

**TOWN OF PONDER, TEXAS**

FINANCIAL STATEMENTS  
AND  
AUDITORS' REPORT

SEPTEMBER 30, 2020

**TOWN OF PONDER, TEXAS**

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TOWN OF PONDER, TEXAS

PRINCIPAL TOWN OFFICIALS  
SEPTEMBER 30, 2020

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Mayor:

Matt Poole

Commissioners:

Tracy Lynch  
Alan Gorman  
Brandie Bates  
John Bassler  
Dan Cockburn

Secretary - Treasurer:

Sheri Clearman

Tax Collector:

Denton County

Water and Sewer Superintendent:

Gary Morris

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## **INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and Town Council  
Town of Ponder, Texas

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

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the discretely presented component units and each major fund of the Town of Ponder, Texas as of September 30, 2020, 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.

## **Other Matters**

### *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 presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Ponder, Texas's basic financial statements. The combining and individual fund statements and schedules listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund 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 6, 2021 on our consideration of the Town of Ponder, Texas'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, Texas's internal control over financial reporting and compliance.



Hankins, Eastup, Deaton, Tonn & Seay, PC  
Denton, Texas

February 6, 2021

## **MANAGEMENT'S DISCUSSION & ANALYSIS**

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# TOWN OF PONDER, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2020

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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, 2020. 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, 2020 by \$6,344,039. The Unrestricted Net Position amount of \$986,357 may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$555,049 during the fiscal year from the results of current year operations.
- As of September 30, 2020, the Town of Ponder's governmental funds reported combined ending fund balances of \$3,836,804, a decrease of \$1,468,751 in comparison with the beginning of the period. Approximately 13 percent of this total amount, \$494,817, 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 \$494,817 was 35.6 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, 2020 – 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, 2020

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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, 2020

**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 \$6,344,039 as of September 30, 2020. 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	
	2019	2020	2019	2020	2019	2020
Current and other assets	\$ 5,411,093	\$ 4,328,541	\$ 3,099,985	\$ 2,924,421	\$ 8,511,078	\$ 7,252,962
Capital assets	3,071,560	4,592,905	6,777,940	6,736,376	9,849,500	11,329,281
Total assets	<u>8,482,653</u>	<u>8,921,446</u>	<u>9,877,925</u>	<u>9,660,797</u>	<u>18,360,578</u>	<u>18,582,243</u>
Deferred outflows of resources	127,097	111,107	-	-	127,097	111,107
Long-term liabilities						
outstanding	7,641,121	7,029,048	4,703,370	4,523,275	12,344,491	11,552,323
Other liabilities	124,353	505,582	190,952	201,603	315,305	707,185
Total liabilities	<u>7,765,474</u>	<u>7,534,630</u>	<u>4,894,322</u>	<u>4,724,878</u>	<u>12,659,796</u>	<u>12,259,508</u>
Deferred inflows of resources	38,889	89,803	-	-	38,889	89,803
Net Position:						
Net investment in capital						
assets	541,353	1,303,998	3,965,644	3,982,181	4,506,997	5,286,179
Restricted	55,602	71,503	-	-	55,602	71,503
Unrestricted	208,432	32,619	1,017,959	953,738	1,226,391	986,357
Total net position	<u>\$ 805,387</u>	<u>\$ 1,408,120</u>	<u>\$ 4,983,603</u>	<u>\$ 4,935,919</u>	<u>\$ 5,788,990</u>	<u>\$ 6,344,039</u>

**TOWN OF PONDER, TEXAS**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2020

**Governmental Activities.** The Town's general revenues for governmental activities for the years ended September 30, 2019 and 2020 are detailed below (Table 2).

Table 2  
General Revenues

	2019	2020
Property taxes	\$ 1,098,884	\$ 1,323,080
Sales taxes	191,355	234,505
Franchise taxes	106,633	106,588
Gas royalties	2,536	1,952
Investment earnings	140,877	53,210
	<u>\$ 1,540,285</u>	<u>\$ 1,719,335</u>

The following table provides a summary of the Town's operations for the years ended September 30, 2019 and 2020.

Table 3  
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2020	2019	2020	2019	2020
Revenues:						
Program Revenues:						
Charges for Services	\$ 60,837	\$ 189,886	\$ 1,301,011	\$ 1,396,874	\$ 1,361,848	\$ 1,586,760
Operating grants and contributions	12,660	144,912	-	-	12,660	144,912
General Revenues:						
Property taxes	1,098,884	1,323,080	-	-	1,098,884	1,323,080
Sales taxes	191,355	234,505	-	-	191,355	234,505
Franchise taxes	106,633	106,588	-	-	106,633	106,588
Gas royalties	2,536	1,952	-	-	2,536	1,952
Investment earnings	140,877	53,210	57,365	22,832	198,242	76,042
Total Revenues	<u>1,613,782</u>	<u>2,054,133</u>	<u>1,358,376</u>	<u>1,419,706</u>	<u>2,972,158</u>	<u>3,473,839</u>
Expenses:						
Administration	377,087	495,500	-	-	377,087	495,500
Library	60,654	39,259	-	-	60,654	39,259
Municipal court	40,713	39,048	-	-	40,713	39,048
Public safety	547,954	693,915	-	-	547,954	693,915
Public works	268,900	280,182	-	-	268,900	280,182
Debt service-interest and fees	245,729	224,823	-	-	245,729	224,823
Water and wastewater expenses	-	-	1,124,687	1,146,063	1,124,687	1,146,063
Total Expenses	<u>1,541,037</u>	<u>1,772,727</u>	<u>1,124,687</u>	<u>1,146,063</u>	<u>2,665,724</u>	<u>2,918,790</u>
Transfers in (out)	274,537	321,327	(274,537)	(321,327)	-	-
Change in net position	347,282	602,733	(40,848)	(47,684)	306,434	555,049
Net Position – October 1 (beginning)	483,981	805,387	5,024,451	4,983,603	5,508,432	5,788,990
Prior period adjustment	(25,876)	-	-	-	(25,876)	-
Net Position – September 30 (ending)	<u>\$ 805,387</u>	<u>\$ 1,408,120</u>	<u>\$ 4,983,603</u>	<u>\$ 4,935,919</u>	<u>\$ 5,788,990</u>	<u>\$ 6,344,039</u>

# TOWN OF PONDER, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2020

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### **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 \$3,836,804, a decrease of \$1,468,751 in comparison with the beginning of the period. Approximately 12.9 percent of this total amount (\$494,817) 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 (\$49,033), 2) to pay for capital projects (\$3,250,597), and 3) to pay for court security/technology/child safety (\$22,970), or 4) already spent on prepaid costs (\$19,887).

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 \$494,817, while total fund balance was \$537,174. 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 35.63 percent of total general fund non-capital expenditures, while total fund balance represents 38.67 percent of that same amount.

The fund balance of the Town's general fund increased by \$153,267 during the current year, compared to a \$164,057 decrease in the previous year. General fund revenues were up \$511,735 or 51.8 percent above the prior year and expenditures were up \$238,464 or 20.73 percent from the prior year. Revenues were up primarily due to CARES funding, additional ad valorem taxes and additional permits and fees revenue.

The fund balance of the debt service fund increased \$14,430 during the current year, compared to a \$22,347 increase in fund balance in the prior year.

The fund balance of the capital projects fund decreased \$1,636,448 due to construction costs expended.

### **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 a \$117,543 decrease in fund balance. The available fund balance for the general fund actually increased in the amount of \$153,267. This increase was due primarily to additional sales tax, permits and fees, and CARES funds 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, 2020 amounts to \$4,592,905 (net of accumulated depreciation). This amount represents a net increase of \$1,521,345, or 49.5 percent, above 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 continuing costs on a drainage project and a sports complex.

