

PRELIMINARY OFFICIAL STATEMENT

Dated September 15, 2025

Rating:
S&P: "AA-"
(see "OTHER INFORMATION - Rating" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative-minimum tax on certain corporations.

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

\$3,055,000*
TOWN OF PANTEGO, TEXAS
(Tarrant County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

Dated Date: September 15, 2025

Due: August 15, as shown on page 2

Interest accrues from the Delivery Date (defined herein)

PAYMENT TERMS. . . Interest on the \$3,055,000* Town of Pantego, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "Certificates") will accrue from the date of initial delivery to the initial purchaser ("Initial Purchaser") of the Certificates (the "Delivery Date", anticipated to be on or about October 15, 2025), and will be payable February 15 and August 15 of each year commencing February 15, 2026, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is UMB Bank, N.A., Dallas, Texas (see "THE CERTIFICATES - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and constitute direct obligations of the Town of Pantego, Texas, (the "Town"), payable from a combination of (i) the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, upon all taxable property within the Town, and (ii) a pledge of the surplus revenues of the Town's Waterworks and Sewer System (the "System"), as provided in the ordinance authorizing the Certificates (the "Ordinance") (see "THE CERTIFICATES – Authority for Issuance of the Certificates").

PURPOSE. . . Proceeds from the sale of the Certificates will be used for paying all or a portion of the Town's contractual obligations to be incurred in connection with (i) acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to the Town's waterworks and sewer system, including wells, treatment facilities, storage facilities, water and sewer lines, lift stations, manholes, pumps, valves, SCADA systems and related infrastructure improvements; and (ii) paying legal, fiscal and engineering fees in connection with such projects.

CUSIP PREFIX: 698641
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

MUNICIPAL BOND INSURANCE . . . The Town has made an application for qualification for the issuance of a municipal bond insurance policy in conjunction with the issuance of the Certificates. If a commitment for an insurance policy is obtained and the initial purchaser of the Certificates (the "Initial Purchaser") determines to purchase a policy in connection with its bid, the costs thereof will be the responsibility of the Initial Purchaser (see "BOND INSURANCE" herein).

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the Initial Purchaser and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas, (see Appendix C, "Form of Bond Counsel's Opinion"). McCall, Parkhurst & Horton L.L.P., Dallas, Texas, will act as Disclosure Counsel for the Town.

DELIVERY. . . It is expected that the Certificates will be available for delivery through the facilities of DTC on or about October 15, 2025.

BIDS DUE MONDAY, SEPTEMBER 22 AT 10:00 AM CENTRAL TIME

* Preliminary, subject to change.

MATURITY SCHEDULE***CUSIP Prefix: 698641⁽¹⁾**

August 15 Maturity	Principal Amount	Interest Rate	Yield	CUSIP Suffix ⁽¹⁾
2027	\$ 55,000			
2028	60,000			
2029	60,000			
2030	70,000			
2031	70,000			
2032	75,000			
2033	80,000			
2034	80,000			
2035	85,000			
2036	90,000			
2037	95,000			
2038	100,000			
2039	105,000			
2040	110,000			
2041	115,000			
2042	115,000			
2043	120,000			
2044	770,000			
2045	800,000			

(Interest to accrue from the Delivery Date.)

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OPTIONAL REDEMPTION . . . The Town reserves the right, at its option, to redeem Certificates having stated maturities on or after August 15, 2036, in whole or in part, in principal amounts of \$5,000, or any integral multiple thereof, on August 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES – Optional Redemption of the Certificates").

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For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (the "Rule") and in effect on the date of this Preliminary Official Statement, this document constitutes an Official Statement of the that has been "deemed final" by the Town as of its date except for the omission of no more than the information permitted by the Rule.

No dealer, broker, salesperson or other person has been authorized by the Town or the Initial Purchaser to give any information, or to make any representations other than those contained in this Preliminary Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Town or the Initial Purchaser. This Preliminary Official Statement does not constitute an offer to sell Certificates in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

Certain information set forth herein has been obtained from the Town and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Municipal Advisor. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Preliminary Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Town's undertaking to provide certain information on a continuing basis.

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

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

NONE OF THE TOWN, THE INITIAL PURCHASER, OR THE MUNICIPAL ADVISOR MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS PRELIMINARY OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY, AS SUCH INFORMATION HAS BEEN PROVIDED BY THE DEPOSITORY TRUST COMPANY.

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

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

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The cover page hereof, this page, the schedule and the appendices included herein and any addenda, supplement or amendment hereto, are part of the Preliminary Official Statement.

PRELIMINARY OFFICIAL STATEMENT SUMMARY

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

THE TOWN The Town of Pantego, Texas (the "Town") is a political subdivision and Type A general law municipal corporation of the State of Texas, located in Tarrant County, Texas (see "INTRODUCTION - Description of the Town").

THE CERTIFICATES The Certificates are issued as \$3,055,000* Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "Certificates"). The Certificates are issued as serial certificates maturing August 15 in each of the years 2027 through 2045, inclusive, unless the Initial Purchaser designates one or more consecutive serial maturities as Term Certificates (see "THE CERTIFICATES - Description of the Certificates").

PAYMENT OF INTEREST

ON THE CERTIFICATES Interest on the Certificates accrues from the Delivery Date (anticipated to be October 15, 2025), and is payable February 15 and August 15 of each year, commencing February 15, 2026, until maturity or prior redemption (see "THE CERTIFICATES - Description of the Certificates").

AUTHORITY FOR ISSUANCE

FOR THE CERTIFICATES The Certificates are issued pursuant to the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance (the "Ordinance") to be passed by the Town Council (see "THE CERTIFICATES - Authority for Issuance of the Certificates").

SECURITY FOR THE

CERTIFICATES The Certificates constitute direct obligations of the Town, payable from a combination of (i) the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, upon all taxable property located within the Town, and (ii) a pledge of the surplus revenues of the Town's Waterworks and Sewer System (the "System"), as provided in the Ordinance (see "THE CERTIFICATES – Security and Source of Payment of the Certificates").

QUALIFIED TAX-EXEMPT

OBLIGATIONS The Town will designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions (See "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions").

OPTIONAL REDEMPTION OF

THE CERTIFICATES The Town reserves the right, at its option, to redeem Certificates having stated maturities on or after August 15, 2036, in whole or in part, in principal amounts of \$5,000, or any integral multiple thereof, on August 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES – Optional Redemption of the Certificates").

TAX EXEMPTION In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption "TAX MATTERS" herein, including the alternative-minimum tax on certain corporations.

USE OF PROCEEDS FOR THE

CERTIFICATES Proceeds from the sale of the Certificates will be used for paying all or a portion of the Town's contractual obligations to be incurred in connection with (i) acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to the Town's waterworks and sewer system, including wells, treatment facilities, storage facilities, water and sewer lines, lift stations, manholes, pumps, valves, SCADA systems and related infrastructure improvements; and (ii) paying legal, fiscal and engineering fees in connection with such projects.

RATINGS FOR THE

CERTIFICATES The Certificates have been rated "AA-" (negative outlook) by S&P Global Ratings, a division of Standard and Poor's Financial Services LLC ("S&P"), without regard to credit enhancement (see "OTHER INFORMATION - Rating").

MUNICIPAL BOND

INSURANCE The Town has made an application for qualification for the issuance of a municipal bond insurance policy in conjunction with the issuance of the Certificates. If a commitment for an insurance policy is obtained and the Purchaser determines to purchase a policy in connection with its bid, the associated premium will be the responsibility of the Purchaser (see "BOND INSURANCE" herein).

BOOK-ENTRY-ONLY

SYSTEM..... The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES - Book-Entry-Only System").

PAYMENT RECORD..... The Town has never defaulted in payment of its general obligation tax debt.

PAYING AGENT/REGISTRAR..... The initial Paying Agent/Registrar for the Certificates is UMB Bank, N.A., Dallas, Texas.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year ⁽³⁾	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2022	2,543	\$ 353,865,395	\$ 139,153	\$ 2,465,000	0.70%	\$ 969
2023	2,529	380,378,282	150,407	8,595,000	2.26%	3,399
2024	2,467	426,579,050	172,914	8,355,000	1.96%	3,387
2025	2,568	446,550,854	173,891	11,115,000 ⁽⁴⁾	2.49%	4,328
2026	2,568	462,892,966	180,254	10,810,000 ⁽⁴⁾	2.34%	4,210

(1) Source: The Town's Annual Comprehensive Financial Reports and City Staff.

(2) As reported by the Appraisal District (defined herein) on the Town's annual State Property Tax Board Reports; subject to change during the ensuing year.

(3) Excludes self-supporting debt.

(4) Projected. Includes the Certificates. Preliminary, subject to change.

