continuing compliance with the Covenants (as hereinafter defined) by the Issuer. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Certificates in order for interest on the Certificates to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Certificates and the use of the property financed by the Certificates, limitations on the source of the payment of and the security for the Certificates, and the obligation to rebate certain excess earnings on the gross proceeds of the Certificates to the United States Treasury. The Ordinance and the Issuer's tax certificate for the Certificates (the "Tax Certificate") contain covenants (the "Covenants") under which the Issuer has agreed to comply with such requirements. The failure by the Issuer to comply with the Covenants could cause interest on the Certificates to become includable in gross income for federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Certificates from becoming includable in gross income for federal income tax purposes. We have no responsibility to monitor compliance with the Covenants after the date of issue of the Certificates.

Certain requirements and procedures contained, incorporated or referred to in the Ordinance and Tax Certificate, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our

opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

APPENDIX D

AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

ANNUAL FINANCIAL REPORT

of the

City of Sanger, Texas

For the Year Ended
September 30, 2014

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City of Sanger, Texas

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September 30, 2014

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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, 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, 2014, 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, each major fund, and the aggregate remaining fund information of the City as of September 30, 2014, 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 and schedules of funding progress presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

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

The combining and individual nonmajor fund financial statements are the responsibility of management and were 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 and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BrooksCardiel, PLLC
Certified Public Accountants
The Woodlands, Texas
February 26, 2015

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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, 2014

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, 2014.

Financial Highlights

- The City's total combined net position is $26,300,291 at September 30, 2014. Of this, $7,524,908 (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 $4,090,197, an increase of $139,442.

- As of the end of the year, the unassigned fund balance of the general fund was $1,100,802 or 20% of total general fund expenditures.

- The City had an overall increase in net position of $1,995,064, which is primarily due to strong general and utility revenues.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

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

The *statement of net position* presents information on all of the City's assets, liabilities, and deferred inflows/outflows with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses

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

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 fund") and the Sanger Texas Development Corporation ("4B fund"), for which the City is financially accountable. Both corporations, although legally separate, function for all practical purposes as a department of the City and therefore have been included as an integral part of the primary government.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City of 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 five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues,

expenditures, and changes in fund balances for the general and capital projects funds which 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 general fund budget.

Proprietary Funds

The City maintains one type of proprietary fund which is considered an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water distribution, wastewater collection/treatment, water and wastewater construction operations and electric services. The proprietary fund financial statements provide separate information for the water distribution, wastewater collection/treatment fund, and electric funds. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

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 includes a budgetary comparison schedule for the general fund and schedule of funding progress for Texas Municipal Retirement System. 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 exceed liabilities by $26,300,291 as of September 30, 2014, in the primary government.

The largest portion of the City's net position, $15,816,158, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, $2,959,225, represents resources that are subject to external restrictions on how they may be used. The remaining balance of $7,524,908 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2014			2013		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	$ 4,717,408	$ 11,671,252	$ 16,388,660	$ 4,584,966	$ 11,606,584	$ 16,191,550
Capital assets, net	15,020,169	12,430,202	27,450,371	14,290,588	12,214,647	26,505,235
Total Assets	19,737,577	24,101,454	43,839,031	18,875,554	23,821,231	42,696,785
Deferred Outflows of Resources	25,919	58,344	84,263	29,831	67,151	96,982
Other liabilities	515,587	1,245,675	1,761,262	537,988	1,214,889	1,752,877
Long-term liabilities	7,406,622	8,455,119	15,861,741	7,671,899	9,063,764	16,735,663
Total Liabilities	7,922,209	9,700,794	17,623,003	8,209,887	10,278,653	18,488,540
Net Position:						
Net investment in capital assets	7,753,708	8,062,450	15,816,158	7,296,541	7,230,125	14,526,666
Restricted	2,959,225	-	2,959,225	2,875,890	-	2,875,890
Unrestricted	1,128,354	6,396,554	7,524,908	523,067	6,379,604	6,902,671
Total Net Position	$ 11,841,287	$ 14,459,004	$ 26,300,291	$ 10,695,498	$ 13,609,729	$ 24,305,227

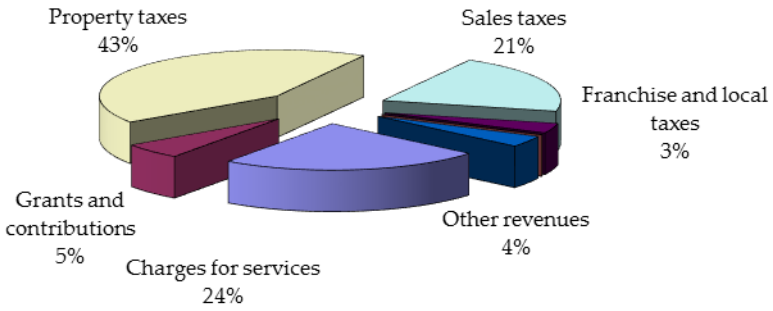
Statement of Activities:

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

	For the Year Ended September 30, 2014			For the Year Ended September 30, 2013		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	$ 1,572,344	$ 10,565,602	$ 12,137,946	$ 1,564,364	$ 10,553,808	$ 12,118,172
Grants and contributions	364,763	260,250	625,013	219,727	-	219,727
General revenues:						
Property taxes	2,816,275	-	2,816,275	2,495,024	-	2,495,024
Sales taxes	1,361,774	-	1,361,774	1,265,031	-	1,265,031
Franchise and local taxes	229,018	-	229,018	167,494	-	167,494
Investment income	4,316	14,047	18,363	4,013	15,630	19,643
Other revenues	255,348	31,240	286,588	168,618	-	168,618
Total Revenues	6,603,838	10,871,139	17,474,977	5,884,271	10,569,438	16,453,709
Expenses						
General government	1,523,127	-	1,523,127	1,483,872	-	1,483,872
Public safety	2,396,415	-	2,396,415	2,260,904	-	2,260,904
Public works	1,235,621	-	1,235,621	1,351,685	-	1,351,685
Culture and recreation	714,581	-	714,581	681,730	-	681,730
Interest and fiscal charges	287,657	341,421	629,078	308,171	177,384	485,555
Water, sewer, & electric	-	8,981,091	8,981,091	-	8,933,392	8,933,392
Total Expenses	6,157,401	9,322,512	15,479,913	6,086,362	9,110,776	15,197,138
Change in Net Position Before Transfers	446,437	1,548,627	1,995,064	(202,091)	1,458,662	1,256,571
Transfers	699,352	(699,352)	-	911,278	(911,278)	-
Total	699,352	(699,352)	-	911,278	(911,278)	-
Change in Net Position	1,145,789	849,275	1,995,064	709,187	547,384	1,256,571
Beginning Net Position	10,695,498	13,609,729	24,305,227	9,986,311	13,062,345	23,048,656
Ending Net Position	$ 11,841,287	$ 14,459,004	$ 26,300,291	$ 10,695,498	$ 13,609,729	$ 24,305,227