**TOWN OF PONDER, TEXAS**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2020

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

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	Governmental Activities
Land	\$ 54,648
Construction in Progress	1,970,831
Building	1,924,551
Equipment and Vehicles	104,839
Streets and Drainage	447,462
Parks	90,574
Totals	<u>\$ 4,592,905</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 \$545,000 general obligation bonds, \$5,928,900 certificates of obligation, \$400,525 premiums on CO issuance and accrued compensated absences of \$77,263, for a total of \$6,951,688.

The Town's total governmental debt decreased by \$548,993 or 7.32% 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 balance budget for fiscal year 2021. The tax rate for this year is \$0.702652 on each \$100 valuation of property.

The Town remains in the process of building a \$3.5 million sports complex project, a \$1.3 million town-wide drainage improvement project and the wastewater treatment plant expansion.

**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, 2020

	Primary Government	
	Governmental Activities	Business Type Activities
<b>ASSETS</b>		
Cash and Investments	\$ 4,243,950	\$ 2,800,504
Sales Tax Receivable	44,344	-
Ad Valorem Tax Receivable	15,316	-
Receivables (net of allowance for uncollectibles)	-	118,803
Note Receivable	-	-
Other Receivables	5,044	-
Prepaid Expenses	19,887	5,114
Capital Assets:		
Land	54,648	166,385
Construction in Progress	1,970,831	95,314
Buildings, net	1,924,551	424,352
Water System, net	-	2,461,255
Wastewater System, net	-	3,390,723
Vehicles and Equipment, net	104,839	198,347
Streets and Drainage, net	447,462	-
Parks, net	90,574	-
Total Assets	<u>8,921,446</u>	<u>9,660,797</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Outflow Related to TMRS	91,017	-
Deferred Outflow Related to OPEB	8,431	-
Deferred Loss on Bond Refunding	11,659	-
Total Deferred Outflows of Resources	<u>111,107</u>	<u>-</u>
<b>LIABILITIES</b>		
Accounts Payable	447,413	26,872
Accrued Liabilities	58,169	32,509
Customer Meter Deposits	-	142,222
Noncurrent Liabilities:		
Due within one year	561,604	187,445
Due in more than one year	6,390,084	4,335,830
Net pension liability	39,190	-
Net OPEB liability	38,170	-
Total Liabilities	<u>7,534,630</u>	<u>4,724,878</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflow Related to TMRS	85,838	-
Deferred Inflow Related to OPEB	3,965	-
Total Deferred Inflows of Resources	<u>89,803</u>	<u>-</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	1,303,998	3,982,181
Restricted for:		
Debt Service	49,033	-
Court Security/Technology/Child Safety	22,470	-
Economic Development	-	-
Unrestricted Net Position	32,619	953,738
Total Net Position	<u>\$ 1,408,120</u>	<u>\$ 4,935,919</u>

The accompanying Notes are an integral part of this statement.



Total	Component Units	
	Economic Development Corporation	Public Improvement District No. 1
\$ 7,044,454	\$ 225,384	\$ 351,025
44,344	17,738	-
15,316	-	-
118,803	-	-
-	51,628	-
5,044	-	-
25,001	-	-
221,033	672,947	-
2,066,145	-	-
2,348,903	-	-
2,461,255	-	-
3,390,723	-	-
303,186	-	-
447,462	-	2,872,516
90,574	-	-
<u>18,582,243</u>	<u>967,697</u>	<u>3,223,541</u>
91,017	-	-
8,431	-	-
11,659	-	-
<u>111,107</u>	<u>-</u>	<u>-</u>
474,285	-	-
90,678	238	-
142,222	-	-
749,049	28,589	28,006
10,725,914	312,744	3,538,159
39,190	-	-
38,170	-	-
<u>12,259,508</u>	<u>341,571</u>	<u>3,566,165</u>
85,838	-	-
3,965	-	-
<u>89,803</u>	<u>-</u>	<u>-</u>
5,286,179	331,614	(693,649)
49,033	-	204,490
22,470	-	-
-	294,512	-
986,357	-	146,535
<u>\$ 6,344,039</u>	<u>\$ 626,126</u>	<u>\$ (342,624)</u>

**TOWN OF PONDER, TEXAS**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
Administration	\$ 495,500	\$ 25,167	\$ -	\$ -
Library	39,259	-	12,698	-
Municipal Court	39,048	9,398	-	-
Public Safety	693,915	-	132,214	-
Public Works	280,182	155,321	-	-
Debt Service – Interest and fees	224,823	-	-	-
Total Governmental Activities	<u>1,772,727</u>	<u>189,886</u>	<u>144,912</u>	<u>-</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Enterprise Fund	1,146,063	1,396,874	-	-
Total Business-Type Activities	<u>1,146,063</u>	<u>1,396,874</u>	<u>-</u>	<u>-</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 2,918,790</u>	<u>\$ 1,586,760</u>	<u>\$ 144,912</u>	<u>\$ -</u>
<b>Component Units:</b>				
Economic Development Corporation	\$ 19,441	\$ -	\$ -	\$ -
Public Improvement District No. 1	305,064	-	-	-
<b>TOTAL COMPONENT UNITS</b>	<u>\$ 324,505</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
\$ (470,333)	\$ -	\$ (470,333)	\$ -	\$ -
(26,561)	-	(26,561)	-	-
(29,650)	-	(29,650)	-	-
(561,701)	-	(561,701)	-	-
(124,861)	-	(124,861)	-	-
(224,823)	-	(224,823)	-	-
<u>(1,437,929)</u>	<u>-</u>	<u>(1,437,929)</u>	<u>-</u>	<u>-</u>
-	250,811	250,811	-	-
-	250,811	250,811	-	-
<u>(1,437,929)</u>	<u>250,811</u>	<u>(1,187,118)</u>	<u>-</u>	<u>-</u>
-	-	-	(19,441)	-
-	-	-	-	(305,064)
-	-	-	<u>(19,441)</u>	<u>(305,064)</u>
814,119	-	814,119	-	-
508,961	-	508,961	-	-
234,505	-	234,505	93,802	-
106,588	-	106,588	-	-
1,952	-	1,952	-	-
-	-	-	-	243,246
-	-	-	-	-
53,210	22,832	76,042	4,901	3,158
<u>321,327</u>	<u>(321,327)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,040,662</u>	<u>(298,495)</u>	<u>1,742,167</u>	<u>98,703</u>	<u>246,404</u>
602,733	(47,684)	555,049	79,262	(58,660)
<u>805,387</u>	<u>4,983,603</u>	<u>5,788,990</u>	<u>546,864</u>	<u>(283,964)</u>
<u>\$ 1,408,120</u>	<u>\$ 4,935,919</u>	<u>\$ 6,344,039</u>	<u>\$ 626,126</u>	<u>\$ (342,624)</u>

**TOWN OF PONDER, TEXAS**

BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2020

	<u>General Fund</u>	<u>Debt Service Fund</u>
<b>ASSETS</b>		
Cash and Investments	\$ 529,112	\$ 49,033
Receivables (net of allowances for uncollectibles):		
Taxes – Ad Valorem	9,868	5,448
Taxes – Sales	44,344	-
Other	5,044	-
Due from Other Funds	-	-
Prepaid Costs	19,887	-
Total Assets	<u>\$ 608,255</u>	<u>\$ 54,481</u>
<b>LIABILITIES, DEFERRED OUTFLOWS AND FUND BALANCE</b>		
Liabilities:		
Current Liabilities:		
Accounts Payable	\$ 20,450	\$ -
Accrued Liabilities	29,008	-
Due to Other Funds	11,755	-
Total Liabilities	<u>61,213</u>	<u>-</u>
Deferred Outflows of Resources:		
Unavailable Revenue-Property Taxes	9,868	5,448
Total Deferred Outflows of Resources	<u>9,868</u>	<u>5,448</u>
Fund Balance:		
Nonspendable Fund Balance:		
Prepaid Costs	19,887	-
Restricted Fund Balance:		
Court Security/Technology/Child Safety	22,470	-
Retirement of Long-Term Debt	-	49,033
Capital Improvements	-	-
Unassigned Fund Balance	494,817	-
Total Fund Balance	<u>537,174</u>	<u>49,033</u>
 Total Liabilities, Deferred Outflows and Fund Balance	 <u>\$ 608,255</u>	 <u>\$ 54,481</u>

The accompanying Notes are an integral part of this statement.

