

**Addendum dated May 3, 2021
To the Official Statement dated April 19, 2021
(the “Official Statement”)
Relating to the offering and sale of**

**CITY OF SANGER, TEXAS
(Denton County, Texas)**

**\$18,615,000
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION
SERIES 2021A**

**\$2,830,000
GENERAL OBLIGATION
REFUNDING BONDS, TAXABLE
SERIES 2021B**

The title of the Issue on the Cover Page is hereby amended and restated as follows:

**CITY OF SANGER, TEXAS
(Denton County, Texas)**

**\$18,615,000
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION
SERIES 2021A**

**\$2,830,000
GENERAL OBLIGATION
REFUNDING BONDS, TAXABLE
SERIES 2021B**

The first sentence of the Section entitled Payment Terms on the Cover Page is hereby amended and restated as follows:

PAYMENT TERMS... Interest on the \$18,615,000 City of Sanger, Texas Combination Tax and Revenue Certificates of Obligation, Series 2021A (the “Certificates”) and the \$2,830,000 City of Sanger Texas General Obligation Refunding Bonds, Taxable Series 2021B (the “Bonds” and collectively with the Certificates, the “Obligations”), will accrue from their delivery date to the underwriters listed below (the “Underwriters”).

[Remainder of page intentionally left blank]

Page ii is hereby amended and restated as follows:

**CITY OF SANGER, TEXAS
\$18,615,000 COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2021A**

CUSIP NO.^(b) Prefix 800876

\$10,880,000 Serial Certificates

Maturity (05/1)	Principal Amount	Interest Rate	Initial Yield^(a)	Price	CUSIP Suffix^(b)
2022	\$ 55,000	3.000%	0.140%	102.809	GS7
2023	295,000	3.000%	0.200%	105.539	GT5
2024	320,000	3.000%	0.290%	108.044	GU2
2025	345,000	2.000%	0.420%	106.234	GV0
2026	395,000	2.000%	0.560%	107.066	GW8
2027	140,000	2.000%	0.720%	107.482	GX6
2028	135,000	3.000%	0.880%	114.328	GY4
2029	160,000	3.000%	1.030%	115.060	GZ1
2030	160,000	3.000%	1.160%	115.654	HA5
2031	185,000	3.000%	1.260%	116.274	HB3
2032	260,000	4.000%	1.360%	124.566	HC1
2033	290,000	4.000%	1.450%	123.620	HD9
2034	290,000	4.000%	1.540%	122.683	HE7
2035	320,000	4.000%	1.570%	122.372	HF4
2036	370,000	3.000%	1.760%	111.307	HG2
2037	395,000	3.000%	1.800%	110.920	HH0
2038	1,620,000	3.000%	1.790%	111.016	HJ6
2039	1,665,000	3.000%	1.830%	110.631	HK3
2040	1,715,000	3.000%	1.850%	110.438	HL1
2041	1,765,000	3.000%	1.890%	110.055	HM9

\$7,735,000 Term Certificates

\$7,735,000 3.000% Term Certificates due May 1, 2046, Priced to Yield 2.030%, CUSIP Suffix No. HN7 ^{(a)(b)}

REDEMPTION... The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after May 1, 2032, in whole or in part on May 1, 2031, or any date thereafter at the par value thereof plus accrued interest to the date fixed for redemption. Additionally, the Certificates maturing on May 1 in the year 2046 (the "Term Certificates") are subject to mandatory sinking fund redemption prior to maturity. (See "THE OBLIGATIONS – Optional Redemption" and "THE OBLIGATIONS – Mandatory Redemption").

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

[Remainder of page left intentionally blank]

Page vii is hereby amended and restated as follows:

**SELECTED FINANCIAL INFORMATION
(Unaudited)**

2020-2021 Certified Taxable Assessed Valuation.....		\$792,348,389 ^(a)
City Debt:		
Outstanding Tax Supported Debt (as of Sept. 30, 2020).....		\$20,750,000
Plus: The Certificates.....		\$18,615,000
Plus: The Bonds		\$2,830,000
Less: The Refunded Obligations		\$2,505,000
Total Tax Supported Debt.....		\$39,690,000
Debt Service Fund Balance (as of Sept. 30, 2020).....		\$476,286
	% of 2020-21 Assessed <u>Valuation</u>	2020 Per Capita <u>(8,235)</u>
Debt Ratios:		
Direct Tax Supported Debt.....	5.01%	\$4,820
2020-21 Tax Rate (per \$100 of Assessed Valuation)		
Maintenance and Operation		\$0.605456
Debt Service		\$0.073644
Total		\$0.679100
Estimated Annual Debt Service Requirements.....		
Average.....		\$ 2,205,712
Maximum (2026).....		\$ 2,535,205
Tax Collections		
Tax Year 2019 (fiscal year ending Sept 30, 2020)		100.18%
Total Collections.....		100.18%

(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.

[Remainder of page left intentionally blank]

The title of the Issue on Page 1 is hereby amended and restated as follows:

**CITY OF SANGER, TEXAS
(Denton County, Texas)**

**\$18,615,000
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION
SERIES 2021A**

**\$2,830,000
GENERAL OBLIGATION
REFUNDING BONDS, TAXABLE
SERIES 2021B**

The first paragraph in the section entitled **INTRODUCTORY STATEMENT** on page 1 is hereby amended and restated as follows:

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 its \$18,615,000 Combination Tax and Revenue Certificates of Obligation, Series 2021A (the “Certificates”) and its \$2,830,000 General Obligation Refunding Bonds, Taxable Series 2021B (the “Bonds”). The Certificates and the Bonds are collectively referred to herein as the “Obligations.”

The table in the section entitled **THE OBLIGATIONS, Mandatory Redemption** on page 2 is hereby amended and restated as follows:

Term Certificate Stated to Mature May 1, 2046	
Mandatory Redemption Date (5/1)	Principal Amount (\$)
2042	\$1,820,000
2043	1,875,000
2044	1,930,000
2045	1,990,000
2046*	120,000

The first table in the section entitled **THE OBLIGATIONS, Sources and Uses of Funds** on page 4 is hereby amended and restated as follows:

Sources

Principal Amount	\$18,615,000.00
Premium	<u>1,943,647.85</u>
Total Sources of Funds	<u>\$20,558,647.85</u>

Uses

Deposit to Project Fund	\$19,999,632.81
Costs of Issuance	161,250.00
Underwriter’s Discount	126,494.21
Deposit to Interest & Sinking Fund	<u>271,270.83</u>
Total Uses of Funds	<u>\$20,558,647.85</u>

The first paragraph of the section entitled **OTHER INFORMATION, Underwriting** on page 26 is hereby amended and restated as follows:

The Underwriters have agreed to purchase the Certificates from the City for \$20,432,153.64 (being the principal amount of the Certificates, plus a premium of \$1,943,647.85, less an Underwriter’s discount of \$126,494.21).

[Remainder of page intentionally left blank]

Table 11 of Appendix A is hereby amended and restated as follows:

PRO FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

TABLE 11

Fiscal Year 30- Sept	Existing Debt Service ⁽¹⁾	Series 2021A Certificates			Series 2021B Rfd Bonds			Total Debt Service Requirements (\$)
		Principal(\$)	Interest(\$)	Total(\$)	Principal(\$)	Interest(\$)	Total(\$)	
2021	2,329,166.00							2,339,226.40
2022	1,563,990.00	55,000.00	551,895.83	606,895.83	55,000.00	10,060.40	10,060.40	2,269,001.83
2023	1,564,020.00	295,000.00	559,600.00	854,600.00	55,000.00	42,978.50	97,978.50	2,516,598.50
2024	1,357,755.00	320,000.00	550,750.00	870,750.00	260,000.00	42,786.00	302,786.00	2,531,291.00
2025	1,305,080.00	345,000.00	541,150.00	886,150.00	255,000.00	41,304.00	296,304.00	2,487,534.00
2026	1,306,870.00	395,000.00	534,250.00	929,250.00	260,000.00	39,085.50	299,085.50	2,535,205.50
2027	1,327,020.00	140,000.00	526,350.00	666,350.00	265,000.00	36,173.50	301,173.50	2,294,543.50
2028	1,329,725.00	135,000.00	523,550.00	658,550.00	265,000.00	32,410.50	297,410.50	2,285,685.50
2029	1,321,200.00	160,000.00	519,500.00	679,500.00	275,000.00	28,250.00	303,250.00	2,303,950.00
2030	1,326,194.00	160,000.00	514,700.00	674,700.00	275,000.00	23,217.50	298,217.50	2,299,111.50
2031	1,324,200.00	185,000.00	509,900.00	694,900.00	285,000.00	17,910.00	302,910.00	2,322,010.00
2032	1,320,937.00	260,000.00	504,350.00	764,350.00	290,000.00	12,267.00	302,267.00	2,387,554.00
2033	1,326,206.00	290,000.00	493,950.00	783,950.00	290,000.00	6,177.00	296,177.00	2,406,333.00
2034	1,649,713.00	290,000.00	482,350.00	772,350.00				2,422,063.00
2035	1,648,656.00	320,000.00	470,750.00	790,750.00				2,439,406.00
2036	1,650,344.00	370,000.00	457,950.00	827,950.00				2,478,294.00
2037	1,648,400.00	395,000.00	446,850.00	841,850.00				2,490,250.00
2038		1,620,000.00	435,000.00	2,055,000.00				2,055,000.00
2039		1,665,000.00	386,400.00	2,051,400.00				2,051,400.00
2040		1,715,000.00	336,450.00	2,051,450.00				2,051,450.00
2041		1,765,000.00	285,000.00	2,050,000.00				2,050,000.00
2042		1,820,000.00	232,050.00	2,052,050.00				2,052,050.00
2043		1,875,000.00	177,450.00	2,052,450.00				2,052,450.00
2044		1,930,000.00	121,200.00	2,051,200.00				2,051,200.00
2045		1,990,000.00	63,300.00	2,053,300.00				2,053,300.00
2046		120,000.00	3,600.00	123,600.00				123,600.00
	<u>25,299,476.00</u>	<u>18,615,000</u>	<u>10,228,295.83</u>	<u>31,085,603.33</u>	<u>2,830,000.00</u>	<u>375,735.90</u>	<u>3,205,735.90</u>	<u>59,590,815.23</u>

⁽¹⁾Excludes the Refunded Obligations.

OFFICIAL STATEMENT

Dated: April 19, 2021

NEW ISSUES: Book-Entry-Only

**S&P Rating AA”
(See “RATINGS” herein)**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Certificates (as defined below) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Certificates is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Certificates. (see “TAX MATTERS – The Certificates” herein). Interest on the Bonds (as defined below) is not excludable for federal income tax purposes. (see “TAX MATTERS – The Bonds” herein).

**CITY OF SANGER, TEXAS
(Denton County, Texas)**

**\$20,000,000
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION
SERIES 2021A**

**\$2,830,000
GENERAL OBLIGATION REFUNDING
BONDS, TAXABLE SERIES 2021B**

Dated Date: May 1, 2021

**Due: August 1 and May 1,
as shown on pages ii and iii**

PAYMENT TERMS... Interest on the \$20,000,000 City of Sanger, Texas Combination Tax and Revenue Certificates of Obligation, Series 2021A (the “Certificates”) and the \$2,830,000 City of Sanger Texas General Obligation Refunding Bonds, Taxable Series 2021B (the “Bonds” and collectively with the Certificates, the “Obligations”), will accrue from their delivery date to the underwriters listed below (the “Underwriters”). Interest on the Bonds will be payable February 1 and August 1 of each year, commencing on August 1, 2021 and interest on the Certificates will be payable November 1 and May 1 of each year, commencing on November 1, 2021. The Obligations will be issued only in fully registered form in principal denominations of \$5,000 or any integral multiple thereof. Principal of the Obligations 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/registrars (the “Paying Agent/Registrar”), initially UMB Bank, N.A., Austin, Texas. The Obligations 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 Obligations. See “BOOK-ENTRY-ONLY SYSTEM” herein.

PURPOSE... Proceeds from the sale of the Obligations will be used as described herein under “PLAN OF FINANCE – Purpose of Certificates”, and “PLAN OF FINANCE – Purpose of the Bonds.”

AUTHORITY FOR ISSUANCE; SECURITY... The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the “State”), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance to be adopted by the City Council on April 19, 2021 (the “Certificate Ordinance”). (See “THE OBLIGATIONS – Authority for Issuance”). The Certificates are direct obligations of the City of Sanger, Texas (the “City”), payable as to principal and interest from a combination of (i) an ad valorem tax levied annually, within the limits prescribed by law, against all taxable property in the City, and (ii) a limited pledge (not to exceed \$1,000) of surplus net revenues of the City’s water and sewer system as provided in the Certificate Ordinance. (See “THE OBLIGATIONS – Security for the Obligations”).

The Bonds are being issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1207, Texas Government Code, as amended, and an ordinance adopted by the City Council on April 19, 2021 (the “Bond Ordinance”) (See “THE OBLIGATIONS – Authority for Issuance”). The Bonds will constitute direct obligations of the City, payable from ad valorem taxes levied against all taxable property within the City within the limits prescribed by law as provided in the Bond Ordinance. (See “THE OBLIGATIONS – Security for the Obligations”).

See Principal Amounts, Maturities, Interest Rates, and Prices on pages ii and iii

SEPARATE ISSUES... The Certificates and the Bonds are being offered by the City concurrently under a common Official Statement. The Certificates and the Bonds are separate and distinct securities offerings being issued and sold independently except for this common Official Statement, and while the Certificates and the Bonds share common attributes, each issue is separate from, and is not contingent on the issuance of the other, and should be reviewed and analyzed independently, including its terms for repayment, the security for its payment, the rights of holders, the tax status of its interest, and various other features.

LEGALITY... *The Obligations are offered when, as and if issued, subject to the approval of legality by the Attorney General of the State of Texas and Orrick, Herrington & Sutcliffe LLP, Bond Counsel, Houston, Texas. Certain legal matters will be passed upon for the Underwriters by its counsel, Naman Howell Smith & Lee, PLLC, Austin, Texas.*

DELIVERY... *The Obligations are expected to be available for delivery to the Underwriters through DTC on or about May 7, 2021.*

SAMCO CAPITAL

RAYMOND JAMES

OPPENHEIMER & CO

CITY OF SANGER, TEXAS
\$20,000,000 COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2021A

CUSIP NO.^(b) Prefix 800876

\$11,535,000 Serial Certificates

Maturity (05/1)	Principal Amount	Interest Rate	Initial Yield^(a)	Price	CUSIP Suffix^(b)
2022	\$ 55,000	3.000%	0.140%	102.809	GS7
2023	295,000	3.000%	0.200%	105.539	GT5
2024	320,000	3.000%	0.290%	108.044	GU2
2025	345,000	2.000%	0.420%	106.234	GV0
2026	395,000	2.000%	0.560%	107.066	GW8
2027	140,000	2.000%	0.720%	107.482	GX6
2028	135,000	3.000%	0.880%	114.328	GY4
2029	160,000	3.000%	1.030%	115.060	GZ1
2030	160,000	3.000%	1.160%	115.654	HA5
2031	185,000	3.000%	1.260%	116.274	HB3
2032	260,000	4.000%	1.360%	124.566	HC1
2033	290,000	4.000%	1.450%	123.620	HD9
2034	290,000	4.000%	1.540%	122.683	HE7
2035	320,000	4.000%	1.570%	122.372	HF4
2036	370,000	3.000%	1.760%	111.307	HG2
2037	395,000	3.000%	1.800%	110.920	HH0
2038	1,775,000	3.000%	1.790%	111.016	HJ6
2039	1,825,000	3.000%	1.830%	110.631	HK3
2040	1,880,000	3.000%	1.850%	110.438	HL1
2041	1,940,000	3.000%	1.890%	110.055	HM9

\$8,465,000 Term Certificates

\$8,465,000 3.000% Term Certificates due May 1, 2046, Priced to Yield 2.030%, CUSIP Suffix No. HN7 ^{(a)(b)}

REDEMPTION... The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after May 1, 2032, in whole or in part on May 1, 2031, or any date thereafter at the par value thereof plus accrued interest to the date fixed for redemption. Additionally, the Certificates maturing on May 1 in the year 2046 (the “Term Certificates”) are subject to mandatory sinking fund redemption prior to maturity. (See “THE OBLIGATIONS – Optional Redemption” and “THE OBLIGATIONS – Mandatory Redemption”).