For additional information regarding the Town, please contact:

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TOWN OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Board Member	Term Expires	Occupation
Russ Brewster Mayor	2027	Business Manager
Tori Roemmich Councilmember - Place 1	2026	Business Owner
Tyler Loe Councilmember - Place 2	2026	Business Owner
Mike Duncan Mayor Pro-Tem - Place 3	2026	Retired Law Enforcement
Angie Vickerman Councilmember - Place 4	2027	Mortgage Banker
Jeff Brown Councilmember - Place 5	2027	Financial Advisor

SELECTED ADMINISTRATIVE STAFF

Joe Ashton	City Manager	5 Years
Sean Smith	Director of Finance*	8 Years
Leslie Galloway	City Secretary	3 Years

*As of the date of this Official Statement, Sean Smith has announced his planned departure from the Town. The Town is conducting a search for a new Director of Finance and does not anticipate any disruption to financial operations.

CONSULTANTS AND ADVISORS

Auditors ⁽¹⁾	Pattillo, Brown & Hill, L.L.P. Waco, Texas
Bond Counsel	McCall, Parkhurst & Horton L.L.P. Dallas, Texas
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P. Dallas, Texas
Municipal Advisor	Hilltop Securities Inc. Dallas, Texas

PRELIMINARY OFFICIAL STATEMENT
RELATING TO
\$3,055,000*
TOWN OF PANTEGO, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025
INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the \$3,055,000* Town of Pantego, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "Certificates") being offered herein. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance to be adopted on the date of sale of the Certificates (the "Ordinance") which will authorize the issuance of the Certificates, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Certificates and certain information regarding the Town of Pantego, Texas (the "Town") and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the Town's Municipal Advisor, Hilltop Securities Inc. ("HilltopSecurities"), Dallas, Texas.

DESCRIPTION OF THE TOWN . . . The Town is a political subdivision and municipal corporation of the State of Texas (the "State"), duly organized and existing under the general laws of the State, as a Type A general law municipality. The Town was incorporated in 1952. The Town operates under a Council/Manager form of government with a Town Council comprised of the Mayor and five Council members. The term of office is two years with the terms of the Mayor and two of the Councilmembers' terms expiring in odd-numbered years and the other terms of the three Councilmembers expiring in even-numbered years. Some of the services that the Town provides are: public safety (police and fire protection), streets, water and sanitary sewer utilities, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. The estimated 2025 population is 2,568. The Town covers approximately 1.2 square miles.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Certificates will be used for paying all or a portion of the Town's contractual obligations to be incurred in connection with (i) acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to the Town's waterworks and sewer system, including wells, treatment facilities, storage facilities, water and sewer lines, lift stations, manholes, pumps, valves, SCADA systems and related infrastructure improvements, and (ii) paying legal, fiscal and engineering fees in connection with such projects.

SOURCES AND USES OF CERTIFICATE PROCEEDS . . . The proceeds from the sale of the Certificates are expected to be expended as follows:

SOURCES OF FUNDS:

Par Amount of Certificates

Net Premium

TOTAL ISSUES:

\$	-
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USES OF FUNDS:

Deposit to Project Fund

Costs of Issuance

Initial Purchaser's Discount

TOTAL USES:

\$	-
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THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated September 15, 2025 (the "Dated Date"), and mature on August 15 in each of the years and in the amounts shown on page 2 hereof. Interest will accrue from the date of initial delivery (the "Delivery Date", anticipated to be October 15, 2025), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year commencing February 15, 2026, until maturity or prior redemption. The definitive Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES - Book-Entry-Only System").

AUTHORITY FOR ISSUANCE OF THE CERTIFICATES . . . The Certificates are being issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government, as amended, and the Ordinance to be passed by Town Council.

SECURITY AND SOURCE OF PAYMENT OF THE CERTIFICATES . . . The Certificates are payable from the proceeds of a continuing and direct annual ad valorem tax levied, within the limits prescribed by law, upon all taxable property located within the Town and from a pledge of the Surplus Revenues (as defined in the Ordinance) of the Town's combined Waterworks and Sewer System (the "System") that remain after the payment of all maintenance and operation expenses thereof, and all debt service, reserve and other requirements in connection with all of the Town's revenue obligations (now or hereafter outstanding) that are secured by a lien on all or any part of the net revenues of the System.

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

OPTIONAL REDEMPTION OF THE CERTIFICATES . . . The Town reserves the right, at its option, to redeem Certificates having stated maturities on or after August 15, 2036, in whole or in part, in principal amounts of \$5,000, or any integral multiple thereof, on August 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the Town may select the maturities of such Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificate, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Certificates, the Town shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY OBLIGATION OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH OBLIGATION OR PORTION THEREOF SHALL CEASE TO ACCRUE, PROVIDED THAT MONIES FOR THE PAYMENT OF THE REDEMPTION PRICE AND THE INTEREST ACCRUED ON THE PRINCIPAL AMOUNT TO BE REDEEMED TO THE DATE OF REDEMPTION ARE HELD FOR THE PURPOSE OF SUCH PAYMENT BY THE PAYING AGENT/REGISTRAR.

With respect to any optional redemption of the Certificates, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Certificates to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may, at the option of the Town, state that said redemption is conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received or such prerequisites are not satisfied, such notice shall be of no force and effect, the Town shall not redeem such Certificates and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Certificates have not been redeemed.

The Paying Agent/Registrar and the Town, so long as a book-entry-only system is used for the Certificates, will send any notice of redemption relating to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemptions of portions of the Certificates by the Town will reduce

the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificates from the Beneficial Owners. Any such selection of Certificates within a maturity to be redeemed will not be governed by the Ordinance and will not be conducted by the Town or the Paying Agent/Registrar. Neither the Town nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption (see "THE CERTIFICATES – Book-Entry-Only System" herein).

DEFEASANCE . . . The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates (the "Defeased Certificates"), plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar, or authorized escrow agent, in trust (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Issuer with the Paying Agent/Registrar for the payment of its services until all Defeased Certificates shall have become due and payable, and thereafter the Town will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such Defeased Certificates, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Ordinance provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the defeasance is approved by the Town Council of the Town, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the defeasance is approved by the Town Council of the Town, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The Town has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the Town moneys in excess of the amount required for such defeasance.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or that for any other Defeasance Security will be maintained at any particular rating category.

Upon defeasance, all rights of the Town to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, that the right to call the Certificates for redemption is not extinguished if the Town: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Upon making such deposit in the manner described, such defeased Certificates shall no longer be deemed outstanding obligations secured by the Ordinance, but will be payable only from the funds and Defeasance Securities deposited in escrow and will not be considered debt of the Town for purposes of taxation or applying any limitation on the Town's ability to issue debt or for any other purpose.

BOOK-ENTRY-ONLY SYSTEM . . . This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by DTC while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Preliminary Official Statement. The Town believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

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

of DTC. One fully-registered certificate will be issued for each maturity of the Certificates in the aggregate principal amount of each such maturity and will be deposited with DTC.

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

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

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

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

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

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

Redemption proceeds, principal and interest payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Town or the Paying Agent/Registrar on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Paying Agent/Registrar or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

So long as Cede & Co. is the registered owner of the Certificates, the Town will have no obligation or responsibility to the Direct Participants or Indirect Participants, or the persons for which they act as nominees, with respect to the payment to or providing of notice to such Direct Participants, Indirect Participants or the persons for which they act as nominees.

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

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of the Town, the Municipal Advisor or the Initial Purchaser.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar for the Certificates is UMB Bank, N.A., Dallas, Texas. In the Ordinance, the Town retains the right to replace the Paying Agent/Registrar. The Town covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank, trust company, financial institution or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Certificates, the Town agrees to promptly cause a written notice thereof to be sent to each registered owner of such Certificates by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Principal of the Certificates will be payable to the registered owner at maturity or prior redemption upon presentation and surrender at the principal office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Certificates, all payments will be made as described under "THE CERTIFICATES – Book-Entry-Only System" herein. Interest on the Certificates shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (see "THE CERTIFICATES – Record Date for Interest Payment" herein), and such interest shall be paid (i) by check sent by United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar, or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, legal holiday or day when banking institutions in the town where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, printed Certificate certificates will be delivered to the registered owners of the Certificates and thereafter the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the principal office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be of the same series, in denominations of \$5,000 or integral multiples thereof for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See "THE CERTIFICATES - Book-Entry-Only System" for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates.

LIMITATION ON TRANSFER OF CERTIFICATES . . . Neither the Town nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificates or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, such limitation on transfer or exchange shall not be applicable to a transfer or exchange by the registered owner of the uncalled balance of an Certificates called for redemption in part.