<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
\$ 3,665,805	\$ 4,243,950
-	15,316
-	44,344
-	5,044
11,755	11,755
-	19,887
<u>\$ 3,677,560</u>	<u>\$ 4,340,296</u>
\$ 426,963	\$ 447,413
-	29,008
-	11,755
<u>426,963</u>	<u>488,176</u>
-	15,316
<u>-</u>	<u>15,316</u>
-	19,887
-	22,470
-	49,033
3,250,597	3,250,597
-	494,817
<u>3,250,597</u>	<u>3,836,804</u>
<u>\$ 3,677,560</u>	<u>\$ 4,340,296</u>

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**TOWN OF PONDER, TEXAS**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020

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<b>Total Fund Balances – Governmental Funds</b>	\$ 3,836,804
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	6,613,018
Accumulated depreciation is not reported in the fund financial statements.	(2,020,113)
Certificates of obligation, general obligation bonds, capital leases and compensated absences are not reported in the fund financial statements.	(6,551,163)
Premiums on the issuance of certificates of obligation are not recognized in the fund financial statements.	(400,525)
Property tax revenue reported as unavailable revenues in the fund financial statements was recognized as revenue in the government-wide financial statements.	15,316
Loss on the refunding of bonds reported as net other financing uses on the fund financial statements is deferred in the government-wide financial statements.	11,659
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(29,161)
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 \$39,190, a Deferred Resource Inflow related to TMRS in the amount of \$85,838 and a Deferred Resource Outflow related to TMRS in the amount of \$91,017. This amounted to a decrease in Net Position in the amount of \$34,011.	(34,011)
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 \$38,170, a Deferred Resource Outflow related to OPEB in the amount of \$8,431, and a Deferred Resource Inflow related to OPEB in the amount of \$3,965. This amounted to a decrease in Net Position in the amount of \$33,704.	<u>(33,704)</u>
Net Position of Governmental Activities	<u>\$ 1,408,120</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, 2020

	<u>General Fund</u>	<u>Debt Service Fund</u>
<b>Revenues:</b>		
Taxes - Ad Valorem	\$ 811,979	\$ 507,800
- Franchise	106,588	-
- Sales	234,505	-
Building Permits and other Fees	155,981	-
Interest Income	9,483	447
Court Citations	9,398	-
Gas Royalties	1,952	-
CARES Funds	131,250	-
Insurance Proceeds	24,507	-
County Library Funding	12,000	-
Public Donations	1,662	-
Total Revenues	<u>1,499,305</u>	<u>508,247</u>
<b>Expenditures:</b>		
Current:		
Administration	444,751	-
Library	36,072	-
Municipal Court	38,719	-
Public Safety	565,689	-
Public Works	233,586	-
Debt Service:		
Principal	8,417	526,250
Interest and Fees	332	245,979
Capital Outlay	61,387	-
Total Expenditures	<u>1,388,953</u>	<u>772,229</u>
Excess (Deficit) of Revenues over Expenditures	<u>110,352</u>	<u>(263,982)</u>
<b>Other Financing Sources (Uses):</b>		
Transfers to Other Funds	(450)	-
Transfers from Other Funds	43,365	278,412
Total Other Financing Sources (Uses)	<u>42,915</u>	<u>278,412</u>
Net Change in Fund Balance	153,267	14,430
Fund Balance – October 1, (beginning)	383,907	34,603
Fund Balance – September 30 (ending)	<u>\$ 537,174</u>	<u>\$ 49,033</u>

The accompanying Notes are an integral part of this statement.



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<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
\$ -	\$ 1,319,779
-	106,588
-	234,505
-	155,981
43,280	53,210
-	9,398
-	1,952
-	131,250
-	24,507
-	12,000
-	1,662
<u>43,280</u>	<u>2,050,832</u>
-	444,751
-	36,072
-	38,719
-	565,689
-	233,586
-	534,667
-	246,311
<u>1,679,728</u>	<u>1,741,115</u>
<u>1,679,728</u>	<u>3,840,910</u>
<u>(1,636,448)</u>	<u>(1,790,078)</u>
-	(450)
-	321,777
<u>-</u>	<u>321,327</u>
(1,636,448)	(1,468,751)
4,887,045	5,305,555
<u>\$ 3,250,597</u>	<u>\$ 3,836,804</u>

**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, 2020

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<b>Total Net Change in Fund Balances – Governmental Funds</b>	<b>\$ (1,468,751)</b>
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.	1,741,115
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.	(216,628)
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.	3,301
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.	(9,378)
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.	534,667
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.	(3,885)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	1,669
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 12/31/19 caused net position to increase in the amount of \$39,462. Contributions made before the measurement date but during the 2020 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 \$14,442. These contributions were replaced with the Town’s pension expense for the year of \$48,485, which caused a decrease in net position. The impact of all of these is to increase net position by \$5,419.	5,419
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 12/31/19 caused net position to increase in the amount of \$1,953. Contributions made before the measurement date but during the 2020 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 \$651. These contributions were replaced with the Town’s OPEB expense for the year of \$7,962, which caused a decrease in the change in net position. The impact of all of these is to decrease net position by \$5,358.	(5,358)

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, 2020

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The basis of capital asset dispositions do not affect the fund financial statements but are shown  
as a reduction of capital assets in the government-wide financial statements. (3,142)

**Change in Net Position of Governmental Activities** **\$ 602,733**

**TOWN OF PONDER, TEXAS**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE  
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Budgeted Amounts</u>		Actual Amounts (GAAP BASIS)	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes - Ad Valorem	\$ 766,187	\$ 766,187	\$ 811,979	\$ 45,792
- Franchise	120,000	120,000	106,588	(13,412)
- Sales	150,000	150,000	234,505	84,505
Building Permits and Other Fees	31,390	31,390	155,981	124,591
Interest Income	50,000	50,000	9,483	(40,517)
Court Citations	11,264	11,264	9,398	(1,866)
Gas Royalties	3,000	3,000	1,952	(1,048)
CARES Funds	-	-	131,250	131,250
Insurance Proceeds	-	-	24,507	24,507
County Library Funding	-	-	12,000	12,000
Public Donations/Grants	-	-	1,662	1,662
Total Revenues	<u>1,131,841</u>	<u>1,131,841</u>	<u>1,499,305</u>	<u>367,464</u>
Expenditures:				
Administration	442,551	442,551	444,751	(2,200)
Library	34,536	34,536	36,072	(1,536)
Municipal Court	44,029	44,029	38,719	5,310
Public Safety	586,268	586,268	565,689	20,579
Public Works	125,800	125,800	233,586	(107,786)
Debt Service:				
Principal	8,500	8,500	8,417	83
Interest	500	500	332	168
Capital Outlay	7,200	7,200	61,387	(54,187)
Total Expenditures	<u>1,249,384</u>	<u>1,249,384</u>	<u>1,388,953</u>	<u>(139,569)</u>
Excess (Deficit) of Revenues over Expenditures	<u>(117,543)</u>	<u>(117,543)</u>	<u>110,352</u>	<u>227,895</u>
Other Financing Sources (Uses):				
Transfers to Other Funds	-	-	(450)	(450)
Transfers from Other Funds	-	-	43,365	43,365
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>42,915</u>	<u>42,915</u>
Net Change in Fund Balance	(117,543)	(117,543)	153,267	270,810
Fund Balance – October 1 (Beginning)	<u>383,907</u>	<u>383,907</u>	<u>383,907</u>	<u>-</u>
Fund Balance – September 30 (Ending)	<u>\$ 266,364</u>	<u>\$ 266,364</u>	<u>\$ 537,174</u>	<u>\$ 270,810</u>

