

OFFICIAL STATEMENT

Dated: April 8, 2024

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on certain corporations.

THE CERTIFICATES ARE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS**TOWN OF PONDER, TEXAS**

(A municipal corporation and political subdivision of the State of Texas located in Denton County)

\$4,840,000**Combination Tax and Revenue Certificates of Obligation, Series 2024****Dated Date: May 1, 2024****Due: August 15, as shown on page ii**

Interest to accrue from Date of Delivery

The Town of Ponder, Texas (the "Town" or "Issuer") \$4,840,000 Combination Tax and Revenue Certificates of Obligation, Series 2024 (the "Certificates") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, and an ordinance adopted by the Town Council on April 8, 2024 (referred to herein as the "Ordinance"). (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates constitute direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the Town, within the limits prescribed by law, and are further secured by and payable from a pledge of the surplus net revenues, derived from the operation of the Town's combined Waterworks and Sewer System (the "System"). (See "THE CERTIFICATES - Security for Payment" herein.)

Interest on the Certificates will accrue from May 2, 2024 (the "Delivery Date"), will be payable February 15 and August 15 of each year, commencing February 15, 2025, until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully-registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Certificates, within a stated maturity, will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by U.S. Bank Trust Company, National Association, Dallas, Texas, as Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its participating members, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used for (i) street and road improvements and related drainage, signage and lighting; (ii) constructing and improving the Town's water system consisting of a new water well, water lines and pump station expansion; and (iii) paying fees for legal, fiscal, engineering, architectural and other professional services rendered in connection therewith. (See "THE CERTIFICATES – Use of Certificate Proceeds" herein.)

The Town reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2034, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. Additionally, the Certificates maturing on August 15, 2039 are subject to the mandatory sinking fund redemption provisions, as further described herein. (See "THE CERTIFICATES - Redemption" herein.)

MATURITY SCHEDULE

(See Page ii)

The Certificates are offered for delivery when, as and if received by the Underwriter, subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. Certain matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. It is expected that the Certificates will be available for delivery through DTC on or about May 2, 2024.

SAMCO CAPITAL

\$4,840,000
TOWN OF PONDER
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2024
MATURITY SCHEDULE
(Due August 15)
Base CUSIP Number: 732394 ⁽¹⁾

\$4,245,000 Serial Certificates

<u>Stated Maturity (August 15)</u>	<u>Principal Amount</u>	<u>Interest Rate (%)</u>	<u>Initial Yield (%)</u>	<u>CUSIP Suffix⁽¹⁾</u>
2026	\$ 100,000	5.000	3.490	CV1
2027	170,000	5.000	3.260	CW9
2028	180,000	5.000	3.180	CX7
2029	190,000	5.000	3.130	CY5
2030	200,000	5.000	3.100	CZ2
2031	210,000	5.000	3.090	DA6
2032	220,000	5.000	3.120	DB4
2033	230,000	5.000	3.150	DC2
2034 ⁽²⁾	240,000	5.000	3.200 ⁽³⁾	DD0
2035 ⁽²⁾	250,000	5.000	3.310 ⁽³⁾	DE8
2036 ⁽²⁾	265,000	5.000	3.410 ⁽³⁾	DF5
2037 ⁽²⁾	280,000	5.000	3.570 ⁽³⁾	DG3
***	***	***	***	***
2040 ⁽²⁾	315,000	4.000	4.060	DK4
2041 ⁽²⁾	330,000	4.000	4.150	DL2
2042 ⁽²⁾	340,000	4.000	4.170	DM0
2043 ⁽²⁾	355,000	4.000	4.230	DN8
2044 ⁽²⁾	370,000	4.000	4.280	DP3

(Interest to accrue from the Delivery Date)

\$595,000 4.000% Term Certificate due 8/15/2039⁽²⁾, Priced to Yield 4.000%, CUSIP Suffix DJ7⁽¹⁾

(Interest to accrue from the from the Delivery Date)

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the Town, its Financial Advisor nor the Underwriter are responsible for the selection or correctness of the CUSIP numbers set forth herein.

⁽²⁾ The Town reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2034, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. Additionally, the Certificates maturing on August 15, 2039 are subject to the mandatory sinking fund redemption provisions, as further described herein. (See "THE CERTIFICATES - Redemption" herein.)

⁽³⁾ Yield shown to first optional redemption date of August 15, 2033.

TOWN OF PONDER, TEXAS
102 West Bailey Street
Ponder, Texas 76259
(940) 479-2396

ELECTED OFFICIALS

<u>Name</u>	<u>Title</u>	<u>First Elected</u>	<u>Term Expires</u>	<u>Occupation</u>
John Bassler	Mayor	05/2023	05/2025	FAA
Nick McGregor	Council Member, Mayor Pro Tem	05/2021	05/2025	Law Enforcement
Ginger Deussen	Council Member	05/2022	05/2024	Retired
John Estes	Council Member	05/2023	05/2025	Plant Manager
Brandy Couch	Council Member	05/2020	05/2024	Educator
Lael McWilliams	Council Member	05/2021	05/2024	Business Owner

ADMINISTRATION

<u>Name</u>	<u>Position</u>	<u>Years of Service with Town</u>	<u>Total Years of Service</u>
Sheri Clearman	Town Secretary	20	20
Gary Morris	Director of Public Works	32	32

CONSULTANTS AND ADVISORS

Bond Counsel	McCall, Parkhurst & Horton L.L.P. Dallas, Texas
Financial Advisor	Hilltop Securities, Inc. Dallas, Texas
Certified Public Accountants	Hankins, Eastup, Deaton, Tonn & Seay Denton, Texas

For Additional Information Please Contact:

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michael.martin@hilltopsecurities.com

USE OF INFORMATION IN THE 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 state 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.

Certain information set forth herein has been obtained from the Town and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness of such information. 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 Town or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Town's undertaking to provide certain information on a continuing basis.

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

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT INTENDED AS A SUMMARY OF THIS OFFERING. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

NONE OF THE TOWN, ITS FINANCIAL ADVISOR OR THE UNDERWRITER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING DTC OR ITS BOOK-ENTRY-ONLY SYSTEM.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

No dealer, broker, salesman or other person has been authorized by the Town to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Town.

The prices and other terms respecting the offering and sale of the Certificates may be changed from time to time by the Underwriter after such Certificates are released for sale, and the Certificates may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Certificates into investment accounts.

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, the Rule.

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The cover page, subsequent pages hereof and appendices attached hereto, are part of this Official Statement.

SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Certificates to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.

The Issuer	The Town of Ponder, Texas (the "Town" or "Issuer"), is located in Denton County. The Town is a political subdivision of the State of Texas (the "State") and a municipal corporation organized and existing under the laws of the State.
Paying Agent/Registrar	The initial Paying Agent/Registrar is U.S. Bank Trust Company, National Association, Dallas, Texas.
Security	The Certificates constitute direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the Town, within the limits prescribed by law, and are further secured by and payable from a pledge of the surplus net revenues, derived from the operation of the Town's combined Waterworks and Sewer System (the "System"). (See "THE CERTIFICATES – Security for Payment" and "AD VALOREM TAX PROCEDURES – Debt Tax Rate Limitation" herein).
Redemption Provisions	The Certificates maturing on and after August 15, 2034, are subject to redemption prior to their stated maturity at the option of the Town on August 15, 2033, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof within a maturity, at the redemption price of par plus accrued interest. Additionally, the Certificates maturing on August 15, 2039 are subject to the mandatory sinking fund redemption provisions, as further described herein. (See "THE CERTIFICATES – Redemption Provisions" herein.)
Tax Exemption	In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on certain corporations.
Use of Proceeds	Proceeds from the sale of the Certificates will be used for (i) street and road improvements and related drainage, signage and lighting; (ii) constructing and improving the Town's water system consisting of a new water well, water lines and pump station expansion; and (iii) paying fees for legal, fiscal, engineering, architectural and other professional services rendered in connection therewith. (See "THE CERTIFICATES – Use of Certificate Proceeds" herein.)
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company ("DTC"), New York, New York described herein. No physical delivery of the Certificates will be made to the beneficial owners of the Certificates. Such Book-Entry-Only System may affect the method and timing of payments on the Certificates and the manner the Certificates may be transferred. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
Ratings	S&P Global Ratings, a division of S&P Global Inc. ("S&P"), has assigned their credit rating of "AA-" to the Certificates. An explanation of the significance of any rating may be obtained from S&P Global Ratings. (See "OTHER PERTINENT INFORMATION-Ratings" herein.)
Qualified Tax-Exempt Obligations	The Town designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions" herein.)
Payment Record	The Town has not defaulted in repayment of any of its bonded indebtedness.
Delivery	When issued, it is anticipated the Certificates will be available for delivery through DTC on or about May 2, 2024.
Legality	Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion by McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas in substantially the form attached hereto as Appendix C.

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by the Town of Ponder, Texas (the "Town" or "Issuer"), of its \$4,840,000 Combination Tax and Revenue Certificates of Obligation, Series 2024 (the "Certificates").

The Issuer is a political subdivision and a Type A general law municipality of the State of Texas (the "State") and operates under the statutes and the Constitution of the State of Texas. The Certificates are being issued pursuant to the laws of the State of Texas including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended and an ordinance adopted by the Town Council on April 8, 2024 (referred to herein as the "Ordinance"). (See "THE CERTIFICATES - Authority for Issuance" herein.)

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance. Included in this Official Statement are descriptions of the Certificates and certain information about the Issuer and its finances. **ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT.** Copies of such documents may be obtained from the Issuer or the Financial Advisor.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Official Statement will be submitted to the Municipal Securities Rulemaking Board and will be available through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Town's undertaking to provide certain information on a continuing basis.

THE CERTIFICATES

General

The Certificates will be dated May 1, 2024 (the "Dated Date"). The Certificates are stated to mature on August 15 in the years and in the principal amounts set forth on page ii hereof. The Certificates shall bear interest from the Delivery Date on the unpaid principal amounts, and the amount of interest to be paid each payment period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Certificates will be payable on February 15 and August 15 of each year commencing February 15, 2025, until maturity or prior redemption. Interest on the Certificates shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar, initially U.S. Bank Trust Company, National Association, Dallas, Texas, (the "Paying Agent/Registrar") at the close of business on the Record Date (hereinafter defined), and such interest shall 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 of the Certificates will be paid to the registered owner at their stated maturity or upon prior redemption upon presentation to designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Certificates, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. If the date for any payment on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the Town where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the Ordinance.

Security for Payment

The Certificates constitute direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the Town, within the limits prescribed by law, and are further secured by and payable from a pledge of the surplus net revenues, derived from the operation of the Town's combined Waterworks and Sewer System (the "System"). (See "AD VALOREM TAX PROCEDURES" herein).

Tax Rate Limitation

All taxable property within the Town is subject to the assessment, levy, and collection by the Town of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 4 of the Texas Constitution is applicable to the Town, and limits its maximum ad valorem tax rate to \$1.50 per \$100 taxable assessed valuation for all Town purposes. Administratively, the Attorney General of Texas will permit allocation of \$1.00 of the \$1.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% tax collection rate.

Redemption

Optional Redemption: The Certificates maturing on and after August 15, 2034 are subject to redemption prior to their stated maturity at the option of the Town on August 15, 2033, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof (and, if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption: In addition, the Certificates maturing on August 15, 2039 are subject to the mandatory sinking fund redemption provisions, as further described herein by the Paying Agent/Registrar by lot, or by any other customary method that results in a random selection, at a price equal to the principal amount thereof, plus accrued interest to the redemption date, out of moneys available for such purpose in the interest and sinking fund for the Certificates, as set forth in the following schedule:

Term Certificates Maturing August 15, 2039	
Year	Principal Amount
8/15/2038	\$ 290,000
8/15/2039*	305,000

* Stated Maturity

The principal amount of Term Certificates of a stated maturity required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the Issuer, by the principal amount of any Term Certificates of the same maturity which, at least 50 days prior to a mandatory redemption date (1) shall have been acquired by the Issuer at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Issuer at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Notice of Redemption: At least 30 days prior to the date fixed for any such redemption, the Issuer shall cause a written notice of such redemption to be deposited in the United States mail, first class postage prepaid, addressed to each registered owner of a Certificate to be redeemed at the address shown on the registration books of the Paying Agent/Registrar on the business day of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED TO THE REGISTERED OWNERS WILL BE DEEMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE OF THE REGISTERED OWNERS FAIL TO RECEIVE SUCH NOTICE. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates or portions thereof, which are to be so redeemed. If such notice of redemption is given and if due provisions for such payment is made, all as provided above, the Certificates or portions thereof shall be deemed to be redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar from the funds provided for such payment.

The Town reserves the right to give notice of its election or direction to redeem Certificates conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the Town retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the Town delivers a certificate of the Town to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Certificates subject to conditional redemption and such redemption has been rescinded shall remain Outstanding and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the Town to make moneys and or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

The Paying Agent/Registrar and the Town, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Certificates 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, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the Issuer will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates 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 Certificates from the beneficial owners. Any such selection of Certificates to be redeemed will not be governed by the Ordinance and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer 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 Certificates or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Certificates for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Limitation on Transfer or Exchange of Certificates

The Paying Agent/Registrar is not required to transfer or exchange any Certificate during the period commencing with the close of business on any Record Date immediately preceding a principal or interest payment date for such Certificates and ending with the opening of business on the next following such principal or interest payment date.

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used for (i) street and road improvements and related drainage, signage and lighting; (ii) constructing and improving the Town's water system consisting of a new water well, water lines and pump station expansion; and (iii) paying fees for legal, fiscal, engineering, architectural and other professional services rendered in connection therewith.

Payment Record

The Town has never defaulted in repayment of its bonded indebtedness.

Legality

The Certificates are offered when, as and if issued, subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. The form of the legal opinion of Bond Counsel appears in Appendix C attached hereto.

Defeasance

The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent (or other financial institution permitted by applicable law), in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates. Thereafter the Town will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Certificates including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Ordinance provides that "Defeasance Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) 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 are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Certificates. The Town has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the Town moneys in excess of the amount required for such defeasance. The foregoing obligations may be in book entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment of the Certificates.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Certificates have been made as described above, all rights of the Town to take any action amending the terms of the Certificates are extinguished.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described in clauses (a) – (c) in the first paragraph of this section above to be made with amounts deposited to defease the Certificates. Because the Ordinance specifically permits the use of other investments that may be permitted by future law, registered owners are deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law. There is no assurance that the ratings for U.S. Treasury Securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

Amendments to the Ordinance

In the Ordinance, the Town has reserved the right to amend the Ordinance without the consent of any holder for the purpose of amending or supplementing the Ordinance to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely affect the interests of the holders, (iv) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the

Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the Town, do not materially adversely affect the interests of the holders.

The Ordinance further provides that the holders of the Certificates aggregating in principal amount 51% of the outstanding Certificates shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the Town; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Certificates so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Certificates; (ii) reducing the rate of interest borne by any of the outstanding Certificates; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Certificates; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Certificates, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Certificates necessary for consent to such amendment.

Defaults and Remedies

The Ordinance establishes specific events of default with respect to the Certificates. If the Town defaults in the payment of principal or interest on the Certificates when due, or defaults in the observation or performance of any other covenants, conditions, or obligations set for in the Ordinance, the failure to perform which materially, adversely affects the rights of the registered owners of the Certificates, including, but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any registered owner, the registered owners may seek a writ of mandamus to compel Town officials to carry out their legally imposed duties with respect to the Certificates if there is no other available remedy at law to compel performance of the Certificates or Ordinance and the Town’s obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders upon any failure of the Town to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

The Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3rd 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Because it is unclear whether the Texas legislature has effectively waived the City’s sovereign immunity from a suit for money damages, holders may not be able to bring such a suit against the city for breach of the Certificates or Ordinance covenants. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City’s property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates.