RECORD DATE FOR INTEREST PAYMENT . . . The record date (the "Record Date") for the interest payable on the Certificates on any interest payment date means the close of business on the last business day of the month preceding each interest payment date for the Certificates.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (the "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Town. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

MUTILATED, DESTROYED, LOST AND STOLEN CERTIFICATES . . . If any Certificate is mutilated, destroyed, stolen or lost, a new Certificate in the same principal amount as the Certificate so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Certificate, such new Certificate will be delivered only upon surrender and cancellation of such mutilated Certificate. In the case of any Certificate issued in lieu of and substitution for any Certificate which has been destroyed, stolen or lost, such new Certificate will be delivered only (a) upon filing with the Paying Agent/Registrar evidence satisfactory to the Paying Agent/Registrar to the effect that such Certificate has been destroyed, stolen or lost and authenticity of ownership thereof, and (b) upon furnishing the Paying Agent/Registrar with indemnity satisfactory to hold the Town and the Paying Agent/Registrar harmless. The person requesting the authentication and delivery of a new Certificate must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

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

On June 30, 2006 Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous language." Because it is unclear whether the Texas legislature has effectively waived the Town's sovereign immunity from a suit for money damages, holders of the Certificates may not be able to bring such a suit against the Town for breach of the covenants in the Certificates or in the Ordinance. Even if a judgment against the Town could be obtained, it could not be enforced by direct levy and execution against the Town's property. Further, the registered owners cannot themselves foreclose on property within the Town or sell property within the Town to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151 through .160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities under certain circumstances." The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods and services to cities.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("*Wasson I*"), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify *Wasson I*, *Wasson Interests LTD. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018) ("*Wasson II*", and together with *Wasson I* "*Wasson*"), ruling that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged breach. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the State's immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

As noted above, the Ordinance provides that holders of the Certificates may exercise the remedy of mandamus to enforce the Certificates of the Town under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Furthermore, the Town is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Certificates of an entity which has sought protection under Chapter 9. Therefore, should the Town avail itself of Chapter 9 protection from creditors, the ability to enforce remedies would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors, principles of governmental immunity, and general principles of equity that permit the exercise of judicial discretion.

AMENDMENTS . . . The Town may amend or supplement the Ordinance, without the consent of any registered owner, in order to (i) cure any ambiguity, defect or omission in the Ordinance that does not materially adversely affect the interests of the registered owners, (ii) grant additional rights or security for the benefit of the registered owners, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinance and that shall not materially adversely affect the interests of the registered owners, (iv) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (v) make such other provisions in regard to matters or questions arising under the Ordinance as will not be inconsistent with the provisions of the Ordinance and that will not in the opinion of the Town's Bond Counsel materially adversely affect the interests of the registered owners. Additionally, the registered owners of Certificates aggregating 51% of the aggregate principal amount of then outstanding Certificates have the right to approve any amendment that may be deemed necessary or desirable by the Town; provided, however, that without the consent of 100% of the registered owners of the then outstanding Certificates, no amendment shall: (1) make any change in the maturity of any of the outstanding Certificates; (2) reduce the rate of interest borne by any of the outstanding Certificates; (3) reduce the amount of the principal of, or redemption premium, if any, payable on any outstanding Certificates; (4) modify the terms of payment of principal or of interest on outstanding Certificates or impose any condition with respect to such payment; or (5) change the minimum percentage of the principal amount of Certificates necessary for consent to such amendment.

BOND INSURANCE

The Town has submitted applications to municipal bond insurance companies (an "Insurer") to have the payment of the principal of and interest on the Certificates insured by municipal bond insurance policies (a "Policy"). In the event the Certificates are qualified for municipal bond insurance, and the Initial Purchaser desires to purchase such insurance, the insurance premium will be paid by the Initial Purchaser. The final Official Statement shall disclose, to the extent necessary, any relevant information relating to any such municipal bond insurance policies.

BOND INSURANCE RISKS

If an insurance policy is purchased, the following are risk factors relating to bond insurance.

BOND INSURANCE RISK FACTORS. . . In the event of default of the scheduled payment of principal of or interest on the Certificates when all or a portion thereof becomes due, any owner of the Certificates shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Certificates by the Town which is recovered by the Town from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the Town (unless the Insurer chooses to pay such amounts at an earlier date).

Payment of principal of and interest on the Certificates will not be subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE CERTIFICATES – Certificateholders' Remedies"). The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the Certificateholders.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from ad valorem taxes levied, within the limited prescribed by law, as further described in "THE CERTIFICATES – Security and Source of Payment of the Certificates". In the event the Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Certificates.

If a Policy is acquired, the long-term ratings on the Certificates will be dependent in part on the financial strength of the Insurer and its claims-paying ability. The Insurer's financial strength and claims-paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of the Insurer and of the ratings on the Certificates, whether or not subject to a Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) of the Certificates (see "OTHER INFORMATION – Rating").

The obligations of the Insurer under a Policy are general obligations of the Insurer and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law. None of the Town, the Town's Municipal Advisor or the Initial Purchaser has made independent investigation into the claims-paying ability of any potential insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential insurer is given.

CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS . . . Moody's Investor Services, Inc., S&P and Fitch Ratings (collectively, the "Rating Agencies") have downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible. In addition, recent events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Certificates. Thus, when making an investment decision, potential investors should carefully consider the ability of the Town to pay principal and interest on the Certificates and the claims-paying ability of any such bond insurer, particularly over the life of the Certificates.

TAX INFORMATION

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

VALUATION OF TAXABLE PROPERTY . . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the Town is the responsibility of the Tarrant Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board. The 88th Texas Legislature expanded the size of the governing body of an appraisal district in a county with a population of more than 75,000 by adding elected directors and authorizing the legislature to provide for a four-year term of office for a member of the board of directors of certain appraisal districts.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). See "Table 1 – Assessed Valuation and Exemption" for the reduction in taxable valuation attributable to the 10% Homestead Cap.

Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5,000,000 (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2024 tax year, through December 31, 2026 (unless extended by the Legislature), the maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the Town, in establishing their tax rolls and tax rates (see "TAX INFORMATION – Town and Taxpayer Remedies").

STATE MANDATED HOMESTEAD EXEMPTIONS . . . State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

LOCAL OPTION HOMESTEAD EXEMPTIONS . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. Cities, counties, and school districts are prohibited from repealing or reducing an optional homestead exemption that was granted in tax year 2022 through December 31, 2027.

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

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

FREEPORT AND GOODS-IN-TRANSIT EXEMPTIONS . . . Certain goods that are acquired in or imported into the State to be forwarded outside the State and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or outside the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or outside the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

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

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER . . . The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Tax Code, as amended.

TAX INCREMENT REINVESTMENT ZONES . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "tax increment". During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

TAX ABATEMENT AGREEMENTS . . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

For a discussion of how the various exemptions described above are applied by the Town, see "TAX INFORMATION – Town Application of Tax Code" herein.

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

Owners of certain property with a taxable value in excess of the current year “minimum eligibility amount,” as determined by the State Comptroller, and situated in a county with a population of 1.2 million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$61,349,201 for the 2025 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

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

TOWN’S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . . Taxes levied by the Town are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the Town, having power to tax the property. The Town’s tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the Town is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

The Town has adopted an additional twenty (20%) penalty to defray the costs of collection of delinquent taxes as authorized by State law.

At any time after taxes on property become delinquent, the Town may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the Town must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer’s debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

PUBLIC HEARING AND MAINTENANCE AND OPERATIONS TAX RATE LIMITATIONS . . . The following terms as used in this section have the meanings provided below:

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

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

"foregone revenue amount" means the greater of zero or the amount expressed in dollars calculated according to the following formula: the voter-approval tax rate less the actual tax rate, then multiplied by the taxing unit's current total value in the applicable preceding tax year.

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

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

"unused increment rate" means the greater of (i) zero; or (ii) the sum of the foregone revenue amount for each of the tax years 2022 foregone revenue amount, the 2023 foregone revenue amount, and 2024 foregone revenue amount divided by the current total value.

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

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

A city must annually calculate its "voter-approval tax rate" and "no-new-revenue tax rate" (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year. Furthermore, beginning for tax year 2026, if the Texas Attorney General determines that a city did not have its audited annual financial statements on file with its city secretary before the 180th day after the city's fiscal year end, the city may not adopt an ad valorem tax rate that exceeds the city's no-new-revenue tax rate.

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

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has posted notice prominently on the appraisal district's website (if the appraisal district maintains a website) and the assessor for the city has prominently posted on the city's website notice informing property owners of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase. The appraisal district is also required to post notice in a newspaper of general circulation by August 7 or as soon thereafter as practicable or if there is no newspaper of general circulation, the notice must be posted in the appraisal district's office.

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

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

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

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

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

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

DEBT TAX RATE LIMITATIONS . . . All taxable property within the Town is subject to the assessment, levy and collection by the Town of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 4, of the Texas Constitution is applicable to the Town, and limits its maximum ad valorem tax rate to \$1.50 per \$100 of Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.00 of the \$1.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

POTENTIAL FUTURE CHANGES IN STATE LAW REGARDING DEBT AND TAX RATE LIMITATIONS . . . During Texas legislative sessions and interim business of the Texas legislature, various proposals and reports have been presented by committees of Texas Senate and Texas House of Representative which suggest or recommend changes to Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act), Chapter 1431, Texas Government Code, and the Texas Property Tax Code relating to the ability of political subdivisions to impose taxes for purposes of ongoing maintenance and operations and to incur long-term debt. The 89th Legislative Session of the State (the "89th Regular Session") convened on January 14, 2025, and concluded on June 2, 2025. The Governor called for a special session on June 23, 2025, which began on July 21, 2025 and concluded on August 15, 2025, and may last no longer than 30 days, including in part to consider "legislation reducing the property tax burden on Texans and legislation imposing spending limits on entities authorized to impose property taxes." Additional special sessions may be called by the Governor. During this time, the State Legislature may enact laws that materially change current law as it relates to ad valorem taxation, including the security for the Certificates. The Town can make no representations or predictions regarding the scope of legislation that may be considered in any special session or future session of the Legislature or the potential impact of such legislation at this time.