**TOWN OF PONDER, TEXAS**

STATEMENT OF NET POSITION  
ENTERPRISE FUNDS  
SEPTEMBER 30, 2020

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	Business-Type Activities
	Total
	<u>Enterprise Funds</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 2,800,504
Accounts Receivable	118,803
Prepaid Expenses	5,114
Total Current Assets	<u>2,924,421</u>
Noncurrent Assets:	
Capital Assets:	
Land	166,385
Construction in Progress	95,314
Building, net	424,352
Water Systems, net	2,461,255
Wastewater System, net	3,390,723
Vehicles and Equipment, net	198,347
Total Capital Assets	<u>6,736,376</u>
Total Assets	<u>9,660,797</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	26,872
Accrued Liabilities	32,509
Customer Meter Deposits	142,222
Total Current Liabilities	<u>201,603</u>
Noncurrent Liabilities:	
Due within one year	187,445
Due in more than one year	4,335,830
Total Noncurrent Liabilities	<u>4,523,275</u>
Total Liabilities	<u>4,724,878</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	3,982,181
Unrestricted Net Position	953,738
Total Net Position	<u>\$ 4,935,919</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, 2020

	<u>Business-Type Activities</u>
	<u>Total</u>
	<u>Enterprise Funds</u>
<b>OPERATING REVENUES:</b>	
Water and Sewer Charges	\$ 1,375,451
Tap Fees	3,600
Impact and Other Fees	15,130
Land Lease	2,693
Total Operating Revenues	<u>1,396,874</u>
<b>OPERATING EXPENSES:</b>	
Salaries	213,192
Payroll Taxes	3,003
Retirement	15,840
Health Insurance	49,176
Utilities	104,103
Telephone	12,307
System Repairs and Maintenance	198,323
Equipment Repairs and Maintenance	11,856
Building Repairs and Maintenance	4,125
Contract Labor	40,051
Operating Supplies	11,428
Uniforms	735
Engineering Fees	16,580
Property and Liability Insurance	16,799
Office Expense	11,137
Bank Charges	3,693
Legal Fees	6,700
Dues and Publications	30,768
Vehicle Expense	3,688
Legal Notices	481
Depreciation	233,075
Other Expense	3,238
Total Operating Expenses	<u>990,298</u>
Operating Income	<u>406,576</u>
<b>NONOPERATING REVENUE (EXPENSES):</b>	
Interest Income	22,832
Interest Expense	(155,765)
Total Nonoperating Revenue (Expenses)	<u>(132,933)</u>
Income Before Transfers	273,643
Transfers In (Out)	<u>(321,327)</u>
Change in Net Position	(47,684)
Total Net Position – October 1 (Beginning)	<u>4,983,603</u>
Total Net Position – September 30 (Ending)	<u>\$ 4,935,919</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, 2020

	<u>Business-Type Activities</u>
	<u>Total</u>
	<u>Enterprise Funds</u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$ 1,395,648
Cash Received from Land Lease	2,693
Cash Paid for Payroll Costs	(208,068)
Cash Paid for Repairs and Maintenance	(211,328)
Cash Paid for Utilities	(102,303)
Cash Paid for Other Expenses	(226,405)
Net Cash Provided by Operating Activities	<u>650,237</u>
<u>Cash Flows from Capital &amp; Related Financing Activities:</u>	
Purchase of Fixed Assets	(191,511)
Payment of Long-term Debt Principal	(180,095)
Transfer to Other Funds	(321,327)
Interest Paid	(155,765)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(848,698)</u>
<u>Cash Flows from Investing Activities:</u>	
Interest Income	22,832
Net Cash Provided by Investing Activities	<u>22,832</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(175,629)
Cash and Cash Equivalents at Beginning of the Year	<u>2,976,133</u>
Cash and Cash Equivalents at the End of the Year	<u>\$ 2,800,504</u>
<u>Reconciliation of Operating Income to Net Cash Provided</u>	
<u>by Operating Activities:</u>	
Operating Income	\$ 406,576
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	233,075
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (Increase) in Accounts Receivable	1,467
Decrease (Increase) in Prepaid Expenses	(1,532)
Increase (Decrease) in Accounts Payable	3,664
Increase (Decrease) in Accrued Liabilities	2,367
Increase (Decrease) in Customer Meter Deposits	4,620
Net Cash Provided by Operating Activities	<u>\$ 650,237</u>

The accompanying Notes are an integral part of this statement.

## TOWN OF PONDER, TEXAS

### NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2020

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#### 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, 2020

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- 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, 2020 – 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  
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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**

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*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 2020, the assessed values were established at 100% of estimated market value. The assessed value for the roll of January 1, 2019, upon which the fiscal year 2020 levy was based, was \$189,923,168. 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, 2020, was \$0.423623 and \$0.271987 per \$100 valuation, respectively, for a total of \$0.695610 per \$100 valuation.

**TOWN OF PONDER, TEXAS**

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**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, 2020

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#### **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 or 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, 2020

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#### 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, 2020, the carrying amount of the Town's deposits in checking accounts and interest-bearing savings accounts was \$359,502 and the bank balance was \$375,606. The Town's cash deposits at September 30, 2020 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, 2020, the Town's cash balances totaled \$375,606. 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  
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- 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, 2020, 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, 2020, 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, 2020 is shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
TexPool Investment Pool	<u>\$ 6,684,117</u>	<u>\$ 6,684,117</u>
Total	<u>\$ 6,684,117</u>	<u>\$ 6,684,117</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**

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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.
- 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, 2020.



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- 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, 2020.
- 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 \$494,817 at September 30, 2020. Prepaid expenditures (prepaid items) of \$19,887 are considered nonspendable fund balance. Court security, technology and child safety fees of \$22,470 are shown as restricted for those purposes.

**Other Major Funds**

The Debt Service Fund has restricted funds of \$49,033 at September 30, 2020 consisting of property tax collections that are restricted for debt service payments on bonded debt. The Capital Projects Fund has restricted funds of \$3,250,597 consisting primarily of unspent certificates of obligation funds.

**TOWN OF PONDER, TEXAS**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**4. RECEIVABLES**

Government-wide receivables as of September 30, 2020 are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Receivables:			
Property taxes	\$ 9,868	\$ 5,448	\$ 15,316
Sales taxes	44,344	-	44,344
Franchise taxes	5,044	-	5,044
Gross receivables	<u>59,256</u>	<u>5,448</u>	<u>64,704</u>
Less: Uncollectible allowance	-	-	-
Net Receivables	<u>\$ 59,256</u>	<u>\$ 5,448</u>	<u>\$ 64,704</u>

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**

Interfund balances at September 30, 2020 were as follows:

<u>Fund</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
General Fund:		
Capital Projects Fund	\$ 11,755	\$ -
Capital Projects Fund:		
General Fund	-	11,755
Total	<u>\$ 11,755</u>	<u>\$ 11,755</u>

The interfund transfers consist of reimbursements that will be transferred in the subsequent fiscal year.