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

CITY OF SANGER, TEXAS
\$2,830,000 GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2021B

CUSIP NO.^(b) Prefix 800876

\$2,830,000 Serial Bonds

Maturity (08/1)	Principal Amount	Interest Rate	Initial Yield^(a)	Price	CUSIP Suffix^(b)
2022	\$ 55,000	0.250%	0.250%	100.000	HP2
2023	55,000	0.350%	0.350%	100.000	HQ0
2024	260,000	0.570%	0.570%	100.000	HR8
2025	255,000	0.870%	0.870%	100.000	HS6
2026	260,000	1.120%	1.120%	100.000	HT4
2027	265,000	1.420%	1.420%	100.000	HU1
2028	265,000	1.570%	1.570%	100.000	HV9
2029	275,000	1.830%	1.830%	100.000	HW7
2030	275,000	1.930%	1.930%	100.000	HX5
2031	285,000	1.980%	1.980%	100.000	HY3
2032	290,000	2.100%	2.100%	100.000	HZ0
2033	290,000	2.130%	2.130%	100.000	JA3

REDEMPTION... The City reserves the right, at its option, to redeem the Bonds having stated maturities on and after August 1, 2032, in whole or in part on August 1, 2031, or any date thereafter at the par value thereof plus accrued interest to the date fixed for redemption. (See “THE OBLIGATIONS – Optional Redemption”).

- (a) The initial yields and prices are established by, and are the sole responsibility of the Underwriters and may subsequently be changed.
- (b) 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 Bonds. Neither the City, the Financial Advisor, nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

CITY OF SANGER, TEXAS

CITY COUNCIL

Mayor	Thomas Muir
Mayor Pro-Tem	Gary Bilyeu
Councilmember Place 1	Marissa Barrett
Councilmember Place 3	Dennis Dillon
Councilmember Place 4	Allen Chick
Councilmember Place 5	David Clark

ADMINISTRATIVE OFFICERS

Jeriana Stanton	Interim City Manager
Clayton Gray	Finance Director
Hugh Coleman	City Attorney

CONSULTANTS, ADVISORS AND INDEPENDENT AUDITORS

Orrick, Herrington & Sutcliffe LLP, Houston, Texas	Bond Counsel
Brooks Watson & Co., Houston, Texas	Independent Auditor
Government Capital Securities Corporation, Southlake, Texas	Financial Advisor

For additional information regarding the City, please contact:

Jeriana Stanton
Interim City Manager
City of Sanger
502 Elm St.
Sanger, Texas 76266
(940) 458-7930
jstanton@sangertexas.org

Ted Christensen
Government Capital Securities Corporation
559 Silicon Drive, Suite 102
Southlake, TX 76092
(817) 722-0220
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 this 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 OBLIGATIONS ARE EXEMPTED FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE OBLIGATIONS 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 OBLIGATIONS 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 Obligations 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 Obligations is to be construed as constituting an agreement with the purchasers of the Obligations. 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, their 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.

TABLE OF CONTENTS

<p>SELECTED FINANCIAL INFORMATIONvii</p> <p>INTRODUCTORY STATEMENT.....1</p> <p>plan of finance.....1</p> <p> Purpose of the Certificates.....1</p> <p> Purpose of the Bonds1</p> <p>THE OBLIGATIONS1</p> <p> Authorization.....1</p> <p> Security for the Obligations.....2</p> <p> Optional Redemption2</p> <p> Mandatory Redemption.....2</p> <p> Notice of Redemption.....2</p> <p> Refunded Obligations.....3</p> <p> Sources and Uses of Funds4</p> <p>GENERAL INFORMATION REGARDING THE</p> <p> Obligations4</p> <p> General Description4</p> <p> Legality5</p> <p> Defeasance5</p> <p> Amendments to the Ordinance.....5</p> <p>OWNERSHIP.....6</p> <p>OWNER’S REMEDIES.....6</p> <p>BOOK-ENTRY-ONLY SYSTEM.....6</p> <p>REGISTRATION, TRANSFER AND EXCHANGE.....8</p> <p> Paying Agent/Registrar8</p> <p> Future Registration.....9</p> <p> Record Date for Interest Payment9</p> <p> Limitation on Transfer of Obligations9</p> <p> Replacement of Obligations.....9</p> <p>AD VALOREM PROPERTY TAXATION10</p> <p> Valuation of Taxable Property.....10</p> <p> State Mandated Homestead Exemptions.....10</p> <p> Local Option Homestead Exemptions11</p> <p> Local Option Freeze for the Elderly and Disabled11</p> <p> Personal Property.....11</p> <p> Freeport Exemptions11</p> <p> Other Exempt Property.....11</p> <p> Tax Increment Financing Zones.....11</p> <p> Tax Abatement Agreements12</p>	<p>Public Hearing and Maintenance and Operation</p> <p> Tax Rate Limitations12</p> <p> Debt Tax Rate Limitations.....13</p> <p> City’s Rights in the Event of Tax Delinquencies14</p> <p> Issuer and Taxpayer Remedies.....14</p> <p> City Application of the Property Tax Code.....14</p> <p>RETIREMENT PLAN.....15</p> <p>INVESTMENT POLICIES15</p> <p> Accounting Principles Generally Accepted in the</p> <p> United States15</p> <p> Legal Investments15</p> <p> Investment Policies17</p> <p> Additional Provisions.....17</p> <p> Current Investments17</p> <p>INFECTIOUS DISEASE OUTBREAK – COVID-1918</p> <p>RATINGS18</p> <p>PENDING LITIGATION.....19</p> <p>LEGAL MATTERS.....19</p> <p>TAX MATTERS19</p> <p> The Certificates.....19</p> <p> The Bonds21</p> <p>LEGAL INVESTMENTS IN TEXAS23</p> <p>REGISTRATION AND QUALIFICATION OF</p> <p> ISSUE FOR SALE.....24</p> <p>CONTINUING DISCLOSURE OF INFORMATION24</p> <p> Annual Reports24</p> <p> Material Event Notices.....24</p> <p> Limitations and Amendments.....25</p> <p> Compliance with Prior Undertakings26</p> <p>VERIFICATION OF ARITHMETICAL</p> <p> COMPUTATIONS.....26</p> <p>OTHER INFORMATION.....26</p> <p> Financial Advisor.....26</p> <p> Audited Financial Statements26</p> <p> Underwriting26</p> <p> Forward-Looking Statements.....27</p> <p> Concluding Statement27</p>
<p>Summary of Refunded Obligations</p> <p>Financial Information Regarding the City of Sanger, Texas</p> <p>General Information Regarding the City of Sanger, Texas</p> <p>Form of Opinions of Bond Counsel</p> <p>Audited Financial Statements for the Fiscal Year Ended September 30, 2020</p>	<p>Schedule I</p> <p>Appendix A</p> <p>Appendix B</p> <p>Appendix C</p> <p>Appendix D</p>

SELECTED FINANCIAL INFORMATION
(Unaudited)

2020-2021 Certified Taxable Assessed Valuation..... \$792,348,389 ^(a)

City Debt:

Outstanding Tax Supported Debt (as of Sept. 30, 2020).....	\$20,750,000
Plus: The Certificates.....	\$20,000,000
Plus: The Bonds	<u>\$2,830,000</u>
Less: The Refunded Obligations	<u>\$2,505,000</u>
Total Tax Supported Debt.....	\$41,075,000

Debt Service Fund Balance (as of Sept. 30, 2020)..... \$476,286

	% of 2020-21 Assessed <u>Valuation</u>	2020 Per Capita <u>(8,235)</u>
Debt Ratios:		
Direct Tax Supported Debt.....	5.18%	\$4,988

2020-21 Tax Rate (per \$100 of Assessed Valuation)

Maintenance and Operation	\$0.605456
Debt Service	<u>\$0.073644</u>
Total	<u><u>\$0.679100</u></u>

Estimated Annual Debt Service Requirements.....

Average.....	\$ 2,291,954
Maximum (2026).....	\$ 2,576,755

Tax Collections

Tax Year 2019 (fiscal year ending Sept 30, 2020)	<u>100.18%</u>
Total Collections.....	100.18%

(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.

**OFFICIAL STATEMENT
RELATING TO**

**CITY OF SANGER, TEXAS
(Denton County, Texas)**

**\$20,000,000
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION,
SERIES 2021A**

**\$2,830,000
GENERAL OBLIGATION REFUNDING
BONDS, TAXABLE SERIES 2021B**

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 its \$20,000,000 Combination Tax and Revenue Certificates of Obligation, Series 2021A (the “Certificates”) and its \$2,830,000 General Obligation Refunding Bonds, Taxable Series 2021B (the “Bonds”). The Certificates and the Bonds are collectively referred to herein as the “Obligations.”

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. 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.

PLAN OF FINANCE

Purpose of the Certificates

Proceeds from the sale of the Certificates will be used for the following purposes: (i) expansion and improvements to the City’s water and sewer system (the “System”); (ii) system renovations and line relocations to the City’s electric utility system; (iii) city-wide street repairs and improvements; and (iv) professional services related thereto.

Purpose of the Bonds

Proceeds from the sale of the Bonds will be used to refund certain obligations of the City described in Schedule I (the “Refunded Obligations”) for debt service savings and to pay the costs associated with the issuance of the Bonds.

THE OBLIGATIONS

Authorization

The Certificates are being issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance adopted by the City Council (the “Council”) of the City (the “Certificate Ordinance”).

The Bonds are issued pursuant to the general laws of the State, including particularly Chapter 1207, Texas Government Code, as amended, and an ordinance (the “Bond Ordinance”) adopted by the Council authorizing the issuance of the Bonds.

The Certificate Ordinance and the Bond Ordinance each may be referred to individually herein as an “Ordinance” or collectively as the “Ordinances.”

Security for the Obligations

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, as well as a limited (in an amount not to exceed \$1,000) pledge of surplus revenues of the City's water and sewer system as provided in the Certificate Ordinance.

The Bonds are payable from ad valorem taxes to be levied and collected, within the limits prescribed by law, on all taxable property within the City as provided in the Bond Ordinance.

Optional Redemption

The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 1, 2032, in whole or in part, in integral multiples of \$5,000, on August 1, 2031 or any date thereafter, and Certificates having stated maturities on or after May 1, 2032, in whole or in part, in integral multiples of \$5,000, on May 1, 2031, 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 Obligations 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 Obligations, or portions thereof, within each maturity to be redeemed.

Mandatory Redemption

The Certificate maturing on May 1, 2046 (the "Term Certificate") is subject to mandatory sinking fund redemption prior to maturity in part by lot at a redemption price equal to 100% of the principal amount redeemed plus accrued interest to the redemption date in the years and in the principal amounts specified in the sinking fund redemption schedule set forth below:

Term Certificate Stated to Mature May 1, 2046	
Mandatory Redemption Date (5/1)	Principal Amount (\$)
2042	\$1,995,000
2043	2,055,000
2044	2,115,000
2045	2,180,000
2046*	120,000

*Maturity

Notice of Redemption

Not less than 30 days prior to a redemption date for the Obligations, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of an Obligation 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 Obligations, interest shall cease to accrue after the date fixed for redemption whether or not the Obligations 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 OBLIGATIONS HAVING BEEN PROVIDED, THE OBLIGATIONS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY OBLIGATION OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH OBLIGATION OR PORTION THEREOF SHALL CEASE TO ACCRUE.

The Paying Agent/Registrar and the City, so long as a Book-Entry Only System is used for the Obligations, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Obligations only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Obligations called for

redemption or any other action premised on any such notice. Redemption of portions of the Obligations by the City will reduce the outstanding principal amount of such Obligations held by DTC.

In such event, DTC may implement, through its Book-Entry Only System, a redemption of such Obligations held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Obligations from the beneficial owners.

Any such selection of Obligations to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants, or the persons for whom DTC participants act as nominees, with respect to the payments on the Obligations or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Obligations for redemption (see “THE OBLIGATIONS – Book-Entry Only System”).

Refunded Obligations

The Bond Ordinance provides that from a portion of the proceeds of the sale of the Bonds, the City will deposit with UMB Bank, N.A., Austin, Texas (the “Escrow Agent”), pursuant to an escrow agreement (the “Escrow Agreement”) between the City and Escrow Agent, an amount which when added to the investment earnings thereon, will be sufficient to accomplish the discharge and final payment of the Refunded Obligations. Such funds will be held by the Escrow Agent in an escrow account (the “Escrow Fund”) and used to purchase a portfolio of securities authorized by Section 1207.062, Texas Government Code, which authorized securities include direct noncallable obligations of the United States and noncallable obligations of an agency or instrumentality of the United States rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent and guaranteed by the full faith and credit of the United States of America (the “Federal Securities”). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Obligations.

BLX Group LLC, will verify at the time of delivery of the Bonds to the Underwriters that the Federal Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Obligations on their respective scheduled redemption date and maturity dates. Such maturing principal of and interest on the Federal Securities will not be available to pay the debt service on the Bonds (see “VERIFICATION OF ARITHMETICAL COMPUTATIONS”).

By the deposit of the Federal Securities and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of the Refunded Obligations pursuant to the terms of Chapter 1207, Texas Government Code, and the Order authorizing the issuance of the Refunded Obligations. As a result of such deposit and in reliance upon the report of BLX Group LLC, firm banking arrangements will have been made for the discharge and final payment of the Refunded Obligations, and such Refunded Obligations will be deemed to be fully paid and no longer outstanding except for the purpose of being paid from funds provided therefor, in the Escrow Agreement.

In the Escrow Agreement, the City covenants to make timely deposits with the Escrow Agent from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Obligations, if for any reason the cash balances on deposit or scheduled to be on deposit in the Escrow Fund are insufficient to make such payment.

Sources and Uses of Funds

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

Sources

Principal Amount	\$20,000,000.00
Premium	<u>2,076,234.70</u>
Total Sources of Funds	<u>\$22,076,243.70</u>

Uses

Deposit to Project Fund	\$21,766,179.59
Costs of Issuance	175,000.00
Underwriter's Discount	<u>135,064.11</u>
Total Uses of Funds	<u>\$22,076,243.70</u>

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

Sources

Principal Amount	\$2,830,000.00
Issuer Contribution	<u>31,693.33</u>
Total Sources of Funds	<u>\$2,861,693.33</u>

Uses

Deposit to Escrow Fund	\$2,791,629.94
Costs of Issuance	43,080.00
Underwriter's Discount	23,961.86
Deposit to Interest & Sinking Fund	<u>3,021.53</u>
Total Uses of Funds	<u>\$2,861,693.33</u>

GENERAL INFORMATION REGARDING THE OBLIGATIONS

General Description

The Obligations will be dated May 1, 2021 (the "Dated Date"), and will be issued in fully registered form in principal denominations of \$5,000 or any integral multiple thereof. The Obligations will bear interest from the date of delivery to the underwriters listed on pages ii and iii hereof (the "Underwriters"), and interest on the Bonds will be paid semiannually on each February 1 and August 1, commencing August 1, 2021 and on the Certificates on each November 1 and May 1, commencing November 1, 2021. Interest will accrue on the Obligations on the basis of a 360-day year consisting of twelve 30-day months. The Obligations 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 Obligations will be payable to the registered owners (the "Owners") at maturity or prior redemption upon presentation and surrender of such Obligations at the principal corporate office of the paying agent/registrars (the "Paying Agent/Registrar"), initially UMB Bank, N.A., Austin, Texas. Interest on the Obligations 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 an Obligation 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 Obligations will mature on the dates, in the amounts and bear interest at the rates as set forth on pages ii and iii of this Official Statement.