2025 REGULAR AND SPECIAL LEGISLATIVE SESSIONS . . . The regular session of the 89th Texas Legislature (the "2025 Legislative Session") convened on January 14, 2025, and concluded on June 2, 2025. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor has called a special session which began on July 21, 2025. The initial agenda for the special session includes the following items: (i) regulation of products derived from hemp, (ii) real property recording requirements, (iii) impact and production fees for certain water projects and regulations of wells, (iv) affirmative defense to prosecution for victims of human trafficking or compelled prostitution, (v) operations of cement kilns and production of aggregates near semiconductor facilities, and (vi) the operation and administration of the judicial branch of state government. The Governor may add additional items to the call at any time.

During the 2025 Legislative Session, the Legislature adopted a general appropriations act and legislation affecting ad valorem taxation procedures and the procedures for issuing debt affecting cities among other legislation affecting cities. Adopted legislation affecting ad valorem taxation procedures includes legislation that (i) changes the procedure for the adoption of and imposes limits on the amount of an M&O tax increase that may be adopted in response to declared disasters, (ii) makes technical modifications to the tax rate setting process, and (iii) makes intangible personal property exempt from ad valorem taxation. Additional legislation affecting taxation procedures and exemptions from taxation have been sent to the Governor for signature or veto, or to become law without a signature. The Town is reviewing the impact of the legislation approved during the 2025 Legislative Session and cannot make any representations regarding the full impact of the legislation approved during the 2025 Legislative Session at this time. Further, the Town can make no representations or predictions regarding the ultimate scope of legislation that may be considered in any special session or the potential impact of such legislation at this time, but it intends to monitor applicable legislation related thereto.

RECENT CHANGE IN REAPPRAISAL PLAN . . . At its meeting on August 9, 2024, the board of directors of the Tarrant Appraisal District (the "TAD Board") approved a reappraisal plan to appraise residential values every other year, instead of annually, with appraisals occurring in odd-numbered years beginning in tax year 2027. All other property types will be reappraised annually. The reappraisal plan will hold residential values for the 2025 tax year at 2024 levels, except for new construction and improvements. Additionally, the TAD Board approved a 5% "threshold" to residential market value increases, which would require "clear and convincing evidence" to support an increase higher than 5% to the market value of a residentially coded property over the prior year's appraisal roll.

TOWN APPLICATION OF PROPERTY TAX CODE . . . The Town grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$50,000; the disabled are also granted an exemption of \$10,000.

The Town grants an additional exemption of 20% of the market value of residence homesteads.

See Table 1 for a listing of the amounts of the exemptions described above.

Ad valorem taxes are not levied by the Town against the exempt value of residence homesteads for the payment of debt.

The Town does not tax nonbusiness personal property; and the Tarrant County Tax Assessor/Collector collects taxes for the Town.

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

The Town does not tax freeport property.

The Town does collect an additional one-quarter of one percent sales tax for reduction of ad valorem taxes.

The Town has not adopted a tax abatement policy.

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TABLE 1 - ASSESSED VALUATION AND EXEMPTION

2025/2026 Market Valuation Established by Tarrant Appraisal District (including totally exempt property)		\$ 566,901,331
Less Exemptions/Reductions at 100% Market Value:		
Capped Value Loss	\$ 8,074,103	
Circuit Breaker	3,628,094	
Homestead Exemption	43,798,647	
Over 65 Exemption	18,375,330	
Disabled Persons	440,000	
Disabled Veterans	3,585,006	
Totally Exempt	24,091,047	
Miscellaneous	<u>2,016,138</u>	<u>104,008,365</u>
2025/2026 Taxable Assessed Valuation		\$ 462,892,966
General Obligation Debt Payable from Ad Valorem Taxes (as of 9/1/2025)		\$ 13,900,000
The Certificates ⁽¹⁾		<u>3,055,000</u>
Total General Obligation Debt Payable from Ad Valorem Taxes		<u>\$ 16,955,000</u>
Less: General Obligation Self-Supporting Debt (as of 9/1/2025) ⁽²⁾		\$ 5,840,000
Net General Obligation Debt Payable from Ad Valorem Taxes ⁽¹⁾		\$ 11,115,000
Interest and Sinking Fund (as of 9/30/2024)		\$ 16,708
Ratio of Total Funded General Obligation Tax Debt to Taxable Assessed Valuation		3.66%
Ratio of Net Funded Debt to Taxable Assessed Valuation		2.40%

2025 Estimated Population - 2,568
Per Capita Taxable Assessed Valuation - \$180,254
Per Capita Total Funded General Obligation Debt - \$6,602

(1) Preliminary, subject to change.

(2) General obligation debt in the amounts shown for which repayment is currently provided, as applicable, from (i) Net Revenues of the System. In the event payment is not made from such revenues, the Town will be required to assess an ad valorem tax sufficient to make such payments.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2026		2025		2024	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 276,969,514	48.86%	\$ 282,671,415	50.99%	\$ 282,328,982	52.15%
Real, Residential, Multi-Family	29,796,790	5.26%	29,400,816	5.30%	27,199,105	5.02%
Real, Vacant Lots/Tracts	3,497,729	0.62%	3,666,411	0.66%	6,018,386	1.11%
Real, Commercial	195,378,280	34.46%	177,374,191	31.99%	166,411,512	30.74%
Real, Industrial	3,756,337	0.66%	3,670,000	0.66%	3,155,000	0.58%
Real and Tangible Personal, Utilities	15,060,832	2.66%	17,372,580	3.13%	15,658,390	2.89%
Tangible Personal, Commercial	39,475,609	6.96%	37,397,970	6.75%	37,891,732	7.00%
Tangible Personal, Industrial	2,558,599	0.45%	2,167,263	0.39%	2,024,901	0.37%
Special Inventory	407,641	0.07%	681,506	0.12%	665,531	0.12%
Total Appraised Value Before Exemptions	\$ 566,901,331	100.00%	\$ 554,402,152	100.00%	\$ 541,353,539	100.00%
Less: Total Exemptions/Reductions	(104,008,365)		(107,851,298)		(114,774,489)	
Taxable Assessed Value	<u>\$ 462,892,966</u>		<u>\$ 446,550,854</u>		<u>\$ 426,579,050</u>	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2023		2022	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 242,444,265	51.49%	\$ 206,498,780	50.07%
Real, Residential, Multi-Family	30,828,604	6.55%	25,182,881	6.11%
Real, Vacant Lots/Tracts	2,179,638	0.46%	2,348,089	0.57%
Real, Commercial	158,323,033	33.63%	131,274,193	31.83%
Real, Industrial	2,338,492	0.50%	3,720,781	0.90%
Real and Tangible Personal, Utilities	9,440,676	2.01%	9,566,853	2.32%
Tangible Personal, Commercial	22,795,858	4.84%	32,996,727	8.00%
Tangible Personal, Industrial	1,902,351	0.40%	271,378	0.07%
Tangible Personal, Mobile Homes	-	0.00%	-	0.00%
Real Property Inventory		0.00%		0.00%
Special Inventory	561,073	0.12%	571,652	0.14%
Total Appraised Value Before Exemptions	\$ 470,813,990	100.00%	\$ 412,431,334	100.00%
Less: Total Exemptions/Reductions	(90,435,708)		(58,565,939)	
Taxable Assessed Value	<u>\$ 380,378,282</u>		<u>\$ 353,865,395</u>	

NOTE: Valuations shown are certified taxable assessed values reported by the Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

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TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year ⁽³⁾	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2022	2,543	\$ 353,865,395	\$ 139,153	\$ 2,465,000	0.70%	\$ 969
2023	2,529	380,378,282	150,407	8,595,000	2.26%	3,399
2024	2,467	426,579,050	172,914	8,355,000	1.96%	3,387
2025	2,568	446,550,854	173,891	11,115,000 ⁽⁴⁾	2.49%	4,328
2026	2,568	462,892,966	180,254	10,810,000 ⁽⁴⁾	2.34%	4,210

(1) Source: The Town's Annual Comprehensive Financial Reports and City Staff.

(2) As reported by the Appraisal District on the Town's annual State Property Tax Board Reports; subject to change during the ensuing year.

(3) General obligation debt in the amounts shown for which repayment is currently provided, as applicable, from (i) Net Revenues of the System. In the event payment is not made from such revenues, the Town will be required to assess an ad valorem tax sufficient to make such payments.