Interfund transfers for the year ended September 30, 2020 consist of the following:

<u>Fund</u>	<u>Transfers to Other Funds</u>	<u>Transfers from Other Funds</u>
Debt Service Fund:		
General Fund	\$ -	\$ 450
Enterprise Fund	-	277,962
General Fund:		
Debt Service Fund	450	-
Enterprise Fund	-	43,365
Enterprise Fund:		
General Fund	43,365	-
Debt Service Fund	277,962	-
Total	<u>\$ 321,777</u>	<u>\$ 321,777</u>

**TOWN OF PONDER, TEXAS**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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The following is detail of the transfers that occurred during the year:

- \$277,962 – transfers of net revenues from the enterprise fund to the debt service fund for the payment of principal and interest obligations on governmental long-term debt.
- \$450 – transfer from the general fund to the debt service fund toward the payment of principal and interest obligations on governmental long-term debt.
- \$43,365 – transfer from the enterprise fund to the general fund for the payment of park improvements.

**6. CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended September 30, 2020 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	\$ 54,648	\$ -	\$ -	\$ 54,648
Construction in Progress	291,103	1,679,728	-	1,970,831
Buildings & Improvements	2,181,025	-	-	2,181,025
Equipment and Vehicles	564,633	25,262	(6,082)	583,813
Streets and Drainage	1,621,509	-	-	1,621,509
Parks	165,067	36,125	-	201,192
Totals at historic cost	<u>4,877,985</u>	<u>1,741,115</u>	<u>(6,082)</u>	<u>6,613,018</u>
Less accumulated depreciation for:				
Buildings & Improvements	(201,867)	(54,607)	-	(256,474)
Equipment and Vehicles	(441,503)	(40,411)	2,940	(478,974)
Streets and Drainage	(1,065,850)	(108,197)	-	(1,174,047)
Parks	(97,205)	(13,413)	-	(110,618)
Total accumulated depreciation	<u>(1,806,425)</u>	<u>(216,628)</u>	<u>2,940</u>	<u>(2,020,113)</u>
Governmental activities capital assets, net	<u>\$ 3,071,560</u>	<u>\$ 1,524,487</u>	<u>\$ (3,142)</u>	<u>\$ 4,592,905</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	\$ 60,586
Library	3,272
Court	474
Public Safety	30,686
Public Works	121,610
Total depreciation expense – Governmental activities	<u>\$ 216,628</u>

**TOWN OF PONDER, TEXAS**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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Capital asset activity for the Enterprise Fund business-type activities for the year ended September 30, 2020 was as follows:

	Balance <u>October 1</u>	Additions	Retirements	Balance <u>September 30</u>
Enterprise Activities:				
Land	\$ 166,385	\$ -	\$ -	\$ 166,385
Construction in Progress	30,983	64,331	-	95,314
Building	480,398	-	-	480,398
Water System	4,124,894	-	-	4,124,894
Wastewater System	4,251,167	6,860	-	4,258,027
Vehicles and Equipment	502,974	120,320	-	623,294
Totals at historic cost	<u>9,556,801</u>	<u>191,511</u>	<u>-</u>	<u>9,748,312</u>
Less Accumulated Depreciation:				
Building	(40,033)	(16,013)	-	(56,046)
Water System	(1,569,398)	(94,241)	-	(1,663,639)
Wastewater System	(766,364)	(100,940)	-	(867,304)
Vehicles and Equipment	(403,066)	(21,881)	-	(424,947)
	<u>(2,778,861)</u>	<u>(233,075)</u>	<u>-</u>	<u>(3,011,936)</u>
Enterprise Activities Capital Assets, net	<u>\$ 6,777,940</u>	<u>\$ (41,564)</u>	<u>\$ -</u>	<u>\$ 6,736,376</u>

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, 2020 is as follows:

	Beginning <u>Balance</u>	Increases	Decreases	Ending <u>Balance</u>
Street and Road Infrastructure	\$ 3,191,683	\$ -	\$ -	\$ 3,191,683
Totals at historic cost	<u>3,191,683</u>	<u>-</u>	<u>-</u>	<u>3,191,683</u>
Less accumulated depreciation for:				
Street and Road Infrastructure	(212,778)	(106,389)	-	(319,167)
Total accumulated depreciation	<u>(212,778)</u>	<u>(106,389)</u>	<u>-</u>	<u>(319,167)</u>
Capital Assets, net	<u>\$ 2,978,905</u>	<u>\$ (106,389)</u>	<u>\$ -</u>	<u>\$ 2,872,516</u>

**7. GOVERNMENTAL LONG TERM DEBT**

Governmental long-term debt of the Town consists of one general obligation bond series, two certificates of obligation series 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, 2020.

**TOWN OF PONDER, TEXAS**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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Description	Interest Rate Payable	Balance October 1 2019	Additions	Refunded/ Retired	Balance September 30 2020	Due Within One Year
General Obligation Bonds:						
Series 2014 Refunding	1.99%	\$ 855,000	\$ -	\$ 310,000	\$ 545,000	\$ 315,000
Certificates of Obligation:						
Series 2015	2.00-4.00%	1,470,150	-	41,250	1,428,900	42,900
Series 2018	3.00-4.00%	4,675,000	-	175,000	4,500,000	180,000
Capital Lease:						
Police Vehicle	3.947%	8,417	-	8,417	-	-
Premium on CO issuance	-	424,229	-	23,704	400,525	23,704
Compensated absences	-	67,885	9,378	-	77,263	-
 Total Long-Term Debt		 <u>\$ 7,500,681</u>	 <u>\$ 9,378</u>	 <u>\$ 558,371</u>	 <u>\$ 6,951,688</u>	 <u>\$ 561,604</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 general obligation bond requirements to maturity:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2021	\$ 315,000	\$ 10,846	\$ 325,846
2022	115,000	4,578	119,578
2023	115,000	2,288	117,288
Total	<u>\$ 545,000</u>	<u>\$ 17,712</u>	<u>\$ 562,712</u>

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>
2021	\$ 222,900	\$ 222,440	\$ 445,340
2022	264,200	215,324	479,524
2023	272,500	206,607	479,107
2024	280,800	197,607	478,407
2025	294,100	187,233	481,333
2026-2030	1,636,800	764,684	2,401,484
2031-2035	1,972,600	430,778	2,403,378
2036-2038	985,000	99,800	1,084,800
Total	<u>\$ 5,928,900</u>	<u>\$ 2,324,473</u>	<u>\$ 8,253,373</u>

**TOWN OF PONDER, TEXAS**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

Summary of the above long-term debt requirements is as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2021	\$ 537,900	\$ 233,286	\$ 771,186
2022	379,200	219,902	599,102
2023	387,500	208,895	596,395
2024	280,800	197,607	478,407
2025	294,100	187,233	481,333
2026-2030	1,636,800	764,684	2,401,484
2031-2035	1,972,600	430,778	2,403,378
2036-2038	985,000	99,800	1,084,800
Total	<u>\$ 6,473,900</u>	<u>\$ 2,342,185</u>	<u>\$ 8,816,085</u>

**9. DEFEASED BONDS**

On June 3, 2014, the Town issued \$2,495,000 (par value) in general obligation refunding bonds (current interest bonds) with an interest rate of 1.99% to advance refund \$1,365,000 certificates of obligation and \$1,040,000 general obligation bonds. The general obligation bonds were issued at par and, after paying issuance costs of \$55,031, the net proceeds of \$2,439,969 were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds and certificates of obligation mature. The advanced refunding met the requirements of an in-substance debt defeasance and the general obligation bonds and certificates of obligation were removed from the Town's long-term liabilities.