Legality

The Obligations are offered when, as and if issued, subject to the approvals of legality by the Attorney General of the State of Texas and Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Bond Counsel. (See “LEGAL MATTERS” and Appendix C – “Form of Opinions of Bond Counsel”).

Defeasance

The Ordinances provide that the City may defease the Obligations and discharge its obligation to the holders of any or all of the Obligations 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 Obligations, 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 Obligations, 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 Obligations 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 Obligations 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 Obligations have been made as described above, all rights of the City to initiate proceedings to call the Obligations for redemption or take any other action amending the terms of the Obligations are extinguished; provided, however, that the right to call the Obligations 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 Obligations for redemption; (ii) gives notice of the reservation of that right to the owners of the Obligations 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 Ordinances, the City has reserved the right to amend such Ordinance without the consent of any holder of the Obligations in any manner not detrimental to the interests of the holders of the Obligations, including the curing of any ambiguity, defect or omission therein.

The Ordinances further provide that the holders of the Obligations aggregating in principal amount 51% of the outstanding Obligations 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 Obligations no amendment may be made for the purpose of: (i) extend the time or times of

payment of the principal of and interest on the Obligations, reduce the principal amount thereof or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Obligations, (ii) give any preference to any Obligation over any other Obligation, or (iii) reduce the aggregate principal amount of Obligations required to be held by Registered Owners for consent to any such amendment, addition, or rescission. Reference is made to the Ordinances 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 Obligation is registered as the absolute owner of such Obligation for the purpose of making and receiving payment of principal and interest, and for all other purposes, whether or not such Obligation 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 Obligation in accordance with the Ordinances will be valid and effectual and will discharge the liability of the City and the Paying Agent/Registrar upon such Obligation to the extent of the sums paid.

OWNER'S REMEDIES

The Ordinances do not provide for the appointment of a trustee to represent the interests of the Obligation holders upon any failure of the City to perform in accordance with the terms of the Ordinances 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 Ordinances. Furthermore, the Ordinances do not establish specific events of default with respect to the Obligations and, under State law, there is no right to the acceleration of maturity of the Obligations upon the failure of the City to observe any covenant under the Ordinances. A registered owner of Obligations could seek a judgment against the City if a default occurred in the payment of principal of or interest on any such Obligations or failure of the City to observe any covenant; 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 make such payment or observe and perform such covenants, obligations or conditions. 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 Obligation holders 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 Ordinances and the Obligations 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 Obligations is to be transferred and how the principal of, premium, if any, and interest on the Obligations are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Obligations 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 Obligations, 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 Obligations), 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 Obligations. The Obligations will be issued as fully registered Obligations 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 Obligations, 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 Obligations. 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 Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("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 Obligations 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 Obligations representing their ownership interests in Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations 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 Obligations 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 Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations 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 Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations 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 Obligations 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 Obligations 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 Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest, and redemption payments on the Obligations 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 Obligations 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, Obligations 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 Obligations 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 Obligations 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 Obligations, 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

UMB Bank, N.A., Austin, Texas has been named to serve as initial Paying Agent/Registrar for the Obligations. In the Ordinances, 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 Obligations. Upon any change in the Paying Agent/Registrar for the Obligations, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Obligations 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 Obligations 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 Obligations 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 Obligations 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 Obligations, principal, interest, and redemption payments on the Obligations 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 Obligations will be delivered to the Owners and thereafter the Obligations 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. Obligations may be assigned by the execution of an assignment form on the Obligations or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Obligation will be delivered by the Paying Agent/Registrar in lieu of the Obligation 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 Obligations issued in an exchange or transfer of Obligations will be delivered to the registered Owner or assignee of the Owner after the receipt of the Obligations 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 Obligations 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 Obligation or Obligations 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 Obligations.

Record Date for Interest Payment

The record date (“Record Date”) for the interest payable on any interest payment date is the close of the 15th day of the month next preceding such interest payment date, as specified in the Ordinances. 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 an Obligation 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 Obligations

Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Obligation (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 Obligation, 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 an Obligation.

Replacement of Obligations

If any Obligation is mutilated, destroyed, stolen or lost, a new Obligation in the same principal amount as the Obligation so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Obligation, such new Obligation will be delivered only upon surrender and cancellation of such mutilated Obligation. In the case of any Obligation issued in lieu of and in substitution for an Obligation which has been destroyed, stolen or lost, such new Obligation will be delivered only (a) upon filing with the City and the Paying Agent/Registrar evidence satisfactory

to them that such Obligation 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 Obligation must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

AD VALOREM PROPERTY TAXATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Reference is made to Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board ("Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Denton County Appraisal District (the "Appraisal District"). Except as described below, the Appraisal District is required 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 market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a 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 homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised. See Table 1 for the reduction in taxable valuation attributable to the 10% Homestead Cap.

State law provides that eligible owners of both agricultural land and open-space land, 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 ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land. See Table 1 for the reduction in taxable valuation attributable to valuation by Productivity Value.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates. See "AD VALOREM PROPERTY TAXATION – Issuer and Taxpayer Remedies."

State Mandated Homestead Exemptions

State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. See Table 1 for the reduction in taxable valuation attributable to state-mandated homestead exemptions.

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than \$5,000) and (2) an additional exemption of the market value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. See Table 1 for the reduction in taxable valuation, if any, attributable to local option homestead exemptions.

Local Option Freeze for the Elderly and Disabled

The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded. See Table 1 for the reduction in taxable valuation attributable to the freeze on taxes for the elderly and disabled.

Personal Property

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the “production of income” is taxed based on the property’s market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

Freeport Exemptions

Certain goods detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication (“Freeport Property”) are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, principally inventory, that are stored for the purposes of assembling, storing, manufacturing, processing or fabricating the goods in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days (“Goods-in-Transit”), are exempt from ad valorem taxation unless a taxing unit takes official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax Goods-in-Transit beginning the following tax year. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include special inventories such as motor vehicles or boats in a dealer’s retail inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property. See Table 1 for the reduction in taxable valuation, if any, attributable to Goods-in-Transit or Freeport Property exemptions.

Other Exempt Property

Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

Tax Increment Financing Zones

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones (“TIRZ”) within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the “Incremental Value” in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, general located within the TIRZ. At the time of the creation of the TIRZ, a

“base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “Incremental Value”, and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units. See “AD VALOREM PROPERTY TAXATION” City Application of Property Tax Code” for descriptions of any TIRZ created in the City.

Tax Abatement Agreements

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, 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 agreement. The abatement agreement could last for a period of up to 10 years. See “AD VALOREM PROPERTY TAXATION – City Application of Property Tax Code” for descriptions of any of the City’s tax abatement agreements. See Table 1 for the reduction in taxable valuation, if any, attributable to tax abatement agreements.

For a discussion of how the various exemptions described above are applied by the City, see “AD VALOREM PROPERTY TAXATION – City Application of Property Tax Code” herein.

Public Hearing and Maintenance and Operation Tax Rate Limitations

The following terms as used in this section have the meanings provided below:

“adjusted” means lost values are not included in the calculation of the prior year’s taxes and new values are not included in the current year’s taxable values.

“de minimis rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year’s taxable value, plus the debt service tax rate.

“no-new-revenue tax rate” means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year’s total tax levy (adjusted) from the current year’s total taxable values (adjusted).

“special taxing unit” means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

“unused increment rate” means the cumulative difference between a city’s voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city’s tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

“voter-approval tax rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the “unused increment rate”.

The City’s tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the “maintenance and operations tax rate”), and (2) a rate for funding debt service in the current year (the “debt service tax rate”). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its “voter-approval tax rate” and “no-new-revenue tax rate” (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later

than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its “de minimis rate”, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city’s adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city’s voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its “voter-approval tax rate” using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city’s total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use 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 sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City’s ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City’s tax-supported debt obligations, including the Obligations.

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.

Debt Tax Rate Limitations

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 4, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$1.50 per \$100 of Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

City's Rights in the Event of Tax Delinquencies

Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions 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.

Issuer and Taxpayer Remedies

Under certain circumstances, the City and its taxpayers may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value of at least \$50 million and situated in a county with a population of one million or more as of the most recent federal decennial census may additionally protest the determinations of appraisal district directly to a three-member special panel of the appraisal review board, selected by a State district judge, consisting of highly qualified professionals in the field of property tax appraisal.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (See “– Public Hearing and Maintenance and Operation Tax Rate Limitations”). The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

City Application of the 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 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”) and does have Article VIII, Section 1-j property.

The City has adopted an abatement policy and has two outstanding abatement agreements which were executed in 2018. Both projects are ongoing and abatements will begin upon successful completion. Each agreement provides for the abatement of a percentage of real and personal property taxes for a period of seven years after completion of the respective projects.

RETIREMENT PLAN

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System, an agent multi-employer public employee retirement system. For a discussion of the Retirement Plan, see Appendix D “Audited Financial Statements for the Fiscal Year Ended September 30, 2020.”

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, 2020”).

Legal Investments

Under State law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State 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 are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State 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) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the City selects from a list the governing body of the City or designated investment committee of the City adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the City selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the City’s account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the City appoints as the City’s custodian of the banking deposits issued for the City’s account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of Chapter 2256, Texas Government Code (the “Public Funds Investment Act”), that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for District deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the City, (b) 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, (c) 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 (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d), Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements as defined in the Public Funds Investment Act, that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) or (13) in this paragraph or corporate bonds as described below, 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; (11) 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 (8) 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 (8) above, clauses (13) through (15) below, 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; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers’ acceptances with stated maturity of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated not less than “A-1” or “P-1” or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated not less than “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 United States or state bank; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and have either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. 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, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract.

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 (8) above, other than the prohibited obligations described below, (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 (8) above, clauses (13) through (15) 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; 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 if the governing body of the City authorizes such investment in the particular pool by order, ordinance, or resolution and the investment pool complies with the requirements of Section 2256.016, Texas Government Code.

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, 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 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, City 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 shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, 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 strategy statements and (b) state law. No person may invest City funds without express written authority from City Council.

Additional Provisions

Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a written instrument by rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and recording any changes made to either its investment policy or investment strategy; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the treasurer, chief financial officer and investment officers; (7) 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; (8) restrict the investment in no-load 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; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

Current Investments

As of September 30, 2020, 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.

<u>Type of Investment</u>	<u>Amount</u>
Certificates of Deposit	\$1,271,560
Total	<u>\$1,271,560</u>

INFECTIOUS DISEASE OUTBREAK – COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the “Pandemic”) by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President’s Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in Texas in response to the Pandemic, which disaster declaration was extended in both April and May. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has issued a series of executive orders relating to COVID-19 preparedness and mitigation. These include, for example, the issuance on March 2, 2021 of Executive Order GA-34, which, among other things, removed any COVID-19 related operating limits for any business or other establishment and ended the State-wide mask mandate, effective March 10, 2021. The Governor’s order also maintains, in providing or obtaining services, every person (including individuals, businesses, and other legal entities) should use good-faith efforts and available resources to follow the minimum standard health protocols. Executive Order GA-34 remains in place until amended, rescinded, or superseded by the Governor. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

The pandemic has negatively affected travel, commerce and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the City. The Obligations are secured by an ad valorem tax (within the limits prescribed by law), and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Obligations as well as the City’s operations and maintenance expenses. See “AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operations Tax Rate Limitations” and “Debt Tax Rate Limitations.”

The City continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the City. While the potential impact of the Pandemic on the City cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the City’s operations and financial condition.

RATINGS

S&P Global Ratings, (“S&P”) has assigned a rating of “AA” to the Obligations. An explanation of the significance of such ratings may be obtained from S&P. The rating reflects only the view of S&P and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Obligations. Neither the Underwriters nor the City have undertaken any responsibility to bring to the attention of the holders of the Obligations any proposed revision or withdrawal of the rating of the Obligations or to oppose any such proposed revision or withdrawal. Any such change in or withdrawal of such ratings could have an adverse effect on the market price of the Obligations.

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 Obligations, including the approving legal opinions of the Attorney General of the State of Texas to the effect that the Obligations 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 Obligations issued in compliance with the provisions of the Ordinances 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 Obligations, and the opinions 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 Obligations. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Obligations are contingent on the sale and delivery of the Obligations. The applicable legal opinions will be printed on or attached to the definitive Obligations.

Bond Counsel has reviewed the statements and information appearing in this Official Statement under the captions "THE OBLIGATIONS" (except the subcaption "Sources and Uses of Funds"), "GENERAL INFORMATION REGARDING THE OBLIGATIONS," "REGISTRATION, TRANSFER AND EXCHANGE," "AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operation Tax Rate Limitations," "LEGAL MATTERS," "TAX MATTERS," "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, completeness, or fairness 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, completeness, or fairness of any of the information contained herein.

TAX MATTERS

The Certificates

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Certificates is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Certificates is less than the amount to be paid at maturity of such Certificates (excluding amounts stated to be interest and payable at least annually over the term of such Certificates), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Certificates which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Certificates is the first price at which a substantial amount of such maturity of the Certificates is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Certificates accrues daily over the term to maturity of such Certificates on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Certificates to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Certificates. Beneficial Owners of the Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Certificates with original issue discount, including the treatment of Beneficial

Owners who do not purchase such Certificates in the original offering to the public at the first price at which a substantial amount of such Certificates is sold to the public.

Certificates purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Certificates”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of Certificates, like the Premium Certificates, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Certificate, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Certificates should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Certificates. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Certificates will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Certificates being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Certificates. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Certificates may adversely affect the value of, or the tax status of interest on, the Certificates. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Certificates is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Certificates may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Certificates to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Certificates. Prospective purchasers of the Certificates should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the Certificates for federal income tax purposes. It is not binding on the Internal Revenue Service (“IRS”) or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the City, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

Bond Counsel’s engagement with respect to the Certificates ends with the issuance of the Certificates, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the Beneficial Owners regarding the tax-exempt status of the Certificates in the event of an audit examination by the IRS. Under current procedures, parties other than the City and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt Certificates is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Certificates for audit, or the course or result of such audit, or an audit of Certificates presenting similar tax issues may affect the market price for, or the marketability of, the Certificates, and may cause the City or the Beneficial Owners to incur significant expense.

The Bonds

Interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds. The proposed form of opinion of Bond Counsel is contained in Appendix C hereto.

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the Bonds that acquire their Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the U.S. Internal Revenue Service (the “IRS”) with respect to any of the U.S. federal tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose “functional currency” is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Bonds pursuant to this offering for the issue price that is applicable to such Bonds (i.e., the price at which a substantial amount of the Bonds are sold to the public) and who will hold their Bonds as “capital assets” within the meaning of Section 1221 of the Code.

As used herein, “U.S. Holder” means a beneficial owner of a Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, “Non-U.S. Holder” generally means a beneficial owner of a Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Bonds (including their status as U.S. Holders or Non-U.S. Holders).

Notwithstanding the rules described below, it should be noted that certain taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies may be required to recognize income, gain and loss with respect to the Bonds at the time that such income, gain or loss is recognized on such financial statements instead of under the rules described below (in the case of original issue discount, such requirements are only effective for tax years beginning after December 31, 2018).

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the Bonds in light of their particular circumstances.

U.S. Holders

Interest. Interest on the Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder’s method of accounting for U.S. federal income tax purposes.

To the extent that the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds) by more than a de minimis amount, the difference may constitute original issue discount (“OID”). U.S. Holders of Bonds will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a

constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

Bonds purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as issued at a premium. A U.S. Holder of a Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Taxable Bond.