Furthermore, the City is 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 ad valorem 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 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 opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and may be limited by general principles of equity which permit the exercise of judicial discretion and by governmental immunity.

Sources and Uses of Funds

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

<u>Sources of Funds</u>	<u>Amount</u>
Par Amount of Certificates:	\$ 4,840,000.00
Net Premium:	246,411.20
Total Sources of Funds	<u>\$ 5,086,411.20</u>
<u>Uses of Funds</u>	
Deposit to Project Fund:	\$ 4,950,000.00
Deposit to Debt Service Fund:	270.66
Costs of Issuance:	96,000.00
Underwriter’s Discount:	40,140.54
Total Uses of Funds	<u>\$ 5,086,411.20</u>

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is U.S. Bank Trust Company, National Association, Dallas, Texas. In the Ordinance, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a national or state banking institution, shall be an association or a corporation organized and doing business under the laws of the United States America or of any state, authorized under such laws to exercise trust powers, shall be subject to supervision or examination by federal or state authority, and shall be authorized by law to serve as a Paying Agent/Registrar. Upon a change in the Paying Agent/Registrar for the Certificates, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates by United States mail, first-class, postage prepaid.

In the event the Book-Entry-Only System should be discontinued, interest on the Certificates will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest will be paid (i) by check sent United States mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Certificates will be paid to the registered owner at the stated maturity or earlier redemption upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Certificates is a Saturday, Sunday, a legal holiday or a day when banking institutions in the Town where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment was due. So long as Cede & Co. is the registered owner of the Certificates, principal, interest and redemption payments on the Certificates will be made as described in "BOOK-ENTRY-ONLY SYSTEM" herein.

Record Date

The record date ("Record Date") for interest payable to the registered owner of a Certificate on any interest payment date means the last day of the month next preceding such interest payment date. (See "Special Record Date for Interest Payment" herein.)

Special Record Date for Interest Payment

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "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 Issuer. 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 five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Certificate appearing on the registration 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.

Registration

The Certificates are initially to be issued utilizing the Book-Entry-Only System of DTC. In the event such Book-Entry-Only System should be discontinued, printed certificates will be delivered and thereafter, the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner not more than three (3) business days after the receipt of the Certificate to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer will be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Certificate surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be initially utilized in regard to ownership and transferability of the Certificates.)

Replacement Certificates

In the Ordinance, provision is made for the replacement of mutilated, destroyed, lost, or stolen Certificates upon surrender of the mutilated Certificates to the Paying Agent/Registrar, or the receipt of satisfactory evidence of destruction, loss, or theft, and the receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

BOOK-ENTRY-ONLY SYSTEM

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

The Issuer and the Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or 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 (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully registered securities registered 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 certificate will be issued for each stated maturity of the Certificates, in the aggregate principal amount of each maturity, and will be deposited with DTC.

DTC, the world's largest 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 certificated securities. 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 rating of "AA+" from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

Principal and interest payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer 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 nor its nominee, the Paying Agent/Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer 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 the Direct and Indirect Participants.

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

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical Certificates will be printed and delivered. (See "REGISTRATION, TRANSFER, AND EXCHANGE" herein.)

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer and the Underwriter believes to be reliable, but neither the Issuer nor the Underwriter takes responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Direct or Indirect Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through

DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

INVESTMENT POLICY

Under State law, the Town is authorized to make investments meeting the requirements of the PFIA, which currently include (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 is 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 Town selects from a list the governing body or designated investment committee of the Town 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 Town 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 Town'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 Town appoints as the Town's custodian of the banking deposits issued for the Town'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 the Public Funds Investment Act (Chapter 2256, Texas Government Code) (the "PFIA") 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 FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for Town deposits, or (ii) certificates of deposits where (a) the funds are invested by the Town 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 Town 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 Town, (b) the broker or the depository institution selected by the Town 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 Town, (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 Town appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the 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 Town with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) above, clause (12) below, require the securities being purchased by the Town or cash held by the Town to be pledged to the Town, held in the Town's name, and deposited at the time the investment is made with the Town or with a third party selected and approved by the Town, 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) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds registered with and regulated by the United States SEC that provide the Town 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 (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and 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 and are pledged to the Town and deposited with the Town or a third party selected and approved by the Town.

The Town 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 "AAA_m" or an equivalent by at least one nationally recognized rating service. The Town 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 Town retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the Town must do so by order, ordinance, or resolution. The Town 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 ten (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.

Political subdivisions such as the Town are authorized to implement 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 (12) through (14) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the Town, held in the Town's name and deposited at the time the investment is made with the Town or a third party designated by the Town; (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.

Under State law, the Town 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 Town 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 PFIA. All Town 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 State law, the Town's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the Town's investment officers must submit an investment report to the Town Council detailing: (1) the investment position of the Town, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the

ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) State law. No person may invest Town funds without express written authority from the Town Council.

Additional Provisions

Under State law, the Town is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt by written instrument a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the Town to disclose the relationship and file a statement with the Texas Ethics Commission and the Town Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the Town to: (a) receive and review the Town's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the Town and the business organization that are not authorized by the Town's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the entity's entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement in a form acceptable to the Town and the business organization attesting to these requirements; (5) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the Town'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 purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the Town'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 Town.

Current Investments

As of February 29, 2024, the Town had investments totaling \$7,979,708.74 (unaudited) held in investment pools and certificates of deposit.

DEFINED BENEFIT PENSION PLAN

The Town of Ponder participates as one of 901 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 does not receive any funding from the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

All eligible employees of the Town are required to participate in TMRS. For more detailed information concerning the benefits provided, contributions and net pension liability in connection with the Defined Benefit Pension Plan, see Appendix D, "Notes to the Basic Financial Statements from the Town's Annual Financial Report", Note 14, Page 47.

SUPPLEMENTAL DEATH BENEFITS FUND

The Town also participates in a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage (Supplemental Death Benefits) for their active members, including or not including retirees.

The Town contributes to the SDBF program at a contractually required rate. An annual actuarial valuation is performed, and the contractual rate is equal to the cost of providing one-year term life insurance. The premium rate is expressed as a percentage of the covered payroll of members employed by the participating employer. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The SDBF program is voluntary and employers can cease participation by adopting an ordinance before November 1 of any year to be effective the following January 1. Therefore, the funding policy of the program is to ensure that adequate resources are available to meet all insurance benefit payments for the upcoming year. It is not the intent of the funding policy to pre-fund retiree term life insurance during employees' entire careers. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75. For more detailed information concerning the other post-employment benefits, see Appendix D, "Notes to the Basic Financial Statements from the Town's Annual Financial Report", Note 15, Page 51.

AD VALOREM TAX PROCEDURES

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. Prospective investors are encouraged to review 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 (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the Town is the responsibility of the Denton Central Appraisal District (the "Appraisal District"). Except as generally 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"). See "APPENDIX A – Financial Information of the Issuer - 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 "APPENDIX A – Financial Information of the Issuer - 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 Town, in establishing their tax rolls and tax rates. See "AD VALOREM TAX PROCEDURES – 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 "APPENDIX A – Financial Information of the Issuer - Table 1" for the reduction, if any, 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 appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (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. The exemption described in (2), above, may be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. See "APPENDIX A – Financial Information of the Issuer - Table 1" for the reduction, 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 "APPENDIX A – Financial Information of the Issuer - Table 1" for the reduction, if any, attributable to the local option freeze 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 and Goods-In-Transit Exemptions

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are 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 taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days (“Goods-in-Transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

See “APPENDIX A – Financial Information of the Issuer - Table 1” for the reduction, if any, attributable to Freeport Property and/or Goods-in-Transit 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 “CITY APPLICATION OF THE 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 “TOWN APPLICATION OF THE PROPERTY TAX CODE” for descriptions of any of the Town’s tax abatement agreements.

For a discussion of how the various exemptions described above are applied by the Town, see “TOWN APPLICATION OF THE PROPERTY TAX CODE” herein.

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the Town, adopting its tax rate for the tax year. A taxing unit, such as the Town, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the

exemption. The temporary exemption amounts established by the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised. There is currently no judicial precedent for how the statute will be applied but Texas Attorney General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

Public Hearing and Maintenance and Operations 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 Town’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 Town must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the Town to the Town 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 Town's ability to set a debt service tax rate in each year sufficient to pay debt service on all the Town's tax-supported debt obligations, including the Certificates.

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 Town is subject to the assessment, levy, and collection by the Town of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 4 of the Texas Constitution is applicable to the Town and limits its maximum ad valorem tax rate to \$1.50 per \$100 taxable assessed valuation for all Town purposes. Administratively, the Attorney General of Texas will permit allocation of \$1.00 of the \$1.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% tax collection rate.

Issuer and Taxpayer Remedies

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$57.2 million for the 2023 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the Town and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "AD VALOREM TAX PROCEDURES – Public Hearing and Maintenance and Operations Tax Rate Limitations"). The Property Tax Code also establishes a procedure for providing 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.

Town's Rights in the Event of Tax Delinquencies

Taxes levied by the Town are a personal obligation of the owner of the property. 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 each taxing unit, including the Town, having power to tax the property. The Town's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the Town is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the Town 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 Town 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, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

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.

Levy and Collection of Taxes

The Town is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the Town. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the Town may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

Penalties and Interest

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

<u>Month</u>	<u>Penalty</u>	<u>Interest</u>	<u>Total</u>
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July ^(a)	12	6	18

^(a) After July, penalty remains at 12% and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, a 20% attorney's collection fee may be added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed.

In general, property subject to the Town's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

TOWN APPLICATION OF THE PROPERTY TAX CODE

The Town grants a local exemption of \$5,000 to the market value of the residence homestead of persons 65 years of age or older and the disabled.

The Town has irrevocably established an ad valorem tax freeze on the residence homesteads of disabled persons and persons 65 years of age and older.

The Town does grant an additional exemption of 20% of the market value of residence homesteads, minimum exemption of \$10,000.

The Town does not tax non-business personal property.

The Town does not permit split payments and discounts are not allowed.

The Town does grant Article VIII, Section 1-j ("freeport property") exemptions.

The Town does not tax Goods in Transit.

The Town has not entered into tax abatement agreements and has/has not adopted criteria therefor, which is a prerequisite to the execution of abatement agreements.

The Town has not created a Tax Increment Reinvestment Zone.

The Town does not collect an additional penalty to defray attorney costs in the collection of delinquent taxes over and above the penalty automatically assessed under the Property Tax Code.

ADDITIONAL TAX COLLECTIONS

The Town has adopted the Municipal Sales and Use Tax Act, Texas, Tax Code, Chapter 321, which grants the Town the power to impose and levy a 1% Local Sales and Use Tax within the Town; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates.

The Town also collects a one-half percent local sales and use tax to be expended for authorized economic development purposes in accordance with Chapters 501, 502 and 504, Texas Local Government Code, as amended.

Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the Town monthly.

The total local sales tax rate for the Town is 8.0000%.

TAX MATTERS

Opinion

On the date of initial delivery of the Certificates, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the Town, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Certificates for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Certificates will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the Town will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates. See Appendix C - Form of Opinion of Bond Counsel.

In rendering its opinion, Bond Counsel to the Town will rely upon (a) the Town's federal tax certificate and (b) covenants of the Town with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Certificates and certain other matters. Failure of the Town to comply with these representations or covenants could cause the interest on the Certificates to become includable in gross income retroactively to the date of issuance of the Certificates.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Certificates in order for interest on the Certificates to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Certificates to be included in gross income retroactively to the date of issuance of the Certificates. The opinion of Bond Counsel to the Town is conditioned on compliance by the Town with the covenants and the requirements described in the preceding paragraph, and Bond Counsel to the Town has not been retained to monitor compliance with these requirements subsequent to the issuance of the Certificates.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Certificates.

A ruling was not sought from the Internal Revenue Service by the Town with respect to the Certificates or the facilities financed or refinanced with the proceeds of the Certificates. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the Town that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Town as the taxpayer and the holders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Certificates may be less than the principal amount thereof or one or more periods for the payment of interest on the Certificates may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Certificates"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Certificate, and (ii) the initial offering price to the public of such Original Issue Discount Certificate would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Certificates less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Certificate in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original

Issue Discount Certificate equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Certificate was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Certificate is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Certificates and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Certificate for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Certificate.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Certificates which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Certificates should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Certificates and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Certificates.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Certificates. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE CERTIFICATES.

Interest on the Certificates may be includable in certain corporation's "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Certificates, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Certificates, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount Certificates" to the extent such gain does not exceed the accrued market discount of such Certificates; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Certificates under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Certificates will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of foreign investors, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Certificates under Federal or state law and could affect the market price or marketability of the Certificates. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Certificates should consult their own tax advisors regarding the foregoing matters.

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by section 265(b) of the Code, section 291 of the Code provides that the allowable deduction to a "bank," as defined in section 585(a) (2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax exempt obligations" shall be reduced by twenty percent (20%) as a "financial institution preference item."

In the Ordinance, the Town designates the Certificates as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code and, in furtherance of that designation, the Town covenants to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Certificates as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the Certificates would not be "qualified tax-exempt."**

LEGAL MATTERS

The Town will furnish to the Underwriters a complete transcript of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Certificates are valid and legally binding obligations of the Town, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel. A form of such opinion is attached hereto as Appendix C.

The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provisions made for their payment or security, or in any manner questioning the validity of said Certificates, will also be furnished. In connection with the issuance of the Certificates, Bond Counsel has been engaged by and only represents the Town. Though it may represent the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the Town in the issuance of the Certificates. Except as noted below, Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under the captions or subcaptions "THE CERTIFICATES" (except under the subcaptions "Payment Record", "Default and Remedies" and "Sources and Uses of Funds"), "REGISTRATION, TRANSFER AND EXCHANGE", "LEGAL MATTERS" (excluding the last two sentences of the second paragraph thereof), "TAX MATTERS", "OTHER PERTINENT INFORMATION- Registration and Qualification of Certificates for Sale" and "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance with Prior Agreements"), and such firm is of the opinion that the information relating to the Certificates and legal matters contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the Ordinance. The legal fee to be paid Bond Counsel for services

rendered in connection with the issuance of the Certificates is contingent upon the sale and delivery of the Certificates. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. The legal fee of such firm is contingent upon the sale and delivery of the Certificates.

The various legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinion as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The Town will provide certain updated financial information and operating data to the MSRB on an annual basis in an electronic format that is prescribed by the MSRB and available via the EMMA system. The information to be updated includes all quantitative financial information and operating data with respect to the Town of the general type included in this Official Statement under Tables 1, 2, 4 and 9 through 14 [this matches 2022 OS; Hilltop to confirm] in Appendix A and its annual audited financial statements. The Town will update and provide the information in Tables 1, 2, 4 and 9 through 14 in Appendix A within six months after the end of each fiscal year ending in and after 2023. The Town will additionally provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in or after 2023. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the Town will file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix D hereto or such other accounting principles as the Town may be required to employ from time to time pursuant to State law or regulation. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site identified above or filed with the SEC, as permitted by SEC Rule 15c2-12 (the "Rule").

The Town's current fiscal year end is September 30. Accordingly, the Town must provide updated information included in Tables 1, 2, 4 and 9 through 14 in Appendix A by the last day of March in each year, and audited financial statements must be provided by the following September 30 for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) as described above. If the Town changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the Town otherwise would be required to provide financial information and operating data as set forth above.