At September 30, 2020, \$590,000 of defeased bonds remain outstanding.

**10. ENTERPRISE FUND LONG TERM DEBT**

Enterprise fund long term debt of the Town consists of one tax note series and two certificates of obligation series. 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, 2020:

**TOWN OF PONDER, TEXAS**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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<u>Description</u>	<u>Interest Rate Payable</u>	<u>Balance October 1 2019</u>	<u>Additions</u>	<u>Refunded/ Retired</u>	<u>Balance September 30 2020</u>	<u>Due Within One Year</u>
Certificates of Obligation:						
Series 2015	2.00-4.00%	\$ 2,984,850	\$ -	\$ 83,750	\$ 2,901,100	\$ 87,100
Series 2018 A	3.55%	1,681,000	-	94,000	1,587,000	98,000
Premium on CO issuance	-	37,520	-	2,345	35,175	2,345
<b>Total Long-Term Debt</b>		<b><u>\$ 4,703,370</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 180,095</u></b>	<b><u>\$ 4,523,275</u></b>	<b><u>\$187,455</u></b>

**11. 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>
2021	\$ 185,100	\$ 153,774	\$ 338,874
2022	261,800	146,811	408,611
2023	272,500	136,793	409,293
2024	283,200	126,366	409,566
2025	292,900	117,270	410,170
2026-2030	1,607,200	438,790	2,045,990
2031-2035	<u>1,585,400</u>	<u>154,532</u>	<u>1,739,932</u>
<b>Total</b>	<b><u>\$ 4,488,100</u></b>	<b><u>\$ 1,274,336</u></b>	<b><u>\$ 5,762,436</u></b>

**12. 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, 2020 is as follows:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Outstanding 10/01/19</u>	<u>Additions</u>	<u>Retired</u>	<u>Amounts Outstanding 9/30/20</u>	<u>Due Within One Year</u>
Bank Loan - Northstar Bank	4.25%	<u>\$ 368,506</u>	<u>\$ -</u>	<u>\$27,173</u>	<u>\$ 341,333</u>	<u>\$ 28,589</u>

**TOWN OF PONDER, TEXAS**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

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

<u>Year Ended</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2021	\$ 28,589	\$ 13,954	\$ 42,543
2022	29,828	12,715	42,543
2023	31,121	11,422	42,543
2024	32,469	10,074	42,543
2025	33,877	8,666	42,543
2026-2030	<u>185,449</u>	<u>20,010</u>	<u>205,459</u>
	<u>\$ 341,333</u>	<u>\$ 76,841</u>	<u>\$ 418,174</u>

**13. 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, 2020 is as follows:

<u>Description</u>	<u>Interest</u> <u>Rate</u> <u>Payable</u>	<u>Amounts</u> <u>Outstanding</u> <u>10/01/19</u>	<u>Additions</u>	<u>Refunded/</u> <u>Retired</u>	<u>Amounts</u> <u>Outstanding</u> <u>9/30/20</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Special Assessment Revenue Bonds: Series 2017	4.0 - 5.0%	\$ 3,505,000	\$ -	\$ 20,000	\$ 3,485,000	\$ 25,000
Premiums on Bond Issuance		<u>84,171</u>	<u>-</u>	<u>3,006</u>	<u>81,165</u>	<u>3,006</u>
Total Long-Term Debt		<u>\$ 3,589,171</u>	<u>\$ -</u>	<u>\$ 23,006</u>	<u>\$ 3,566,165</u>	<u>\$ 28,006</u>

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

<u>Year Ended</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2021	\$ 25,000	\$ 171,350	\$ 196,350
2022	30,000	170,350	200,350
2023	35,000	169,150	204,150
2024	40,000	167,750	207,750
2025	45,000	166,150	211,150
2026-2030	340,000	795,500	1,135,500
2031-2035	560,000	691,500	1,251,500
2036-2040	855,000	524,000	1,379,000
2041-2045	1,240,000	273,500	1,513,500
2046-2047	<u>315,000</u>	<u>24,000</u>	<u>339,000</u>
	<u>\$3,485,000</u>	<u>\$ 3,153,250</u>	<u>\$ 6,638,250</u>



**TOWN OF PONDER, TEXAS**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

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**14. DEFINED BENEFIT PENSION PLANS**

**Plan Description**

The Town of Ponder participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://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 2019	Plan Year 2020
Employee deposit rate	5.0%	5.0%
Employer deposit rate	6.51%	6.64%
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**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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***Employees covered by benefit terms.***

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

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to buy not yet receiving benefits	7
Active employees	<u>15</u>
	25

**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 6.51% and 6.64% in calendar years 2019 and 2020, respectively. The Town's contributions to TMRS for the year ended September 30, 2020 were \$53,904, and were equal to the required contributions.

**Net Pension Liability**

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

***Actuarial assumptions:***

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

Inflation	2.50% 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**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

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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 arithmetic real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

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

**TOWN OF PONDER, TEXAS**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

***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	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/2018	\$ 954,565	\$ 843,483	\$ 111,082
Changes for the year:			
Service Cost	81,322	-	81,322
Interest	66,858	-	66,858
Change in benefit terms	-	-	-
Difference between expected and actual experience	3,598	-	3,598
Changes of assumptions	(7,514)	-	(7,514)
Contributions – employer	-	47,370	(47,370)
Contributions – employee	-	38,762	(38,762)
Net investment income	-	130,784	(130,784)
Benefit payments, including refunds of employee contributions	(9,461)	(9,461)	-
Administrative expense	-	(737)	737
Other changes	-	(23)	23
Net changes	\$ 134,803	\$ 206,695	\$(71,892)
<b>Balance at 12/31/2019</b>	<b>\$1,089,368</b>	<b>\$1,050,178</b>	<b>\$ 39,190</b>

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)	\$164,886	\$39,190	\$(68,059)

**TOWN OF PONDER, TEXAS**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

***Pension Plan Fiduciary Net Position***

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

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

For the year ended September 30, 2020, the Town recognized pension expense of \$45,387.

At September 30, 2020, 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	\$ 4,744	\$ 2,659
Changes in actuarial assumptions	-	5,822
Difference between projected and actual investment earnings	46,811	77,357
Contributions subsequent to the measurement date	39,462	-
Total	\$ 91,017	\$85,838

\$39,462 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, 2021. 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:	
2021	\$ (10,730)
2022	\$ (8,831)
2023	\$ 435
2024	\$ (15,157)
2025	\$ -
Thereafter	\$ -

**15. 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.

**TOWN OF PONDER, TEXAS**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

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

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>15</u>
Total	19

**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>2020</u>
Employer rate	0.42%
Employer contributions	\$ 2,604

**Actuarial Assumptions**

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

Inflation	2.5%
Salary increases	3.50% to 11.5%, including inflation
Discount rate	2.75%

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.

**TOWN OF PONDER, TEXAS**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

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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, 2019 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 2.75% was based on the 20-Year Municipal GO AA Index as of December 31, 2019.

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

At September 30, 2020, the Town reported a total OPEB liability of \$38,170 measured at December 31, 2019. For the year ended September 30, 2020, the Town recognized OPEB expense of \$5,582.

There were no changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

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, 2019 are as follows:

	<u>Total OPEB Liability</u>
Changes in Total OPEB Liability	
Balance at December 31, 2018	\$ 29,358
Changes for the year:	
Service cost	3,799
Interest on total OPEB liability	1,154
Changes of benefit terms	-
Differences between expected and actual experience	(4,193)
Changes in assumptions or other inputs	8,362
Benefit payments*	(310)
Balance as of December 31, 2019	<u>\$ 38,170</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**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

**Discount Rate Sensitivity Analysis**

The following presents the total OPEB liability of the Town, calculated using the discount rate of 2.75%, 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 (1.75%) or 1 percentage point higher (3.75%) than the current rate.