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

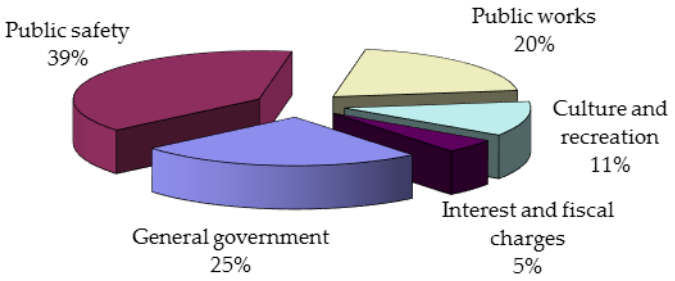
Governmental Activities - Revenues



For the year ended September 30, 2014, revenues from governmental activities totaled $6,603,838. Property tax, sales tax and charges for services are the City's largest revenue sources. Property tax increased by $321,251 or 13% due to higher property values and an increase in the property tax rate. Sales tax increased $96,743 or 8% due to an overall increase in the economy and spending within the City limits. Grants and contributions increased by $145,036 due to grant revenue received from Denton County for the repair and construction of McReynolds road. All other revenues remained relatively stable when compared to the previous year.

This graph shows the governmental function expenses of the City:

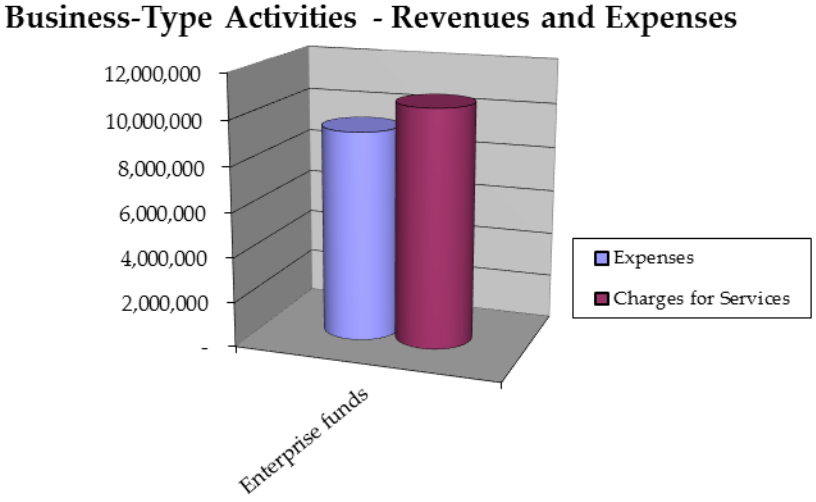
Governmental Activities - Expenses



For the year ended September 30, 2014, expenses for governmental activities totaled $6,157,401. This represents an increase of $71,039 or 1% from the prior year. The City's largest functional expense is public safety of $2,396,415 which includes police, fire and EMS services plus depreciation of related capital assets. All 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, 2014, charges for services by business-type activities totaled $10,565,602. This is an increase of $11,794, or less than 1%, from the previous year. Grants increased by $260,250 due to a CDBG grant project for sanitary sewer improvements.



Total expenses increased $211,736 due primarily to an increase in interest expense on bonds and long-term debt. All other expenses remained relatively consistent.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

As of the end of the year the general fund reflected a total fund balance of $1,236,078. Of this, $7,513 is restricted for municipal court, $24,648 is restricted for tourism and $72,945 is restricted for library improvements. Unassigned fund balance totaled $1,100,802 as of year end.

There was an increase in governmental fund balance of $139,442 over the prior year. The increase was primarily related to the increase in property and sales tax previously discussed. The City also had a combination of higher than budgeted revenues and an overall positive budget variance for the year.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a total positive budget variance of $148,320 in the general fund. This is a combination of a positive a revenue variance of $93,985, a positive expenditure variance of $91,025, and a negative variance of $36,690 in other financing sources and uses.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested $15,020,169 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34. The City's business-type activities funds had invested $12,430,202 in a variety of capital assets and infrastructure, net of accumulated depreciation.

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

- Construction additions to a splash park totaling of $538,973
- McReynolds road construction in the amount of $310,300
- Freese sidewalk repair and improvements of $230,479
- Machinery and equipment additions for the streets department $530,573
- Jones & Willow Trunk Line construction of $496,063
- International Digger Truck addition for the electric department of $190,309

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

LONG-TERM DEBT

At the end of the current year, the City had total bonds outstanding of $14,010,000, notes payable of $479,210 and capital leases of $779,105. During the year, the City had principal payments on bonds, notes payable and capital leases of $1,503,041. During the year, the City entered into new capital lease agreements totaling $625,309. More detailed information about the City's long-term liabilities is presented in note IV. D to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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FINANCIAL STATEMENTS