Notice of Certain Events

The Town will also provide timely notices of certain events to the MSRB. The Town will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Town, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of 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 Town, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Town, 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 Town, any of which reflect financial difficulties. Neither the Certificates nor the Ordinance make any provision for debt service reserves, liquidity enhancement, credit enhancement, or a trustee though there is a paying

agent/registrar. In addition, the Town will provide timely notice of any failure by the Town to provide annual financial information in accordance with their agreement described above under "Annual Reports".

For these purposes, any event described in the immediately preceding clause (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Town 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 Town, 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 Town. For the purposes of the above described event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

Availability of Information

In connection with its continuing disclosure agreements entered into with respect to the Certificates, the Town will file all required information and documentation with the MSRB in electronic format with identifying information in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB at www.emma.msrb.org.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document), if it is available to the public on the MSRB's Internet website or has been filed with the SEC.

Limitations and Amendments

The Town has agreed to update information and to provide notices of events only as described above. The Town 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 Town makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The Town 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 or beneficial owners of Certificates may seek a writ of mandamus to compel the Town to comply with its agreement.

The Town may amend its continuing disclosure agreements 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 Town, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell the Certificates in the primary offering of the Certificates in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Ordinance that authorize such an amendment) of the outstanding Certificates subject to the proposed amendment, as the case may be, consent to such amendment or (b) a person that is unaffiliated with the Town (such as nationally recognized Bond Counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Certificates subject to the proposed amendment. The Town may also amend or repeal the provisions of its continuing disclosure agreements if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If the Town amends its agreements, it must include with the next financial information and operating data provided in accordance with its agreements described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Agreements

During the past five years, the Town has substantially complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

OTHER PERTINENT INFORMATION

Registration and Qualification of Certificates for Sale

The sale of the Certificates has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Certificates have not been qualified under the Securities Act of Texas, as amended in reliance upon various exemptions contained therein, nor have the Certificates been qualified under the securities acts of any jurisdiction. The Town assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This

disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

Litigation

The Town is not a party to any pending or threatened litigation.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Government Code, as amended) provides that the Certificates are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, as amended, and are authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, requires that the Certificates be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER PERTINENT INFORMATION – Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their fair market value. No review has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

No representation is made that the Certificates will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The Town has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Certificates for such purposes.

Ratings

S&P Global Ratings, a division of S&P Global Inc. ("S&P"), has assigned its credit rating of "AA-" to the Certificates. An explanation of the significance of any rating may be obtained from S&P. A rating by S&P reflects only the view of such company at the time the rating is given, and the Issuer 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 them, circumstances so warrant. Any such downward revision or withdrawal of any rating may have an adverse effect on the market price of the Certificates.

Financial Advisor

Hilltop Securities Inc. is employed as a Financial Advisor to the Issuer in connection with the issuance of the Certificates. In this capacity, the Financial Advisor has compiled certain data relating to the Certificates and has assisted in drafting this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Issuer to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for the Financial Advisor are contingent upon the issuance, sale and delivery of the Certificates.

Underwriting

The Underwriter has agreed, subject to certain customary conditions, to purchase the Certificates at a price equal to the initial offering prices to the public, as shown on the inside cover page, less an Underwriter's Discount of \$40,140.54. The Underwriter's obligation is subject to certain conditions precedent, and the Underwriter will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates may be offered and sold to certain dealers and others at prices lower than such public offering prices and such public prices may be changed, from time to time, by the Underwriter.

The Underwriter's obligations are subject to certain conditions precedent, and will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates may be offered and sold to certain dealers, and others at prices lower than such respective public offering prices and such respective public prices may be changed, from time to time, by the Underwriter.

The Underwriter provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

AUDITED FINANCIAL STATEMENTS

Hankins, Eastup, Deaton, Tonn & Seay, the Town's independent auditor, has not reviewed, commented on, or approved, and is not associated with, this Official Statement. Excerpts from the report of Hankins, Eastup, Deaton, Tonn & Seay relating to

Town's financial statements for the fiscal year ended September 30, 2023 are included in this Official Statement in Appendix D; however, Hankins, Eastup, Deaton, Tonn & Seay 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 Town, including without limitation any of the information contained in this Official Statement.

FORWARD-LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, and in any other information provided by the Town, that are not purely historical, are forward-looking statements, including statements regarding the Town'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 Town on the date hereof, and the Town assumes no obligation to update any such forward-looking statements. The Town's actual results could differ materially from those discussed 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 Town. 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 financial data and other information contained in this Official Statement have been obtained from the Town's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinance. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

In the Ordinance, the Town Council authorized (i) the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and (ii) the Underwriter's use of this Official Statement in connection with the public offering and the sale of the Certificates in accordance with the provisions of the Rule.

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APPENDIX A

FINANCIAL INFORMATION OF THE ISSUER

(This appendix contains quantitative financial information and operating data with respect to the Issuer. The information is only a partial representation and does not purport to be complete. For further and more complete information, reference should be made to the original documents, which can be obtained from various sources, as noted.)

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FINANCIAL INFORMATION OF THE TOWN

ASSESSED VALUATION

TABLE 1

2023 Actual Market Value of Taxable Property		\$ 427,257,141
Less:		
Homestead Cap Loss	\$ 30,925,027	
Productivity Loss	16,229,588	
Total Loss	\$ 47,154,615	
Assessed Value	\$ 380,102,526	
Exemptions		
Disabled/Over 65	\$ 6,742,603	
Veterans Exemptions	6,555,906	
Freeport	1,294,215	
Exemptions Other	25,282,709	
Total Exemptions	\$ 39,875,433	
2023 Net Taxable Assessed Valuation		<u>\$ 340,227,093</u>

GENERAL OBLIGATION BONDED DEBT

TABLE 2

General Obligation Debt Principal Outstanding (as of April 8, 2024):		
Outstanding Debt		\$ 12,638,000
The Certificates		4,840,000
Total Gross General Obligation Debt Outstanding:		\$ 17,478,000
Less: Self-Supporting General Obligation Debt (See Table 7)		\$ 11,583,700
Total Net General Obligation Debt Outstanding:		\$ 5,894,300
Ratio of Net General Obligation Debt to 2023 Net Assessed Valuation		1.73%
2023 Net Assessed Valuation		\$ 340,227,093
Population: Current Estimate -	2,856	
Per Capita 2023 Net Assessed Valuation -	\$119,127	
Per Capita Gross General Obligation Debt -	\$6,120	
Per Capita Net General Obligation Debt -	\$2,064	

The Town has no capital leases or notes payable outstanding at this time.

Source: Town of Ponder

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

TABLE 4

Fisc Year 30-Sep	Current Total Debt Service	The Certificates			Combined Debt Service	Less: Self- Supporting Debt ^(a)	Net General Obligation Debt Service
		Principal	Interest	Total			
2024	\$ 1,163,772				\$ 1,163,772	\$ (685,365)	\$ 478,406
2025	1,166,552		\$ 281,594	\$ 281,594	1,448,146	(924,629)	523,517
2026	1,170,276	\$ 100,000	218,950	318,950	1,489,226	(959,317)	529,909
2027	1,166,773	170,000	213,950	383,950	1,550,723	(1,014,586)	536,137
2028	1,163,377	180,000	205,450	385,450	1,548,827	(1,013,912)	534,915
2029	1,168,004	190,000	196,450	386,450	1,554,454	(1,014,560)	539,894
2030	1,166,539	200,000	186,950	386,950	1,553,489	(1,014,612)	538,877
2031	1,167,922	210,000	176,950	386,950	1,554,872	(1,017,520)	537,352
2032	1,163,937	220,000	166,450	386,450	1,550,387	(1,010,067)	540,320
2033	1,168,975	230,000	155,450	385,450	1,554,425	(1,015,517)	538,909
2034	1,008,175	240,000	143,950	383,950	1,392,125	(856,851)	535,274
2035	1,016,750	250,000	131,950	381,950	1,398,700	(855,927)	542,774
2036	628,800	265,000	119,450	384,450	1,013,250	(601,050)	412,200
2037	633,200	280,000	106,200	386,200	1,019,400	(606,800)	412,600
2038	631,600	290,000	92,200	382,200	1,013,800	(601,400)	412,400
2039	279,200	305,000	80,600	385,600	664,800	(607,800)	57,000
2040	275,000	315,000	68,400	383,400	658,400	(603,200)	55,200
2041	275,600	330,000	55,800	385,800	661,400	(603,000)	58,400
2042	275,800	340,000	42,600	382,600	658,400	(602,000)	56,400
2043	275,600	355,000	29,000	384,000	659,600	(600,200)	59,400
2044		370,000	14,800	384,800	384,800	(327,600)	57,200
	<u>\$ 16,965,851</u>	<u>\$ 4,840,000</u>	<u>\$ 2,687,144</u>	<u>\$ 7,527,144</u>	<u>\$ 24,492,995</u>	<u>\$ (16,535,912)</u>	<u>\$ 7,957,083</u>

^(a) See "COMPUTATION OF SELF SUPPORTING DEBT BY SOURCE - TABLE 7".

TAX ADEQUACY (Includes Self-Supporting Debt)**TABLE 5**

2023 Assessed Valuation	\$	340,227,093
Maximum Annual Debt Service Requirements (Fiscal Year Ending 2031) ^(a)	\$	1,554,872
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections	\$	0.466337

^(a) Includes general obligation self-supporting debt. (See "TABLE 7 - COMPUTATIONS OF SELF-SUPPORTING DEBT BY SOURCE"). Note: Above computation is exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

TAX ADEQUACY (Excludes Self-Supporting Debt)**TABLE 6**

2023 Assessed Valuation	\$	340,227,093
Maximum Annual Debt Service Requirements (Fiscal Year Ending 2035) ^(a)	\$	542,774
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections	\$	0.162788

^(a) Excludes general obligation self-supporting debt. (See "TABLE 7 - COMPUTATIONS OF SELF-SUPPORTING DEBT BY SOURCE"). Note: Above computation is exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

COMPUTATION OF SELF-SUPPORTING DEBT BY SOURCE**TABLE 7**

(Following issuance of the Certificates.)

Combination Tax and Revenue Certificates of Obligation, Series 2015		
Gross Balance Outstanding	\$	3,710,000
% of Self Supporting Utility System		67.00%
Balance Supported by Utility System	\$	2,485,700
Combination Tax and Revenue Certificates of Obligation, Series 2018		
Gross Balance Outstanding	\$	3,945,000
% of Self Supporting Utility System		0.00%
Balance Supported by Utility System	\$	-
Combination Tax and Revenue Certificates of Obligation, Series 2018A		
Gross Balance Outstanding	\$	1,283,000
% of Self Supporting Utility System		100.00%
Balance Supported by Utility System	\$	1,283,000
Combination Tax and Revenue Certificates of Obligation, Series 2022		
Gross Balance Outstanding	\$	3,700,000
% of Self Supporting Utility System		100.00%
Balance Supported by Utility System	\$	3,700,000
Combination Tax and Revenue Certificates of Obligation, Series 2024 ("The Certificates")		
Gross Balance Outstanding	\$	4,840,000
% of Self Supporting Utility System		85.02%
Balance Supported by Utility System	\$	4,115,000
Combined Totals:		
Gross Balance Outstanding:	\$	17,478,000
Balance Supported by Utility System:	\$	11,583,700
% Self Supporting from Utility System:		66.28%

COMPUTATION OF UTILITY SYSTEM SELF-SUPPORTING DEBT**TABLE 8**

Total Revenues	\$ 2,288,030
Less: Operating Expenses (excluding depreciation)	<u>(1,272,288)</u>
Net Available Revenue	<u>\$ 1,015,742</u>
Less: 2023 Annual Debt Service Requirements	<u>\$ 693,635</u>
Balance Available for Other Purposes	<u>\$ 322,107</u>

Source: Town of Ponder audited financial statements, September 30, 2023.

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE**TABLE 9**

Fiscal Year Ending 9/30	Outstanding Debt	The Certificates	Total	Bonds Unpaid at End of Year	Percent of Principal Retired (%)
2024	\$ 679,000		\$ 679,000	\$ 16,799,000	3.88%
2025	707,000		707,000	16,092,000	7.93%
2026	737,000	\$ 100,000	837,000	15,255,000	12.72%
2027	761,000	170,000	931,000	14,324,000	18.05%
2028	786,000	180,000	966,000	13,358,000	23.57%
2029	820,000	190,000	1,010,000	12,348,000	29.35%
2030	850,000	200,000	1,050,000	11,298,000	35.36%
2031	884,000	210,000	1,094,000	10,204,000	41.62%
2032	914,000	220,000	1,134,000	9,070,000	48.11%
2033	955,000	230,000	1,185,000	7,885,000	54.89%
2034	830,000	240,000	1,070,000	6,815,000	61.01%
2035	870,000	250,000	1,120,000	5,695,000	67.42%
2036	515,000	265,000	780,000	4,915,000	71.88%
2037	540,000	280,000	820,000	4,095,000	76.57%
2038	560,000	290,000	850,000	3,245,000	81.43%
2039	230,000	305,000	535,000	2,710,000	84.49%
2040	235,000	315,000	550,000	2,160,000	87.64%
2041	245,000	330,000	575,000	1,585,000	90.93%
2042	255,000	340,000	595,000	990,000	94.34%
2043	265,000	355,000	620,000	370,000	97.88%
2044		370,000	370,000		100.00%
	<u>\$ 12,638,000</u>	<u>\$ 4,840,000</u>	<u>\$ 17,478,000</u>		

Tax Year	Net Taxable Assessed Valuation	Change From Preceding Year	
		Amount (\$)	Percent
2019	\$ 197,280,829	\$ 20,117,548	11.36%
2020	202,773,281	5,492,452	2.78%
2021	212,756,416	9,983,135	4.92%
2022	250,210,149	37,453,733	17.60%
2023	340,227,093	90,016,944	35.98%

Source: Denton Central Appraisal District

ASSESSED VALUATION AND EXEMPTION HISTORY

TABLE 11

	Tax Year				
	2023	2022	2021	2020	2019
Total Market Value:	\$ 427,257,141	\$ 300,273,017	\$ 250,514,068	\$ 238,148,346	\$ 228,052,642
Less:					
Homestead Cap Loss	\$ 30,925,027	\$ 10,901,944	\$ 2,901,174	\$ 1,542,259	\$ 4,581,645
Productivity Loss:	16,229,588	9,107,785	7,840,181	8,217,505	8,731,516
Total Loss:	\$ 47,154,615	\$ 20,009,729	\$ 10,741,355	\$ 9,759,764	\$ 13,313,161
Assessed Value	\$ 380,102,526	\$ 280,263,288	\$ 239,772,713	\$ 228,388,582	\$ 214,739,481
Exemptions:					
Disabled/Over 65	\$ 6,742,603	\$ 6,475,000	\$ 6,300,000	\$ 6,150,000	\$ 5,996,364
Veterans Exemptions	6,555,906	3,450,455	2,967,945	3,001,288	2,628,581
Freeport	1,294,215	1,685,459	1,302,414	1,184,906	-
Exemptions Other:	25,282,709	18,442,225	16,445,938	15,279,107	8,833,707
Total Exemptions:	\$ 39,875,433	\$ 30,053,139	\$ 27,016,297	\$ 25,615,301	\$ 17,458,652
Net Taxable Value:	\$ 340,227,093	\$ 250,210,149	\$ 212,756,416	\$ 202,773,281	\$ 197,280,829