Sale or Other Taxable Disposition of the Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the District) or other disposition of a Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Taxable Bond, which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Bond (generally, the purchase price paid by the U.S. Holder for the Taxable Bond, decreased by any amortized premium and increased by the amount of any OID previously included in income by such U.S. Holder with respect to such Taxable Bond). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Defeasance of the Bonds. If the District defeases any Taxable Bond, the Bond may be deemed to be retired for U.S. federal income tax purposes as a result of the defeasance. In that event, in general, a holder will recognize taxable gain or loss equal to the difference between (i) the amount realized from the deemed sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and (ii) the holder's adjusted tax basis in the Taxable Bond.

Information Reporting and Backup Withholding. Payments on the Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Bonds may be subject to backup withholding at the current rate of 24% with respect to "reportable payments," which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder's failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Non-U.S. Holders

Interest. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "Foreign Account Tax Compliance Act," payments of principal of, and interest on, any Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, a such term is defined in the Code, which is related to the District through stock ownership and (2) a bank which acquires such Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. federal withholding tax provided that the beneficial owner of the Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

Disposition of the Bonds. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "FATCA," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the District or a deemed retirement due to defeasance of the Taxable Bond) or other disposition of a Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is

effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the District) or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. A Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that, at the time of such individual's death, payments of interest with respect to such Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding. Subject to the discussion below under the heading "FATCA," under current U.S. Treasury Regulations, payments of principal and interest on any Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the Bond or a financial institution holding the Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. The current backup withholding tax rate is 24%.

Foreign Account Tax Compliance Act ("FATCA")—U.S. Holders and Non-U.S. Holders

Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Under current guidance, failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest on the Bonds. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under current guidance, will apply to certain "passthru" payments no earlier than the date that is two years after publication of final U.S. Treasury Regulations defining the term "foreign passthru payments." Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of Bonds in light of the holder's particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

LEGAL INVESTMENTS IN TEXAS

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), the Obligations (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 Obligations 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 Obligations may have to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency before such Obligations 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 Obligations 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 Obligations for any of the foregoing purposes

or limit the authority of such institutions or entities to purchase or invest in the Obligations for such purposes. The City has made no review of laws in other states to determine whether the Obligations are legal investments for various institutions in those states.

REGISTRATION AND QUALIFICATION OF ISSUE FOR SALE

No registration statement relating to the Obligations 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 Obligations have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Obligations been registered or qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for registration or qualification of the Obligations under the securities laws of any other jurisdiction in which the Obligations may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration and qualification for sale or other disposition of the Obligations 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 Ordinances, the City has made the following agreement for the benefit of the holders and beneficial owners of the Obligations. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Obligations. 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 1-11) 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 D 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 Obligations: (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 Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) Obligation calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations, 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; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties. (Neither the Obligations nor the Ordinances 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”.

For these purposes, any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

For the events listed in clause (15) and (16) above, the term “financial obligation” means a: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) a guarantee of either (A) or (B). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

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 Obligations 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 Obligations 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 Obligations in the primary offering of the Obligations 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 Obligations 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 Obligations. 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 Obligations in the primary offering of the Obligations. 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 Obligations in the primary offering of the Obligations.

Compliance with Prior Undertakings

The City has complied in all material respects with its continuing disclosure agreements pursuant to the Rule during the past 5 years.

VERIFICATION OF ARITHMETICAL COMPUTATIONS

BLX Group LLC will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Federal Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Obligations.

BLX Group LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, BLX Group LLC has relied on any information provided to it by the City's retained advisors, consultants or legal counsel.

OTHER INFORMATION

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 Obligations. The fee of the Financial Advisor for services with respect to the Obligations is contingent upon the issuance and sale of the Obligations. 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.

Audited Financial Statements

Brooks Watson & Co., the City's independent auditor, has not reviewed, commented on, or approved, and is not associated with, this Official Statement. The report of Brooks Watson & Co. relating to City's financial statements for the fiscal year ended September 30, 2020 is included in this Official Statement in APPENDIX D; however, Brooks Watson & Co. has not performed any procedures on such financial statements since the date of such report, and has not performed any procedures on any other financial information of the City, including without limitation any of the information contained in this Official Statement.

Underwriting

The Underwriters have agreed to purchase the Certificates from the City for \$21,941,179.59 (being the principal amount of the Certificates, plus a premium of \$2,076,243.70, less an Underwriter's discount of \$135,064.11).

The Underwriters have agreed to purchase the Bonds from the City for \$2,806,038.14 (being the principal amount of the Bonds, less an Underwriter's discount of \$23,961.86).

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.

Forward-Looking Statements

The statements contained in this Official Statement and in any other information provided by the City that are not purely historical are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligations to update any such forward-looking statements. It is important to note that the City's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners, and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

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 Ordinances. 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 this Official Statement and said instrument has been authorized for use and distribution by the Underwriters for the purpose of offering the Obligations.

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

ATTEST:

/s/ Christy Dyer
Deputy Secretary, City of Sanger, Texas

SCHEDULE I

SCHEDULE OF REFUNDED OBLIGATIONS

Series to be Refunded	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Comb Tax & Rev Cert. of Oblig, Series 2013					
Serial	08/01/2024	3.500%	205,000	08/01/2023	100.000
Term 26	08/01/2026	4.500%	430,000	08/01/2023	100.000
Term 28	08/01/2028	4.750%	470,000	08/01/2023	100.000
Term 30	08/01/2030	5.000%	520,000	08/01/2023	100.000
Term 33	08/01/2033	5.000%	880,000	08/01/2023	100.000
			2,505,000		

APPENDIX A
FINANCIAL INFORMATION REGARDING
THE
CITY OF SANGER, TEXAS

FINANCIAL INFORMATION FOR THE CITY

ASSESSED VALUATION

TABLE 1

2020 Total Value of Taxable Property		\$879,065,909
Less Exemptions:		
Local, Optional Over-65 and/or Disabled Homestead Exemptions	\$14,998,947	
Disabled and Deceased Veterans' Exemptions	4,906,028	
Productivity Value Loss	35,073,959	
Homestead 10% Cap Adjustment	6,820,937	
Abatement	0	
Freeport	7,771,944	
Other	<u>17,145,705</u>	<u>86,717,520</u>
2020 Net Taxable Assessed Valuation (100% of Actual)		<u>\$792,348,389</u>

^(a) See "AD VALOREM PROPERTY TAXATION - City Application of the Property Tax Code" in the Official Statement for a description of the City's taxation procedures.
 Source: The Denton Central Appraisal District

PRINCIPAL TAXPAYERS

TABLE 2

<u>Name</u>	<u>Type of Business</u>	<u>2020 Net Taxable Assessed Valuation</u>	<u>% of Total 2020 Assessed Valuation*</u>
1. Wal-Mart Stores East, LP	Distribution	\$58,302,401	7.36%
2. Wal-Mart Stores East, LP	Distribution	34,585,114	4.36%
3. Trails of Sanger Apartments LLC	Real Estate	28,213,566	3.56%
4. Ramar Land Corporation.	Real Estate	12,073,155	1.52%
5. MacCamp LTD	RV Sales & Service	6,393,741	0.81%
6. Sanger Lodging LLC	Hotel/Motes	5,900,000	0.74%
7. Paccar Financial	Financial/Banking	5,388,838	0.68%
8. LGI Homes-Texas LLC	Construction	4,550,142	0.57%
9. Williamsburg Construction Services	Construction	4,414,581	0.56%
10. Springer Properties LLC	Real Estate	3,933,510	0.50%
Total		<u>\$163,755,048</u>	<u>20.67%</u>

* Based on 2020-21 Net Taxable Assessed Valuation of \$792,348,389.

Source: Denton Central Appraisal District

PROPERTY TAX RATES AND COLLECTIONS

TABLE 3

<u>Tax Year</u>	<u>Net Taxable Assessed Valuation</u> ^(a)	<u>Tax Rate</u>	<u>Collection %</u>		<u>Fiscal Year Ended</u>
			<u>Current</u>	<u>Total</u> ^(a)	
2016	\$525,934,493	0.679500	99.23%	99.73%	9-30-17
2017	578,538,702	0.679100	99.22%	99.77%	9-30-18
2018	579,523,041	0.679100	99.30%	99.59%	9-30-19
2019	644,778,693	0.679100	100.18%	100.18%	9-30-20
2020	792,348,389	0.679100	(In Process)		9-30-21

^(a) See “AD VALOREM PROPERTY TAXATION - 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 Central Appraisal District, and the City.

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

	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>
Maintenance & Operations	\$0.605456	\$0.591577	\$0.571004	\$0.563531	\$0.513353
Dedicated for Street Maintenance	0	0	0	0	0
I & S Fund	0.073644	0.087523	0.108096	0.115569	0.166147
TOTAL	\$0.679100	\$0.679100	\$0.679100	\$0.679100	\$0.679500

Source: The City

WATER RATES**TABLE 5**

Existing Rates

Residential (Effective May 21, 2018)

Minimum per unit served for 0 - 1,000 gallons	\$24.32	
Next 4,000 gallons	4.32	per thousand gallons
Next 10,000 gallons	4.75	per thousand gallons
Next 15,000 gallons	5.93	per thousand gallons
Over 30,000	8.59	per thousand gallons

Commercial (Effective May 21, 2018)

Minimum per unit served for 0 - 1,000 gallons	\$31.68	
Next 4,000 gallons	5.02	per thousand gallons
Next 10,000 gallons	5.44	per thousand gallons
Next 15,000 gallons	6.15	per thousand gallons
Over 30,000	7.59	per thousand gallons

PRINCIPAL WATER CUSTOMERS**TABLE 6***(For the twelve months ending September 30, 2020)*

Name of Customer	Average Monthly Consumption in Gallons	Average Monthly Bill (\$)
Stonewood Resorts LLC	657,500	5,282
Willowood Detention Pond	450,000	2,115
Walmart Distribution Center	268,100	1,840
Stonewood Resorts LLC	267,500	2,074
Overleaf Washeo, LLC	198,900	1,456
SISD Sanger Middle School	155,000	1,152
TEK-CO Properties	134,600	875
R&L Carriers	100,200	1,163
Chisum Trail Apartments	87,900	1,202
Karl Klement Properties	85,300	851
Total	2,405,000	18,010

Source: The City

SEWER RATES

TABLE 7

Existing Rates Residential (Effective May 21, 2018)	
Minimum (first 1,000 gallons)	\$29.75
Per 1,000 gallons over first 1,000 gallons	4.22
Per 1,000 gallons in excess of 10,000 gallons	4.69
Maximum per month	70.00
Commercial (Effective May 21, 2018)	
¾ inch meter	\$43.79
1 inch meter	47.92
1½ inch meter	54.52
2 inch meter	66.32
3 inch meter	81.78
4 inch meter	151.78
6 inch meter	201.74
8 inch meter	266.25
Per 1,000 gallons over first 1,000 gallons	4.22
Per 1,000 gallons in excess of 10,000 gallons	4.69
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, 2020)

Name of Customer	Average Monthly Bill (\$)
Stonewood Resorts LLC	5,867
Stonewood Resorts LLC	2,287
Chisum Trail Apartments	1,140
Walmart Distribution Center	1,298
Ohio Garden RV Inc.	1,012
Karl Klement Properties	975
SISD Sanger Middle School	975
Tek-Co Properties	787
Trails of Sanger Apartments LLC	715
Sportsman	697
Total	16,033

Source: The City

ELECTRIC RATES***TABLE 9**

Existing Rates
(Effective April 18, 2017)

	<u>Residential</u>	<u>Commercial</u>	<u>Large Industrial</u>
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***TABLE 10**

(For the twelve months ending September 30, 2020)

Name of Customer	Average Monthly Consumption in Kilowatt Hours	Average Monthly Bill (\$)
Walmart Distribution Center	889,400	93,657
MacCamp LTD	100,250	12,506
Super Save	80,740	9,735
R&L Carriers	61,460	7,455
Baru Enterprises, LLC	42,800	5,052
Sams-Walmart Stores East LP	42,191	5,065
Latham Stairs & Millworks	34,846	4,219
SISD Chisholm Trail Elementary	30,553	3,787
North Texas Plastics	29,426	3,576
Chicken Express	28,710	3,504
Total	1,340,376	148,556

Source: The City

*None of the City's revenue from its electric system is pledged to the payment of the Obligations.

PRO FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

TABLE 11

Fiscal Year 30- Sept	Existing Debt Service ⁽¹⁾	Series 2021A Certificates			Series 2021B Rfd Bonds			Total Debt Service Requirements (\$)
		Principal(\$)	Interest(\$)	Total(\$)	Principal(\$)	Interest(\$)	Total(\$)	
2021	2,329,166.00							2,339,226.40
2022	1,563,990.00	55,000.00	592,753.33	647,753.33	55,000.00	43,116.00	98,116.00	2,309,859.33
2023	1,564,020.00	295,000.00	601,150.00	896,150.00	55,000.00	42,978.50	97,978.50	2,558,148.50
2024	1,357,755.00	320,000.00	592,300.00	912,300.00	260,000.00	42,786.00	302,786.00	2,572,841.00
2025	1,305,080.00	345,000.00	582,700.00	927,700.00	255,000.00	41,304.00	296,304.00	2,529,084.00
2026	1,306,870.00	395,000.00	575,800.00	970,800.00	260,000.00	39,085.50	299,085.50	2,576,755.50
2027	1,327,020.00	140,000.00	567,900.00	707,900.00	265,000.00	36,173.50	301,173.50	2,336,093.50
2028	1,329,725.00	135,000.00	565,100.00	700,100.00	265,000.00	32,410.50	297,410.50	2,327,235.50
2029	1,321,200.00	160,000.00	561,050.00	721,050.00	275,000.00	28,250.00	303,250.00	2,345,500.00
2030	1,326,194.00	160,000.00	556,250.00	716,250.00	275,000.00	23,217.50	298,217.50	2,340,661.50
2031	1,324,200.00	185,000.00	551,450.00	736,450.00	285,000.00	17,910.00	302,910.00	2,363,560.00
2032	1,320,937.00	260,000.00	545,900.00	805,900.00	290,000.00	12,267.00	302,267.00	2,429,104.00
2033	1,326,206.00	290,000.00	535,500.00	825,500.00	290,000.00	6,177.00	296,177.00	2,447,883.00
2034	1,649,713.00	290,000.00	523,900.00	813,900.00				2,463,613.00
2035	1,648,656.00	320,000.00	512,300.00	832,300.00				2,480,956.00
2036	1,650,344.00	370,000.00	499,500.00	869,500.00				2,519,844.00
2037	1,648,400.00	395,000.00	488,400.00	883,400.00				2,531,800.00
2038		1,775,000.00	476,550.00	2,251,550.00				2,251,550.00
2039		1,825,000.00	423,300.00	2,248,300.00				2,248,300.00
2040		1,880,000.00	368,550.00	2,248,550.00				2,248,550.00
2041		1,940,000.00	312,150.00	2,252,150.00				2,252,150.00
2042		1,995,000.00	253,950.00	2,248,950.00				2,248,950.00
2043		2,055,000.00	194,100.00	2,249,100.00				2,249,100.00
2044		2,115,000.00	132,450.00	2,247,450.00				2,247,450.00
2045		2,180,000.00	69,000.00	2,249,000.00				2,249,000.00
2046		120,000.00	3,600.00	123,600.00				123,600.00
	<u>25,299,476.00</u>	<u>20,000,000.00</u>	<u>11,085,603.33</u>	<u>31,085,603.33</u>	<u>2,830,000.00</u>	<u>375,735.90</u>	<u>3,205,735.90</u>	<u>59,590,815.23</u>

⁽¹⁾Excludes the Refunded Obligations.

[Remainder of page intentionally left blank]

APPENDIX B
GENERAL INFORMATION REGARDING
THE CITY OF SANGER, TEXAS

General

The City of Sanger, Texas (the “City”) 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 2020 U.S. Census, the City’s 2020 population was 8,235. 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 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 2020 U.S. Census, the County’s 2020 population was 833,822.