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City of Sanger, Texas

STATEMENT OF NET POSITION

September 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	$ 1,379,603	$ 1,657,137	$ 3,036,740
Investments	410,369	410,852	821,221
Restricted cash	1,676,914	7,044,030	8,720,944
Restricted investments	480,916	579,429	1,060,345
Receivables, net	769,606	1,550,473	2,320,079
Inventory	-	429,331	429,331
Capital assets:			
Non-depreciable	1,323,422	1,135,765	2,459,187
Net depreciable capital assets	13,696,747	11,294,437	24,991,184
	15,020,169	12,430,202	27,450,371
Total Assets	19,737,577	24,101,454	43,839,031
Deferred Outflows of Resources			
Deferred charge on refunding	25,919	58,344	84,263
Total Deferred Outflows of Resources	25,919	58,344	84,263
Liabilities			
Accounts payable and accrued liabilities	418,431	840,147	1,258,578
Unearned revenue	34,920	-	34,920
Deferred rental revenue	9,034	-	9,034
Accrued interest payable	53,202	54,034	107,236
Customer deposits	-	351,494	351,494
Noncurrent liabilities:			
Due within one year	880,780	852,856	1,733,636
Due in more than one year	6,525,842	7,602,263	14,128,105
	7,406,622	8,455,119	15,861,741
Total Liabilities	7,922,209	9,700,794	17,623,003
Net Position			
Net investment in capital assets	7,753,708	8,062,450	15,816,158
Restricted for:			
Debt service	372,961	-	372,961
Capital projects	550,117	-	550,117
Economic development	1,931,041	-	1,931,041
Other purposes	105,106	-	105,106
Unrestricted	1,128,354	6,396,554	7,524,908
Total Net Position	$ 11,841,287	$ 14,459,004	$ 26,300,291

See Notes to Financial Statements.

City of Sanger, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	$ 1,523,127	$ 856,457	$ 6,634	$ -
Public safety	2,396,415	715,887	76,338	281,791
Public works	1,235,621	-	-	-
Culture and recreation	714,581	-	-	-
Interest and fiscal charges	287,657	-	-	-
Total Governmental Activities	6,157,401	1,572,344	82,972	281,791
Business-Type Activities				
Water	927,386	1,374,672	-	-
Sewer	669,601	1,253,143	-	260,250
Electric	6,581,113	7,937,787	-	-
Fleet services	101,102	-	-	-
Utility administration	1,043,310	-	-	-
Total Business-Type Activities	9,322,512	10,565,602	-	260,250
Total Primary Government	$ 15,479,913	$ 12,137,946	$ 82,972	542,041
			General Revenues:	
			Taxes	
			Property taxes	
			Sales taxes	
			Franchise and local taxes	
			Investment income	
			Other revenues	
			Gain on sale of assets	
			Insurance recoveries	
			Transfers	
			Total General Revenues and Transfers	
			Change in Net Position	
			Beginning Net Position	
			Ending Net Position	

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
$ (660,036)	$ -	$ (660,036)
(1,322,399)	-	(1,322,399)
(1,235,621)	-	(1,235,621)
(714,581)	-	(714,581)
(287,657)	-	(287,657)
(4,220,294)	-	(4,220,294)
-	447,286	447,286
-	843,792	843,792
-	1,356,674	1,356,674
-	(101,102)	(101,102)
-	(1,043,310)	(1,043,310)
-	1,503,340	1,503,340
(4,220,294)	1,503,340	(2,716,954)
2,816,275	-	2,816,275
1,361,774	-	1,361,774
229,018	-	229,018
4,316	14,047	18,363
114,695	31,240	145,935
21,862	-	21,862
118,791	-	118,791
699,352	(699,352)	-
5,366,083	(654,065)	4,712,018
1,145,789	849,275	1,995,064
10,695,498	13,609,729	24,305,227
$ 11,841,287	$ 14,459,004	$ 26,300,291

City of Sanger, Texas

BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2014

	General	Capital Projects	Nonmajor Governmental	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 789,668	$ 419,901	$ 170,034	$ 1,379,603
Investments	410,369	-	-	410,369
Restricted cash	35,071	-	1,641,843	1,676,914
Restricted investments	112,731	-	368,185	480,916
Receivables, net	459,377	166,342	143,887	769,606
Due from other funds	-	-	212,500	212,500
Total Assets	$ 1,807,216	$ 586,243	$ 2,536,449	$ 4,929,908
Liabilities				
Accounts payable and accrued liabilities	$ 382,287	$ 36,126	$ 18	$ 418,431
Due to other funds	-	-	212,500	212,500
Unearned revenue	34,920	-	-	34,920
Total Liabilities	417,207	36,126	212,518	665,851
Deferred Inflows of Resources				
Unavailable revenue				
Property taxes	43,237	-	19,929	63,166
EMS revenue	110,694	-	-	110,694
Total Deferred Inflows of Resources	153,931	-	19,929	173,860
Fund Balances				
Restricted for:				
Municipal court	7,513	-	-	7,513
Tourism	24,648	-	-	24,648
Library	72,945	-	-	72,945
Debt service	-	-	372,961	372,961
Capital projects	-	550,117	-	550,117
Economic development	-	-	1,931,041	1,931,041
Committed for:				
Employee benefits	30,170	-	-	30,170
Unassigned reported in:				
General fund	1,100,802	-	-	1,100,802
Total Fund Balances	1,236,078	550,117	2,304,002	4,090,197
Total Liabilities and Fund Balances	$ 1,763,979	$ 586,243	$ 2,516,520	$ 4,692,882

See Notes to Financial Statements.

City of Sanger, Texas

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
September 30, 2014

Fund Balances - Total Governmental Funds	$	4,090,197
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		1,323,422
Capital assets - net depreciable		13,696,747
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		
Property tax receivable		63,166
EMS receivable		110,694
Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense/ expenditure) until then.		
Deferred charge on refunding		25,919
Escalating payments for rent income are recorded when received as current financial resources in the fund financial statements whereas they are deferred and recorded ratably over the life of the lease in the government-wide financial statements.		(9,034)
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.		
Accrued interest		(53,202)
Bond premium		(76,025)
Non-current liabilities due in one year		(880,780)
Non-current liabilities due in more than one year		(6,449,817)
Net Position of Governmental Activities	$	11,841,287