Source: Denton County Appraisal District

PRINCIPAL TAXPAYERS 2023

TABLE 12

Name	Type of Business	Assessed Valuation	Valuation
BKV Barnett LLC	Oil & Gas	\$ 24,069,218	7.07%
Syracuse Food Group, LLC	Meat Supplier	4,770,992	1.40%
Ferti Managemen Corp	Manufacturing	4,618,411	1.36%
Atmos Energy/Mid-Tex Pipeline Co	Oil & Gas	3,759,650	1.11%
BNSF Railway Company	Railroad	3,755,620	1.10%
Oncor Electric Delivery Co	Utilities	2,735,320	0.80%
Scott Sandlin Homes LTD	Real Estate	2,118,897	0.62%
Bloomfield Homes LP	Real Estate	2,116,684	0.62%
SFR JV-2 2022-1 Borrower LLC	Oil & Gas	1,977,303	0.58%
Waterwood Properties LTD	Real Estate	1,969,480	0.58%
		<u>\$ 51,891,575</u>	<u>15.25%</u>

Information based on a 2023 Net Taxable Assessed Valuation of \$ 340,227,093

Source: Denton County Appraisal District

PROPERTY TAX RATES AND COLLECTIONS

TABLE 13

Tax Year	Net Taxable Valuation	Tax Rate	Tax Levy	% Collections		Year Ended
				Current	Total	
2019	\$ 197,280,829	\$ 0.6956	\$ 1,262,942	100.99%	101.00%	9/30/2020
2020	202,773,281	0.7027	1,376,605	100.53%	100.53%	9/30/2021
2021	212,756,416	0.6813	1,449,509	110.95%	110.95%	9/30/2022
2022	250,210,149	0.7100	1,689,932	100.10%	100.10%	9/30/2023
2023	340,227,093	0.6650	2,262,510	(in process of collections)		9/30/2024

Source: Denton Central Appraisal District and the Town

TAX RATE DISTRIBUTION

TABLE 14

	2023-24	2022-23	2021-22	2020-21	2019-20
General Fund	\$ 0.52102	\$ 0.50496	\$ 0.43557	\$ 0.44161	\$ 0.42362
I & S Fund	0.14398	0.20504	0.24573	0.26104	0.27199
TOTAL	\$ 0.66500	\$ 0.71000	\$ 0.68130	\$ 0.70265	\$ 0.69561

Source: Denton Central Appraisal District

MUNICIPAL SALES TAX

TABLE 15

Calendar Year	Total Collected	1.00% General Fund	0.50% Economic Development	0.25% Street Maintenance
2019	\$ 273,855	\$ 136,927	\$ 68,464	\$ 34,232
2020	332,702	166,351	83,175	41,588
2021	410,670	205,335	102,667	51,334
2022	570,471	285,235	142,618	71,309
2023	571,689	285,845	142,922	71,461
2024	* 142,909	71,455	35,727	17,864

Source: Town of Ponder.

* Through March 31, 2024

OVERLAPPING DEBT DATA AND INFORMATION

TABLE 16

<u>Taxing Body</u>	<u>As of</u>	<u>Amount</u>	<u>% Overlapping</u>	<u>Amount Overlapping</u>
Denton County	3/31/2024	\$ 624,655,000	0.17%	\$ 1,061,914
Ponder ISD	3/31/2024	69,430,000	23.81%	16,531,283
Total Gross Overlapping Debt				\$ 17,593,197
Town of Ponder	(with this issue)	17,478,000 ⁽¹⁾	100.00%	17,478,000
Total Direct and Overlapping Debt				\$ 35,071,197
Ratio of Direct and Overlapping Debt to 2023 Assessed Valuation				10.31%
Ratio of Direct and Overlapping Debt to 2023 Actual Value				8.21%
Per Capita Direct and Overlapping Debt				\$12,279.83

Note: The above figures show Gross General Obligation Debt for the Town of Ponder, Texas
 The Issuer's Net General Obligation Debt is \$ 5,894,300

Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total Direct and Overlapping Debt	\$ 23,487,497
Ratio of Direct and Overlapping Debt to 2023 Assessed Valuation	6.90%
Ratio of Direct and Overlapping Debt to 2023 Actual Value	5.50%
Per Capita Direct and Overlapping Debt	\$8,223.91

⁽¹⁾ Includes the Certificates. (See "GENERAL OBLIGATION BONDED DEBT" herein.)
 Source: Town of Ponder and Municipal Advisory Council of Texas

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ENTITIES

TABLE 17

<u>Governmental Entity</u>	<u>2023 Valuation</u>	<u>2023 Tax Rate</u>
Denton County	\$ 177,207,954,441	\$ 0.18949
Ponder ISD	1,233,613,389	1.24230

Source: Municipal Advisory Council of Texas - Texas Municipal Report

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT

TABLE 18

None

**GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES
AND ANALYSIS OF CHANGES IN FUND BALANCES**

TABLE 19

	Fiscal Year Ending September 30				
	2023	2022	2021	2020	2019
Fund Balance - Beginning of Year	\$ 1,083,387	\$ 989,962	\$ 537,174	\$ 383,907	\$ 547,964
Revenues:					
Taxes	\$ 1,201,629	\$ 893,576	\$ 854,590	\$ 811,979	\$ 593,343
Franchise Tax	117,654	104,692	105,904	106,588	106,633
Sales Tax	400,539	405,337	286,619	234,505	191,355
Mixed Beverage	-	-	-	-	-
Building Permits and other Fees	294,598	424,659	318,564	155,981	40,470
Interest Income	138,509	8,318	702	9,483	20,206
Court Citations	22,407	9,534	7,617	9,398	20,367
Police Fund	-	-	-	-	-
Library Grants	-	-	-	12,000	11,600
Police Forfeiture Funds	-	-	-	-	-
Parks Grant	-	-	-	-	-
Street Funding - Denton County	-	-	-	-	-
Public Donations/Grants	7,726	11,269	6,077	1,662	1,060
Insurance Proceeds	-	-	-	24,507	-
Gas Lease Bonuses	-	-	-	-	-
Gas Royalties	4,360	7,068	2,510	1,952	2,536
CARES Funds	-	-	-	131,250	-
CLFRF Funds	-	294,083	293,502	-	-
Other	6,510	748	-	-	-
Total Revenues	<u>\$ 2,193,932</u>	<u>\$ 2,159,284</u>	<u>\$ 1,876,085</u>	<u>\$ 1,499,305</u>	<u>\$ 987,570</u>
Expenditures:					
Administration	\$ 551,524	\$ 553,236	\$ 446,273	\$ 444,751	\$ 317,928
Library	44,350	22,111	28,617	36,072	57,151
Municipal Court	9,128	38,941	34,018	38,719	40,362
Public Safety	814,427	644,900	600,102	565,689	509,225
Public Works	374,982	400,788	237,605	233,586	152,870
Debt Service:					
Principal	10,842	10,514	-	8,417	16,806
Interest and Fees	1,420	1,749	-	332	974
Capital Outlay	83,208	403,487	180,191	61,387	55,173
Total Expenditures	<u>\$ 1,889,881</u>	<u>\$ 2,075,726</u>	<u>\$ 1,526,806</u>	<u>\$ 1,388,953</u>	<u>\$ 1,150,489</u>
Excess (Deficit) of Revenues over Expenditures	\$ 304,051	\$ 83,558	\$ 349,279	\$ 110,352	\$ (162,919)
Other Financing Sources (Uses)					
Capital Lease Proceeds	\$ -	\$ -	\$ 55,959	-	-
Transfers from Other Funds	-	10,442	47,550	43,365	-
Transfers to Other Funds	-	(575)	-	(450)	(1,138)
Total	<u>\$ -</u>	<u>\$ 9,867</u>	<u>\$ 103,509</u>	<u>\$ 42,915</u>	<u>\$ (1,138)</u>
Net Change in Fund Balances	\$ 304,051	\$ 93,425	\$ 452,788	\$ 153,267	\$ (164,057)
Fund Balance - End of Year	<u>\$ 1,387,438</u>	<u>\$ 1,083,387</u>	<u>\$ 989,962</u>	<u>\$ 537,174</u>	<u>\$ 383,907</u>

Source: Town of Ponder Audited Financial Statements

REVENUE BOND DEBT SERVICE

TABLE 20

None

REVENUE BONDS AUTHORIZED BUT UNISSUED

TABLE 21

None

FUND BALANCES

TABLE 22

(As of February 29, 2024)

General Operating Fund	\$ 1,318,900
General Obligation Capital Projects Fund	456,751
Revenue Bonds Interest and Sinking Funds	239,749
Water and Sewer Operating Fund	5,563,438
Water and Sewer Capital Projects Fund	1,248,515
Meter (deposits) Fund	84,611
Street Maintenance Fund	511,381
Total	\$ 9,423,345

Source: Town of Ponder. (Unaudited.)

WATER RATES**TABLE 23***(Effective October 2023)*

Residential Rates		
	<u>Inside Town Limits</u>	<u>Outside Town Limits</u>
User Charge Per 1,000 Gallons		
First 1,000 gallons or any part thereof	\$34.65	\$66.80
1,001 - 2,000 Gallons	\$3.70	\$5.15
2,001 - 10,000 Gallons	\$5.20	\$5.60
All over 10,001 gallons	\$6.25	\$6.60
	<u>Connection Fee Developed</u>	<u>Connection Un-developed</u>
3/4 inch meter connection	\$800	\$1,400
1 inch meter connection	\$800	\$1,400
2 inch meter connection	\$1,100	\$1,700

Commercial Rates		
	<u>InsideTown Limits</u>	<u>Outside Town Limits</u>
First 1,000 gallons or any part thereof	\$51.45	\$77.45
1,001 - 2,000 Gallons	\$3.90	\$6.15
2,001 - 10,000 Gallons	\$6.20	\$6.55
All over 10,001 gallons	\$7.20	\$7.60
	<u>Connection</u>	<u>Connection</u>
3/4 inch meter connection	\$1,200	\$1,900
1 inch meter connection	\$1,200	\$1,900
2 inch meter connection	\$1,500	\$2,200

PRINCIPAL WATER CUSTOMERS**TABLE 24**

<u>Name of Customer</u>	<u>Average Monthly Consumption (000 Gals.)</u>	<u>Average Monthly Bill</u>
Denton County Cowboy Church	134,781	\$ 998.00
Ponder ISD HS	77,883	359.00
Ponder ISD Elem	49,010	312.00
Ponder ISD Elem South	45,635	305.00
Ponder ISD Irrigation	43,583	298.00
Bev's Car Wash	41,637	270.00
Syracuse Sausage	35,342	247.00
Lynsee Mahan	46,284	237.00
Michele & Larry Dunn	34,931	235.00
Bev's Grocery	33,349	234.00
Total	<u>542,435</u>	<u>\$ 3,495.00</u>

Source: Town of Ponder

SEWER RATES**TABLE 25***(Effective October 2023)*

Residential Rates		
	<u>Per Month</u>	
First 1,000 gallons or any part thereof	\$30.45	
1,001 - 2,000 gallons	\$4.85 per 1000 gallons	
2,001 - 10,000 gallons	\$5.20 per 1000 gallons	
All over 10,001 gallons (cap at 15,000 gallons)	\$6.00 per 1000 gallons	
	<u>Connection Fee Developed</u>	<u>Connection Fee Un-developed</u>
For each connection	\$800	\$1,400

Commerical Rates		
	<u>Per Month</u>	
First 1,000 gallons or any part thereof	\$40.50	
1,001 - 2,000 gallons	\$5.40 per 1000 gallons	
2,001 - 10,000 gallons	\$6.95 per 1000 gallons	
All over 10,001 gallons (no cap)	\$7.15 per 1000 gallons	
	<u>Connection Fee Developed</u>	<u>Connection Fee Un-developed</u>
For each connection	\$1,200	\$1,900

PRINCIPAL SEWER CUSTOMERS**TABLE 26**

<u>Name of Customer</u>	<u>Average Monthly Bill</u>
Ponder High School	\$ 354.00
Ponder Elementary School	308.00
Ponder Elementary School South	301.00
Bev's Car Wash	266.00
Stone Cross Investments	217.00
Ponder ISD Field House	207.00
Ponder Junior High School	163.00
Geoff Dugger	135.00
Total	<u><u>\$ 1,951.00</u></u>

APPENDIX B

GENERAL INFORMATION REGARDING THE TOWN OF PONDER AND DENTON COUNTY, TEXAS

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INFORMATION REGARDING THE TOWN OF PONDER AND DENTON COUNTY, TEXAS

GENERAL

The Town of Ponder, Texas is located in Denton County approximately 10 miles southwest of Denton, Texas.

Denton County (the "County") is located in north central Texas. The County, established in 1846, is located in the north central part of the state, which is considered to be a top growth are in the state, and one of the top growth areas in the country. The County currently occupies a land area of 911 square miles and serves a population of approximately 976,720 according to the most recent estimates of the North Central Texas Council of Governments. It is the ninth most populous county in the state. Major cities in the County include Denton which is the county seat, Lewisville, Flower Mound and Carrollton. Denton County's many advantages include climate, access to transportation, a young, skilled workforce, and its educational facilities.



POPULATION TRENDS

<u>Year</u>	<u>Town of Ponder</u>	<u>Denton County</u>
2024 Estimate	2,856	980,000
2020 Census	2,442	906,422
2010 Census	1,395	662,614
2000 Census	507	433,897

Source: United States Census Bureau and North Central Texas Council of Governments.

LEADING EMPLOYERS

<u>Employer</u>	<u>Principal Line of Business</u>	<u>Approximate Number of Employees</u>
University of North Texas	Education	8,738
Lewisville Independent School District	Education	6,328
Wal-Mart	Retail	3,900
Denton Independent School District	Education	3,800
Frito Lay Co	Manufacturing	3,500
Centex Home Equity	Finance/Insurance	2,600
American Airlines	Transportation/Warehousing	2,300
Peterbilt Motors	Manufacturing	2,100
Northwest ISD	Education	2,050
Denton State School	Health Care/Social Assistance	1,700

Sources: The Issuer's Comprehensive Annual Financial Report.

EMPLOYMENT STATISTICS

	Denton County		State of Texas	
	<u>December 2023</u>	<u>December 2022</u>	<u>December 2023</u>	<u>December 2022</u>
Total Civilian Labor Force	579,366	559,206	15,147,835	14,773,939
Total Employed	561,444	542,966	14,619,352	14,260,768
Total Unemployed	17,922	16,240	528,483	513,171

Source: Texas Workforce Commission

UNEMPLOYMENT RATES

	<u>December 2023</u>	<u>December 2022</u>
	Denton County	3.1
State of Texas	3.5	3.5
United States of America	3.3	3.5

Source: Texas Workforce Commission

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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Proposed Form of Opinion of Bond Counsel

*An opinion in substantially the following form will be delivered by McCall,
Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the
Certificates, assuming no material changes in facts or law.*

**TOWN OF PONDER, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2024**

IN THE AGGREGATE PRINCIPAL AMOUNT OF \$4,840,000

AS BOND COUNSEL FOR THE TOWN OF PONDER, TEXAS, (the "Issuer") in connection with the issuance of the Certificates of Obligation described above (the "Certificates"), we have examined into the legality and validity of the Certificates, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Certificates and in the ordinance of the Issuer authorizing the issuance and sale of the Certificates (the "Ordinance"). Terms used herein and not otherwise defined shall have the meaning given in the Ordinance.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance and sale of the Certificates, including executed Certificate Number R-1.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized, issued and delivered in accordance with law; and that except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, the Certificates constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates are additionally secured by and payable from a pledge of the surplus revenues from the operation of the Issuer's waterworks and sewer system remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the Issuer's revenue obligations (now or hereafter outstanding) that are secured by a lien on all or any part of the net revenues of the Issuer's waterworks and sewer system, all as defined and provided in the Ordinance.