(4) Preliminary, subject to change. Includes the Certificates.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Year Ended 9/30	Taxable Assessed Valuation	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2021	\$ 342,705,813	\$ 0.4200	\$ 0.3713	\$ 0.0487	\$ 1,439,365	99.60%	99.50%
2022	353,865,395	0.4759	0.4318	0.0441	1,486,235	99.50%	99.60%
2023	380,378,282	0.4759	0.4318	0.0441	1,810,338	99.20%	99.30%
2024	426,579,050	0.5700	0.4179	0.1521	2,431,501	99.40%	99.40%
2025	446,550,854	0.5700	0.4254	0.1446	2,561,898	98.91% ⁽¹⁾	98.91% ⁽¹⁾

(1) Collections as of July 31, 2025.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2024/2025 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
2650 W Park Row LLC	Real Estate	\$ 13,750,000	3.08%
Oncor Electric Delivery Co LLP	Utilities	15,759,826	3.53%
SVS Apartments LLC	Real Estate	10,400,000	2.33%
PS LPT Properties Investors/Public Storage Benelux	Storage Facilities	10,225,426	2.29%
HRE Lakewood LLC	Real Estate	6,025,290	1.35%
Northlake Partners LLC	Real Estate	6,000,000	1.34%
Four Seasons Pantego I Ltd	Real Estate	5,900,000	1.32%
TSCA-201 LTD Partnership	Real Estate	5,598,944	1.25%
Store Here Pantego LLC	Storage Facilities	4,601,754	1.03%
Atmos Energy	Utilities	4,485,540	1.00%
		<u>\$ 82,746,780</u>	<u>18.53%</u>

Source: Appraisal District. Calculated bases on tax year 2024 data.

GENERAL OBLIGATION DEBT LIMITATION . . . No general obligation debt limitation is imposed on the Town under current State law (see "THE CERTIFICATES – Tax Rate Limitation").

TABLE 6 - ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the Town are paid out of ad valorem taxes levied by such entities on properties within the Town. Such entities are independent of the Town and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax debt ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the Town, the Town has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the Town.

Taxing Jurisdiction	2024/2025 Taxable Assessed Value ⁽¹⁾	2024/2025 Tax Rate ⁽¹⁾	Total G.O. Tax Debt As of 9/1/2025 ⁽¹⁾	Estimated % Applicable ⁽¹⁾	City's Overlapping G.O. Tax Debt As of 9/1/2025 ⁽¹⁾
Town of Pantego	\$ 446,550,854	\$ 0.5700	\$ 16,955,000 ⁽²⁾	100.00%	\$ 16,955,000
Arlington ISD	41,031,858,393	1.1035	1,224,080,000	1.40%	17,137,120
Tarrant County	289,157,254,040	0.1875	314,050,000	0.16%	502,480
Tarrant County CD	317,260,797,092	0.1123	547,535,000	0.16%	876,056
Tarrant County Hospital	289,640,276,553	0.1825	431,255,000	0.16%	690,008
Total Direct and Overlapping G.O. Tax Debt					\$ 36,160,664
Ratio of Direct and Overlapping G.O. Tax Debt to 2022 Taxable Assessed Valuation					8.10%
Per Capita Overlapping G.O. Tax Debt					\$ 14,081

(1) As reported by the Municipal Advisory Council of Texas.

(2) Includes the Certificates. Preliminary, subject to change.

TABLE 7 - TAX ADEQUACY⁽¹⁾

Net General Obligation Debt Service Requirements, FY 2025	\$ 647,538
\$0.1413 Tax Rate at 99% Collection Produces	\$ 647,573
Average Net General Obligation Debt Service Requirements, FY 2025-2045 ⁽²⁾	\$ 821,785
\$0.1793 Tax Rate at 99% Collection Produces	\$ 821,805
Maximum Annual Principal and Interest Requirements, 2038 ⁽²⁾	\$ 836,913
\$0.1826 Tax Rate at 99% Collection Produces	\$ 836,928

(1) Excludes self-supporting debt (see Table 1 herein for more detailed information on the Town's general obligation self-supporting debt).

(2) Includes the Certificates. Preliminary, subject to change.

DEBT INFORMATION

TABLE 8 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Debt Service			The Certificates ⁽¹⁾			Less: W&S Revenue Supported Debt Service	Total Net General Obligation Debt Service	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total			
2025	\$ 495,000	\$ 639,313	\$ 1,134,313	\$ -	\$ -	\$ -	\$ 486,775	\$ 647,538	
2026	515,000	616,688	1,131,688	-	108,667	108,667	486,775	753,579	
2027	540,000	593,163	1,133,163	55,000	130,400	185,400	486,275	832,288	
2028	565,000	568,563	1,133,563	60,000	127,650	187,650	485,275	835,938	
2029	590,000	542,638	1,132,638	60,000	124,650	184,650	483,775	833,513	16.50%
2030	615,000	515,563	1,130,563	70,000	121,650	191,650	486,775	835,438	
2031	645,000	487,338	1,132,338	70,000	118,150	188,150	484,025	836,463	
2032	675,000	457,788	1,132,788	75,000	114,650	189,650	485,775	836,663	
2033	705,000	426,663	1,131,663	80,000	110,900	190,900	486,775	835,788	
2034	740,000	394,138	1,134,138	80,000	106,900	186,900	487,025	834,013	38.02%
2035	775,000	359,963	1,134,963	85,000	102,900	187,900	486,525	836,338	
2036	805,000	324,138	1,129,138	90,000	98,650	188,650	485,275	832,513	
2037	840,000	286,913	1,126,913	95,000	94,150	189,150	483,275	832,788	
2038	885,000	248,038	1,133,038	100,000	89,400	189,400	485,525	836,913	
2039	920,000	207,013	1,127,013	105,000	85,400	190,400	481,775	835,638	64.96%
2040	960,000	164,338	1,124,338	110,000	81,200	191,200	482,275	833,263	
2041	1,000,000	130,313	1,130,313	115,000	76,800	191,800	485,875	836,238	
2042	1,040,000	90,313	1,130,313	115,000	72,200	187,200	483,675	833,838	
2043	1,085,000	46,113	1,131,113	120,000	67,600	187,600	484,763	833,950	
2044	-	-	-	770,000	62,800	832,800	-	832,800	95.42%
2045	-	-	-	800,000	32,000	832,000	-	832,000	100.00%
	<u>\$ 14,395,000</u>	<u>\$ 7,098,988</u>	<u>\$ 21,493,988</u>	<u>\$ 3,055,000</u>	<u>\$ 1,926,717</u>	<u>\$ 4,981,717</u>	<u>\$ 9,218,213</u>	<u>\$ 17,257,492</u>	

(1) Preliminary, subject to change.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Net Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/2025		\$ 647,538
Interest and Sinking Fund, Fiscal Year Ended 9/30/2024	\$ 16,708	
Budgeted Interest and Sinking Fund Tax Collection	658,790	
Budgeted Delinquent Taxes, Penalties and Interest	<u>479,231</u>	<u>1,154,729</u>
Estimated Balance, Fiscal Year Ending 9/30/2025		<u>\$ 507,192</u>

TABLE 10 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS . . . The Town has no authorized but unissued bonds.

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT . . . The Town does not anticipate the issuance of additional general obligation debt within the next 12 months.

TABLE 11 - OTHER OBLIGATIONSLeases

The Town has entered into enterprise fleet lease agreements for multiple vehicles. The leases carry interest rates 2.52% to 12.02% and have monthly payments ranging from \$634 to \$1,374.

Principal and interest requirements to maturity for the leases are as follows:

Year Ended September 30	Governmental Activities		
	Principal	Interest	Total
2025	\$ 152,110	\$ 27,037	\$ 179,147
2026	188,701	16,555	205,256
2027	145,766	3,649	149,415
2028	2,828	12	2,840
Total	<u>\$ 489,405</u>	<u>\$ 47,253</u>	<u>\$ 536,658</u>

Financed Purchase Payable

During the fiscal year, the Town entered into a financed purchase agreement for a leased pump truck. The Town is required to make fixed annual payments of \$88,025. As of September 30, 2024, the value of the financed purchase is \$437,644. The financed purchase has an interest rate of 5.65%. The asset value of the Pump Truck as of September 30, 2024, is \$507,047 with accumulated depreciation of \$42,254.

Principal and interest requirements to maturity are as follows:

Year Ended September 30	Governmental Activities		
	Principal	Interest	Total
2025	\$ 63,297	\$ 24,728	\$ 88,025
2026	66,873	21,152	88,025
2027	70,652	17,373	88,025
2028	74,644	13,381	88,025
2029	78,861	9,164	88,025
2030	83,317	4,708	88,025
Total	<u>\$ 437,644</u>	<u>\$ 90,506</u>	<u>\$ 528,150</u>

Sewer Contracts

The Town has contracts with the City of Fort Worth and the City of Arlington for the treatment of wastewater. The contracts require the Town to pay varying amounts based on the costs associated with the wastewater treated. Charges for wastewater treatment during fiscal year 2024 were \$241,346 for Fort Worth and \$173,825 for Arlington. See "THE SYSTEM" and Note II to the "Excerpts From the Town of Pantego, Texas Annual Comprehensive Financial Report for the Fiscal Year Ended September 30, 2024 attached as Appendix B hereto.