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, 2014

	General	Capital Projects	Nonmajor Governmental	Total Governmental Funds
Revenues				
Property tax	$ 2,072,522	$ -	$ 745,007	$ 2,817,529
Sales tax	682,502	-	679,272	1,361,774
Franchise and local taxes	229,018	-	-	229,018
License and permits	85,887	-	-	85,887
Charges for services	770,570	-	-	770,570
Fire and rescue	535,916	-	-	535,916
Contributions and donations	6,634	-	-	6,634
Intergovernmental	76,338	281,791	-	358,129
Fines and forfeitures	178,884	-	1,087	179,971
Investment income	2,681	250	1,385	4,316
Other revenue	5,528	-	93,680	99,208
Total Revenues	4,646,480	282,041	1,520,431	6,448,952
Expenditures				
Current:				
General government	1,219,171	-	1,153	1,220,324
Police department	1,370,481	-	-	1,370,481
Municipal court	224,283	-	-	224,283
Fire and EMS	802,456	-	-	802,456
Parks and recreation	444,774	-	-	444,774
Public works	627,055	-	-	627,055
Debt service:				
Principal	99,019	-	612,606	711,625
Interest	7,977	-	284,762	292,739
Capital outlay	675,757	1,225,392	-	1,901,149
Total Expenditures	5,470,973	1,225,392	898,521	7,594,886
Excess of Revenues Over (Under) Expenditures	(824,493)	(943,351)	621,910	(1,145,934)
Other Financing Sources (Uses)				
Transfers in	836,752	437,100	212,500	1,486,352
Transfers (out)	(437,100)	-	(349,900)	(787,000)
Capital lease	435,000	-	-	435,000
Proceeds from sale of capital assets	21,862	-	-	21,862
Insurance recoveries	129,162	-	-	129,162
Total Other Financing Sources (Uses)	985,676	437,100	(137,400)	1,285,376
Net Change in Fund Balances	161,183	(506,251)	484,510	139,442
Beginning fund balances	1,074,895	1,056,368	1,819,492	3,950,755
Ending Fund Balances	$ 1,236,078	$ 550,117	$ 2,304,002	$ 4,090,197

See Notes to Financial Statements.

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, 2014

Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balances - total governmental funds	$	139,442
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay		1,901,757
Capital disposals, net		(10,371)
Depreciation expense		(1,161,805)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property tax receivable		(20,427)
EMS receivable		19,173
Governmental funds recognize escalating rental income as received. However, in the statement of activities, the rent is deferred and recognized ratably over the term of the lease agreement.		15,487
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		(19,174)
Accrued interest		1,168
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.		
Amortization of deferred charges on refunding		(3,912)
Amortization of premium		7,826
Debt issued		(435,000)
Principal payments		711,625
Change in Net Position of Governmental Activities	$	1,145,789

See Notes to Financial Statements.

City of Sanger, Texas

STATEMENT OF NET POSITION

PROPRIETARY FUND

September 30, 2014

	Water, Sewer & Electric
Assets	
Current Assets	
Cash and cash equivalents	$ 1,657,137
Investments	410,852
Restricted cash	7,044,030
Restricted investments	579,429
Receivables, net	1,550,473
Inventory	429,331
Total Current Assets	11,671,252
Noncurrent Assets	
Capital assets:	
Non-depreciable	1,135,765
Net depreciable capital assets	11,294,437
Total Noncurrent Assets	12,430,202
Total Assets	24,101,454
Deferred Outflows of Resources	
Deferred charge on refunding	58,344
Total Deferred Outflows of Resources	58,344
Liabilities	
Current Liabilities	
Accounts payable and accrued liabilities	840,147
Accrued interest	54,034
Customer deposits	351,494
Compensated absences-current	71,544
Bonds and capital leases payable-current	781,312
Total Current Liabilities	2,098,531
Noncurrent Liabilities	
Compensated absences	7,949
Bonds and capital leases payable	7,594,314
Total Liabilities	9,700,794
Net Position	
Net investment in capital assets	8,062,450
Unrestricted	6,396,554
Total Net Position	$ 14,459,004

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, 2014

		Water, Sewer & Electric
Operating Revenues		
Charges for services		$ 10,336,161
Connection fees		50,491
Tap fees		178,950
Other revenue		31,240
	Total Operating Revenues	10,596,842
Operating Expenses		
Salaries and wages		1,577,363
Contracted services		197,793
Utilities		317,835
Materials and supplies		105,904
Water and electric purchases		5,500,970
Repairs and maintenance		406,955
Depreciation		874,271
	Total Operating Expenses	8,981,091
	Operating Income	1,615,751
Nonoperating Revenues (Expenses)		
Intergovernmental		260,250
Investment income		14,047
Interest expense		(341,421)
	Total Nonoperating Revenues (Expenses)	(67,124)
	Income Before Transfers	1,548,627
Transfers (out)		(699,352)
	Change in Net Position	849,275
Beginning net position		13,609,729
	Ending Net Position	$ 14,459,004

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, 2014

	Water, Sewer & Electric
Cash Flows from Operating Activities	
Receipts from customers	$ 10,531,006
Payments to suppliers and employees	(6,535,623)
Payments to employees	(1,548,514)
Net Cash Provided by Operating Activities	2,446,869
Cash Flows from Capital and Related Financing Activities	
Capital purchases	(899,517)
Capital grant	260,250
Principal paid on debt	(791,416)
Interest paid on debt	(332,049)
Net Cash (Used) by Capital and Related Financing Activities	(1,762,732)
Cash Flows from Investing Activities	
Proceeds from sales and maturities of investments	584,938
Interest on investments	14,047
Net Cash Provided by Investing Activities	598,985
Net Increase (Decrease) in Cash and Cash Equivalents	583,770
Beginning cash and cash equivalents	8,117,397
Ending Cash and Cash Equivalents	$ 8,701,167

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, 2014

	Water, Sewer & Electric
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	$ 1,615,751
Adjustments to reconcile operating income to net cash provided:	
Depreciation	874,271
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable	(83,474)
Inventory	17,638
Increase (Decrease) in:	
Accounts payable and accrued liabilities	(6,166)
Customer deposits	13,891
Compensated absences	14,958
Net Cash Provided by Operating Activities	$ 2,446,869
Schedule of Non-Cash Capital and Related Financing Activities	
Capital lease	$ 190,309

See Notes to Financial Statements.

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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 1886 and operates under a Council-Manager form of government. The City provides: general government, public safety, public works, culture and recreation, water and sewer operations 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. 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.

Blended Component Units

Sanger Industrial Development Corporation (4A)

The Sanger Texas Industrial Development Corporation ("4A fund") 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.

Sanger Texas Development Corporation (4B)

The Sanger Texas Development Corporation ("4B fund") 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.