IT IS FURTHER OUR OPINION that, except as discussed below, under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion, for federal income tax purposes, the interest on the Certificates (i) is excludable from the gross income of the owners thereof and (ii) the Certificates will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, we express



no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Certificates.

IN EXPRESSING THE AFOREMENTIONED OPINIONS, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Certificates, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Certificates and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within, and the sufficiency of the pledged revenues of, the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

APPENDIX D

**EXCERPTS FROM THE TOWN OF PONDER AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2023**

(Independent Auditor's Report, General Financial Statements and Notes to the Financial Statements - not intended to be a complete statement of the Issuer's financial condition. Reference is made to the complete Annual Financial Report for further information.)

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TOWN OF PONDER, TEXAS

FINANCIAL STATEMENTS
AND
AUDITORS' REPORT

SEPTEMBER 30, 2023

TOWN OF PONDER, TEXAS

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TOWN OF PONDER, TEXAS

PRINCIPAL TOWN OFFICIALS
SEPTEMBER 30, 2023

Mayor:

John Bassler

Commissioners:

John Estes
Nick McGregor
Brandy Couch
Ginger Duessen
Lael McWilliams

Secretary - Treasurer:

Sheri Clearman

Tax Collector:

Denton County

Water and Sewer Superintendent:

Gary Morris

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Members:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

**HANKINS, EASTUP, DEATON,
TONN, SEAY & SCARBOROUGH**
A Limited Liability Company

CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST
P.O. BOX 977
DENTON, TX 76202-0977

TEL. (940) 387-8563
FAX (940) 383-4746

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Town Council
Town of Ponder, Texas

Opinion

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit and each major fund of the Town of Ponder as of and for the year ended September 30, 2023 and the related notes to the financial statements, which collectively comprise the Town of Ponder's basic financial statements as listed in the table of contents.

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 unit and each major fund of the Town of Ponder as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financials section of our report. We are required to be independent of the Town of Ponder and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Ponder's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with general accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Ponder's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Ponder's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 12 and the Texas Municipal Retirement System schedules on pages 58 through 60 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 the Town of Ponder's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2024 on our consideration of the Town of Ponder's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Ponder's internal control over financial reporting and compliance.



Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC
Denton, Texas
February 22, 2024

MANAGEMENT'S DISCUSSION & ANALYSIS

TOWN OF PONDER, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2023

As management of the Town of Ponder, we offer readers of the Town of Ponder's financial statements this narrative overview and analysis of the financial activities of the Town of Ponder for the year ended September 30, 2023. We encourage readers to consider the information presented here in conjunction with the Town's basic financial statements.

Financial Highlights

- The assets of the Town of Ponder exceeded its liabilities at September 30, 2023 by \$9,659,354. The Unrestricted Net Position amount of \$2,848,467 may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$1,104,336 during the fiscal year from the results of current year operations.
- As of September 30, 2023, the Town of Ponder's governmental funds reported combined ending fund balances of \$1,727,810, an increase of \$312,865 in comparison with the beginning of the period. Approximately 43 percent of this total amount, \$737,553, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current period, unassigned fund balance for the general fund of \$737,553 was 39.0 percent of total general fund non-capital expenditures.

Overview of the Financial Statements

The management discussion and analysis are intended to serve as an introduction to the Town of Ponder's basic financial statements. The Town of Ponder's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The Town had two discretely presented component units at September 30, 2023 – the Ponder Economic Development Corporation which was created in fiscal year 2003 as the result of a successful 4B sales tax election, and the Ponder Public Improvement District No. 1 which was created in fiscal year 2015 to finance certain public improvements benefiting property owners within the public improvement district commonly known as “Estates at Remington Park”.

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

The statement of net position presents information on all of the Town of Ponder's assets, deferred outflows of resources, deferred inflows of resources and liabilities, with the difference between the two reported as net position. Over time, increase or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Ponder is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent period. All of the current period's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement 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 the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

TOWN OF PONDER, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2023

In the Statement of Net Position and the Statement of Activities, the Town is divided between two kinds of activities:

- **Governmental activities.** All of the Town's basic services are reported here, including the police, community development, public works, municipal court, and general administration. Property taxes, sales taxes, and franchise fees finance most of these activities.
- **Business-type activities.** The Town charges a fee to customers to help it cover all or most of the cost of water and wastewater services it provides.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide detailed information about the most significant funds, not the Town as a whole. Some funds are required to be established by state law or bond covenants. However, the Town Council may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The Town's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental Funds. All of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at period-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is detailed in a reconciliation following the fund financial statements.

Proprietary Funds. The Town reports the activities for which it charges users (whether outside customers or other units of the Town) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, the Town's enterprise fund is the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows.

The Town of Ponder maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund and capital projects fund, all of which are considered to be major funds.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town of Ponder's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town of Ponder does not currently have any fiduciary funds.

TOWN OF PONDER, TEXAS

MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and funds financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information highlighting budgetary information for the general fund.

Government-wide Financial Analysis

The Town's combined net position was \$9,659,359 as of September 30, 2023. The Town first implemented GASB Statement No. 34, *Basic Financial Statement – and Management’s Discussion and Analysis – for State and Local Governments*, for fiscal year 2004. The following analysis presents both current and prior year data and discusses significant changes in the accounts. This analysis focuses on the net position (Table 1) and general revenues (Table 2) and changes in net position (Table 3) of the Town’s governmental activities.

The largest portion of the Town's net position reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town'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 capital assets themselves cannot be used to liquidate these liabilities.

Table 1

Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 1,817,224	\$ 1,543,316	\$ 6,831,615	\$ 6,750,492	\$ 8,648,839	\$ 8,293,808
Capital assets	7,503,387	7,661,405	7,317,993	7,040,946	14,821,380	14,702,351
Total assets	9,320,611	9,204,721	14,149,608	13,791,438	23,470,219	22,996,159
Deferred outflows of resources	219,760	81,797	-	-	219,760	81,797
Long-term liabilities						
outstanding	5,800,825	6,097,377	7,757,023	7,982,129	13,557,848	14,079,506
Other liabilities	90,028	94,924	296,427	245,871	386,455	340,795
Total liabilities	5,890,853	6,192,301	8,053,450	8,228,000	13,944,303	14,420,301
Deferred inflows of resources	86,322	102,637	-	-	86,322	102,637
Net Position:						
Net investment in capital assets	2,298,962	1,402,189	4,469,663	4,042,024	6,768,625	5,444,213
Restricted	42,262	46,638	-	-	42,262	46,638
Unrestricted	1,221,972	1,542,753	1,626,495	1,521,414	2,848,467	3,064,167
Total net position	\$ 3,563,196	\$ 2,991,580	\$ 6,096,158	\$ 5,563,438	\$ 9,659,354	\$ 8,555,018

TOWN OF PONDER, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023

Governmental Activities. The Town's general revenues for governmental activities for the years ended September 30, 2023 and 2022 are detailed below (Table 2).

Table 2
General Revenues

	2023	2022
Property taxes	\$ 1,697,176	\$ 1,394,640
Sales taxes	400,539	405,337
Franchise taxes	117,654	104,692
Gas royalties	4,360	7,068
Investment earnings	154,850	10,557
Other	6,510	2,365
	<u>\$ 2,381,089</u>	<u>\$ 1,924,659</u>

The following table provides a summary of the Town's operations for the years ended September 30, 2023 and 2022.

Table 3
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program Revenues:						
Charges for Services	\$ 317,005	\$ 434,193	\$ 2,288,030	\$ 2,219,571	\$ 2,605,035	\$ 2,653,764
Operating grants and contributions	7,726	305,352	-	-	7,726	305,352
General Revenues:						
Property taxes	1,697,176	1,394,640	-	-	1,697,176	1,394,640
Sales taxes	400,539	405,337	-	-	400,539	405,337
Franchise taxes	117,654	104,692	-	-	117,654	104,692
Gas royalties	4,360	7,068	-	-	4,360	7,068
Investment earnings	154,850	10,557	181,216	27,319	336,066	37,876
Other	6,510	2,365	-	-	6,510	2,365
Total Revenues	<u>2,705,820</u>	<u>2,664,204</u>	<u>2,469,246</u>	<u>2,246,890</u>	<u>5,175,066</u>	<u>4,911,094</u>
Expenses:						
Administration	617,161	616,448	-	-	617,161	616,448
Library	45,179	22,236	-	-	45,179	22,236
Municipal court	11,602	40,779	-	-	11,602	40,779
Public safety	854,603	666,455	-	-	854,603	666,455
Public works	516,266	545,685	-	-	516,266	545,685
Debt service-interest and fees	189,963	203,031	-	-	189,963	203,031
Water and wastewater expenses	-	-	1,835,956	1,622,623	1,835,956	1,622,623
Total Expenses	<u>2,234,774</u>	<u>2,094,634</u>	<u>1,835,956</u>	<u>1,622,623</u>	<u>4,070,730</u>	<u>3,717,257</u>
Transfers in (out)	100,570	103,640	(100,570)	(103,640)	-	-
Change in net position	571,616	673,210	532,720	520,627	1,104,336	1,193,837
Net Position – October 1 (beginning)	<u>2,991,580</u>	<u>2,318,370</u>	<u>5,563,438</u>	<u>5,042,811</u>	<u>8,555,018</u>	<u>7,361,181</u>
Net Position – September 30 (ending)	<u>\$ 3,563,196</u>	<u>\$ 2,991,580</u>	<u>\$ 6,096,158</u>	<u>\$ 5,563,438</u>	<u>\$ 9,659,354</u>	<u>\$ 8,555,018</u>

TOWN OF PONDER, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2023

Financial Analysis of the Government's Funds

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

As of the end of the current period, the Town's governmental funds reported combined ending fund balances of \$1,727,810, an increase of \$312,865 in comparison with the beginning of the period. Approximately 42.7 percent of this total amount (\$737,553) constitutes unassigned fund balance, which is available for spending at the Town's discretion. The remainder of fund balance is not available for new spending because it has already been committed 1) to be used for debt service (\$11,481), 2) to pay for capital projects (\$328,891), and 3) to pay for court security/technology/child safety (\$30,781), 4) to pay for CLFRF-eligible costs or 5) already spent on prepaid costs (\$31,519).

The general fund is the chief operating fund of the Town. At the end of the current period, unassigned fund balance of the general fund totaled \$737,553, while total fund balance was \$1,387,438. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 39.02 percent of total general fund non-capital expenditures, while total fund balance represents 73.41 percent of that same amount.

The fund balance of the Town's general fund increased by \$304,651 during the current year, compared to a \$93,425 increase in the previous year. General fund revenues were up \$34,648 or 1.6 percent above the prior year primarily due to greater property tax revenue but offset by a decrease in permits and fees and CLFRF funds. Expenditures were down \$185,845 or 8.95 percent from the prior year, primarily due to fewer capital outlay costs.

The fund balance of the debt service fund decreased \$7,359 during the current year, compared to a \$8,462 increase in fund balance in the prior year. Revenues were down \$16,581 or 3.3% and expenditures were approximately the same.

General Fund Budgetary Highlights

During the current year, the Town Council of the Town of Ponder did not amend the budget for the General Fund.

The original budget for the general fund projected that the activity for the year would result in no change to the fund balance. The available fund balance for the general fund actually increased in the amount of \$304,051. This increase was due primarily to additional ad valorem tax, permits and fees, and interest revenue.

Capital Asset and Debt Administration

Governmental Activities Capital Assets. The Town's investment in capital assets for its governmental activities as of September 30, 2023 amounts to \$7,503,387 (net of accumulated depreciation). This amount represents a net decrease of \$158,018, or 2.1 percent, below the beginning of the period. The investment in capital assets includes land, building, equipment, parks, and streets and drainage. Capital asset additions during the year consisted primarily of leasehold improvements for the police annex.

TOWN OF PONDER, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023

Table 4
Capital Assets at Year-end
(Net of Depreciation)

	<u>Governmental Activities</u>
Land	\$ 3,267,472
Construction in Progress	73,578
Building	2,109,274
Equipment and Vehicles	508,089
Streets and Drainage	1,469,431
Parks	75,543
Totals	<u>\$ 7,503,387</u>

Additional information on the Town's capital assets can be found in note 6 of this report.

Governmental Activities Long-term Debt. At the end of the current period, the Town had outstanding governmental long-term debt consisting of \$5,169,300 certificates of obligation, \$329,413 premiums on CO issuance, capital leases of \$34,603 and accrued compensated absences of \$80,762, for a total of \$5,614,078.

The Town's total governmental debt decreased by \$426,861 or 7.07% during the current period. No new debt was incurred during the current period.

Additional information on the Town's governmental long-term debt can be found in note 7 of this report.

Economic Factors and Next Year's Budgets and Rates

The Town has adopted a balanced budget for Fiscal Year 2024. The tax rate for this year is \$0.665000 on each \$100 valuation of property. The General Fund had a \$304,051 increase in Fund Balance and the Water Sewer Fund ended the year with a \$532,720 change in Net Position.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Town of Ponder, P.O. Box 297, Ponder, Texas 76259.

BASIC FINANCIAL STATEMENTS

TOWN OF PONDER, TEXAS

STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	Primary Government	
	Governmental Activities	Business Type Activities
ASSETS		
Cash and Investments	\$ 1,692,812	\$ 6,611,561
Sales Tax Receivable	76,325	-
Ad Valorem Tax Receivable	24,087	-
Receivables (net of allowance for uncollectibles)	-	188,546
Internal Balances	(8,519)	-
Prepaid Expenses	31,519	31,508
Office Security Deposit	1,000	-
Capital Assets:		
Land	3,267,472	166,385
Construction in Progress	73,578	481,522
Buildings, net	2,109,274	376,313
Water System, net	-	2,350,315
Wastewater System, net	-	3,598,688
Vehicles and Equipment, net	508,089	344,770
Streets and Drainage, net	1,469,431	-
Parks, net	75,543	-
Total Assets	<u>9,320,611</u>	<u>14,149,608</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow Related to TMRS	214,967	-
Deferred Outflow Related to OPEB	4,793	-
Total Deferred Outflows of Resources	<u>219,760</u>	<u>-</u>
LIABILITIES		
Accounts Payable	31,073	72,023
Accrued Liabilities	58,955	47,542
Customer Meter Deposits	-	176,862
Noncurrent Liabilities:		
Due within one year	315,685	436,763
Due in more than one year	5,298,393	7,320,260
Net pension liability	143,387	-
Net OPEB liability	43,360	-
Total Liabilities	<u>5,890,853</u>	<u>8,053,450</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflow Related to TMRS	74,134	-
Deferred Inflow Related to OPEB	12,188	-
Total Deferred Inflows of Resources	<u>86,322</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	2,298,962	4,469,663
Restricted for:		
Debt Service	11,481	-
Court Security/Technology/Child Safety	30,781	-
Economic Development	-	-
Unrestricted Net Position	1,221,972	1,626,495
Total Net Position	<u>\$ 3,563,196</u>	<u>\$ 6,096,158</u>

The accompanying Notes are an integral part of this statement.