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
Total OPEB liability	\$45,081	\$38,170	\$32,665

At December 31, 2019, 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	\$ -	\$ 3,965
Changes in actuarial assumptions	6,478	-
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	1,953	-
Total	\$ 8,431	\$ 3,965

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, 2021 in the amount of \$1,953. 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:	
2021	\$ 629
2022	629
2023	396
2024	565
2025	294
Thereafter	-

**16. 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**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

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**17. 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.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF PONDER, TEXAS**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

<b>Total Pension Liability</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Service Cost	\$ 39,571	\$ 44,917	\$ 51,973	\$ 73,641
Interest (on the Total Pension Liability)	36,121	41,021	46,730	50,633
Changes of Benefit Terms	-	-	8,315	-
Difference Between Expected and Actual Experience	(303)	3,714	(30,742)	(2,498)
Change of Assumptions	-	25,786	-	-
Benefit Payments, including refunds of employee contributions	<u>(8,030)</u>	<u>(8,069)</u>	<u>(33,927)</u>	<u>(8,030)</u>
<b>Net Change in Total Pension Liability</b>	<b>67,359</b>	<b>107,369</b>	<b>42,349</b>	<b>113,746</b>
<b>Total Pension Liability – Beginning</b>	<b><u>500,237</u></b>	<b><u>567,596</u></b>	<b><u>674,965</u></b>	<b><u>717,314</u></b>
Total Pension Liability – Ending (a)	<u><u>\$ 567,596</u></u>	<u><u>\$ 674,965</u></u>	<u><u>\$ 717,314</u></u>	<u><u>\$ 831,060</u></u>
Plan Fiduciary Net Position				
Contributions – Employer	\$ 22,151	\$ 23,875	\$ 26,909	\$ 43,859
Contributions – Employee	22,183	23,225	25,452	35,168
Net Investment Income	27,492	803	39,459	88,892
Benefit Payments, including refunds of employee contributions	(8,030)	(8,069)	(33,927)	(8,030)
Administrative Expense	(287)	(489)	(445)	(460)
Other	<u>(24)</u>	<u>(24)</u>	<u>(24)</u>	<u>(23)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	<b>63,485</b>	<b>39,321</b>	<b>57,424</b>	<b>159,406</b>
<b>Plan Fiduciary Net Position – Beginning</b>	<b><u>480,418</u></b>	<b><u>543,903</u></b>	<b><u>583,224</u></b>	<b><u>640,648</u></b>
<b>Plan Fiduciary Net Position – Ending (b)</b>	<b><u><u>\$ 543,903</u></u></b>	<b><u><u>\$ 583,224</u></u></b>	<b><u><u>\$ 640,648</u></u></b>	<b><u><u>\$ 800,054</u></u></b>
<b>Net Pension Liability – Ending (a) – (b)</b>	<b>\$ 23,693</b>	<b>\$ 91,741</b>	<b>\$ 76,666</b>	<b>\$ 31,006</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>95.83%</b>	<b>86.41%</b>	<b>89.31%</b>	<b>96.27%</b>
<b>Covered Employee Payroll</b>	<b>\$ 443,670</b>	<b>\$ 464,498</b>	<b>\$ 509,038</b>	<b>\$ 703,351</b>
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<b>5.34%</b>	<b>19.75%</b>	<b>15.06%</b>	<b>4.41%</b>

Note: The information from this schedule corresponds with the period covered as of the Plan's measurement dates of December 31. Plan information was unavailable prior to 2014. Ten years will ultimately be displayed.

<u>2018</u>	<u>2019</u>
\$ 71,137	\$ 81,322
58,185	66,858
-	-
3,428	3,598
-	(7,514)
<u>(9,245)</u>	<u>(9,461)</u>
123,505	134,803
<u>831,060</u>	<u>954,565</u>
<u><u>\$954,565</u></u>	<u><u>\$1,089,368</u></u>
\$ 43,205	\$ 47,370
33,972	38,762
(24,015)	130,784
(9,245)	(9,461)
(463)	(737)
<u>(25)</u>	<u>(23)</u>
43,429	206,695
<u>800,054</u>	<u>843,483</u>
<u><u>\$843,483</u></u>	<u><u>\$1,050,178</u></u>
\$ 111,082	\$ 39,190
88.36%	96.40%
\$ 679,434	\$ 775,234
16.35%	5.06%

**TOWN OF PONDER, TEXAS**

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
FOR FISCAL YEAR 2020

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	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually Required Contribution	\$ 23,864	\$ 28,086	\$ 42,053	\$ 44,948
Contribution in Relation to the Contractually Required Contribution	<u>(23,864)</u>	<u>(28,086)</u>	<u>(42,053)</u>	<u>(44,948)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered-Employee Payroll	\$ 445,554	\$ 505,684	\$ 657,840	\$ 671,423
Contributions as a Percentage of Covered-Employee Payroll	5.36%	5.55%	6.39%	6.69%

Note: The information from this schedule corresponds with the Town's fiscal years ended September 30. Plan information was unavailable prior to 2014. Ten years will ultimately be displayed.

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2019	2020
<u>\$ 48,901</u>	<u>\$ 53,904</u>

<u>(48,901)</u>	<u>(53,904)</u>
<u>\$ -</u>	<u>\$ -</u>

\$ 744,702	\$ 816,151
------------	------------

6.57%	6.60%
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**TOWN OF PONDER, TEXAS**

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
SEPTEMBER 30, 2020

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	<u>2019</u>	<u>2020</u>
Total OPEB Liability		
Service cost	\$ 3,601	\$ 3,799
Interest on total OPEB liability	979	1,154
Changes of benefit terms	-	-
Differences between expected and actual experience	(875)	(4,193)
Change of assumptions or other inputs	(1,990)	8,362
Benefit payments/refunds of contributions	<u>(272)</u>	<u>(310)</u>
Net change in total OPEB liability	1,443	8,812
Total OPEB liability, beginning	<u>27,915</u>	<u>29,358</u>
Total OPEB liability, ending	<u>\$ 29,358</u>	<u>\$ 38,170</u>
Covered employee payroll	\$ 679,434	\$ 775,234
Net OPEB liability as a percentage of covered payroll	4.32%	4.92%

Note: The information from this schedule corresponds with the period covered as of the Plan's measurement dates of December 31. Plan information was unavailable prior to 2018. Ten years will ultimately be displayed.

No assets are accumulated in a trust as defined by GASB 75. Benefits are on a pay as you go basis.



**TOWN OF PONDER, TEXAS**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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**Note A – Net Pension Liability – Texas Municipal Retirement System**

**Valuation Date:**

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

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 11.5%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the Town’s plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with Scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with Scale UMP.

**Changes of Benefit Terms**

There were no benefit changes during the year.

**Changes in the Size or Composition of the Population Covered by the Benefit Terms**

There were no changes in the size or composition of the population covered by the benefit terms during the measurement period.

**Changes of Assumptions**

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

**TOWN OF PONDER, TEXAS**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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**Note B – Total OPEB Liability – Texas Municipal Retirement System**

**Valuation Date:**

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

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

Actuarial Cost Method Entry Age Normal

Inflation 2.5%

Salary Increases 3.50% to 11.5%, including inflation

Discount Rate 2.75%

Retirement Age Experience-based table of rates that are specific to the Town’s plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018

Mortality 2019 Municipal Retirees of Texas Mortality Tables with 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.