APPENDIX C

FORM OF OPINIONS OF BOND COUNSEL

May ___, 2021

City of Sanger, Texas
Certificates of Obligation, Series 2021A

(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Sanger, Texas (the “City”) in connection with the issuance of \$_____ aggregate principal amount of Obligations designated as “City of Sanger, Texas Certificates of Obligation, Series 2021A” (the “Obligations”). The Obligations are authorized by an ordinance adopted by the City Council of the City (the “City Council”) on April 19, 2021 (the “Ordinance”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Ordinance.

In such connection, we have reviewed the Ordinance, the tax certificate of the City dated the date hereof (the “Tax Certificate”), certificates of the City, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Obligations has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Ordinance and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Obligations to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligations, the Ordinance and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the

exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against issuers in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Obligations and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Obligations constitute the valid and binding obligations of the City.
2. The City Council has power and is obligated to levy an annual ad valorem tax, within the limits prescribed by law, upon taxable property located within the City, which taxes have been pledged irrevocably to pay the principal of and interest on the Obligations.
3. The Obligations are also secured by a limited (in an amount not to exceed \$1,000) subordinate pledge of revenues of the waterworks and sanitary sewer system of the City.
4. Interest on the Obligations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Obligations is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligations.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

May ___, 2021

City of Sanger, Texas
General Obligation Refunding Bonds, Taxable Series 2021B

(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Sanger, Texas (the “City”) in connection with the issuance of \$ _____ aggregate principal amount of bonds designated as “City of Sanger, Texas General Obligation Refunding Bonds, Taxable Series 2021B” (the “Bonds”). The Bonds are authorized by an ordinance adopted by the City Council (the “City Council”) on April 19, 2021 “Ordinance”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Ordinance.

In such connection, we have reviewed the Ordinance, certificates of the City, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the original delivery of the Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the original delivery of the Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Ordinance. We call attention to the fact that the rights and obligations under the Bonds and the Ordinance and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against issuers in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding obligations of the City.
2. The City Council has power and is obligated to levy an annual ad valorem tax, within the limits prescribed by law, upon taxable property located within the City, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX D

AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020

ANNUAL FINANCIAL REPORT

of the

City of Sanger, Texas

**For the Year Ended
September 30, 2020**

(This page intentionally left blank.)

City of Sanger, Texas

TABLE OF CONTENTS

September 30, 2020

FINANCIAL SECTION

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

Basic Financial Statements

Government-Wide Financial Statements

Statement of Net Position	18
Statement of Activities	22

Fund Financial Statements

Governmental Funds:

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

Proprietary Funds:

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

Notes to Financial Statements	37
--------------------------------------	-----------

REQUIRED SUPPLEMENTARY INFORMATION

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

COMBINING AND INDIVIDUAL FUND FINANCIAL SCHEDULES

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

(This page intentionally left blank.)



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sanger, Texas (the "City") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of employer contributions to pension plan, schedule of changes in other postemployment benefits liability and related ratios, and general fund budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

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

Brooks Watson & Co.
Certified Public Accountants, PLLC
Houston, Texas
January 13, 2021

(This page intentionally left blank.)

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

(This page intentionally left blank.)

City of Sanger, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2020

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, 2020.

Financial Highlights

- The City's total combined net position is \$48,647,871 at September 30, 2020. Of this, \$20,451,882 (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 \$11,006,202, an increase of \$2,463,524.
- As of the end of the year, the unassigned fund balance of the general fund was \$7,341,262 or 108% of total general fund expenditures.
- The City had an overall increase in net position of \$4,259,084, which is due to revenues exceeding expenses for both governmental and business-type activities.

Overview of the Financial Statements

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

Government-Wide Statements

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

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

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

City of Sanger, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2020

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

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

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

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

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

City of Sanger, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2020

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

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

Proprietary Funds

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

Component Units

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

Notes to Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Sanger, assets exceeded liabilities by \$48,647,871 as of September 30, 2020, in the primary government.

City of Sanger, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

September 30, 2020

The largest portion of the City's net position, \$26,569,343, 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, \$1,626,646, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$20,451,884 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

Current assets of governmental activities as of September 30, 2020 and September 30, 2019 were \$12,106,859 and \$9,264,673, respectively. The increase of \$2,842,186 was primarily due to an increase in cash on hand as a result of revenues exceeding expenses in the current year.

Current assets of business-type activities as of September 30, 2020 and September 30, 2019 were \$13,631,238 and \$14,744,586, respectively. The decrease of \$1,113,348 was primarily attributable to funds being spent on capital asset improvements throughout the year and principal payments made on outstanding debt.

Capital assets of business-type activities as of September 30, 2020 and September 30, 2019 were \$30,002,614 and \$29,272,520, respectively. The increase of \$730,094 was a primarily a result of the continued sewer plant expansion.

Total long-term liabilities as of September 30, 2020 and September 30, 2019 were \$21,862,434 and \$24,097,027, respectively. The decrease of \$2,234,593 was primarily due to principal payments made during the year.

City of Sanger, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2020

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2020			2019		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 12,106,859	\$ 13,167,174	\$ 25,274,033	\$ 9,264,673	\$ 14,744,586	\$ 24,009,259
Capital assets, net	19,063,124	30,002,614	49,065,738	18,949,169	29,272,520	48,221,689
Total Assets	31,169,983	43,169,788	74,339,771	28,213,842	44,017,106	72,230,948
Deferred Outflows of Resources	373,255	118,518	491,773	596,634	197,169	793,803
Other liabilities	1,745,717	2,715,443	4,461,160	1,348,191	3,182,639	4,530,830
Long-term liabilities	2,956,102	18,906,332	21,862,434	4,082,353	20,014,674	24,097,027
Total Liabilities	4,701,819	21,621,775	26,323,594	5,430,544	23,197,313	28,627,857
Deferred Inflows of Resources	249,483	74,660	324,143	6,237	1,870	8,107
Net Position:						
Net investment						
in capital assets	16,338,660	10,230,683	26,569,343	15,502,386	10,572,724	26,075,110
Restricted	1,626,646	-	1,626,646	2,894,827	-	2,894,827
Unrestricted	8,626,630	11,825,252	20,451,882	4,976,482	10,442,368	15,418,850
Total Net Position	\$ 26,591,936	\$ 22,055,935	\$ 48,647,871	\$ 23,373,695	\$ 21,015,092	\$ 44,388,787

City of Sanger, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2020

Statement of Activities:

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

	For the Year Ended September 30, 2020			For the Year Ended September 30, 2019		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 2,180,918	\$ 12,400,421	\$ 14,581,339	\$ 2,035,376	\$ 12,594,574	\$ 14,629,950
Grants and contributions	703,800	-	703,800	770,917	-	770,917
General revenues:						
Property taxes	4,784,777	-	4,784,777	4,480,452	-	4,480,452
Sales taxes	1,104,525	-	1,104,525	914,748	-	914,748
Franchise and local taxes	291,554	-	291,554	283,573	-	283,573
Investment income	20,786	389,530	410,316	11,916	169,808	181,724
Other revenues	543,453	-	543,453	399,167	-	399,167
Total Revenues	9,629,813	12,789,951	22,419,764	8,896,149	12,764,382	21,660,531
Expenses						
General government	2,404,017	-	2,404,017	2,186,197	-	2,186,197
Public safety	2,764,359	-	2,764,359	2,759,901	-	2,759,901
Public works	1,549,551	-	1,549,551	1,070,180	-	1,070,180
Culture and recreation	746,573	-	746,573	719,658	-	719,658
Interest and fiscal charges	80,876	642,843	723,719	181,723	681,277	863,000
Water, sewer, & electric	-	9,972,461	9,972,461	-	9,898,650	9,898,650
Total Expenses	7,545,376	10,615,304	18,160,680	6,917,659	10,579,927	17,497,586
Change in Net Position						
Before Transfers	2,084,437	2,174,647	4,259,084	1,978,490	2,184,455	4,162,945
Transfers	1,133,804	(1,133,804)	-	681,175	(681,175)	-
Total	1,133,804	(1,133,804)	-	681,175	(681,175)	-
Change in Net Position	3,218,241	1,040,843	4,259,084	2,659,665	1,503,280	4,162,945
Beginning Net Position	23,373,695	21,015,092	44,388,787	20,714,030	19,511,812	40,225,842
Ending Net Position	\$ 26,591,936	\$ 22,055,935	\$ 48,647,871	\$ 23,373,695	\$ 21,015,092	\$ 44,388,787

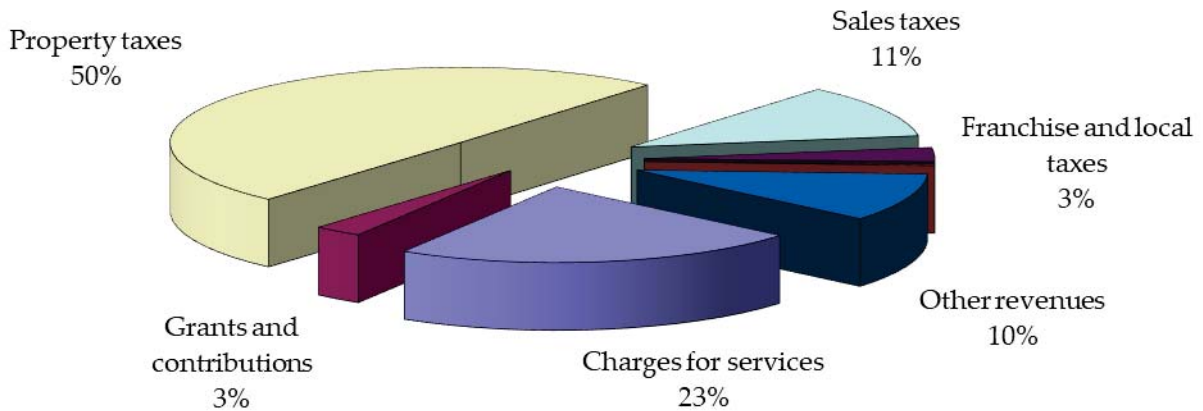
City of Sanger, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2020

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

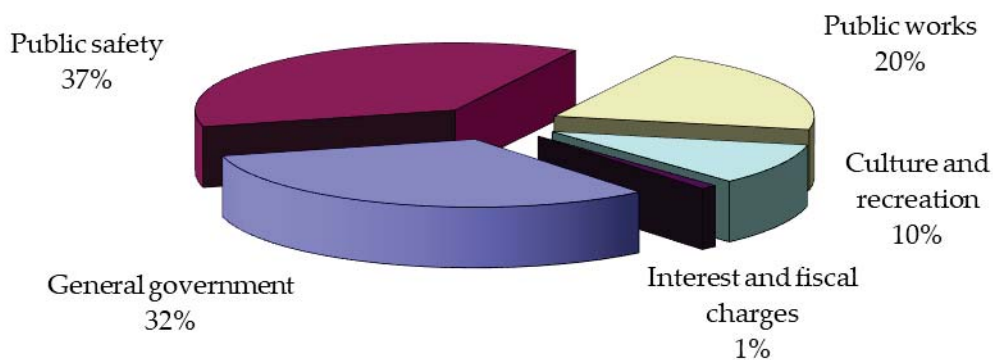
Governmental Activities - Revenues



For the year ended September 30, 2020, revenues from governmental activities totaled \$9,629,813. Property tax, charges for services, and sales taxes are the City's largest revenue sources. Property tax increased by \$304,325 or 7% due to rising property values. Sales taxes increased by \$189,777 or 21% due to growth in the local economy. Charges for services increased \$145,542 or 7% primarily due to increases in building permit revenue collected in the current year. Grants and contributions decreased by \$67,117 or 9% due to nonrecurring funds received from an interlocal agreement with Denton County for street construction in the prior year. Other revenues increased by \$144,286 primarily due to roadway impact fees received in the current year. All other revenues remained relatively stable when compared to the previous year.

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses



For the year ended September 30, 2020, expenses for governmental activities totaled \$7,545,376. This represents an increase of \$627,717 from the prior year. The City's largest functional expense is public

City of Sanger, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

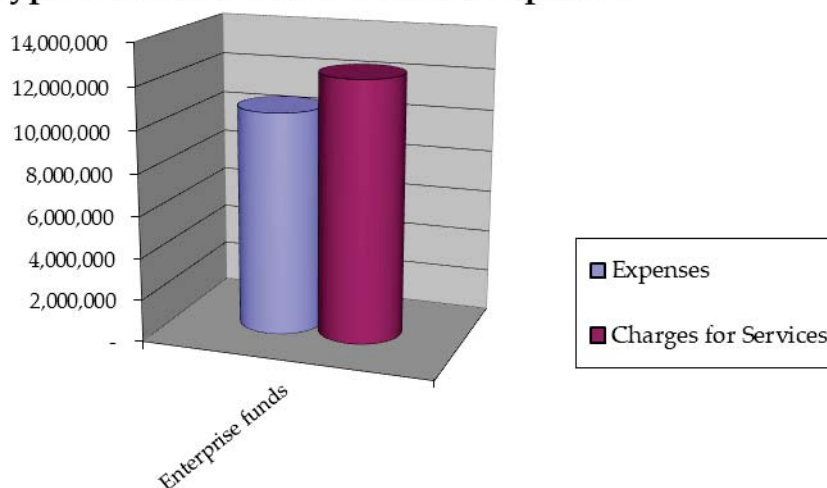
September 30, 2020

safety of \$2,764,359, which primarily includes costs for the police department, animal control, fire department, and EMS services. Public safety expenses remained consistent with the prior year. General government expenses increased by \$217,820 or 10% primarily due to increases in contract services and administrative expenses paid to the City's internal service fund. Public works expenses increased by \$479,371 or 45% primarily due to increased personnel costs and asset depreciation expenses. Interest and fiscal charges decreased by \$100,847 or 55% primarily due to nonrecurring bond issuance costs recognized in the prior year. All other expenditures remained relatively consistent with the previous year.

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

For the year ended September 30, 2020, charges for services by business-type activities totaled \$12,400,421. This is a decrease of \$194,153 or 2% from the previous year, which is considered minimal.

Business-Type Activities - Revenues and Expenses



Total expenses increased slightly by \$35,377 or < 1% compared to the prior year, which is considered consistent with the prior year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

City of Sanger, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2020

As of the end of the year the general fund reflected a total fund balance of \$8,532,848. Of this, \$11,469 is restricted for municipal court, \$59,175 is restricted for tourism, \$98,393 is restricted for library improvements, \$81,934 for public safety, \$11,087 is restricted for parks, and \$882,093 is restricted for roadway impact fees. In addition, \$41,226 is committed for employee benefits. Unassigned fund balance totaled \$7,341,262 as of yearend. The general fund increased by \$2,095,070 primarily as a result of planned expenditures exceeding current year actual expenditures and an overall increase in the anticipated net change in fund balance.

The capital projects fund reflected an ending balance of \$1,997,068, an increase of \$368,349. This increase is attributed to greater transfers in compared to capital outlay expenditures in the current year.

There was an increase in governmental fund balance of \$2,463,525 over the prior year. The increase was primarily due to revenues and other financing sources exceeding current year expenditures.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a total positive budget variance of \$2,095,070 in the general fund. This is a combination of a positive revenue variance of \$1,178,038 a positive expenditure variance of \$832,179, and a positive variance of \$84,853 in other financing sources and uses. The most significant revenue variances were for sales taxes, franchise and local taxes, licenses and permits, and other revenues.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$19,063,124 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34. The City's business-type activities funds had invested \$30,002,614 in a variety of capital assets and infrastructure, net of accumulated depreciation.

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

- Investments in the 2019-2020 street rehabilitation program for \$702,720.
- Willow Street improvements for \$67,618.
- Wastewater pipeline improvements and utility line relocation totaling \$234,960.
- Well #6 rehabilitation investments totaling \$157,535.
- Investments in Bolivar Street wastewater rehabilitation project for \$392,236.
- Sewer plant expansion for \$705,037.