Total	Component Units	
	Economic Development Corporation	Public Improvement District No. 1
\$ 8,304,373	\$ 556,812	\$ 435,730
76,325	29,810	-
24,087	-	-
188,546	-	-
(8,519)	8,519	-
63,027	-	-
1,000	-	-
3,433,857	672,947	-
555,100	-	-
2,485,587	-	-
2,350,315	-	-
3,598,688	-	-
852,859	-	-
1,469,431	-	2,553,349
75,543	-	-
<u>23,470,219</u>	<u>1,268,088</u>	<u>2,989,079</u>
214,967	-	-
4,793	-	-
<u>219,760</u>	<u>-</u>	<u>-</u>
103,096	-	-
106,497	149	13,979
176,862	-	-
752,448	32,461	43,006
12,618,653	219,537	3,424,141
143,387	-	-
43,360	-	-
<u>13,944,303</u>	<u>252,147</u>	<u>3,481,126</u>
74,134	-	-
12,188	-	-
<u>86,322</u>	<u>-</u>	<u>-</u>
6,768,625	420,800	(913,798)
11,481	-	227,418
30,781	-	-
-	595,141	-
2,848,467	-	194,333
<u>\$ 9,659,354</u>	<u>\$ 1,015,941</u>	<u>\$ (492,047)</u>

TOWN OF PONDER, TEXAS

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
Administration	\$ 617,161	\$ -	\$ -	\$ -
Library	45,179	-	6,950	-
Municipal Court	11,602	11,602	-	-
Public Safety	854,603	13,423	776	-
Public Works	516,266	291,980	-	-
Debt Service – Interest and fees	189,963	-	-	-
Total Governmental Activities	<u>2,234,774</u>	<u>317,005</u>	<u>7,726</u>	<u>-</u>
BUSINESS-TYPE ACTIVITIES:				
Enterprise Fund	1,835,956	2,288,030	-	-
Total Business-Type Activities	<u>1,835,956</u>	<u>2,288,030</u>	<u>-</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 4,070,730</u>	<u>\$ 2,605,035</u>	<u>\$ 7,726</u>	<u>\$ -</u>
Component Units:				
Economic Development Corporation	\$ 25,724	\$ -	\$ -	\$ -
Public Improvement District No. 1	311,069	-	-	-
TOTAL COMPONENT UNITS	<u>\$ 336,793</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

GENERAL REVENUES AND SPECIAL ITEMS:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Sales Taxes

Franchise Taxes

Gas Royalties

Special Assessments

Miscellaneous Revenue

Investment Earnings

Transfers In (Out)

Total General Revenues and Special Items

Change in Net Position

NET POSITION, October 1 - Beginning

NET POSITION, September 30 - Ending

The accompanying Notes are an integral part of this statement.

Net (Expense) Revenue and Change in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Economic Development Corp	Public Improvement District No. 1
\$ (617,161)	\$ -	\$ (617,161)	\$ -	\$ -
(38,229)	-	(38,229)	-	-
-	-	-	-	-
(840,404)	-	(840,404)	-	-
(224,286)	-	(224,286)	-	-
(189,963)	-	(189,963)	-	-
<u>(1,910,043)</u>	<u>-</u>	<u>(1,910,043)</u>	<u>-</u>	<u>-</u>
-	452,074	452,074	-	-
-	452,074	452,074	-	-
<u>(1,910,043)</u>	<u>452,074</u>	<u>(1,457,969)</u>	<u>-</u>	<u>-</u>
-	-	-	(25,724)	-
-	-	-	-	(311,069)
-	-	-	(25,724)	(311,069)
1,206,334	-	1,206,334	-	-
490,842	-	490,842	-	-
400,539	-	400,539	159,496	-
117,654	-	117,654	-	-
4,360	-	4,360	-	-
-	-	-	-	253,789
6,510	-	6,510	-	-
154,850	181,216	336,066	1,428	21,587
100,570	(100,570)	-	-	-
<u>2,481,659</u>	<u>80,646</u>	<u>2,562,305</u>	<u>160,924</u>	<u>275,376</u>
571,616	532,720	1,104,336	135,200	(35,693)
<u>2,991,580</u>	<u>5,563,438</u>	<u>8,555,018</u>	<u>880,741</u>	<u>(456,354)</u>
<u>\$ 3,563,196</u>	<u>\$ 6,096,158</u>	<u>\$ 9,659,354</u>	<u>\$ 1,015,941</u>	<u>\$ (492,047)</u>

TOWN OF PONDER, TEXAS

**BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023**

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash and Investments	\$ 1,352,440	\$ 11,481
Receivables (net of allowances for uncollectibles):		
Taxes – Ad Valorem	16,195	7,892
Taxes – Sales	76,325	-
Prepaid Costs	31,519	-
Office Security Deposit	1,000	-
Total Assets	<u>\$ 1,477,479</u>	<u>\$ 19,373</u>
LIABILITIES, DEFERRED OUTFLOWS AND FUND BALANCE		
Liabilities:		
Current Liabilities:		
Accounts Payable	\$ 31,073	\$ -
Accrued Liabilities	34,254	-
Due to EDC	8,519	-
Total Liabilities	<u>73,846</u>	<u>-</u>
Deferred Outflows of Resources:		
Unavailable Revenue-Property Taxes	16,195	7,892
Total Deferred Outflows of Resources	<u>16,195</u>	<u>7,892</u>
Fund Balance:		
Nonspendable Fund Balance:		
Prepaid Costs	31,519	-
Restricted Fund Balance:		
Court Security/Technology/Child Safety	30,781	-
CLFRF Funds	587,585	-
Retirement of Long-Term Debt	-	11,481
Capital Improvements	-	-
Unassigned Fund Balance	737,553	-
Total Fund Balance	<u>1,387,438</u>	<u>11,481</u>
 Total Liabilities, Deferred Outflows and Fund Balance	 <u>\$ 1,477,479</u>	 <u>\$ 19,373</u>

The accompanying Notes are an integral part of this statement.

<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
\$ 328,891	\$ 1,692,812
-	24,087
-	76,325
-	31,519
-	1,000
<u>\$ 328,891</u>	<u>\$ 1,825,743</u>
\$ -	\$ 31,073
-	34,254
-	8,519
<u>-</u>	<u>73,846</u>
-	24,087
<u>-</u>	<u>24,087</u>
-	31,519
-	30,781
-	587,585
-	11,481
328,891	328,891
-	737,553
<u>328,891</u>	<u>1,727,810</u>
<u>\$ 328,891</u>	<u>\$ 1,825,743</u>

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TOWN OF PONDER, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

Total Fund Balances – Governmental Funds	\$ 1,727,810
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	10,210,598
Accumulated depreciation is not reported in the fund financial statements.	(2,707,211)
Certificates of obligation, general obligation bonds, capital leases and compensated absences are not reported in the fund financial statements.	(5,284,665)
Premiums on the issuance of certificates of obligation are not recognized in the fund financial statements.	(329,413)
Property tax revenue reported as unavailable revenues in the fund financial statements was recognized as revenue in the government-wide financial statements.	24,087
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(24,701)
Included in the items related to debt is the recognition of the Town’s net TMRS pension liability required by GASB 68 in the amount of \$143,387, a Deferred Resource Inflow related to TMRS in the amount of \$74,134 and a Deferred Resource Outflow related to TMRS in the amount of \$214,967. This amounted to a decrease in Net Position in the amount of \$2,554.	(2,554)
Included in the items related to debt is the recognition of the Town’s net TMRS OPEB liability required by GASB 75 in the amount of \$43,360, a Deferred Resource Outflow related to OPEB in the amount of \$4,793, and a Deferred Resource Inflow related to OPEB in the amount of \$12,188. This amounted to a decrease in Net Position in the amount of \$50,755.	<u>(50,755)</u>
Net Position of Governmental Activities	<u>\$ 3,563,196</u>

The accompanying Notes are an integral part of this statement.

TOWN OF PONDER, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>
Revenues:		
Taxes - Ad Valorem	\$ 1,201,629	\$ 489,173
- Franchise	117,654	-
- Sales	400,539	-
Building Permits and other Fees	294,598	-
Interest Income	138,509	168
Court Citations	22,407	-
Gas Royalties	4,360	-
Public Donations	7,726	-
Other	6,510	-
Total Revenues	<u>2,193,932</u>	<u>489,341</u>
Expenditures:		
Current:		
Administration	551,524	-
Library	44,350	-
Municipal Court	9,128	-
Public Safety	814,427	-
Public Works	374,982	-
Debt Service:		
Principal	10,842	387,500
Interest and Fees	1,420	209,770
Capital Outlay	83,208	-
Total Expenditures	<u>1,889,881</u>	<u>597,270</u>
Excess (Deficit) of Revenues over Expenditures	<u>304,051</u>	<u>(107,929)</u>
Other Financing Sources (Uses):		
Transfers to Other Funds	-	-
Transfers from Other Funds	-	100,570
Total Other Financing Sources (Uses)	<u>-</u>	<u>100,570</u>
Net Change in Fund Balance	304,051	(7,359)
Fund Balance – October 1, (beginning)	1,083,387	18,840
Fund Balance – September 30 (ending)	<u>\$ 1,387,438</u>	<u>\$ 11,481</u>

The accompanying Notes are an integral part of this statement.

<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
\$ -	\$ 1,690,802
-	117,654
-	400,539
-	294,598
16,173	154,850
-	22,407
-	4,360
-	7,726
-	6,510
16,173	2,699,446
-	551,524
-	44,350
-	9,128
-	814,427
-	374,982
-	398,342
-	211,190
-	83,208
-	2,487,151
16,173	212,295
-	-
-	100,570
-	100,570
16,173	312,865
312,718	1,414,945
\$ 328,891	\$ 1,727,810

TOWN OF PONDER, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Total Net Change in Fund Balances – Governmental Funds	\$ 312,865
Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of reclassifying the current year capital asset additions is to increase net position.	83,208
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position in the government-wide financial statements.	(241,226)
Revenues from property taxes are shown as unavailable in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectible amounts, in the government-wide financial statements.	6,374
Current year compensated absences earned but not used is not recorded in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements.	4,815
Current year principal payments on certificates of obligation, general obligation bonds and capital leases are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	398,342
Current year amortization of the premium on bond issuance is not recorded in the fund financial statements, but is shown as a reduction in long-term debt in the government-wide financial statements.	23,704
Current year amortization of deferred charge on bond refunding is not recorded in the fund financial statements, but is shown as a reduction of the deferred loss in the government-wide financial statements.	(3,887)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	1,410
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. The contributions made after the measurement date of 12/31/22 caused net position to increase in the amount of \$47,031. Contributions made before the measurement date but during the 2023 FY were also de-expended and recorded as a reduction in the net position liability for the Town. This also caused an increase in net position in the amount of \$15,586. These contributions were replaced with the Town's pension expense for the year of \$75,476, which caused a decrease in net position. The impact of all of these is to decrease net position by \$12,859.	(12,859)

The accompanying Notes are an integral part of this statement.

TOWN OF PONDER, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. The contributions made after the measurement date of 12/31/22 caused net position to increase in the amount of \$4,793. Contributions made before the measurement date but during the 2023 FY were also de-expended and recorded as a reduction in the net position liability for the Town. This also caused an increase in net position in the amount of \$1,598. These contributions were replaced with the Town's OPEB expense for the year of \$7,521, which caused a decrease in the change in net position. The impact of all of these is to decrease net position by \$1,130.

(1,130)

Change in Net Position of Governmental Activities

\$ 571,616

TOWN OF PONDER, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Budgeted Amounts</u>		Actual Amounts (GAAP BASIS)	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes - Ad Valorem	\$ 1,134,955	\$1,134,955	\$ 1,201,629	\$ 66,674
- Franchise	120,000	120,000	117,654	(2,346)
- Sales	432,000	432,000	400,539	(31,461)
Building Permits and Other Fees	121,690	121,690	294,598	172,908
Interest Income	500	500	138,509	138,009
Court Citations	4,920	4,920	22,407	17,487
Gas Royalties	5,000	5,000	4,360	(640)
CLFRF Funds	-	-	-	-
Public Donations/Grants	-	-	7,726	7,726
Other	-	-	6,510	6,510
Total Revenues	<u>1,819,065</u>	<u>1,819,065</u>	<u>2,193,932</u>	<u>374,867</u>
Expenditures:				
Administration	540,672	540,672	551,524	(10,852)
Library	41,543	41,543	44,350	(2,807)
Municipal Court	62,356	62,356	9,128	53,228
Public Safety	783,566	783,566	814,427	(30,861)
Public Works	385,928	385,928	374,982	10,946
Debt Service:				
Principal	-	-	10,842	(10,842)
Interest	-	-	1,420	(1,420)
Capital Outlay	5,000	5,000	83,208	(78,208)
Total Expenditures	<u>1,819,065</u>	<u>1,819,065</u>	<u>1,889,881</u>	<u>(70,816)</u>
Excess (Deficit) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>304,051</u>	<u>304,051</u>
Other Financing Sources (Uses):				
Transfers to Other Funds	-	-	-	-
Transfers from Other Funds	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	304,051	304,051
Fund Balance – October 1 (Beginning)	<u>1,083,387</u>	<u>1,083,387</u>	<u>1,083,387</u>	<u>-</u>
Fund Balance – September 30 (Ending)	<u>\$ 1,083,387</u>	<u>\$1,083,387</u>	<u>\$ 1,387,438</u>	<u>\$ 304,051</u>

TOWN OF PONDER, TEXAS

STATEMENT OF NET POSITION
ENTERPRISE FUNDS
SEPTEMBER 30, 2023

	<u>Business-Type Activities Total Enterprise Funds</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 6,611,561
Accounts Receivable	188,546
Prepaid Expenses	31,508
Total Current Assets	<u>6,831,615</u>
Noncurrent Assets:	
Capital Assets:	
Land	166,385
Construction in Progress	481,522
Building, net	376,313
Water Systems, net	2,350,315
Wastewater System, net	3,598,688
Vehicles and Equipment, net	344,770
Total Capital Assets	<u>7,317,993</u>
Total Assets	<u>14,149,608</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	72,023
Accrued Liabilities	47,542
Customer Meter Deposits	176,862
Total Current Liabilities	<u>296,427</u>
Noncurrent Liabilities:	
Due within one year	436,763
Due in more than one year	7,320,260
Total Noncurrent Liabilities	<u>7,757,023</u>
Total Liabilities	<u>8,053,450</u>
NET POSITION	
Net Investment in Capital Assets	4,469,663
Unrestricted Net Position	<u>1,626,495</u>
Total Net Position	<u>\$ 6,096,158</u>

The accompanying Notes are an integral part of this statement.

TOWN OF PONDER, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND NET POSITION
ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Business-Type Activities
	Total Enterprise Funds
OPERATING REVENUES:	
Water and Sewer Charges	\$ 1,822,117
Tap Fees	65,500
Impact and Other Fees	400,413
Total Operating Revenues	<u>2,288,030</u>
OPERATING EXPENSES:	
Salaries	338,043
Payroll Taxes	4,716
Retirement	22,278
Health Insurance	48,081
Utilities	128,664
Telephone	12,472
System Repairs and Maintenance	381,183
Equipment Repairs and Maintenance	19,342
Building Repairs and Maintenance	4,081
Contract Labor	141,152
Operating Supplies	21,284
Uniforms	773
Engineering Fees	14,079
Property and Liability Insurance	21,291
Office Expense	13,550
Bank Charges	145
Legal and Accounting	47,358
Dues and Publications	38,125
Vehicle Expense	5,930
Training	876
Computer Expense	6,471
Other	2,394
Depreciation	262,924
Total Operating Expenses	<u>1,535,212</u>
Operating Income	<u>752,818</u>
NONOPERATING REVENUE (EXPENSES):	
Interest Income	181,216
Interest Expense	<u>(300,744)</u>
Total Nonoperating Revenue (Expenses)	<u>(119,528)</u>
Income Before Transfers	633,290
Transfers In (Out)	<u>(100,570)</u>
Change in Net Position	532,720
Total Net Position – October 1 (Beginning)	<u>5,563,438</u>
Total Net Position – September 30 (Ending)	<u>\$ 6,096,158</u>

The accompanying Notes are an integral part of this statement.