**COMBINING & INDIVIDUAL FUND  
STATEMENTS & SCHEDULES**

**TOWN OF PONDER, TEXAS**

COMPARATIVE STATEMENT OF EXPENDITURES  
GENERAL FUND  
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2020

	<u>2019</u>	<u>2020</u>
Administration:		
Salaries and Wages	\$ 141,503	\$ 202,371
Payroll Taxes	1,962	3,516
Health Insurance	22,312	25,370
Retirement	9,270	12,109
Legal and Audit Fees	13,299	18,288
Property/Liability Insurance	9,402	14,007
Utilities	23,510	16,692
Telephone	29,049	27,090
Office Supplies	3,807	4,165
Postage	836	1,015
Planning and Zoning Consulting	8,137	40,395
Building Repairs and Maintenance	12,792	10,954
Equipment Rent	747	929
Dues and Publications	4,890	15,083
Town Council Costs	2,107	2,758
Legal Notices	1,202	1,729
Tax Assessor/Collector Fees	8,897	11,413
Travel and Training	299	3,960
Bank Charges	2,006	1,939
Election Costs	30	-
Contract Labor	4,868	5,113
Computer/Website Costs	13,991	25,855
Other	3,012	-
Total Administration	<u>317,928</u>	<u>444,751</u>
Library:		
Wages	29,723	19,987
Payroll Taxes	1,268	1,253
Retirement	1,062	846
Books/Videos/DVD's	1,854	8
Utilities	3,421	2,965
Telephone	1,492	1,466
Computer Supplies/Equipment	4,089	1,772
Office Supplies	928	-
Contract Labor	7,771	4,796
Computer Software	1,616	65
Repairs and Maintenance	2,212	580
Dues and Publications	1,601	1,537
Other	114	797
Total Library	<u>57,151</u>	<u>36,072</u>

**TOWN OF PONDER, TEXAS**

COMPARATIVE STATEMENT OF EXPENDITURES  
GENERAL FUND (CONTINUED)  
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2020

	<u>2019</u>	<u>2020</u>
Municipal Court:		
Salaries and Wages	\$ 21,091	\$ 22,176
Payroll Taxes	293	375
Employee Insurance	6,000	6,000
Retirement	1,386	1,444
Office Supplies	441	582
Computer Software	-	1,717
Judge Fees	2,750	1,850
Prosecuting Attorney Fees	2,000	1,350
State Court Costs	6,048	2,946
Travel and Training	218	279
Child Safety	135	-
Total Municipal Court	<u>40,362</u>	<u>38,719</u>
Public Safety:		
Police Department:		
Salaries	305,211	341,267
Payroll Taxes	4,370	5,949
Health Insurance	52,874	76,277
Retirement	20,887	22,123
Contract Labor	440	312
Legal Fees	-	1,150
Office Supplies	2,318	2,621
Computer Software	6,787	6,531
Uniforms	459	547
Small Equipment	60	690
Vehicle Costs	17,334	14,976
Denton County Communications	6,000	5,377
Property/Liability Insurance	18,803	17,921
Telephone	3,119	2,490
Dues and Publications	2,225	4,854
Travel and Training	4,276	2,829
Children's Advocacy Center	4,287	-
Total Police	<u>449,450</u>	<u>505,914</u>
Fire and Ambulance:		
Volunteer Fire Department Funding	30,000	30,000
Ambulance Service	<u>29,775</u>	<u>29,775</u>
Total Fire and Ambulance	<u>59,775</u>	<u>59,775</u>
Total Public Safety	<u>509,225</u>	<u>565,689</u>

**TOWN OF PONDER, TEXAS**

COMPARATIVE STATEMENT OF EXPENDITURES  
GENERAL FUND (CONTINUED)  
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2020

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	<u>2019</u>	<u>2020</u>
Public Works:		
Salaries and Wages	\$ 40,696	\$ 24,854
Payroll Taxes	579	374
Health Insurance	6,648	2,446
Retirement	2,649	1,541
Inspection Fees	3,325	3,308
Engineer Fees	26,205	42,963
Parks and Recreation	46,141	81,671
Supplies	6,625	6,686
Street Lights	7,674	7,121
Street Repairs and Maintenance	2,528	45,104
Animal Control	5,342	12,800
Vehicle Costs	3,908	4,579
Uniforms	550	139
Total Public Works	<u>152,870</u>	<u>233,586</u>
Debt Service:		
Principal	16,806	8,417
Interest	974	332
Total Debt Service	<u>17,780</u>	<u>8,749</u>
Capital Outlay:		
Parks	-	36,125
Vehicles	48,268	-
Equipment	6,905	25,262
Total Capital Outlay	<u>55,173</u>	<u>61,387</u>
Total Expenditures	<u>\$1,150,489</u>	<u>\$1,388,953</u>

**TOWN OF PONDER, TEXAS**

BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Budgeted Amounts</u>		Actual Amounts (GAAP BASIS)	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes-Ad Valorem	\$ 496,755	\$ 496,755	\$ 507,800	\$ 11,045
Interest Income	-	-	447	447
Total Revenues	<u>496,755</u>	<u>496,755</u>	<u>508,247</u>	<u>11,492</u>
Expenditures:				
Principal	262,750	262,750	526,250	(263,500)
Interest and Fees	234,005	234,005	245,979	(11,974)
Total Expenditures	<u>496,755</u>	<u>496,755</u>	<u>772,229</u>	<u>(275,474)</u>
Excess (Deficit) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>(263,982)</u>	<u>(263,982)</u>
Other Financing Sources (Uses):				
Transfers In	-	-	278,412	278,412
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>278,412</u>	<u>278,412</u>
Net Change in Fund Balance	-	-	14,430	14,430
Fund Balance – October 1 (Beginning)	<u>34,603</u>	<u>34,603</u>	<u>34,603</u>	<u>-</u>
Fund Balance – September 30 (Ending)	<u>\$ 34,603</u>	<u>\$ 34,603</u>	<u>\$ 49,033</u>	<u>\$ 14,430</u>

**TOWN OF PONDER**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
ECONOMIC DEVELOPMENT CORPORATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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Revenues:	
Taxes – Sales	\$ 93,802
Interest Income	4,901
Total Revenues	<u>98,703</u>
Expenditures:	
Administration:	
Accounting	2,450
Administrative	250
Repairs and Maintenance	15
Telephone	784
Electricity	591
Debt Service:	
Principal	27,173
Interest	<u>15,351</u>
Total Expenditures	<u>46,614</u>
Excess of Revenues over Expenditures	<u>52,089</u>
Change in Fund Balance	52,089
Fund Balance – October 1 (beginning)	<u>242,423</u>
Fund Balance – September 30 (ending)	<u><u>\$294,512</u></u>



**TOWN OF PONDER**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
PUBLIC IMPROVEMENT DISTRICT NO. 1  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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Revenues:	
Special Assessment Fees	\$243,246
Interest Income	3,158
Total Revenues	<u>246,404</u>
Expenditures:	
Current:	
Administration Fees	27,031
Debt Service:	
Principal	20,000
Interest and fees	174,650
Total Expenditures	<u>221,681</u>
Excess of Revenues over Expenditures	<u>24,723</u>
Change in Fund Balance	24,723
Fund Balance – October 1 (beginning)	<u>326,302</u>
Fund Balance – September 30 (ending)	<u><u>\$351,025</u></u>

**OTHER SUPPLEMENTARY INFORMATION**

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

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**HANKINS, EASTUP, DEATON,  
TONN & SEAY**  
A PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and Town Council  
Town of Ponder, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units and each major fund of the Town of Ponder, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise The Town of Ponder, Texas's basic financial statements, and have issued our report dated February 6, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hankins, Eastup, Deaton, Tonn & Seay, PC  
Denton, Texas

February 6, 2021