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

The government reports the following 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 funds received and expended for the construction and renovation of thoroughfares, arterial streets and drainage improvements in the City and construction, renovation, expansion and major improvement of various City facilities, acquisition of land and other large nonrecurring projects.

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.

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

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

D. Measurement Focus and Basis of Accounting

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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. 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.

3. Property Taxes

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

4. 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 first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

5. 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.

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

6. 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.

7. Net Position Flow Assumption

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

8. 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.

9. 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.

10. 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.

11. 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 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.

12. 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.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental and enterprise funds.

The appropriated budget is prepared by fund, function, and department. The legal level of control is the fund level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year. Several supplemental budget appropriations were made during the year.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2014, the primary government had the following investments:

Investment Type	Fair Value	Average Maturity (Years)
Certificates of deposit	$ 1,881,566	0.41
Total fair value	$ 1,881,566	
Portfolio weighted average maturity		0.41

Interest rate risk – In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed five years; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk – The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United 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, 2014, 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:

	General	Capital Projects	Nonmajor Governmental	Water, Sewer & Electric	Total
Property taxes	$ 76,788	$ -	$ 31,831	$ -	$ 108,619
Sales tax	103,535	-	123,201	-	226,736
Franchise & local taxes	35,780	-	-	-	35,780
EMS	316,269	-	-	-	316,269
Accounts	97,366	-	-	1,500,809	1,598,175
Other	74,826	166,342	-	156,759	397,927
Allowance	(245,187)	-	(11,145)	(107,095)	(363,427)
	$ 459,377	$ 166,342	$ 143,887	$ 1,550,473	$ 2,320,079

C. Capital Assets

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

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	$ 906,307	$ -	$ -	$ 906,307
Construction in progress	42,771	1,225,392	(851,048)	417,115
Total capital assets not being depreciated	949,078	1,225,392	(851,048)	1,323,422
Capital assets, being depreciated:				
Infrastructure	10,919,425	43,800	851,048	11,814,273
Buildings and improvements	7,074,483	37,598	(67,184)	7,044,897
Machinery and equipment	2,510,199	594,967	(290,189)	2,814,977
Total capital assets being depreciated	20,504,107	676,365	493,675	21,674,147
Less accumulated depreciation				
Infrastructure	4,509,453	553,897	-	5,063,350
Buildings and improvements	1,040,663	317,800	(58,384)	1,300,079
Machinery and equipment	1,612,481	290,108	(288,618)	1,613,971
Total accumulated depreciation	7,162,597	1,161,805	(347,002)	7,977,400
Net capital assets being depreciated	13,341,510	(485,440)	840,677	13,696,747
Total Capital Assets	$ 14,290,588	$ 739,952	$ (10,371)	$ 15,020,169

Depreciation was charged to governmental functions as follows:

General government	$ 74,818
Public safety	95,050
Streets and sanitation	603,318
Fire and rescue	116,452
Culture and recreation	272,167
Total Governmental Activities Depreciation Expense	$ 1,161,805

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

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	$ 323,164	$ -	$ -	$ 323,164
Construction in progress	132,305	763,214	(82,918)	812,601
Total capital assets not being depreciated	455,469	763,214	(82,918)	1,135,765
Capital assets, being depreciated:				
Infrastructure	22,458,123	58,100	28,448	22,544,671
Buildings and improvements	860,133	13,524	(8,412)	865,245
Machinery and equipment	1,664,835	254,988	(231,337)	1,688,486
Total capital assets being depreciated	24,983,091	326,612	(211,301)	25,098,402
Less accumulated depreciation				
Infrastructure	11,663,158	695,765	(54,470)	12,304,453
Buildings and improvements	269,043	55,227	(8,412)	315,858
Machinery and equipment	1,291,712	123,279	(231,337)	1,183,654
Total accumulated depreciation	13,223,913	874,271	(294,219)	13,803,965
Net capital assets being depreciated	11,759,178	(547,659)	82,918	11,294,437
Total Capital Assets	$ 12,214,647	$ 215,555	$ -	$ 12,430,202

Depreciation was charged to business-type activities as follows:

Water	$ 280,161
Sewer	237,716
Electric	338,542
Other	17,852
Total Business-type Activities Depreciation Expense	$ 874,271

D. Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental Activities:					
Bonds, notes and other payables:					
General Obligation Bonds	$ 1,331,000	$ -	$ (176,000)	$ 1,155,000	$ 182,600
Certificates of Obligation	5,407,800	-	(399,000)	5,008,800	412,700
Less deferred amounts:					
For issuance premiums	83,851	-	(7,826)	76,025	-
	6,822,651	-	(582,826)	6,239,825	595,300
Other liabilities:					
Notes payable	516,816	-	(37,606)	479,210	40,093
Capital leases payable	237,364	435,000	(99,019)	573,345	142,569
Compensated absences	95,068	103,202	(84,028)	114,242	102,818
Total Governmental Activities	$ 7,671,899	$ 538,202	$ (803,479)	$ 7,406,622	$ 880,780
Long-term liabilities due in more than one year				$ 6,525,842	
Business-Type Activities:					
General Obligation Bonds	$ 1,694,000	$ -	$ (224,000)	$ 1,470,000	$ 232,400
Certificates of Obligation	6,787,200	-	(411,000)	6,376,200	432,300
Less deferred amounts:					
For issuance premiums	346,162	-	(22,496)	323,666	-
	8,827,362	-	(657,496)	8,169,866	664,700
Other liabilities:					
Capital leases payable	171,867	190,309	(156,416)	205,760	116,612
Compensated absences	64,535	76,134	(61,176)	79,493	71,544
Total Business-Type Activities	$ 9,063,764	$ 266,443	$ (875,088)	$ 8,455,119	$ 852,856
Long-term liabilities due in more than one year				$ 7,602,263	

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.