City of Sanger, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2020

- Purchase of two Chevy Tahoes for \$107,084.
- Purchase two new vehicles for the fire and EMS department totaling \$218,470.

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

LONG-TERM DEBT

At the end of the current year, the City had total bonds (including premiums) and capital leases outstanding of \$22,184,167. The City made principal payments on bonds and capital leases of \$1,538,772. More detailed information about the City's long-term liabilities is presented in note IV. E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Sanger and improving services provided to their public citizens. The City is considering the impact of the COVID-19 pandemic on anticipated tax revenues and expenditures for the year ending September 30, 2021.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

City of Sanger, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
September 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 10,933,418	\$ 8,032,637	\$ 18,966,055
Restricted cash	-	2,540,582	2,540,582
Investments	546,175	725,385	1,271,560
Receivables, net	565,088	1,322,782	1,887,870
Inventory	-	473,150	473,150
Due from component unit	134,816	-	134,816
Internal balances	(72,638)	72,638	-
Total Current Assets	12,106,859	13,167,174	25,274,033
Deposit for capital assets	-	464,064	464,064
Capital assets:			
Non-depreciable	1,044,933	14,675,601	15,720,534
Net depreciable capital assets	18,018,191	15,327,013	33,345,204
	19,063,124	30,466,678	49,529,802
Total Assets	31,169,983	43,633,852	74,803,835
Deferred Outflows of Resources			
Deferred charge on refunding	4,787	8,252	13,039
Pension outflows	353,421	105,772	459,193
OPEB outflows	15,047	4,494	19,541
Total Deferred Outflows of Resources	373,255	118,518	491,773

See Notes to Financial Statements.

Component Units

Sanger Industrial Dev. Corp. (4A)	Sanger Texas Dev. Corp. (4B)
\$ 1,530,519	\$ 1,232,766
-	-
95,660	283,601
96,174	96,174
-	-
-	-
-	-
<u>1,722,353</u>	<u>1,612,541</u>
-	-
-	-
689,654	-
<u>689,654</u>	<u>-</u>
<u>2,412,007</u>	<u>1,612,541</u>
-	-
-	-
-	-
<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>

City of Sanger, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
September 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 848,178	\$ 991,742	\$ 1,839,920
Accrued interest payable	15,663	234,956	250,619
Customer deposits	-	508,333	508,333
Due to primary government	-	-	-
Compensated absences - current	186,897	95,212	282,109
Long term debt due within one year	694,979	885,200	1,580,179
Total Current Liabilities	1,745,717	2,715,443	4,461,160
Noncurrent liabilities:			
Debt due in more than one year	1,990,844	18,613,144	20,603,988
Compensated absences - noncurrent	20,766	10,579	31,345
OPEB liability	101,790	30,406	132,196
Net pension liability	842,702	252,203	1,094,905
	2,956,102	18,906,332	21,862,434
Total Liabilities	4,701,819	21,621,775	26,323,594
Deferred Inflows of Resources			
OPEB inflows	7,822	2,336	10,158
Pension inflows	241,661	72,324	313,985
Total Deferred Inflows of Resources	249,483	74,660	324,143
Net Position			
Net investment in capital assets	16,338,660	10,230,683	26,569,343
Restricted for:			
Debt service	476,286	-	476,286
Parks	11,087	-	11,087
Economic development	-	-	-
Roadway impact fees	882,093	-	882,093
Other purposes	257,180	-	257,180
Unrestricted	8,626,630	11,825,252	20,451,882
Total Net Position	\$ 26,591,936	\$ 22,055,935	\$ 48,647,871

See Notes to Financial Statements.

Component Units

Sanger Industrial Dev. Corp. (4A)	Sanger Texas Dev. Corp. (4B)
\$ 6,655	\$ 10,001
-	-
-	-
67,408	67,408
-	-
-	-
74,063	77,409
-	-
-	-
-	-
-	-
74,063	77,409
-	-
-	-
-	-
689,654	-
-	-
-	-
1,648,290	1,535,132
-	-
-	-
-	-
\$ 2,337,944	\$ 1,535,132

City of Sanger, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 2,404,017	\$ 1,460,219	\$ 443,906	\$ -
Public safety	2,764,359	720,699	40,052	-
Public works	1,549,551	-	-	7,292
Culture and recreation	746,573	-	50	-
Interest and fiscal charges	80,876	-	212,500	-
Total Governmental Activities	7,545,376	2,180,918	696,508	7,292
Business-Type Activities				
Water	1,626,068	2,399,719	-	-
Sewer	1,129,388	2,465,102	-	-
Electric	7,202,676	7,394,565	-	-
Fleet services	66	-	-	-
Utility administration	657,106	141,035	-	-
Total Business-Type Activities	10,615,304	12,400,421	-	-
Total Primary Government	\$ 18,160,680	\$ 14,581,339	\$ 696,508	7,292
Component Units				
Sanger Ind. Dev. Corp. (4A)	174,864	-	-	-
Sanger Texas Dev. Corp. (4B)	249,678	-	-	-
	\$ 424,542	\$ -	\$ -	\$ -

General Revenues:

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

Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Sanger Industrial Dev. Corp. (4A)	Sanger Texas Dev. Corp. (4B)
\$ (499,892)	\$ -	\$ (499,892)	\$ -	\$ -
(2,003,608)	-	(2,003,608)	-	-
(1,542,259)	-	(1,542,259)	-	-
(746,523)	-	(746,523)	-	-
131,624	-	131,624	-	-
<u>(4,660,658)</u>	<u>-</u>	<u>(4,660,658)</u>	<u>-</u>	<u>-</u>
-	773,651	773,651	-	-
-	1,335,714	1,335,714	-	-
-	191,889	191,889	-	-
-	(66)	(66)	-	-
-	(516,071)	(516,071)	-	-
-	1,785,117	1,785,117	-	-
<u>(4,660,658)</u>	<u>1,785,117</u>	<u>(2,875,541)</u>	<u>-</u>	<u>-</u>
			(174,864)	-
			-	(249,678)
			<u>(174,864)</u>	<u>(249,678)</u>
4,784,777	-	4,784,777	-	-
1,104,525	-	1,104,525	549,145	549,145
291,554	-	291,554	-	-
20,786	389,530	410,316	3,289	5,178
468,123	-	468,123	30,000	-
75,330	-	75,330	-	-
1,133,804	(1,133,804)	-	-	-
<u>7,878,899</u>	<u>(744,274)</u>	<u>7,134,625</u>	<u>582,434</u>	<u>554,323</u>
3,218,241	1,040,843	4,259,084	407,570	304,645
23,373,695	21,015,092	44,388,787	1,930,374	1,230,487
<u>\$ 26,591,936</u>	<u>\$ 22,055,935</u>	<u>\$ 48,647,871</u>	<u>\$ 2,337,944</u>	<u>\$ 1,535,132</u>

City of Sanger, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2020

	General	Capital Projects Fund	Nonmajor Debt Service
<u>Assets</u>			
Cash and cash equivalents	\$ 8,267,203	\$ 1,997,068	\$ 475,812
Investments	546,175	-	-
Receivables, net	551,479	-	13,609
Due from component unit	134,816	-	-
Total Assets	\$ 9,499,673	\$ 1,997,068	\$ 489,421
<u>Liabilities</u>			
Accounts payable and accrued liabilities	\$ 727,393	\$ -	\$ -
Due to other funds	72,638	-	-
Total Liabilities	800,031	-	-
<u>Deferred Inflows of Resources</u>			
Unavailable revenue			
Property taxes	49,826	-	13,135
EMS revenue	116,968	-	-
Total Deferred Inflows of Resources	166,794	-	13,135
<u>Fund Balances</u>			
Restricted for:			
Municipal court	11,469	-	-
Tourism	59,175	-	-
Library	104,602	-	-
Public safety	81,934	-	-
Debt service	-	-	476,286
Capital projects	-	-	-
Parks	11,087	-	-
Roadway impact fees	882,093	-	-
Committed for:			
Capital projects	-	1,997,068	-
Employee benefits	41,226	-	-
Unassigned reported in:			
General fund	7,341,262	-	-
Total Fund Balances	8,532,848	1,997,068	476,286
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 9,499,673	\$ 1,997,068	\$ 489,421

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 10,740,083
546,175
565,088
134,816

\$ 11,986,162

\$ 727,393
72,638

800,031

62,961
116,968

179,929

11,469
59,175
104,602
81,934
476,286
-
11,087
882,093

1,997,068
41,226

7,341,262

11,006,202

\$ 11,986,162

(This page intentionally left blank.)

City of Sanger, Texas

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

September 30, 2020

Fund Balances - Total Governmental Funds	\$ 11,006,202
Adjustments for the Statement of Net Position:	
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	
Capital assets - non-depreciable	1,044,933
Capital assets - net depreciable	17,900,574
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Property tax receivable	62,961
EMS receivable	116,968
Deferred outflows (inflows) of resources, represent a consumption (acquisition) of net position that applies to a future period(s) and is not recognized as an outflow (inflow) of resources (expense/ expenditure) (revenue) until then.	
Deferred charge on refunding	4,787
Pension contributions	146,798
OPEB contributions	357
Pension outflows	107,731
Pension inflows	(174,041)
OPEB outflows	10,391
OPEB inflows	(5,587)
Internal service funds are used by management to charge the cost of internal services to individual funds. The assets and liabilities of the internal service funds	
Net position - governmental activities	(74,254)
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Accrued interest	(15,663)
Compensated absences	(174,788)
Bond premium	(128,072)
Net pension liability	(606,903)
OPEB liability	(72,707)
Non-current liabilities due in one year	(694,979)
Non-current liabilities due in more than one year	(1,862,772)
Net Position of Governmental Activities	\$ 26,591,936

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, 2020

	General	Capital Projects Fund	Nonmajor Debt Service
Revenues			
Property tax	\$ 4,153,342	\$ -	\$ 614,820
Sales tax	1,104,525	-	-
Franchise and local taxes	291,554	-	-
License and permits	451,839	-	-
Charges for services	1,008,380	-	-
Fire and rescue	648,038	-	-
Contributions and donations	2,600	-	-
Intergovernmental	481,408	7,292	212,500
Fines and forfeitures	72,661	-	-
Investment income	19,798	-	988
Other revenue	458,600	-	-
Total Revenues	8,692,745	7,292	828,308
Expenditures			
Current:			
General government	2,154,048	-	1,250
Police department	1,424,522	-	-
Municipal court	174,044	-	-
Fire and EMS	1,332,950	-	-
Parks and recreation	468,306	-	-
Public works	999,827	-	-
Debt service:			
Principal	43,772	-	664,800
Interest	7,763	-	110,618
Capital outlay	163,953	737,625	-
Total Expenditures	6,769,185	737,625	776,668
Excess of Revenues Over (Under) Expenditures	1,923,560	(730,333)	51,640
Other Financing Sources (Uses)			
Transfers in	761,657	1,098,682	-
Transfers (out)	(675,000)	-	(51,535)
Proceeds from sale of capital assets	9,523	-	-
Insurance recoveries	75,330	-	-
Total Other Financing Sources (Uses)	171,510	1,098,682	(51,535)
Net Change in Fund Balances	2,095,070	368,349	105
Beginning fund balances	6,437,778	1,628,719	476,181
Ending Fund Balances	\$ 8,532,848	\$ 1,997,068	\$ 476,286

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$	4,768,162
	1,104,525
	291,554
	451,839
	1,008,380
	648,038
	2,600
	701,200
	72,661
	20,786
	458,600
	<hr/>
	9,528,345
	<hr/>

2,155,298
1,424,522
174,044
1,332,950
468,306
999,827

708,572
118,381
901,578
<hr/>
8,283,478
<hr/>
1,244,867

1,860,339
(726,535)
9,523
75,330
<hr/>
1,218,657
<hr/>
2,463,524
8,542,678
<hr/>
\$ 11,006,202
<hr/> <hr/>

(This page intentionally left blank.)

City of Sanger, Texas

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

For the Year Ended September 30, 2020

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

Net changes in fund balances - total governmental funds	\$ 2,463,524
---	--------------

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	1,305,826
Depreciation expense	(1,263,448)

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

EMS receivable	16,615
----------------	--------

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	4,286
Accrued interest	4,013
Pension expense	(29,446)
OPEB expense	(4,778)

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities.

This amount is the net effect of these differences in the treatment of long-term debt and related items.

Deferred charges on refunding	(7,250)
Principal payments	708,572
Amortization of bond premium	40,742

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

(20,415)

Change in Net Position of Governmental Activities	\$ 3,218,241
--	---------------------

See Notes to Financial Statements.

City of Sanger, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
PROPRIETARY FUND
September 30, 2020

	Water, Sewer & Electric	Governmental Activities Internal Service
<u>Assets</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 8,032,637	\$ 193,335
Restricted cash	2,540,582	-
Investments	725,385	-
Receivables, net	1,322,782	-
Inventory	473,150	-
Due from other funds	72,638	-
Total Current Assets	13,167,174	193,335
<u>Noncurrent Assets</u>		
Deposit for capital assets	464,064	-
Capital assets:		
Non-depreciable	14,675,601	-
Net depreciable capital assets	15,327,013	117,617
Total Noncurrent Assets	30,466,678	117,617
Total Assets	43,633,852	310,952
<u>Deferred Outflows of Resources</u>		
Deferred charge on refunding	8,252	-
Pension outflows	105,772	98,892
OPEB outflows	4,494	4,299
Total Deferred Outflows of Resources	118,518	103,191

City of Sanger, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
PROPRIETARY FUND
September 30, 2020

	Water, Sewer & Electric	Governmental Activities Internal Service
<u>Liabilities</u>		
<u>Current Liabilities</u>		
Accounts payable and accrued liabilities	991,742	120,785
Accrued interest	234,956	-
Customer deposits	508,333	-
Compensated absences - current	95,212	29,588
Bonds and capital leases payable - current	885,200	-
Total Current Liabilities	2,715,443	150,373
<u>Noncurrent Liabilities</u>		
Compensated absences - noncurrent	10,579	3,287
Net pension liability	252,203	235,799
OPEB liability	30,406	29,083
Bonds and capital leases payable - noncurrent	18,613,144	-
Total Liabilities	21,621,775	418,542
<u>Deferred Inflows of Resources</u>		
OPEB inflows	2,336	2,235
Pension inflows	72,324	67,620
Total Deferred Inflows of Resources	74,660	69,855
<u>Net Position</u>		
Net investment in capital assets	10,230,683	117,617
Unrestricted	11,825,252	(191,871)
Total Net Position	\$ 22,055,935	\$ (74,254)

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, 2020

	Water, Sewer & Electric	Governmental Activities Internal Service
<u>Operating Revenues</u>		
Charges for services	\$ 11,159,866	\$ 2,089,244
Connection fees	70,720	-
Tap fees	1,028,800	-
Other revenue	141,035	-
Total Operating Revenues	12,400,421	2,089,244
<u>Operating Expenses</u>		
Salaries and wages	2,143,514	1,306,439
Contracted services	563,298	494,537
Utilities	351,885	96,545
Materials and supplies	139,347	90,025
Water and electric purchases	5,208,867	-
Repairs and maintenance	538,674	111,044
Depreciation	1,026,876	10,290
Total Operating Expenses	9,972,461	2,108,880
Operating Income (Loss)	2,427,960	(19,636)
<u>Nonoperating Revenues (Expenses)</u>		
Investment income	389,530	-
Interest expense	(642,843)	(779)
Total Nonoperating Revenues (Expenses)	(253,313)	(779)
Income (Loss) Before Transfers	2,174,647	(20,415)
Transfers (out)	(1,133,804)	-
Change in Net Position	1,040,843	(20,415)
Beginning net position	21,015,092	(53,839)
Ending Net Position	\$ 22,055,935	\$ (74,254)