Pension Fund

The Town participates as one of 919 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in

accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS 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 annual comprehensive financial report (ACFR) that can be obtained www.tmr.com. All eligible employees of the Town are required to participate in TMRS.

For more information regarding the Town's retirement plan commitments, including benefits, contributions, and net pension liability, see Note II to the "Excerpts From the Town of Pantego, Texas Annual Comprehensive Financial Report for the Fiscal Year Ended September 30, 2024" attached as Appendix B hereto.

Defined Other Post-Employment Benefits (OPEB) Plan – TMRS Supplemental Death Benefits Fund

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

For more information regarding the Town's OPEB plan, including benefits and total OPEB liability, see Note II to the "Excerpts From the Town of Pantego, Texas Annual Comprehensive Financial Report for the Fiscal Year Ended September 30, 2024" attached as Appendix B hereto.

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FINANCIAL INFORMATION

TABLE 12 - GENERAL FUND REVENUE AND EXPENDITURE HISTORY

	Fiscal Years Ended September 30,				
	2024	2023	2022	2021	2020
<u>Revenues:</u>					
Taxes:					
Property Taxes	\$ 1,834,028	\$ 1,698,378	1,359,001	\$ 1,351,279	\$ 1,315,990
Sales Tax	1,931,521	1,986,813	1,904,228	1,771,100	1,641,736
Franchise Tax	294,287	305,228	282,204	272,956	293,989
Fines and Forfeitures	421,757	527,718	432,795	544,376	557,362
Licenses, Permits and Fees	115,159	85,121	88,590	63,406	44,020
Ambulance service	-	84,142	116,182	101,275	101,314
Intergovernmental	376,415	40,815	22,750	32,994	289,073
Charges for services	126,682	17,481	18,602	18,678	2,170
Contributions and Donations	-	-	-	-	3,200
Investment Earnings	55,508	47,888	7,786	748	20,495
Miscellaneous	2,635	139,409	105,254	70,827	68,776
Total Revenues	<u>\$ 5,157,992</u>	<u>\$ 4,932,993</u>	<u>\$ 4,337,392</u>	<u>\$ 4,227,639</u>	<u>\$ 4,338,125</u>
<u>Expenditures:</u>					
General and administrative	\$ 1,029,093	\$ 698,068	\$ 583,275	\$ 522,747	\$ 567,951
Public works	623,635	344,022	347,835	260,830	239,225
Community development	37,533	4,217	12,202	7,403	141,094
Police	1,928,244	1,923,542	1,751,308	1,648,215	1,708,420
Fire	1,742,278	1,695,114	1,385,729	1,307,860	1,316,126
Municipal Court	-	406,650	376,586	346,102	391,963
Others	-	7,656	10,867	10,162	8,533
Capital Outlay	45,103	-	-	-	-
Total Expenditures	<u>\$ 5,405,886</u>	<u>\$ 5,079,269</u>	<u>\$ 4,467,802</u>	<u>\$ 4,103,319</u>	<u>\$ 4,373,312</u>
Excess(deficiency) of Revenues					
Over Expenditures	<u>\$ (247,894)</u>	<u>\$ (146,276)</u>	<u>\$ (130,410)</u>	<u>\$ 124,320</u>	<u>\$ (35,187)</u>
<u>Other Financing Sources (Uses)</u>					
Transfers In	-	8,790	-	142,433	-
Transfers Out	-	(17,250)	(496,103)	-	(348,082)
Insurance Recoveries	89,031	-	-	-	-
Sale of Capital Assets	-	-	8,460	-	5,886
Total other Financing Sources (uses)	<u>\$ 89,031</u>	<u>\$ (8,460)</u>	<u>\$ (487,643)</u>	<u>\$ 142,433</u>	<u>\$ (342,196)</u>
Net Change in Fund Balances	\$ (158,863)	\$ (154,736)	\$ (618,053)	\$ 266,753	\$ (377,383)
Fund Balances at Beginning of Year	<u>\$ 1,101,297</u>	<u>\$ 1,256,033</u>	<u>\$ 1,874,086</u>	<u>\$ 1,607,333</u>	<u>\$ 1,984,716</u>
Fund Balances at End of Year	<u>\$ 942,434</u>	<u>\$ 1,101,297</u>	<u>\$ 1,256,033</u>	<u>\$ 1,874,086</u>	<u>\$ 1,607,333</u>

TABLE 13 - MUNICIPAL SALES TAX HISTORY

The Town has adopted the Municipal Sales and Use Tax Act, V.T.C.A., Tax Code, Chapter 321, which grants the Town the power to impose and levy a 1% Local Sales and Use Tax within the Town; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. Voters approved an additional sales and use tax of 1/2 of 1% for economic development, effective July of 1993. Voters approved an additional sales and use tax of 1/4 of 1% for street maintenance and repairs, effective July of 2002. Voters approved an additional sales and use tax of 1/4 of 1% for property tax reduction, effective October of 2003. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the Town monthly.

Fiscal Year Ended 9/30	1 Cent City Sales Tax Collections	1/4 Cent Property Tax Reduction Sales Tax Collections	1/4 Cent Property Street Repair Sales Tax Collections	1/2 Cent EDC Sales Tax Collections	Total Collected	Total Collections as a % of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate
2021	\$ 1,385,052	\$ 346,263	\$ 346,263	\$ 692,526	\$ 2,770,104	192.45%	\$ 0.8083
2022	1,502,123	375,531	375,531	751,062	3,004,246	202.14%	0.8490
2023	1,568,925	392,231	392,231	784,463	3,137,850	173.33%	0.8249
2024	1,549,568	387,392	387,392	774,784	3,099,136	127.46%	0.7265
2025 ⁽²⁾	1,363,400	340,850	340,850	681,700	2,726,801	106.44%	0.6106

(1) Source: Texas Comptroller of Public Accounts web site.

(2) Collections through August 2025.

THE SYSTEM

GENERAL INFORMATION REGARDING THE SYSTEM

The Town's Waterworks and Sewer System (the "System") serves approximately 2,650 people within and outside the Town limits. During the fiscal year ending September 30, 2024, the System delivered an average of 516,000 gallons per day of potable water to 1,225 residential, commercial and industrial accounts. The current source of water supply available to the System is groundwater pumped from the Trinity and Puluxy Aquifers by a Town-owned wellfield consisting of six (6) active wells located throughout the Town. In recent years, annual water usage has averaged approximately 518-acre feet, but actual usage can vary significantly depending on weather conditions during summer months. The Town-owned wellfield can supply more than 1,679-acre feet per year of water.

In addition to the Town-owned wellfield, the System includes one (1) elevated storage water tank with a total capacity of 300,000 gallons, two (2) ground storage water tanks with a total capacity of 1 million gallons, approximately 23.9 miles of water main lines, and approximately 18.9 miles of sewer main lines.

Wastewater treatment is under contract with the Cities of Fort Worth and Arlington. See "DEBT INFORMATION – Other Obligations" and Note II to the "Excepts From the Town of Pantego, Texas Annual Comprehensive Financial Report for the Fiscal Year Ended September 30, 2024" attached as Appendix B hereto.

In 2011, the Town adopted a Water Resource Management Plan, which includes the Town's Water Conservation Plan and Drought Contingency Plan. The Water Conservation Plan is in effect at all times and is aimed at reducing water consumption from levels that would prevail without conservation efforts, reducing water loss and waste, improving efficient water use, extending the life of the Town's current water supplies by reducing the rate of growth of demand, and educating water uses about the need for water conservation. Among other measures, the Water Conservation Plan prohibits watering, with certain exceptions, between the hours of 10:00 a.m. and 6:00 p.m. every day. The Drought Contingency Plan is in effect only during periods where certain "trigger conditions" based on levels of water demand are met and contains a three (3) stage response plan. The Town is not currently in a drought and emergency response stage.

BILLING AND COLLECTION PROCEDURES

System customers are billed monthly for water and sewer services. Bills are due upon receipt and are considered delinquent after the billing due date with a penalty of 10% of the balance due to be charged if payment in full is not received by the Town. In the event of delinquency in payment of the complete monthly service charges beyond 30 days after the date of billing, service shall be disconnected after two (2) days' notice to the customer. Before service is restored, a disconnected customer must pay a fee for reconnection and restoration of service, as well as all unpaid billings plus penalties. A customer may petition in writing to the City Manager to extend the period before disconnection up to 180 days, and the City Manager may grant the extension, in writing, if a demonstrable hardship is identified.