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

	Governmental Activities	Business - Type Activities	Total
General Obligation Bonds:			
$3,495,000 General Obligation Refunding Bond, Series 2012, due in installments through 2021, interest at 2% to 3%	$ 1,155,000	$ 1,470,000	$ 2,625,000
Total General Obligation Bonds	$ 1,155,000	$ 1,470,000	$ 2,625,000
Certificates of Obligation:			
$6,500,000 Certificates of Obligation, Series 2006, due in annual installments through 2021, interest at 4% to 5%	$ 1,616,900	$ 1,898,100	$ 3,515,000
$1,750,000 Certificates of Obligation, Series 2007, due in annual installments through 2027, interest at 4.4%	443,700	861,300	1,305,000
$3,200,000 Certificates of Obligation, Series 2009, due in annual installments through 2026, interest at 3% to 4.75%	2,455,000	-	2,455,000
$4,260,000 Certificates of Obligation, Series 2013, due in annual installments through 2033, interest at 2% to 3.7%	493,200	3,616,800	4,110,000
Total Certificates of Obligation	$ 5,008,800	$ 6,376,200	$ 11,385,000
Less deferred amounts:			
Issuance premium	$ 76,025	$ 323,666	$ 399,691
Total Deferred Amounts	$ 76,025	$ 323,666	$ 399,691
Notes Payable:			
$660,000 Notes payable to a financial institution, due in monthly installments of $5,106 through June 2024, including interest at 4.6%	$ 479,210	$ -	$ 479,210
Total Notes Payable	$ 479,210	$ -	$ 479,210
Capital Leases Payable:			
$807,573 Capital lease payable to financial institution, due in annual installments of $104,454 through 2015, interest at 1.77%	$ -	$ 70,492	$ 70,492
$340,119 Capital lease payable to financial institution, due in annual installments of $106,996 through 2016, interest at 3.3%	138,345	-	138,345
$190,309 Capital lease payable to financial institution, due in annual installments of $50,235 through 2017, interest at 2.89%	-	135,268	135,268
$435,000 Capital lease payable to financial institution, due in annual installments of $51,535 through 2024, interest at 3.346%	435,000	-	435,000
Total Capital Leases Payable	$ 573,345	$ 205,760	$ 779,105
Compensated Absences	114,242	79,493	193,735
Total Long-term Liabilities	$ 7,406,622	$ 8,455,119	$ 15,861,741

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

General Obligation Bonds

Year ending	Governmental Activities		Business-Type Activities	
September 30,	Principal	Interest	Principal	Interest
2015	$ 182,600	$ 31,614	$ 232,400	$ 40,236
2016	184,800	27,962	235,200	35,588
2017	154,000	22,418	196,000	28,532
2018	156,200	17,798	198,800	22,652
2019	162,800	13,112	207,200	16,688
2020	169,400	8,228	215,600	10,472
2021	145,200	3,993	184,800	5,082
	$ 1,155,000	$ 125,125	$ 1,470,000	$ 159,250

Combination Tax and Revenue Certificates of Obligations

Year ending	Governmental Activities		Business-Type Activities	
September 30,	Principal	Interest	Principal	Interest
2015	$ 412,700	$ 210,315	$ 432,300	$ 258,053
2016	428,600	194,926	446,400	243,467
2017	447,400	176,803	467,600	225,820
2018	459,900	159,199	480,100	209,883
2019	480,800	140,888	494,200	192,630
2020	499,600	121,729	515,400	174,794
2021	521,100	101,706	533,900	155,364
2022	273,500	79,919	236,500	135,067
2023	286,400	68,258	248,600	127,002
2024	297,000	55,768	253,000	118,527
2025	309,300	42,686	260,700	109,019
2026	323,900	28,194	276,100	97,363
2027	71,800	13,024	288,200	85,021
2028	28,800	9,768	211,200	71,632
2029	30,600	8,400	224,400	61,600
2030	31,800	6,870	233,200	50,380
2031	33,600	5,280	246,400	38,720
2032	35,400	3,600	259,600	26,400
2033	36,600	1,830	268,400	13,420
	$ 5,008,800	$ 1,429,162	$ 6,376,200	$ 2,394,161

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.

Capital Lease

Year ending	Governmental Activities		Business-Type Activities	
September 30,	Principal	Interest	Principal	Interest
2015	$ 142,569	$ 15,962	$ 116,612	$ 9,088
2016	74,090	14,392	47,452	2,783
2017	39,606	11,930	41,696	1,411
2018	40,931	10,604	-	-
2019	42,301	9,235	-	-
2020	43,716	7,819	-	-
2021	45,179	6,357	-	-
2022	46,690	4,845	-	-
2023	48,252	3,283	-	-
2024	50,011	1,668	-	-
	$ 573,345	$ 86,095	$ 205,760	$ 13,282

The City has entered into capital lease agreements. The leased property under capital leases is classified as machinery and equipment with a total capitalized cost of approximately $1,773,001 as of year end.

Note Payable

Year ending	Governmental Activities	
September 30,	Principal	Interest
2015	$ 40,093	$ 21,174
2016	41,977	19,290
2017	43,949	17,318
2018	46,014	15,253
2019	48,176	13,091
2020	50,439	10,828
2021	52,809	8,458
2022	55,290	5,977
2023	57,887	3,380
2024	42,576	4,063
	$ 479,210	$ 118,832

E. Conduit Debt

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. Final maturities on notes payable range from March 2017 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.

F. Deferred Charge on Refunding

A deferred charge resulting from the issuance of the 2012 general obligation refunding bonds has been recorded as a deferred outflow of resources and is being amortized to interest expense over the term of the refunded debt. Current year balances for governmental and business-type activities totaled $25,919 and $58,344, respectively. Current year amortization expense for governmental and business-type activities totaled $3,912 and $8,807, respectively.

G. Interfund Transactions

The compositions of interfund balances as of year end were as follows:

Funds	Due from	Due to
Debt Service:		
4B Fund	$ 212,500	$ -
4B Fund		
Debt Service	-	212,500
	$ 212,500	$ 212,500

Amounts recorded as "due to/from" are considered to be temporary loans and will be repaid during the following year.