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, 2020

	Water, Sewer & Electric	Governmental Activities Internal Service
<u>Cash Flows from Operating Activities</u>		
Receipts from customers	\$ 12,710,868	\$ -
Receipts from interfund charges for administrative services	-	2,089,244
Payments to suppliers	(7,377,183)	(767,900)
Payments to employees	(2,149,731)	(1,267,279)
Receipts from other funds	18,622	-
Net Cash Provided by (Used) by Operating Activities	3,202,576	54,065
<u>Cash Flows from Noncapital Financing Activities</u>		
Operating transfers (out)	(1,133,804)	-
Net Cash Provided by (Used) by Noncapital Financing Activities	(1,133,804)	-
<u>Cash Flows from Capital and Related Financing Activities</u>		
Capital purchases	(1,756,970)	(81,867)
Deposit payment for capital assets purchase	(464,064)	-
Principal paid on debt	(830,200)	-
Interest paid on debt	(744,658)	(779)
Net Cash (Used) by Capital and Related Financing Activities	(3,795,892)	(82,646)
<u>Cash Flows from Investing Activities</u>		
Purchases of investments, net	(2,859)	-
Interest on investments	389,530	-
Net Cash Provided by Investing Activities	386,671	-
Net Increase (Decrease) in Cash and Cash Equivalents	(1,340,449)	(28,581)
Beginning cash and cash equivalents	11,913,668	221,916
Ending Cash and Cash Equivalents	\$ 10,573,219	\$ 193,335

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, 2020

	Water, Sewer & Electric	Governmental Activities Internal Service
<u>Reconciliation of Operating Income</u>		
<u>to Net Cash Provided by Operating Activities</u>		
Operating Income / (Loss)	\$ 2,427,960	\$ (19,636)
Adjustments to reconcile operating income / (loss) to net cash provided / (used):		
Depreciation	1,026,876	10,290
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Accounts receivable	244,200	-
Inventory	(23,000)	-
Due from/to other funds	18,622	-
Deferred outflows of resources - pension contributions	56,739	47,841
Deferred outflows of resources - OPEB contributions	71	62
Other deferred outflows of resources - pensions	13,610	1,744
Deferred inflows of resources - pensions	72,324	67,620
Other deferred outflows of resources - OPEB	(4,494)	(4,299)
Deferred inflows of resources - OPEB	466	633
Increase (Decrease) in:		
Accounts payable and accrued liabilities	(552,112)	24,251
Compensated absences	(27,086)	(1,050)
Customer deposits	66,247	-
Net pension liability	(124,723)	(82,015)
OPEB liability	6,876	8,624
Net Cash Provided (Used) by Operating Activities	\$ 3,202,576	\$ 54,065

See Notes to Financial Statements.

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting Entity

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

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The Sanger Industrial Development Corporation (“4A fund”) and the Sanger Texas Development Corporation (“4B fund”), although legally separate, are considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

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

City of Sanger, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2020

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

Discretely Presented Component Units

Sanger Industrial Development Corporation (4A)

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

Sanger Texas Development Corporation (4B)

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

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

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

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

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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

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

The government reports the following major governmental funds:

Governmental Funds

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

General Fund

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

Capital Projects Fund

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

The government reports the following nonmajor governmental fund:

Debt Service Fund

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

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB) and all financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the City accounts for its enterprise funds as presented by GASB. The proprietary fund types used by the City include enterprise funds.

The government reports the following major enterprise fund:

Water, Sewer, & Electric Fund

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

Additionally, the government reports the following fund type:

Internal Service Fund

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

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the

City of Sanger, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2020

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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

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

2. Fair Value

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

3. Receivables and Interfund Transactions

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

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

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

4. Property Taxes

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

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Penalties are calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 at the rate of 1% per month up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

5. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the average cost method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

City of Sanger, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2020

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.

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

7. Deferred Outflows/Inflows of Resources

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

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

8. Net Position Flow Assumption

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

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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

9. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the City Manager to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

11. Compensated Absences

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

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

12. Long-Term Obligations

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

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

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

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

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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

13. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

14. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

15. Other Postemployment Benefits ("OPEB")

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary, calculated based on the employee's actual earnings on which TMRS deposits are made, for the 12-month

City of Sanger, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2020

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

The appropriated budget is prepared by fund, function, and department. The legal level of control is the fund level. No funds can be transferred or added to a

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

budgeted item without Council approval. Appropriations lapse at the end of the year. Budget amendments were only re-classes at the function level and below and there was no increase in budgeted revenues or expenses by function from amendments.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2020, the primary government had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Average Maturity (Years)</u>
Certificates of deposit	\$ 1,271,560	0.48
Total fair value	<u>\$ 1,271,560</u>	
Portfolio weighted average maturity		0.48

As of September 30, 2020, the 4A Component Unit had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Average Maturity (Years)</u>
Certificates of deposit	\$ 95,660	0.50
Total fair value	<u>\$ 95,660</u>	
Portfolio weighted average maturity		0.50

As of September 30, 2020, the 4B Component Unit had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Average Maturity (Years)</u>
Certificates of deposit	\$ 283,601	0.47
Total fair value	<u>\$ 283,601</u>	
Portfolio weighted average maturity		0.47

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

City of Sanger, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2020

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, 2020, 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	Debt Service	Water, Sewer & Electric	Total
Property taxes	\$ 80,125	\$ 17,888	\$ -	\$ 98,013
Sales tax	192,348	-	-	192,348
Franchise & local taxes	44,065	-	-	44,065
EMS	380,079	-	-	380,079
Accounts	103,560	-	1,427,262	1,530,822
Other	3,923	-	-	3,923
Allowance	(252,621)	(4,279)	(104,480)	(361,380)
	\$ 551,479	\$ 13,609	\$ 1,322,782	\$ 1,887,870

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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

	4A	4B	Total
Sales tax	\$ 96,174	\$ 96,174	\$ 192,348
	\$ 96,174	\$ 96,174	\$ 192,348

C. Inventory

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

Inventory type	Cost
Electric Department	\$ 407,370
Water Department	65,780
Total	\$ 473,150

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

D. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Disposals / Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 1,044,933	\$ -	\$ -	\$ 1,044,933
Construction in progress	6,795,480	31,853	(6,827,333)	-
Total capital assets not being depreciated	<u>7,840,413</u>	<u>31,853</u>	<u>(6,827,333)</u>	<u>1,044,933</u>
Capital assets, being depreciated:				
Infrastructure	12,424,210	820,200	6,799,971	20,044,381
Buildings and improvements	6,827,454	32,526	-	6,859,980
Machinery and equipment	4,159,126	503,114	(6,141)	4,656,099
Total capital assets being depreciated	<u>23,410,790</u>	<u>1,355,840</u>	<u>6,793,830</u>	<u>31,560,460</u>
Less accumulated depreciation				
Infrastructure	6,796,994	655,920	-	7,452,914
Buildings and improvements	2,567,852	294,224	-	2,862,076
Machinery and equipment	2,937,188	323,594	(33,503)	3,227,279
Total accumulated depreciation	<u>12,302,034</u>	<u>1,273,738</u>	<u>(33,503)</u>	<u>13,542,269</u>
Net capital assets being depreciated	<u>11,108,756</u>	<u>82,102</u>	<u>6,827,333</u>	<u>18,018,191</u>
Total Capital Assets	<u>\$ 18,949,169</u>	<u>\$ 113,955</u>	<u>\$ -</u>	<u>\$ 19,063,124</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 80,165
Public safety	112,094
Public works	692,573
Culture and recreation	284,841
Fire and rescue	93,775
Internal service	10,290
Total Governmental Activities Depreciation Expense	<u>\$ 1,273,738</u>

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Disposals / Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 496,867	\$ -	\$ -	\$ 496,867
Construction in progress	13,377,210	939,997	(138,473)	14,178,734
Total capital assets not being depreciated	<u>13,874,077</u>	<u>939,997</u>	<u>(138,473)</u>	<u>14,675,601</u>
Capital assets, being depreciated:				
Infrastructure	30,279,289	808,910	138,473	31,226,672
Buildings and improvements	865,245	-	-	865,245
Machinery and equipment	2,318,516	8,063	(87,703)	2,238,876
Total capital assets being depreciated	<u>33,463,050</u>	<u>816,973</u>	<u>50,770</u>	<u>34,330,793</u>
Less accumulated depreciation				
Infrastructure	15,805,833	859,734	-	16,665,567
Buildings and improvements	575,015	51,855	-	626,870
Machinery and equipment	1,683,759	115,287	(87,703)	1,711,343
Total accumulated depreciation	<u>18,064,607</u>	<u>1,026,876</u>	<u>(87,703)</u>	<u>19,003,780</u>
Net capital assets being depreciated	15,398,443	(209,903)	138,473	15,327,013
Total Capital Assets	<u>\$ 29,272,520</u>	<u>\$ 730,094</u>	<u>\$ -</u>	<u>\$ 30,002,614</u>

Depreciation was charged to business-type activities as follows:

Water	\$ 377,795
Sewer	403,758
Electric	230,994
Other	14,329
Total Business-type Activities Depreciation Expense	<u>\$ 1,026,876</u>

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 1,080,797	\$ -	\$ -	\$ 1,080,797
Furniture and fixtures	40,950	-	-	40,950
Total capital assets being depreciated	<u>1,121,747</u>	<u>-</u>	<u>-</u>	<u>1,121,747</u>
Less accumulated depreciation				
Buildings and improvements	368,096	37,973	-	406,069
Furniture and fixtures	21,661	4,363	-	26,024
Total accumulated depreciation	<u>389,757</u>	<u>42,336</u>	<u>-</u>	<u>432,093</u>
Net capital assets being depreciated	<u>731,990</u>	<u>(42,336)</u>	<u>-</u>	<u>689,654</u>
Total Capital Assets	<u>\$ 731,990</u>	<u>\$ (42,336)</u>	<u>\$ -</u>	<u>\$ 689,654</u>

The 4A Component Unit recognized depreciation expense of \$42,336 during the year ended September 30, 2020.

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

E. Long-term Debt

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Amortization/ Payments</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities:					
Bonds, notes and other payables:					
General Obligation Bonds	\$ 804,500	\$ -	\$ (410,900)	\$ 393,600	\$ 393,600
Certificates of Obligation	2,228,800	-	(253,900)	1,974,900	256,200
Less deferred amounts:					
For issuance premiums	168,814	-	(40,742)	128,072	-
	<u>3,202,114</u>	<u>-</u>	<u>(705,542)</u>	<u>2,496,572</u>	<u>649,800</u>
Other liabilities:					
Capital leases payable	233,023	-	(43,772)	189,251	45,179
Total Governmental Activities	<u>\$ 3,435,137</u>	<u>\$ -</u>	<u>\$ (749,314)</u>	<u>\$ 2,685,823</u>	<u>\$ 694,979</u>
Long-term liabilities due in more than one year				<u>\$ 1,990,844</u>	
Business-Type Activities:					
General Obligation Bonds	\$ 975,500	\$ -	\$ (499,100)	\$ 476,400	\$ 476,400
Certificates of Obligation	18,236,200	-	(331,100)	17,905,100	408,800
Less deferred amounts:					
For issuance premiums	1,219,430	-	(102,586)	1,116,844	-
	<u>20,431,130</u>	<u>-</u>	<u>(932,786)</u>	<u>19,498,344</u>	<u>885,200</u>
Total Business-Type Activities	<u>\$ 20,431,130</u>	<u>\$ -</u>	<u>\$ (932,786)</u>	<u>\$ 19,498,344</u>	<u>\$ 885,200</u>
Long-term liabilities due in more than one year				<u>\$ 18,613,144</u>	

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
General Obligation Bonds:			
\$3,495,000 General Obligation Refunding Bond, Series 2012, due in installments through 2021, interest at 2% to 3%	\$ 145,200	\$ 184,800	\$ 330,000
\$2,535,000 General Obligation Refunding Bond, Series 2016, due in installments through 2021, interest at 2% to 4%	248,400	291,600	540,000
Total General Obligation Bonds	<u>\$ 393,600</u>	<u>\$ 476,400</u>	<u>\$ 870,000</u>
Certificates of Obligation:			
\$1,750,000 Certificates of Obligation, Series 2007, due in annual installments through 2027, interest at 4.4%	\$ 270,300	\$ 524,700	\$ 795,000
\$4,260,000 Certificates of Obligation, Series 2013, due in annual installments through 2033, interest at 2% to 3.7%	369,600	2,710,400	3,080,000
\$5,870,000 Certificates of Obligation, Series 2015, due in annual installments through 2035, interest at 3.4% to 5.5%	-	5,430,000	5,430,000
\$9,240,000 Certificates of Obligation, Series 2017, due in annual installments through 2035, interest at 3% to 4%	-	9,240,000	9,240,000
\$1,535,000 Certificates of Obligation, Series 2019, due in annual installments through 2026, interest at 3% to 4.75%	1,335,000	-	1,335,000
Total Certificates of Obligation	<u>\$ 1,974,900</u>	<u>\$ 17,905,100</u>	<u>\$ 19,880,000</u>
Plus deferred amounts:			
Issuance premium	\$ 128,072	\$ 1,116,844	\$ 1,244,916
Total Deferred Amounts	<u>\$ 128,072</u>	<u>\$ 1,116,844</u>	<u>\$ 1,244,916</u>
Capital Leases Payable:			
\$435,000 Capital lease payable to financial institution, due in annual installments of \$51,535 through 2024, interest at 3.346%	\$ 189,251	\$ -	\$ 189,251
Total Capital Leases Payable	<u>\$ 189,251</u>	<u>\$ -</u>	<u>\$ 189,251</u>
Total Long-term Liabilities	<u>\$ 2,685,823</u>	<u>\$ 19,498,344</u>	<u>\$ 22,184,167</u>

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

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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

General Obligation Bonds

Year ending September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 393,600	\$ 13,929	\$ 476,400	\$ 16,746
	<u>\$ 393,600</u>	<u>\$ 13,929</u>	<u>\$ 476,400</u>	<u>\$ 16,746</u>

Combination Tax and Revenue Certificates of Obligations

Year ending September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 256,200	\$ 76,725	\$ 408,800	\$ 694,655
2022	268,500	66,563	616,500	679,742
2023	281,400	55,908	633,600	660,427
2024	287,000	44,743	658,000	640,327
2025	299,300	33,236	675,700	618,519
2026	313,900	20,982	701,100	593,113
2027	71,800	13,024	998,200	566,321
2028	28,800	9,768	1,086,200	526,357
2029	30,600	8,400	1,124,400	482,800
2030	31,800	6,870	1,173,200	436,574
2031	33,600	5,280	1,221,400	387,920
2032	35,400	3,600	1,269,600	337,338
2033	36,600	1,830	1,323,400	284,626
2034	-	-	1,420,000	229,713
2035	-	-	1,475,000	173,656
2036	-	-	1,535,000	115,344
2037	-	-	1,585,000	63,400
	<u>\$ 1,974,900</u>	<u>\$ 346,929</u>	<u>\$ 17,905,100</u>	<u>\$ 7,490,831</u>

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

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Capital Leases

Year ending September 30,	Governmental Activities	
	Principal	Interest
2021	\$ 45,179	\$ 6,357
2022	46,690	4,845
2023	48,252	3,283
2024	49,130	1,668
	\$ 189,251	\$ 16,153

The City has entered into capital lease agreements. The leased property under capital leases is classified as machinery and equipment with a total carrying value as of yearend for governmental activities of \$316,165. This property serves as collateral for the leases. In the event the City were to default on the agreements the lessor has the right to take possession of the property.