TABLE 14 - MONTHLY WATER RATES (EFFECTIVE JANUARY 1, 2025)

Residential Water Rates		Commercial Water Rates	
Base Fee (by meter size)		Base Fee (by meter size)	
5/8 and 3/4 inch	\$ 22.00	5/8 and 3/4 inch	\$ 33.00
1 inch	\$ 30.00	1 inch	\$ 45.00
1.5 inch	\$ 61.50	1.5 inch	\$ 92.25
2 inch	\$ 108.00	2 inch	\$ 135.00
3 inch	\$ 250.00	3 inch	\$ 200.00
4 inch	\$ 400.00	4 inch	\$ 400.00
Volume Rate (per 1k gal.)		Volume Rate (per 1k gal.)	
0 - 3,000 gal.	\$ 2.50	0 - 3,000 gal.	\$ 4.25
3,001 to 10,000 gal.	\$ 3.50	3,001 to 10,000 gal.	\$ 4.75
10,001 to 15,000 gal.	\$ 4.50	10,001 to 15,000 gal.	\$ 5.25
15,001+ gal.	\$ 6.75	15,001+ gal.	\$ 6.75

TABLE 15 - MONTHLY SEWER RATES (EFFECTIVE JANUARY 1, 2025)

Residential Sewer Rates		Commercial Sewer Rates	
Base Fee (by meter size)		Base Fee (by meter size)	
5/8 and 3/4 inch	\$ 24.00	5/8 and 3/4 inch	\$ 36.00
1 inch	\$ 38.00	1 inch	\$ 57.00
1.5 inch	\$ 90.00	1.5 inch	\$ 135.00
2 inch	\$ 125.00	2 inch	\$ 187.50
3 inch	\$ 375.00	3 inch	\$ 375.00
4 inch	\$ 585.00	4 inch	\$ 585.00
Volume Rate		Volume Rate	
per 1,000 gal.	\$ 4.50	per 1,000 gal.	\$ 5.75

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TABLE 16 - WATER AND SEWER SYSTEM STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
	2024	2023	2022	2021	2020
Operating Revenues					
Water Sales	\$ 506,705	\$ 491,281	\$ 620,211	\$ 570,666	\$ 597,424
Sewer Charges	592,977	477,421	569,088	490,702	480,997
Groundwater Conservation Fees	-	17,803	22,931	17,506	23,788
Infrastructure Improvement Fees	-	267,564	309,366	313,657	316,838
Late Payment Charges	-	16,256	19,365	17,255	10,735
Miscellaneous	22,214	6,131	7,860	7,190	4,455
Total Operating Revenues	\$ 1,121,896	\$ 1,276,456	\$ 1,548,821	\$ 1,416,976	\$ 1,434,237
Operating Expenses					
Personnel	\$ 488,989	\$ 484,224	\$ 226,010	\$ 427,013	\$ 594,388
Contractual Services	710,177	-	-	-	-
Materials and Supplies	53,119	-	-	-	-
Utilities	-	116,711	129,632	99,686	102,264
Maintenance and Repairs	-	160,474	60,666	94,191	78,354
Franchise Fees	-	59,716	53,013	46,498	47,631
Other Expenses	-	25,840	39,148	25,908	25,189
Sewage Treatment - Other Governments	-	357,906	297,718	272,516	329,329
Depreciation	336,469	308,083	209,248	231,035	235,385
Total Operating Expenses	\$ 1,588,754	\$ 1,512,954	\$ 1,015,435	\$ 1,196,847	\$ 1,412,540
Operating Income (Loss)	\$ (466,858)	\$ (236,498)	\$ 533,386	\$ 220,129	\$ 21,697
Non Operating Revenues					
Investment Earnings	\$ 30,715	\$ 37,024	\$ 8,679	\$ 1,157	\$ 10,191
Other Income	-	345	435	3,370	470
Total Non Operating Revenues (Expenses)	\$ 30,715	\$ 37,369	\$ 9,114	\$ 4,527	\$ 10,661
Transfers In	\$ -	\$ 568,545	\$ 1,676,190	\$ 269,920	\$ 164,176
Transfers Out	(467,660)	-	-	(142,433)	-
Capital Contributions	3,532,248	-	-	-	-
Change in Net Position	\$ 2,628,445	\$ 369,416	\$ 2,218,690	\$ 352,143	\$ 196,534
Net Position, October 1	\$ 6,575,944	\$ 6,206,528	\$ 3,987,838	\$ 3,635,695	\$ 3,439,161
Net Position, September 30	\$ 9,204,389	\$ 6,575,944	\$ 6,206,528	\$ 3,987,838	\$ 3,635,695

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FINANCIAL POLICIES

Basis of Accounting . . . The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred. Interest on long term debt is recorded when due.

Ad valorem and sales tax revenues are recognized under the susceptible to accrual concept. Licenses and permits, franchise taxes, charges for services, fines and miscellaneous revenues (except earnings on investments) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned because they are measurable and available.

The accrual basis of accounting is utilized by proprietary funds.

Budgetary Procedures . . . The Town Council follows these procedures in establishing budgetary data reflected in the financial statements:

- (1) Prior to September 1, the City Manager submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted to obtain taxpayer comments.
- (3) Prior to September 30, the budget is legally enacted through passage of an ordinance.
- (4) The City Manager is authorized to transfer budgeted amounts within a category in a department. Transfers between categories or between departments exceeding budgeted amounts require Council approval.
- (5) Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Fund and Debt Service Fund. Budgetary control is maintained at the function level.
- (6) Budgets for the General, Special Revenue, and Debt Service Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- (7) Budgetary data for the Capital Projects Funds are not presented in combined financial statements of the Town as such funds are budgeted over the life of the respective project and not on an annual basis. Accordingly, formal budgetary integration of the Capital Projects Funds is not employed and comparison of actual results of operations to budgetary data for such fund is not presented.

INVESTMENTS

The Town invests its investable funds in investments authorized by State law in accordance with investment policies approved by the Town Council of the Town. Both State law and the Town's investment policies are subject to change.

LEGAL INVESTMENTS . . . Under State law, the Town is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the Town in compliance with the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the "PFIA"), (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the Town's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the Town appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for Town deposits, or (ii) certificates of deposit where (a) the funds are invested by the Town through a broker or institution that has a main office or branch office in the State and selected by the Town in compliance with the

PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the Town, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the Town appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the Town with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clause (1) above or clause (12) below, which are pledged to the Town, held in the Town's name, and deposited at the time the investment is made with the Town or with a third party selected and approved by the Town, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the SEC that provide the Town with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and complies with SEC Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the SEC that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the Town is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the Town, held in the Town's name, and deposited at the time the investment is made with the Town or with a third party designated by the Town, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

The Town may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The Town may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the Town retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the Town must do so by order, ordinance, or resolution. The Town is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pay no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bear no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

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

The investment officer of a local government is allowed to invest bond proceeds or pledged revenue only to the extent permitted by the PFIA and in accordance with (i) statutory provisions governing the debt issuance (or lease, installment sale, or other agreement) and (ii) the local government's investment policy regarding the debt issuance or the agreement.

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

ADDITIONAL PROVISIONS . . . Under State law, the Town is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the Town to disclose the relationship and file a statement with the Texas Ethics Commission and the Town Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the Town to: (a) receive and review the Town's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the Town and the business organization that are not authorized by the Town's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the Town's entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority) and (c) deliver a written statement in a form acceptable to the Town and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the Town's investment policy; (6) provide specific investment training for the Town's designated Investment Officer; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the Town's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the Town.

TABLE 17 - CURRENT INVESTMENTS

As of July 31, 2025 the Town's investable funds were invested in the following categories:

Description	Market Value	% Total
TexPool Prime	\$ 1,663,939	12.15%
LOGIC	12,029,904	87.85%
	<u>\$ 13,693,843</u>	<u>100.00%</u>

TAX MATTERS

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

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

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

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

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

the Internal Revenue Service is likely to treat the Town as the taxpayer and the bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

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

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

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

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

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

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

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

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

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

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

the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

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

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

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

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

ANNUAL REPORTS . . . The Town will provide to the MSRB updated financial information and operating data annually. The information to be updated includes quantitative financial information and operating data with respect to the Town of the general type included in this Official Statement under the Tables numbered 1 through 5 and 7 through 17. The Town will update and provide this information in the numbered tables within twelve (12) months after the end of each fiscal year ending in and after 2025 and audited financial statements within twelve (12) months after the end of each fiscal year ending in and after 2025. If the audit of such financial statements is not complete within twelve (12) months after any such fiscal year end, then the Town shall file unaudited financial statements within such twelve (12) month period and audited financial statements for the applicable fiscal year, when and if the audited financial statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the Town may be required to employ from time to time pursuant to State law or regulation. The financial information and operating data to be provided may be set forth

in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

The Town's current fiscal year end is September 30. Accordingly, updated unaudited information included in the above-referenced tables, and audited financial statements, must be provided by September 30 of each year, unless the Town changes its fiscal year. If the Town changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the Town otherwise would be required to provide financial information and operating data.