	Transfer In			
Transfer out:	**General**	**Capital Projects**	**Nonmajor Governmental**	**Total**
General	$ -	$ 437,100	$ -	$ 437,100
Nonmajor Governmental	137,400	-	212,500	349,900
Water, Sewer & Electric	699,352	-	-	699,352
	$ 836,752	$ 437,100	$ 212,500	$ 1,486,352

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

H. Fund Equity

The City records restricted net position on amounts with externally imposed restrictions (e.g., through debt covenants or by grantors) or restrictions imposed by law through constitutional provisions or enabling legislation. Total restricted net position for the primary government was $2,959,225. Of which, $32,161 is 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 2,617 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

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

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, 2014. The projects include street construction and improvements, sewer plant and the construction of additional water lines and repairs. At year end the government's commitments with contractors are as follows:

Project	Vendor	Remaining Commitment
Sewer Line 15" Chapman to Belz	Pacheco Koch	$ 16,642
West Side I35 WL Ext-Chapman to Belz	Pacheco Koch	1,694
Sewer Line 18" South of Utility	Pacheco Koch	34,668
Sewer Line 15" Utility to Lois	Pacheco Koch	32,278
Sewer Line 12" Lois to View	Pacheco Koch	19,780
WL Lois to View	Pacheco Koch	23,416
	Total Water/WW Lines	128,478
McReynolds Road	Pacheco Koch	127,619
New Sewer Plant	Alan Plummer	867,777
Server Consolidation	Austin Lane	26,063
Jones & Willow Truck Line - CDBG	Teague Nall & Perkins	9,637
Jones & Willow Truck Line - CDBG	Grantworks	2,950
	Total CDBG	1,034,046
	Total	$ 1,162,523

D. Rental Income

On March 1, 2012, the City entered into a non-cancelable lease agreement with a corporation of which a city council member is a principal member of management. The leased property is owned by the 4A Fund and has a cost $1,083,797 with accumulated depreciation of $176,425 as of September 30, 2014. The lease provides for a base rent and an adjustment each year related to excess operating expenses (if any) incurred annually.

During the year ended September 30, 2014, the City received $78,667 in rental revenue. Minimum future rentals on non-cancelable tenant operating leases at September 30, 2014 are $45,889. This represents the total rentals for the 2015 fiscal year, which is the final year of the lease agreement.

E. Arbitrage

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

F. Pension Plans

1. Texas Municipal Retirement Systems

Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box

149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

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:

	Plan Year 2013	Plan Year 2014
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

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/ (asset) are as follows:

Three-Year Contribution Information

	2014	2013	2012
Annual Pension Cost (ARC)	$ 210,201	$ 196,672	$ 191,163
Actual Contributions Made	$ 210,201	$ 196,672	$ 191,163
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation/Asset	-	-	-
NPO at the End of Period	$ -	$ -	$ -

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Valuation Date	12/31/2011	12/31/2012	12/31/2013
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	21.8 years; closed period	21.1 years; closed period	30 years; closed period
Amortization Period for new Gains/Losses	25 years	25 years	25 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return *	7.0%	7.0%	7.0%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	0.0%	0.0%	0.0%

The funded status as of December 31, 2013, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	12/31/2013
Actuarial Value of Assets	$ 5,783,587
Actuarial Accrued Liability	$ 6,740,172
Percentage Funded	85.8%
Annual Covered Payroll	$ 2,928,323
Unfunded Actuarial Accrued Liability	$ (956,585)
(UAAL) % of Covered Payroll	(32.7)%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial

value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Supplemental Death Benefits Plan

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

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

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

The City's retiree contribution rates to the TMRS SDBF for the years ended 2013, 2012 and 2011 are as follows:

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2012	0.01%	0.01%	100.0%
2013	0.01%	0.01%	100.0%
2014	0.01%	0.01%	100.0%

The City's contributions to the TMRS SDBF for the years ended 2014, 2013 and 2012 were $306, $293 and $263, respectively, which equaled the required contributions each year.

G. Restatement

The City has restated beginning net position within governmental activities, business-type activities, and water/sewer/electric funds due to a change in the amortization of bond discounts and premiums. The restatement of beginning net position is as follows:

	Governmental Activities
Prior year ending net position as reported	$ 10,725,976
Change in bond discount and premium amortization	(30,478)
Restated beginning net position	$ 10,695,498

	Business-Type Activities	Water, Sewer & Electric
Prior year ending net position as reported	$ 13,641,820	$ 13,641,820
Change in bond discount and premium amortization	(32,091)	(32,091)
Restated beginning net position	$ 13,609,729	$ 13,609,729

H. Subsequent Events

There were no material subsequent events through February 26, 2015, the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

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City of Sanger, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL- GENERAL FUND

For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property tax	$ 2,085,500	$ 2,085,500	$ 2,072,522	$ (12,978)
Sales tax	653,000	653,000	682,502	29,502
Franchise and local taxes	184,600	184,600	229,018	44,418
License and permits	107,900	107,900	85,887	(22,013)
Charges for services	808,000	808,000	770,570	(37,430)
Fire and rescue	460,000	460,000	535,916	75,916
Contributions and donations	-	-	6,634	6,634
Intergovernmental	36,000	85,995	76,338	(9,657)
Fines and forfeitures	165,000	165,000	178,884	13,884
Investment income	2,500	2,500	2,681	181
Other revenue	-	-	5,528	5,528
Total Revenues	4,502,500	4,552,495	4,646,480	93,985
Expenditures				
Current:				
General government	1,236,719	1,223,948	1,219,171	4,777
Police department	1,307,651	1,375,173	1,370,481	4,692
Municipal court	213,384	224,693	224,283	410
Fire and EMS	841,652	814,810	802,456	12,354
Parks and recreation	575,383	493,974	444,774	49,200
Public works	912,421	631,766	627,055	4,711
Debt service:				
Principal	99,020	99,020	99,019	1
Interest	7,980	7,980	7,977	3
Capital outlay	161,650	690,634	675,757	14,877
Total Expenditures	5,355,860	5,561,998	5,470,973	91,025
Revenues Over (Under) Expenditures	(853,360)	(1,009,503)	(824,493)	185,010
Other Financing Sources (Uses)				
Transfers in	873,400	873,400	836,752	(36,648)
Transfers (out)	-	(387,100)	(437,100)	(50,000)
Capital lease	-	435,000	435,000	-
Proceeds from sale of capital assets	-	-	21,862	21,862
Insurance recoveries	-	101,066	129,162	28,096
Total Other Financing Sources	873,400	1,022,366	985,676	(36,690)
Net Change in Fund Balance	$ 20,040	$ 12,863	161,183	$ 148,320
Beginning fund balance			1,074,895	
Ending Fund Balance			$ 1,236,078	

Notes to Required Supplementary Information

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

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City of Sanger, Texas

SCHEDULE OF FUNDING PROGRESS-
TEXAS MUNICIPAL RETIREMENT SYSTEM

The City's annual covered payroll and pension costs are actuarially valued on a calendar year basis. Because the City makes all the annually required contributions, no net pension obligation (NPO) exists. The information presented below represents the City's Schedule of Funding Progress.