F. Other Long-term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 179,074	\$ -	\$ (4,286)	\$ 174,788	\$ 157,309
Compensated Absences in internal service funds	33,925	-	(1,050)	32,875	29,588
Total Governmental Activities	\$ 212,999	\$ -	\$ (5,336)	\$ 207,663	\$ 186,897
Long-term Liabilities Due in More than One Year				\$ 20,766	
Business-Type Activities:					
Compensated Absences	\$ 132,877	\$ -	\$ (27,086)	\$ 105,791	\$ 95,212
Total Business-Type Activities	\$ 132,877	\$ -	\$ (27,086)	\$ 105,791	\$ 95,212
Long-term Liabilities Due in More than One Year				\$ 10,579	

G. Conduit Debt

Before the current year, the City issued notes payable totaling \$230,461,407 for the purpose of assisting with financing needed by not-for-profit organizations to

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

promote their cause. The final maturities on notes payable range from March 2019 through December 2041. The notes are secured by various assets of the borrower. The City has no liability for the notes payable in the event of default by the borrowers. Accordingly, the bonds are not reported as liabilities in the City's financial statements.

H. Deferred Charge on Refunding

Deferred charges resulting from the issuance of the 2012 and 2016 general obligation refunding bonds have been recorded as a deferred outflow of resources and are being amortized to interest expense over the terms of the respective refunded debts. Current year balances for governmental and business-type activities totaled \$4,787 and \$8,252, respectively. Current year amortization expense for governmental and business-type activities totaled \$7,250 and \$12,725, respectively.

I. Interfund Transactions

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

	Transfer In		
Transfer out:	General	Capital Projects	Total
General	\$ -	\$ 675,000	\$ 675,000
Debt Service	51,535	-	51,535
Water, sewer, & electric	710,122	423,682	1,133,804
	\$ 761,657	\$ 1,098,682	\$ 1,860,339

The internal service fund provides administrative services to the general and water, sewer, & electric funds. Below is a summary of the amounts paid from these funds to the internal service fund for the year ended September 30, 2020:

	Received by:
Paid by:	Internal Service
General	\$ 626,773
Enterprise	1,462,471
	\$ 2,089,244

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

The compositions of interfund due to/from balances as of the year ended September 30, 2020 were as follows:

<u>Payable fund:</u>	<u>Receivable fund:</u>
	Enterprise
General	\$ 72,638
	<u>\$ 72,638</u>

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

J. Fund Equity

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

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

	<u>Restricted</u>	<u>Committed</u>
Municipal court	\$ 11,469 *	\$ -
Tourism	59,175 *	-
Library	104,602 **	-
Public safety	81,934 *	-
Debt service	476,286	-
Capital projects	-	1,997,068
Parks	11,087	-
Streets	882,093	-
Employee benefits	-	41,226
	<u>\$ 1,626,646</u>	<u>\$ 2,038,294</u>

* Restricted by enabling legislation

** Restricted by donor

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

V. OTHER INFORMATION

A. Risk Management

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

B. Contingent Liabilities

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

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

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

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

C. Construction commitments

The government has active construction projects as of September 30, 2020. 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
McReynolds Road Reconstruction	Pacheco Koch, LLC	\$ 4,675
McReynolds Road Reconstruction	HRM Land Acquisition	397
	Project Total	5,072
Server Consolidation	Austin Lane Technology	4,750
2019-2020 Street Rehabilitation	Reynolds Asphalt	126,156
2019-2020 Street Rehabilitation	Martinez Brothers	21,917
	Project Total	148,073
FM 455 Relocation of Utilities	Dannenbaum Engineering	9,927
Acker GST Rehabilitation	Maguire Iron	84,397
Cowling GST Rehabilitation	Maguire Iron	69,668
New Sewer Plant	Alan Plummer Associates	28,145
New Sewer Plant	Felix Construction	218,239
New Sewer Plant	Anixter Inc.	285
	Project Total	246,669
Sewer 455/Lois	D&S Engineering	4,630
Sewer 455/Lois	Dickerson Construction	4,100
	Project Total	8,730
Railroad Lift Station	Perkins Engineering	9,332
Railroad Lift Station	Alan Plummer Associates	135,850
	Project Total	145,182
	Total	\$ 722,468

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

D. Arbitrage

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

E. Defined Benefit Pension Plans

1. Plan Description

The City of Sanger, Texas participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

2. Benefits Provided

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

City of Sanger, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2020

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

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

Plan provisions for the City were as follows:

	<u>Plan Year 2019</u>	<u>Plan Year 2018</u>
Employee deposit rate	6.0%	6.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	0% of CPI	0% of CPI

Employees covered by benefit terms

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	22
Inactive employees entitled to but not yet receiving benefits	27
Active employees	66
Total	115

3. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Sanger were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Sanger were 7.91% and 8.16% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020, were \$341,109, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

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

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

City of Sanger, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2020

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

Discount Rate:

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/18	\$ 10,447,793	\$ 8,820,203	\$ 1,627,590
Changes for the year:			
Service Cost	498,768	-	498,768
Interest (on the Total Pension Liab.)	709,455	-	709,455
Difference between expected and actual experience	89,057	-	89,057
Changes of assumptions	92,583	-	92,583
Contributions – employer	-	321,275	(321,275)
Contributions – employee	-	243,698	(243,698)
Net investment income	-	1,365,511	(1,365,511)
Benefit payments, including refunds of emp. contributions	(373,476)	(373,476)	-
Administrative expense	-	(7,705)	7,705
Other changes	-	(231)	231
Net changes	1,016,387	1,549,072	(532,685)
Balance at 12/31/19	\$ 11,464,180	\$ 10,369,275	\$ 1,094,905

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

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

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 2,842,849	\$ 1,094,905	\$ (338,960)

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Pension Plan Fiduciary Net Position:

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

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

For the year ended September 30, 2020, the City recognized pension expense of \$423,988.

At September 30, 2020, the City reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Difference between projected and investment earnings	\$ -	\$ (313,985)
Changes in actuarial assumptions	85,742	-
Differences between expected and actual economic experience	108,615	-
Contributions subsequent to the measurement date	264,836	-
Total	<u>\$ 459,193</u>	<u>\$ (313,985)</u>

The City reported \$264,836 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2021.

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

Year ended December 31:

2020	\$ (47,142)
2021	(46,477)
2022	67,892
2023	(111,578)
2024	17,677
Thereafter	-
	<u>\$ (119,628)</u>

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

F. Postemployment Benefits Other Than Pensions

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

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

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

Employees covered by benefit terms

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	7
Active employees	66
Total	86

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

The City's retiree contribution rates to the TMRS SDBF for the years ended 2020, 2019 and 2018 are as follows:

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2018	0.01%	0.01%	100.0%
2019	0.01%	0.01%	100.0%
2020	0.02%	0.02%	100.0%

The City's contributions to the TMRS SDBF for the years ended 2020, 2019, and 2018 were \$746, \$406 and \$371, respectively, which equaled the required contributions each year.

Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2019, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 10.5%, including inflation per year
Discount rate	2.75%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on

City of Sanger, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2020

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

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 2.75%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.75%, as well as what the City's total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

1% Decrease (1.75%)	Current Single Rate Assumption 2.75%	1% Increase (3.75%)
<u>\$ 161,706</u>	<u>\$ 132,196</u>	<u>\$ 108,958</u>

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/18	\$ 102,299
Changes for the year:	
Service Cost	8,529
Interest	3,938
Change in benefit terms	-
Difference between expected and actual experience	(3,932)
Changes of assumptions	22,174
Benefit payments	(812)
Net changes	29,897
Balance at 12/31/19	\$ 132,196

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$13,843.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	(10,158)
Changes in assumptions	18,893	-
Contributions subsequent to measurement date	648	-
Total	\$ 19,541	\$ (10,158)

The City reported \$648 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2021.

City of Sanger, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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

Year ended December 31:	
2020	\$ 1,376
2021	1,376
2022	1,376
2023	1,376
2024	590
Thereafter	2,641
	<u>\$ 8,735</u>

G. Subsequent Events

There were no material subsequent events through January 13, 2021, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

City of Sanger, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL- GENERAL FUND (Page 1 of 2)

For the Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues</u>				
Property tax	\$ 4,065,250	\$ 4,065,250	\$ 4,153,342	\$ 88,092
Sales tax	905,800	905,800	1,104,525	198,725
Franchise and local taxes	253,100	253,100	291,554	38,454
License and permits	343,070	343,070	451,839	108,769
Charges for services	1,046,132	1,046,132	1,008,380	(37,752)
Fire and rescue	724,329	724,329	648,038	(76,291)
Contributions and donations	-	-	2,600	2,600
Intergovernmental	-	-	481,408	481,408
Fines and forfeitures	95,526	95,526	72,661	(22,865)
Investment income	4,000	4,000	19,798	15,798
Other revenue	77,500	77,500	458,600	381,100
Total Revenues	7,514,707	7,514,707	8,692,745	1,178,038
<u>Expenditures</u>				
Current:				
General government	2,009,667	2,009,667	2,154,048	(144,381)
Police department	1,622,005	1,618,145	1,424,522	193,623
Municipal court	197,494	197,494	174,044	23,450
Fire and EMS	1,574,356	1,574,356	1,332,950	241,406
Parks and recreation	519,192	519,192	468,306	50,886
Public works	1,082,115	1,085,975	999,827	86,148
Debt service:				
Principal	43,716	43,716	43,772	(56)
Interest	7,819	7,819	7,763	56
Capital outlay	545,000	545,000	163,953	381,047
Total Expenditures	7,601,364	7,601,364	6,769,185	832,179
Revenues Over (Under) Expenditures	\$ (86,657)	\$ (86,657)	\$ 1,923,560	\$ 2,010,217

City of Sanger, Texas

*SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL- GENERAL FUND (Page 2 of 2)
For the Year Ended September 30, 2020*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Other Financing Sources (Uses)</u>				
Transfers in	\$ 761,657	\$ 761,657	\$ 761,657	\$ -
Transfers (out)	(675,000)	(675,000)	(675,000)	-
Proceeds from sale of capital assets	-	-	9,523	9,523
Insurance recoveries	-	-	75,330	75,330
Total Other Financing Sources (Uses)	86,657	86,657	171,510	84,853
Net Change in Fund Balance	\$ -	\$ -	2,095,070	\$ 2,095,070
Beginning fund balance			6,437,778	
Ending Fund Balance			\$ 8,532,848	

Notes to Required Supplementary Information

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

City of Sanger, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Years ended December 31,

	2019	2018	2017	2016
Total pension liability				
Service cost	\$ 498,768	\$ 462,521	\$ 438,324	\$ 408,943
Interest (on the Total Pension Liability)	709,455	648,013	590,632	545,333
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	89,057	93,857	38,794	(78,516)
Changes of assumptions	92,583	-	-	-
Benefit payments, including refunds of participant contributions	(373,476)	(251,071)	(208,451)	(230,245)
Net change in total pension liability	1,016,387	953,320	859,299	645,515
Total pension liability - beginning	10,447,793	9,494,473	8,635,174	7,989,659
Total pension liability - ending (a)	\$ 11,464,180	\$ 10,447,793	\$ 9,494,473	\$ 8,635,174
Plan fiduciary net position				
Contributions - employer	\$ 321,275	\$ 294,606	\$ 276,169	\$ 240,177
Contributions - members	243,698	226,912	217,171	202,113
Net investment income	1,365,511	(264,466)	1,040,205	461,955
Benefit payments, including refunds of participant contributions	(373,476)	(251,071)	(208,451)	(230,245)
Administrative expenses	(7,705)	(5,106)	(5,387)	(5,214)
Other	(231)	(267)	(273)	(281)
Net change in plan fiduciary net position	1,549,072	608	1,319,434	668,505
Plan fiduciary net position - beginning	8,820,203	8,819,595	7,500,161	6,831,656
Plan fiduciary net position - ending (b)	\$ 10,369,275	\$ 8,820,203	\$ 8,819,595	\$ 7,500,161
Fund's net pension liability - ending (a) - (b)	\$ 1,094,905	\$ 1,627,590	\$ 674,878	\$ 1,135,013
Plan fiduciary net position as a percentage of the total pension liability	90.45%	84.42%	92.89%	86.86%
Covered payroll	\$ 4,061,633	\$ 3,781,589	\$ 3,619,524	\$ 3,368,554
Fund's net position as a percentage of covered payroll	26.96%	43.04%	18.65%	33.69%

Notes to schedule:

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

	<u>2015</u>	<u>2014</u>	¹
\$	369,950	\$ 340,004	
	521,853	476,571	
	-	-	
	(89,808)	47,610	
	47,847	-	
	<u>(260,514)</u>	<u>(204,026)</u>	
	589,328	660,159	
	<u>7,400,331</u>	<u>6,740,172</u>	
\$	<u>7,989,659</u>	<u>\$ 7,400,331</u>	
\$	231,097	\$ 211,283	
	195,568	187,821	
	9,831	350,203	
	(260,514)	(204,026)	
	(5,988)	(3,656)	
	<u>(296)</u>	<u>(301)</u>	
	169,698	541,324	
	<u>6,661,957</u>	<u>6,120,633</u>	
\$	<u>6,831,655</u>	<u>\$ 6,661,957</u>	
\$	<u>1,158,004</u>	<u>\$ 738,374</u>	
	85.51%	90.02%	
\$	3,259,471	\$ 3,130,346	
	35.53%	23.59%	

City of Sanger, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Years Ended:

	9/30/2020	9/30/2019	9/30/2018	9/30/2017
Actuarially determined employer contributions	\$ 341,109	\$ 320,019	\$ 287,348	\$ 266,753
Contributions in relation to the actuarially determined contribution	\$ 341,109	\$ 320,019	\$ 287,348	\$ 266,753
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Annual covered payroll	\$ 4,209,793	\$ 4,060,365	\$ 3,706,912	\$ 3,549,724
Employer contributions as a percentage of covered payroll	8.10%	7.88%	7.75%	7.51%

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

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

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

City of Sanger, Texas

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

Years ended December 31,

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

Notes to schedule:

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

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

OTHER SUPPLEMENTARY INFORMATION

City of Sanger, Texas

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS - BY DEPARTMENT

For the Year Ended September 30, 2020

	Water	Sewer	Electric	Fleet Services
<u>Operating Revenues</u>				
Charges for services	\$ 1,962,169	\$ 1,873,852	\$ 7,323,845	\$ -
Connection fees	-	-	70,720	-
Tap fees	437,550	591,250	-	-
Other revenue	-	-	-	-
Total Operating Revenues	2,399,719	2,465,102	7,394,565	-
<u>Operating Expenses</u>				
Salaries and wages	703,183	297,376	1,142,955	-
Contracted services	52,617	40,129	470,552	-
Utilities	154,678	194,263	2,944	-
Materials and supplies	30,338	45,286	63,723	-
Water and electric purchases	103,882	-	5,104,985	-
Repairs and maintenance	203,575	148,576	186,523	-
Depreciation	377,795	403,758	230,994	66
Total Operating Expenses	1,626,068	1,129,388	7,202,676	66
Operating Income (Loss)	773,651	1,335,714	191,889	(66)
<u>Nonoperating Revenues (Expenses)</u>				
Investment income	-	-	-	-
Interest expense	-	-	-	-
Total Nonoperating Revenues (Expenses)	-	-	-	-
Income (Loss) Before Transfers	773,651	1,335,714	191,889	(66)
Transfers (out)	-	-	1,651	-
Change in Net Position	\$ 773,651	\$ 1,335,714	\$ 193,540	\$ (66)

<u>Administration</u>	<u>Total</u>
\$ -	\$ 11,159,866
-	70,720
-	1,028,800
141,035	141,035
<u>141,035</u>	<u>12,400,421</u>
-	2,143,514
-	563,298
-	351,885
-	139,347
-	5,208,867
-	538,674
14,263	1,026,876
<u>14,263</u>	<u>9,972,461</u>
<u>126,772</u>	<u>2,427,960</u>
389,530	389,530
<u>(642,843)</u>	<u>(642,843)</u>
<u>(253,313)</u>	<u>(253,313)</u>
(126,541)	2,174,647
<u>(1,135,455)</u>	<u>(1,133,804)</u>
<u>\$ (1,261,996)</u>	<u>\$ 1,040,843</u>

(This page intentionally left blank.)