TOWN OF PONDER, TEXAS

STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Business-Type Activities</u>
	<u>Total</u>
	<u>Enterprise Funds</u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$ 2,263,670
Cash Paid for Payroll Costs and Benefits	(413,923)
Cash Paid for Repairs and Maintenance	(351,862)
Cash Paid for Utilities	(135,914)
Cash Paid for Other Expenses	(348,992)
Net Cash Provided by Operating Activities	<u>1,012,979</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Purchase of Fixed Assets	(539,971)
Certificates of Obligation Proceeds	91,415
Payment of Long-term Debt Principal	(316,521)
Transfer to Other Funds	(100,570)
Interest Paid	(300,744)
Net Cash Provided by Capital and Related Financing Activities	<u>(1,166,391)</u>
<u>Cash Flows from Investing Activities:</u>	
Interest Income	181,216
Net Cash Provided by Investing Activities	<u>181,216</u>
Net Increase in Cash and Cash Equivalents	27,804
Cash and Cash Equivalents at Beginning of the Year	<u>6,583,757</u>
Cash and Cash Equivalents at the End of the Year	<u>\$ 6,611,561</u>
<u>Reconciliation of Operating Income to Net Cash Provided</u>	
<u>by Operating Activities:</u>	
Operating Income	\$ 752,818
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	262,924
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (Increase) in Accounts Receivable	(24,360)
Decrease (Increase) in Prepaid Expenses	(28,959)
Increase (Decrease) in Accounts Payable	46,511
Increase (Decrease) in Accrued Liabilities	(805)
Increase (Decrease) in Customer Meter Deposits	4,850
Net Cash Provided by Operating Activities	<u>\$ 1,012,979</u>

The accompanying Notes are an integral part of this statement.

TOWN OF PONDER, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Ponder (the "Town") are presented in accordance with generally accepted accounting principles applicable to state and local governmental units as set forth by the Governmental Accounting Standards Board ("GASB").

In fiscal year 2004, the Town implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for the State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* which provides additional guidance for the implementation of GASB Statement 34, GASB Statement No. 38, *Certain Financial Statement Disclosures*, which changes note disclosures requirements for governmental entities, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, which clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where difference have arisen, or potentially could arise, in interpretation and practice of GASB Statement No. 34.

GASB Statements No. 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis, government-wide financial statements, required supplementary information and the elimination of the use of account groups to the already required fund financial statements and notes. GASB Statement No. 37 provides additional guidance in reporting infrastructure, program revenues and major criteria.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that the government-wide financial statements are needed to allow users of financial reports to assess a government's operational accountability. The new GASB model integrates fund-based financial reporting and government-wide financial reporting as complementary components of a single comprehensive financial reporting model.

The following is a summary of the more significant accounting policies.

A. Reporting Entity

The Town of Ponder (Town) is a municipal corporation governed by an elected mayor and five-member council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Town holds the corporate powers of the organization
- the Town appoints a voting majority of the organization's board

TOWN OF PONDER, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2023

- the Town is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Town
- there is fiscal dependency by the organization on the Town

Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Town.

The Town had two discretely presented component units at September 30, 2023 – the Ponder Economic Development Corporation which was created in fiscal year 2003 as the result of a successful 4B sales tax election, and the Ponder Public Improvement District No. 1 which was created in fiscal year 2015 to finance certain public improvements benefiting property owners within the public improvement district commonly known as “Estates at Remington Park”.

B. Government-wide and Fund 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 non-fiduciary activities of the Town and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds, even though the latter are excluded for the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund and fiduciary fund financial statements. 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.

TOWN OF PONDER, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2023

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 Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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 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.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about 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 are treated as being equal to the employer's yearly contributions for retirees. There are no investments as this is a pay-as-you-go plan.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Town.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first when appropriate, then unrestricted resources as they are needed.

The Town reports the following major governmental funds:

General Fund - The General fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund - The Debt Service Fund accounts for the payment of principal and interest on general-long term liabilities, paid primarily by taxes levied by the Town and net surplus revenues of the Enterprise Fund.

Capital Projects Fund - The Capital Projects Fund accounts for financial resources used for the acquisition or construction of major capital facilities that are not financed by the proprietary fund.

TOWN OF PONDER, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2023

Enterprise Fund - The Town utilizes an Enterprise Fund to account for the Town's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of these activities. The Town uses this fund to account for the operations of the waterworks and sewer system, which provides water and sewer service on a user charge to the general public.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

D. Cash and Investments

The Town's cash and investments are considered to be cash on hand, demand deposits and short-term investments in State investment pools.

E. Receivable and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the period are referred to as "due to/from other funds" or "advances to/from other funds."

F. Property Taxes

Ad valorem taxes are levied from valuations assessed as of January 1 and recognized as revenue on the date of levy, on October 1. Property tax receivables are recognized when the Town has an enforceable claim against the property owner. In the governmental funds, property tax revenue is recognized in the fiscal period for which the taxes are levied, provided that they become available. Available means collected within the current period, or expected to be collected soon enough thereafter, to be used to pay current liabilities. The Town's availability period is sixty days. Taxes collected prior to the levy date to which they apply are recorded as unavailable revenues and recognized as revenue of the period to which they apply.

The Town recognizes tax revenues based on the property assessments made January 1, in the preceding fiscal year. Statements are mailed October 1; taxes are considered delinquent as of February 1. No discounts are allowed for early payment. Penalty and interest are calculated after February 1 up to the date collected by the Town at the rate of 6% for the first month and increase 1% per month up to a total of 12%. Under state law, property taxes on real property constitute a lien on the property and cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years.

For fiscal year 2023, the assessed values were established at 100% of estimated market value. The assessed value for the roll of January 1, 2022, upon which the fiscal year 2023 levy was based, was \$238,261,987. The tax rate to finance general governmental services and the payment of principal and interest on general obligation long-term debt for the year ended September 30, 2023, was \$0.504957 and \$0.205043 per \$100 valuation, respectively, for a total of \$0.710000 per \$100 valuation.

TOWN OF PONDER, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

G. Bad Debts

The Town uses the direct write-off method of recording enterprise fund bad debts, which approximates the percentage method of recording bad debts. No allowance is provided for uncollectible real property taxes, since all real property taxes will ultimately be collected when title to the property is transferred, except in rare instances in which the taxes are discharged in bankruptcy.

H. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the governmental activities column in the government-wide financial statements. The Town defines capital assets as personal property with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year, and all other 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 time received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of governmental activities is not included as part of the capitalized value of the assets constructed.

Depreciation expense is calculated on the straight-line method. Depreciation methods are designed to amortize the cost of the assets over their estimated useful lives. Estimated useful lives of major categories of property are as follows:

<u>Category</u>	<u>Estimated Life</u>
Water and sewer system	40 years
Buildings	20-40 years
Machinery and equipment	7-10 years
Vehicles	7 years

I. Compensated Absences

It is the Town's policy to permit employees to accumulate earned vacation and unused sick leave. There is no liability for unpaid accumulated sick leave since the Town does not have a policy to pay any amounts when employees separate from service with the Town. Unused vacation pay up to 200 accumulated hours is payable at termination and is accrued when incurred in the government-wide financial statements.

J. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWN OF PONDER, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2023

K. Net Position

Net position represents the difference between assets, deferred outflows of resources, deferred inflows of resources and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

L. Budgets

The Council adopts an “appropriated budget” on a basis consistent with GAAP for the general fund and debt service fund. At a minimum, the Council is required to present the original and the final amended budgets for revenues and expenditures compared to actual revenues and expenditures for these two funds.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- Prior to September 1, the Council prepares a budget based on the modified zero-based budgetary concept for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- After one of more budget workshops with the Council, a meeting is called for the purpose of adopting the proposed budget. At least ten days but not more than 30 days public notice of the meeting is required.
- Prior to September 30, the Council legally adopts the budget for the general fund and debt service fund.
- After the budget for the above listed funds is approved, any amendment that causes an increase or decrease in a fund’s total expenditures or total revenue or other resources object category requires Council approval prior to the fact. These amendments are presented to the Council at its regular monthly meeting and are reflected in the official minutes. The general fund budget was amended during the year only to reallocate funds within the police department.
- Expenditure budgets are controlled at the departmental level by the department heads. All budget appropriations lapse at year-end.

The general fund and debt service fund budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

M. Cash Equivalents

For purposes of the statement of cash flows, the Town considers cash deposits and highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents.

TOWN OF PONDER, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2023

2. DEPOSITS AND INVESTMENTS

The Town's funds are required to be deposited and invested under the terms of a depository agreement. The depository bank deposits for safekeeping and trust with the Town's agent bank approved pledged securities in an amount sufficient to protect Town funds on a day-to-day basis during the period of the agreement. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At September 30, 2023, the carrying amount of the Town's deposits in checking accounts and interest-bearing savings accounts was \$1,117,411 and the bank balance was \$1,228,347. The Town's cash deposits at September 30, 2023 were entirely covered by FDIC insurance or by pledged collateral held by the Town's agent bank in the Town's name.

2. Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the Town to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the Town to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptance, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the Town to have independent auditors perform test procedures related to investment practices as provided by the Act. The Town is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the Town has adopted a deposit and investment policy. That policy addresses the following risks:

- a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. As of September 30, 2023, the Town's cash balances totaled \$1,228,347. This entire amount was either collateralized with securities held by the Town's financial institution's agent in the Town's name or covered by FDIC insurance. Thus, the Town's deposits are not exposed to custodial credit risk.

TOWN OF PONDER, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2023

- b. **Custodial Credit Risk – Investments:** For an investment, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2023, the Town held all of its investments in the TexPool public funds investment pool. Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. **Credit Risk:** This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligation. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for TexPool at year-end was AAAm (Standard & Poor’s).
- d. **Interest Rate Risk:** This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the TexPool investment pool is less than 60 days.
- e. **Foreign Currency Risk:** This is the risk that exchange rates will adversely affect the fair value of an investment. At September 30, 2023, the Town was not exposed to foreign currency risk.
- f. **Concentration of Credit Risk:** This is the risk of loss attributed to the magnitude of the Town's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investment pools are excluded from the 5 percent disclosure requirement.

The Town's investment at September 30, 2023 is shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
TexPool Investment Pool	<u>\$ 7,186,131</u>	<u>\$ 7,186,131</u>
Total	<u><u>\$ 7,186,131</u></u>	<u><u>\$ 7,186,131</u></u>

Fair Value Measurements

The Town categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

TOWN OF PONDER, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2023

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based in the lowest level input that is significantly to the valuation. The Town's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The Town's investments in the TexPool investment pools (statewide 2a7-like external investment pools) are not required to be measured at fair value but are measured at amortized cost.

3. FUND BALANCE

The Town implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" in a previous year. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Town has classified prepaid items as being nonspendable as these items are not expected to be converted to cash.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Court security, technology and child safety fees are being restricted because their use is restricted pursuant to the regulations that allow the collection of those fees. Debt service resources are to be used for future servicing of the Town's bonded debt and are restricted through debt covenants. Capital projects fund resources are to be used for future construction and renovation projects and are restricted through bond orders and constitutional law. CLFRF Funds are restricted to purposes outlined in guidance published for use of those funds.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council. The Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Town has no committed fund balance as of September 30, 2023.

TOWN OF PONDER, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

- **Assigned:** This classification includes amounts that are constrained by the Town’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Council or through the Council delegating this responsibility to other individuals in the Town. Under the Town's policy, only the Council may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The Town has no assigned fund balance as of September 30, 2023.
- **Unassigned:** This classification includes all amounts not included in other spendable classifications, including the residual fund balance for the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Council has provided otherwise in its commitment or assignment actions.

The fund balance policy of the Town expresses an intent to maintain a level of assigned and unassigned fund balance in the general fund equal to 25 percent of the fund's operating expenditures.

The details of the fund balances are included in the Governmental Funds Balance Sheet (pages 18 and 19) and are described below:

General Fund

The General Fund has unassigned fund balance of \$737,553 at September 30, 2023. Prepaid expenditures (prepaid items) of \$31,519 are considered nonspendable fund balance. Court security, technology and child safety fees of \$30,781 are shown as restricted for those purposes. CLFRF Funds are restricted for purposes outlined for that program.

Other Major Funds

The Debt Service Fund has restricted funds of \$11,481 at September 30, 2023 consisting of property tax collections that are restricted for debt service payments on bonded debt. The Capital Projects Fund has restricted funds of \$328,891 consisting primarily of unspent certificates of obligation funds.

4. RECEIVABLES

Government-wide receivables as of September 30, 2023 are as follows:

	General Fund	Debt Service Fund	Total
Receivables:			
Property taxes	\$ 16,195	\$ 7,892	\$ 24,087
Sales taxes	76,325	-	76,325
Gross receivables	92,520	7,892	100,412
Less: Uncollectible allowance	-	-	-
Net Receivables	\$ 92,520	\$ 7,892	\$ 100,412

TOWN OF PONDER, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Governmental funds report unearned or unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal period, the unavailable revenue reported in the governmental funds relates to delinquent property taxes.

5. INTERFUND BALANCES AND TRANSFERS

There were no interfund balances at September 30, 2023 and no interfund transfers for the year ended September 30, 2023.

6. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended September 30, 2023 was as follows:

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets:				
Land	\$ 3,267,472	\$ -	\$ -	\$ 3,267,472
Construction in Progress	-	73,578	-	73,578
Buildings & Improvements	2,542,007	-	-	2,542,007
Equipment and Vehicles	1,181,389	9,630	-	1,191,019
Streets and Drainage	2,897,855	-	-	2,897,855
Parks	238,667	-	-	238,667
Totals at historic cost	<u>10,127,390</u>	<u>83,208</u>	<u>-</u>	<u>10,210,598</u>
Less accumulated depreciation for:				
Buildings & Improvements	(369,102)	(63,631)	-	(432,733)
Equipment and Vehicles	(600,411)	(82,519)	-	(682,930)
Streets and Drainage	(1,351,371)	(77,053)	-	(1,428,424)
Parks	(145,101)	(18,023)	-	(163,124)
Total accumulated depreciation	<u>(2,465,985)</u>	<u>(241,226)</u>	<u>-</u>	<u>(2,707,211)</u>
Governmental activities capital assets, net	<u>\$ 7,661,405</u>	<u>\$ (158,018)</u>	<u>\$ -</u>	<u>\$ 7,503,387</u>

Land and construction in progress are not depreciated.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Administration	\$ 68,033
Library	703
Court	2,474
Public Safety	29,281
Public Works	<u>140,735</u>
Total depreciation expense – Governmental activities	<u>\$ 241,226</u>

TOWN OF PONDER, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Capital asset activity for the Enterprise Fund business-type activities for the year ended September 30, 2022 was as follows:

	Balance October 1	Additions	Retirements	Balance September 30
Enterprise Activities:				
Land	\$ 166,385	\$ -	\$ -	\$ 166,385
Construction in Progress	341,891	314,353	(174,722)	481,522
Building	480,398	-	-	480,398
Water System	4,124,894	174,722	-	4,299,616
Wastewater System	4,794,290	-	-	4,794,290
Vehicles and Equipment	637,094	225,618	-	862,712
Totals at historic cost	10,544,952	714,693	(174,722)	11,084,923
Less Accumulated Depreciation:				
Building	(88,072)	(16,013)	-	(104,085)
Water System	(1,851,610)	(97,691)	-	(1,949,301)
Wastewater System	(1,083,082)	(112,520)	-	(1,195,602)
Vehicles and Equipment	(481,242)	(36,700)	-	(517,942)
	(3,504,006)	(262,924)	-	(3,766,930)
Enterprise Activities Capital Assets, net	\$ 7,040,946	\$ 451,769	\$ (174,722)	\$ 7,317,993

Land and construction in progress are not depreciated.