Actuarial Valuation Date	**12/31/2013**	**12/31/2012**	**12/31/2011**
Actuarial Value of Assets	$ 5,783,587	$ 5,179,812	$ 4,691,607
Actuarial Accrued Liability	$ 6,740,172	$ 5,465,145	$ 5,122,534
Percentage Funded	85.8%	94.8%	91.6%
Unfunded Actuarial Accrued Liability	$ 956,585	$ 285,333	$ 430,927
Annual Covered Payroll	$ 2,928,323	$ 2,626,335	$ 2,662,684
Unfunded Actuarial Accrued Liability (UAAL) % of Covered Payroll	32.7%	10.9%	16.2%
Net Pension Obligation (NPO) at the Beginning of Period	$ -	$ -	$ -
Annual Req. Contrib. (ARC)	$ 210,201	$ 196,672	$ 191,163
Contributions Made	$ 210,201	$ 196,672	$ 191,163
NPO at the End of Period	$ -	$ -	$ -

City of Sanger, Texas

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

September 30, 2014

	Debt Service	4A Fund	4B Fund	Total Nonmajor Governmental
Assets				
Cash and cash equivalents	$ 103,024	$ 52,367	$ 14,643	$ 170,034
Restricted cash	56,680	1,028,976	556,187	1,641,843
Restricted investments	-	93,765	274,420	368,185
Receivables, net	20,686	71,434	51,767	143,887
Due from other funds	212,500	-	-	212,500
Total Assets	$ 392,890	$ 1,246,542	$ 897,017	$ 2,536,449
Liabilities				
Accounts payable and accrued liabilities	$ -	$ 18	$ -	$ 18
Due to other funds	-	-	212,500	212,500
Total Liabilities	-	18	212,500	212,518
Deferred Inflows of Resources				
Unavailable revenue				
Property taxes	19,929	-	-	19,929
Total Deferred Inflows of Resources	19,929	-	-	19,929
Fund Balances				
Restricted for:				
Debt service	372,961	-	-	372,961
Economic development	-	1,246,524	684,517	1,931,041
Total Fund Balances	372,961	1,246,524	684,517	2,304,002
Total Liabilities and Fund Balances	$ 392,890	$ 1,246,542	$ 897,017	$ 2,536,449

City of Sanger, Texas

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2014

	Debt Service	4A Fund	4B Fund	Total Nonmajor Governmental
Revenues				
Property tax	$ 745,007	$ -	$ -	$ 745,007
Sales tax	-	339,636	339,636	679,272
Fines and forfeitures	-	1,087	-	1,087
Investment income	113	-	1,272	1,385
Other revenue	13	88,667	5,000	93,680
Total Revenues	745,133	429,390	345,908	1,520,431
Expenditures				
Current:				
General government	1,135	18	-	1,153
Debt service:				
Principal	575,000	37,606	-	612,606
Interest	261,101	23,661	-	284,762
Total Expenditures	837,236	61,285		898,521
Excess of Revenues Over (Under) Expenditures	(92,103)	368,105	345,908	621,910
Other Financing Sources (Uses)				
Transfers in	212,500	-	-	212,500
Transfers (out)	(107,000)	(15,200)	(227,700)	(349,900)
Total Other Financing Sources (Uses)	105,500	(15,200)	(227,700)	(137,400)
Net Change in Fund Balances	13,397	352,905	118,208	484,510
Beginning fund balances	359,564	893,619	566,309	1,819,492
Ending Fund Balances	$ 372,961	$ 1,246,524	$ 684,517	$ 2,304,002

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, 2014

	Water	Sewer	Electric	Fleet Services
Operating Revenues				
Charges for services	$ 1,294,722	$ 1,154,143	$ 7,887,296	$ -
Connection fees	-	-	50,491	-
Tap fees	79,950	99,000	-	-
Other revenue	-	-	-	-
Total Operating Revenues	1,374,672	1,253,143	7,937,787	-
Operating Expenses				
Salaries and wages	286,529	145,542	529,171	74,420
Contracted services	12,669	28,739	43,178	4,121
Utilities	126,025	163,590	9,386	7,796
Materials and supplies	22,705	15,254	40,892	6,930
Water and electric purchases	53,243	-	5,447,727	-
Repairs and maintenance	146,054	78,760	172,217	6,623
Depreciation	280,161	237,716	338,542	1,212
Total Operating Expenses	927,386	669,601	6,581,113	101,102
Operating Income	447,286	583,542	1,356,674	(101,102)
Nonoperating Revenues (Expenses)				
Intergovernmental	-	260,250	-	-
Investment income	-	-	-	-
Interest expense	-	-	-	-
Nonoperating Revenues (Expenses)	-	260,250	-	-
Income Before Transfers	447,286	843,792	1,356,674	(101,102)
Transfers (out)	-	-	(393,352)	-
Change in Net Position	$ 447,286	$ 843,792	$ 963,322	$ (101,102)

Administration	Total
$ -	$ 10,336,161
-	50,491
-	178,950
31,240	31,240
31,240	10,596,842
541,701	1,577,363
109,086	197,793
11,038	317,835
20,123	105,904
-	5,500,970
3,301	406,955
16,640	874,271
701,889	8,981,091
(670,649)	1,615,751
-	260,250
14,047	14,047
(341,421)	(341,421)
(327,374)	(67,124)
(998,023)	1,548,627
(306,000)	(699,352)
$ (1,304,023)	$ 849,275

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APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: $ in aggregate principal amount of

Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

SPECIMEN

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

SPECIMEN

A subsidiary of Assured Guaranty Municipal Holdings Inc.
31 West 52nd Street, New York, N.Y. 10019
(212) 974-0100