Capital asset activity of the Ponder Public Improvement District No. 1 for the year ended September 30, 2023 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Street and Road Infrastructure	\$ 3,191,683	\$ -	\$ -	\$ 3,191,683
Totals at historic cost	3,191,683	-	-	3,191,683
Less accumulated depreciation for:				
Street and Road Infrastructure	(531,945)	(106,389)	-	(638,334)
Total accumulated depreciation	(531,945)	(106,389)	-	(638,334)
Capital Assets, net	\$ 2,659,738	\$ (106,389)	\$ -	\$ 2,553,349

7. GOVERNMENTAL LONG TERM DEBT

Governmental long-term debt of the Town consists of one general obligation bond series, two certificates of obligation series, one capital lease and accrued compensated absences.

The following is a summary of changes in the Town's governmental long-term debt for the fiscal year ended September 30, 2023.

TOWN OF PONDER, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Description	Interest Rate Payable	Balance October 1 2022	Additions	Refunded/ Retired	Balance September 30 2023	Due Within One Year
General Obligation Bonds:						
Series 2014 Refunding	1.99%	\$ 115,000	\$ -	\$ 115,000	\$ -	\$ -
Certificates of Obligation:						
Series 2015	2.00-4.00%	1,306,800	-	82,500	1,224,300	85,800
Series 2018	3.00-4.00%	4,135,000	-	190,000	3,945,000	195,000
Capital Lease:						
Police Vehicle	3.125%	45,445	-	10,842	34,603	11,181
Premium on CO issuance	-	353,117	-	23,704	329,413	23,704
Compensated absences	-	85,577	-	4,815	80,762	-
Total Long-Term Debt		<u>\$6,040,939</u>	<u>\$ -</u>	<u>\$ 426,861</u>	<u>\$ 5,614,078</u>	<u>\$315,685</u>

Payment of the general obligation bonds will be a combination of (1) the levy and collections of a direct and continuing ad valorem tax, within the limits of the law, on all taxable property within the Town, and (2) a limited pledge of surplus net revenues of the Town's water and wastewater operating system. Certificates of obligation retirement is provided from debt service ad valorem taxes.

8. DEBT SERVICE REQUIREMENTS – GOVERNMENTAL LONG TERM DEBT

Presented below is a summary of capital lease requirements to maturity:

Year Ended September 30,	Principal	Interest	Total Requirements
2024	\$ 11,181	\$ 1,082	\$ 12,263
2025	11,531	732	12,263
2026	11,891	372	12,263
Total	<u>\$ 34,603</u>	<u>\$ 2,186</u>	<u>\$ 36,789</u>

Presented below is a summary of certificates of obligation requirements to maturity:

Year Ended September 30,	Principal	Interest	Total Requirements
2024	\$ 280,800	\$ 197,607	\$ 478,407
2025	294,100	187,233	481,333
2026	305,750	176,360	482,110
2027	314,050	165,037	479,087
2028	325,700	153,416	479,116
2029-2033	1,829,650	573,201	2,402,851
2034-2038	1,819,250	207,248	2,026,498
Total	<u>\$5,169,300</u>	<u>\$1,660,102</u>	<u>\$ 6,829,402</u>

TOWN OF PONDER, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

9. ENTERPRISE FUND LONG TERM DEBT

Enterprise fund long term debt of the Town consists of three certificates of obligation series and an equipment lease. Retirement of all enterprise fund long term debt is provided from revenues of the Town's water and wastewater operating system.

The following is a summary of changes in the Town's Enterprise Fund long-term debt for the fiscal year ended September 30, 2023:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Balance October 1 2022</u>	<u>Additions</u>	<u>Refunded/ Retired</u>	<u>Balance September 30 2023</u>	<u>Due Within One Year</u>
Certificates of Obligation:						
Series 2015	2.00-4.00%	\$ 2,653,200	\$ -	\$ 167,500	\$ 2,485,700	\$ 174,200
Series 2018 A	3.55%	1,388,000	-	105,000	1,283,000	109,000
Series 2022	4.00-5.00%	3,700,000	-	-	3,700,000	115,000
Equipment Lease	8.00%	-	91,415	25,655	65,760	20,197
Premiums on CO issuance	-	240,929	-	18,366	222,563	18,366
Total Long-Term Debt		<u>\$ 7,982,129</u>	<u>\$ 91,415</u>	<u>\$ 316,521</u>	<u>\$ 7,757,023</u>	<u>\$ 436,763</u>

10. DEBT SERVICE REQUIREMENTS – ENTERPRISE FUND LONG TERM DEBT

Presented below is a summary of certificates of obligation requirements to maturity:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2024	\$ 398,200	\$ 287,265	\$ 685,465
2025	412,900	272,321	685,221
2026	431,250	256,918	688,168
2027	446,950	240,737	687,687
2028	460,300	223,962	684,262
2029-2033	2,593,350	839,180	3,432,530
2034-2038	1,495,750	396,175	1,891,925
2039-2043	1,230,000	151,200	1,381,200
Total	<u>\$7,468,700</u>	<u>\$2,667,758</u>	<u>\$ 10,136,458</u>

11. PONDER EDC LONG-TERM DEBT

Long term debt of the Ponder Economic Development Corporation consists of one bank note obtained in fiscal year 2011 for the purchase of land. A summary of the change in the long-term debt for the year ended September 30, 2023 is as follows:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Outstanding 10/01/22</u>	<u>Additions</u>	<u>Retired</u>	<u>Amounts Outstanding 09/30/23</u>	<u>Due Within One Year</u>
Bank Loan - Independent Bank	4.25%	<u>\$ 283,110</u>	<u>\$ -</u>	<u>\$ 31,112</u>	<u>\$ 251,998</u>	<u>\$ 32,461</u>

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Presented below is a summary of the Ponder Economic Development Corporation bank loan requirements to maturity:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2024	\$ 32,461	\$ 10,082	\$ 42,543
2025	33,867	8,676	42,543
2026	35,335	7,208	42,543
2027	36,867	5,676	42,543
2028	38,464	4,079	42,543
2029-2030	75,004	3,097	78,101
Total	<u>\$ 251,998</u>	<u>\$ 38,818</u>	<u>\$ 290,816</u>

12. PONDER PUBLIC IMPROVEMENT DISTRICT NO. 1 LONG-TERM DEBT

Long-term debt of the Ponder Public Improvement District No. 1 consists of \$3,545,000 special assessment revenue bonds that were issued in September, 2017 to finance public improvements benefiting property owners within the public improvement district. The Town is not obligated in any manner for the debt service payments on the special assessment debt. A summary of the change in the long-term debt for the year ended September 30, 2023 is as follows:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Outstanding 10/01/22</u>	<u>Additions</u>	<u>Refunded/ Retired</u>	<u>Amounts Outstanding 09/30/23</u>	<u>Due Within One Year</u>
Special Assessment Revenue Bonds: Series 2017	4.0 - 5.0%	\$ 3,430,000	\$ -	\$ 35,000	\$ 3,395,000	\$ 40,000
Premium on Bond issuance		75,153	-	3,006	72,147	3,006
Total Long-Term Debt		<u>\$ 3,505,153</u>	<u>\$ -</u>	<u>\$ 38,006</u>	<u>\$ 3,467,147</u>	<u>\$ 43,006</u>

Presented below is a summary of the Ponder Public Improvement District No. 1 special assessment revenue bonds to maturity:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2024	\$ 40,000	\$ 167,750	\$ 207,750
2025	45,000	166,150	211,150
2026	55,000	164,350	219,350
2027	60,000	162,150	222,150
2028	65,000	159,750	224,750
2029-2033	465,000	740,250	1,205,250
2034-2038	725,000	599,750	1,324,750
2039-2043	1,075,000	385,000	1,460,000
2044-2047	865,000	97,250	962,250
Total	<u>\$3,395,000</u>	<u>\$2,642,400</u>	<u>\$ 6,037,400</u>

TOWN OF PONDER, TEXAS

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13. DEFINED BENEFIT PENSION PLANS

Plan Description

The Town of Ponder participates as one of 919 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 does not receive any funding from the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the town-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 Town, within the options available in the state statutes governing TMRS. Plan provisions for the Town were as follows:

	Plan Year 2022	Plan Year 2023
Employee deposit rate	5.0%	5.0%
Employer deposit rate	6.25%	6.56%
Matching ratio (Town to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5,0/25	60/5,0/25
Updated Service Credit	0%	0%
Annuity Increase (to retirees)	0% of CPI Repeating	0% of CPI Repeating

TOWN OF PONDER, TEXAS

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Employees covered by benefit terms.

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to buy not yet receiving benefits	8
Active employees	<u>15</u>
	29

Contributions

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

Employees for the Town of Ponder were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the Town of Ponder were 6.25% and 6.56% in calendar years 2022 and 2023, respectively. The Town's contributions to TMRS for the year ended September 30, 2023 were \$62,617, and were equal to the required contributions.

Net Pension Liability

The Town's Net Pension Liability (NPL) was measured as of December 31, 2022, 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, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

TOWN OF PONDER, TEXAS

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan 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 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Portfolio Real Rate of Return*
Global Public Equity	35.0%	7.70%
Core Fixed Income	6.0%	4.90%
Non-Core Fixed Income	20.0%	8.70%
Other Public and Private Market	12.0%	8.10%
Real Estate	12.0%	5.80%
Hedge Funds	5.0%	6.90%
Private Equity	10.0%	11.80%
Total	100.0%	

TOWN OF PONDER, TEXAS

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Discount Rate

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

Changes in the Net Pension Liability (Asset)	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 12/31/2021	\$ 1,419,945	\$ 1,461,790	\$ (41,845)
Changes for the year:			
Service Cost	97,418	-	97,418
Interest	97,871	-	97,871
Change in benefit terms		-	-
Difference between expected and actual experience	(12,307)	-	(12,307)
Changes of assumptions	-	-	-
Contributions – employer	-	56,324	(56,324)
Contributions – employee	-	48,418	(48,418)
Net investment income	-	(107,171)	107,171
Benefit payments, including refunds of employee contributions	(37,413)	(37,413)	-
Administrative expense	-	(923)	923
Other changes	-	1,102	(1,102)
Net changes	145,569	(39,663)	185,232
Balance at 12/31/2022	\$ 1,565,514	\$ 1,422,127	\$ 143,387

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

The following presents the net pension liability of the Town, calculated using the discount rate of 6.75%, as well as what the Town'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 in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Town's net pension liability (asset)	\$ 312,542	\$ 143,387	\$ (1,505)

TOWN OF PONDER, TEXAS

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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.

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

For the year ended September 30, 2023, the Town recognized pension expense of \$71,276.

At September 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 3,264	\$ 8,820
Changes in actuarial assumptions	-	746
Difference between projected and actual investment earnings	164,672	64,568
Contributions subsequent to the measurement date	47,031	-
Total	\$ 214,967	\$ 74,134

\$47,031 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2024	\$ 7,585
2025	21,118
2026	23,934
2027	41,165
2028	-
Thereafter	-

14. OTHER POST EMPLOYMENT BENEFITS

Plan Description

The Town also participates in a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage (Supplemental Death Benefits) for their active members, including or not including retirees.

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Benefits Provided

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). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree employees, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan. Texas Local Government Code Section 177.001 assigns the authority to establish and amend benefit provisions to the Town Council. At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>15</u>
Total	23

Contributions

The Town contributes to the SDBF program at a contractually required rate. An annual actuarial valuation is performed, and the contractual rate is equal to the cost of providing one-year term life insurance. The premium rate is expressed as a percentage of the covered payroll of members employed by the participating employer. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect.

The SDBF program is voluntary and employers can cease participation by adopting an ordinance before November 1 of any year to be effective the following January 1. Therefore, the funding policy of the program is to ensure that adequate resources are available to meet all insurance benefit payments for the upcoming year. It is not the intent of the funding policy to pre-fund retiree term life insurance during employees' entire careers. The Town's contribution, which equaled the required contribution, was as follows for the year ended September 30:

	<u>2023</u>
Employer rate	0.66%
Employer contributions	\$ 6,391

Actuarial Assumptions

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%
Salary increases	3.50% to 11.5%, including inflation
Discount rate	4.05%

Mortality rates for service retirees were based on the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with Scale UMP.

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Mortality rates for disabled retirees were based on the 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Actuarial assumptions used in the December 31, 2022 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2014 through December 31, 2018.

The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. A discount rate of 4.05% was based on the 20-Year Fidelity Index's Municipal GO AA Index as of December 31, 2022.

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

At September 30, 2023, the Town reported a total OPEB liability of \$43,360 measured at December 31, 2022. For the year ended September 30, 2023, the Town recognized OPEB expense of \$5,307.

There were no changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period, except for a change in the discount rate from 1.84% to 4.05%.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

Changes in the total OPEB liability for the measurement year ended December 31, 2022 are as follows:

	<u>Total OPEB Liability</u>
Changes in Total OPEB Liability	
Balance at December 31, 2021	\$ 56,438
Changes for the year:	
Service cost	6,779
Interest on total OPEB liability	1,088
Changes of benefit terms	-
Differences between expected and actual experience	1,638
Changes in assumptions or other inputs	(21,227)
Benefit payments*	(1,356)
Balance as of December 31, 2022	<u>\$ 43,360</u>

*Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

TOWN OF PONDER, TEXAS

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Discount Rate Sensitivity Analysis

The following presents the total OPEB liability of the Town, calculated using the discount rate of 4.05%, as well as what the Town’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.05%) or 1 percentage point higher (5.05%) than the current rate.

	1% Decrease in Discount Rate (3.05%)	Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
Total OPEB liability	\$ 51,618	\$ 43,360	\$ 36,827

At December 31, 2022, the Town reported its deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 1,082
Changes in actuarial assumptions	-	11,106
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	4,793	-
Total	\$ 4,793	\$ 12,188

Deferred outflows of resources related to OPEB resulting from contribution subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ended September 30, 2024 in the amount of \$4,793. The other net amounts of the employer’s balances of deferred outflows and inflows of resources related to OPEB, excluding contributions made subsequent to the measurement date, will be recognized in OPEB expense as follows:

Year ended September 30:	
2023	\$ (2,391)
2024	(2,662)
2025	(4,182)
2026	(2,953)
2027	-
Thereafter	-

15. LITIGATION AND CONTINGENCIES

The Town Attorney (general legal counsel) expresses the opinion that there does not now exist any pending or threatened litigation, claim or assessment, or an unasserted claim and/or assessment which individually or collectively represent a potential loss exposure to the Town of Ponder, Texas.

TOWN OF PONDER, TEXAS

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16. RISK MANAGEMENT

Significant losses to which the Town is exposed are covered by insurance obtained primarily through the Texas Municipal League. This includes property and liability, worker's compensation and employee health. The Town retains no risk of loss except for small deductibles on some of the policies.

For insured programs, there have been no significant reduction in insurance coverage, and settlement amounts have not been exceeded insurance coverage for the current year or the three prior years.

Financial Advisory Services
Provided By