NOTICE OF CERTAIN EVENTS . . . The Town will also provide timely notices of certain events to the MSRB. The Town will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of any of the following events with respect to the Certificates: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5702-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Town; (13) the consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of the assets of the Town, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of the trustee if material, (15) incurrence of a Financial Obligation of the Town, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Town, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Town, any of which reflect financial difficulties. In addition, the Town will provide to the MSRB, in a timely manner, notice of any failure by the Town to provide the required annual financial information and operating data described above under "Annual Reports". For purposes of clauses (15) and (16) above, "Financial Obligation" means (i) a debt obligation, (ii) a derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Town in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Town, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Town. For the purposes of the above describe event (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a financial obligation shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

LIMITATIONS AND AMENDMENTS . . . The Town has agreed to update information and to provide notices of material events only as described above. The Town has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Town makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The Town disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Certificates may seek a writ of mandamus to compel the Town to comply with its agreement. The Town may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Town, if (i) the agreement, as amended, would have permitted the Initial Purchaser, to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Certificates consent to the amendment or (b) any person unaffiliated with the Town (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The Town may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent the Initial Purchaser from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If the Town so amends its continuing disclosure agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the Town believes it has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

OTHER INFORMATION

RATING

The Certificates are rated "AA-" (negative outlook) by S&P Global Ratings, a division of Standard & Poor's Financial business ("S&P") without regard to credit enhancement. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the view of such organization and the Town makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price or marketability of the Certificates.

CYBERSECURITY

The Town's operations are increasingly dependent on information technologies and services, which are exposed to cybersecurity risks and cyber incidents or attacks. While the Town continually assesses and monitors its cybersecurity risks, the Town has been (and may be in the future) subject to cyber-attacks from time to time. In response to such assessments and monitoring, the Town takes actions it deems appropriate in response to cybersecurity risks, including, but not limited to, implementing cybersecurity training programs, obtaining technology improvements to mitigate cybersecurity risks, and taking other similar measures. To date, the Town has not been the victim of any cyber-attack that has had a material adverse effect on its operations or financial condition. However, no assurance can be given that the Town will fully prevent or successfully remediate the operational and/or financial impact of any cybersecurity incursions or incidents arising from events wholly or partially beyond the Town's control, including electrical telecommunications outages, natural disasters or cyber-attacks initiated by criminal activities of individuals or organizations. Any such occurrence could materially and adversely affect the Town's operations and/or financial condition.

LITIGATION

It is the opinion of the Town Attorney and Town Staff that there is no pending litigation against the Town that would have a material adverse financial impact upon the Town or its operations.

WEATHER EVENTS

The Town is located in the north central region of Texas. Land located in this area is susceptible to high winds, tornadoes, fires and arid conditions. If a future weather event significantly damages all or part of the properties comprising the tax base within the Town, the assessed value of property within the Town could be substantially reduced, which could result in a decrease in tax revenue and/or necessitate an increase in the Town tax rate. Under certain conditions, Texas law allows a city to increase property tax rates without voter approval upon the occurrence of certain disasters such as a tornado, flooding or extreme drought and upon gubernatorial or presidential declaration of disaster. There can be no assurance that a casualty loss to taxable property within the Town will be covered by insurance (or that property owners will carry flood or the appropriate, applicable other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds or that insurance proceeds will be used to rebuild or repay any damaged improvements within the Town or be sufficient for such purposes. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the Town could be adversely affected.

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments and investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State, the PIFA, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency (see "OTHER INFORMATION - Rating" herein). In addition, various provisions of the Texas Finance Code provide that, subject to a

prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the Town has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

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

LEGAL OPINION

The delivery of the Certificates is subject to the approval of the Attorney General of Texas, who will deliver its opinion, to the effect that the Certificates are valid and legally binding Certificates of the Town payable from the proceeds of an annual ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the Town, and, with respect to the Certificates, from a pledge of the Surplus Revenues of the System, and based upon examination of such transcript of proceedings, the approving legal opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the Town ("Bond Counsel"), to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under section 103(a) of the Internal Revenue Code, subject to the matters described under "TAX MATTERS" herein. The form of Bond Counsel's opinion is attached hereto as APPENDIX C.

Though it may represent the Initial Purchaser from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the Town in the issuance of the Certificates. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Notice of Sale and Bidding Instructions, the Official Bid Form or the Preliminary Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Ordinance.

The legal opinion will accompany the Certificates deposited with DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry-Only System. The legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from Town records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

MUNICIPAL ADVISOR

HilltopSecurities is employed as Municipal Advisor to the Town in connection with the issuance of the Certificates. The Municipal Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. HilltopSecurities, in its capacity as Municipal Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Municipal Advisor to the Town has provided the following sentence for inclusion in this Preliminary Official Statement. The Municipal Advisor has reviewed the information in this Preliminary Official Statement in accordance with, and as part of, its responsibilities to the Town and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor does not guarantee the accuracy or completeness of such information. Hilltop Securities Inc. has or may have other business relationships with the Town. The participation of Hilltop Securities Inc. should not be seen as a recommendation to buy or sell the Certificates, and investors should seek the advice of their accountants, lawyers and registered representatives for advice as appropriate.

INITIAL PURCHASER FOR THE CERTIFICATES

After requesting competitive bids for the Certificates, the Town accepted the bid of _____ (the "Initial Purchaser") to purchase the Certificates at the interest rates shown on page 2 of the Official Statement at a price of \$ _____, which produces compensation to the Initial Purchaser in the amount of \$ _____. The Initial Purchaser can give no assurance that

any trading market will be developed for the Certificates after their sale by the Town to the Initial Purchaser. The Town has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the sole responsibility of the Initial Purchaser.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Certificates, the Town will furnish a certificate, executed by a proper officer, acting in such officer's official capacity, to the effect that to the best of his or her knowledge and belief: (a) the descriptions and statements of or pertaining to the Town contained in the Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the Town and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the Town, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the Town believes to be reliable and the Town has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the Town since the date of the last audited financial statements of the Town.

The Ordinance authorizing the issuance of the Certificates will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Certificates by the Initial Purchaser.

Mayor
Town of Pantego, Texas

ATTEST:

City Secretary
Town of Pantego, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE TOWN

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THE TOWN

Pantego is a Type A General Law Municipality incorporated in Tarrant County, Texas in the Cross Timbers, some ten miles southeast of the Tarrant County Court House in Fort Worth. It is approximately one square mile in area and has a population of 2559 as of the 2020 US Census. It is surrounded on three sides by the City of Arlington and on one side – south side – by the City of Dalworthington Gardens. West Park Row and Pioneer Parkway (TX Spur 303) are the two major east-west traffic corridors while South Bowen Road is the major north-south traffic corridor.

LABOR FORCE

Tarrant County Employment figures, as reflected by the Texas Workforce Commission, are as follows:

	July	Annual Average			
	2025	2024	2023	2022	2021
Labor Force	1,217,227	1,195,720	1,163,674	1,131,621	1,103,622
Employed	1,169,053	1,148,713	1,119,464	1,089,950	1,045,144
Unemployed	48,174	47,007	44,210	36,657	58,478
Unemployment Rate	4.0%	3.9%	3.8%	3.2%	5.3%

APPENDIX B

EXCERPTS FROM THE
TOWN OF PANTEGO, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Year Ended September 30, 2024

The information contained in this Appendix consists of excerpts from the Town of Pantego, Texas, Annual Comprehensive Financial Report for the Year Ended September 30, 2024, and is not intended to be a complete statement of the Town's financial condition. Reference is made to the complete Report for further information.

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Town of Pantego, Texas

Annual Comprehensive Financial Report

For Fiscal Year Ended
September 30, 2024

Prepared by:

Sean Smith, CPA
Director of Finance

TOWN OF PANTEGO, TEXAS

YEAR ENDED SEPTEMBER 30, 2024

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INTRODUCTORY SECTION

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**1614 S. Bowen Rd.
Pantego, Texas 76013
(817) 617-3700
Fax (817) 617-3726**

June 2, 2025

TO: Honorable Mayor and Town Council Members and
Citizens of the Town of Pantego, Texas:

The Annual Comprehensive Financial Report of the Town of Pantego for fiscal year ended September 30, 2024, is hereby submitted. State law and Town Financial Management Policies require that the Finance Department prepare a complete set of financial statements that are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by licensed independent certified public accountants. This report is published to satisfy that requirement and to provide the Town Council, staff, our citizens, bondholders, and other interested parties with detailed information concerning the financial condition and activities of the Town government.

Responsibility for both accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. The Town is responsible for establishing and maintaining internal controls designed to ensure that the assets of the government are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Town. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

State Law requires the Town's basic financial statements to be audited by independent certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Town are presented fairly, in all material respects, for the fiscal year ended September 30, 2024. This independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Pattillo, Brown & Hill, LLP, Certified Public Accountants, performed the required audit and have issued an unmodified ("clean") opinion on the Town of Pantego's financial statements for the year ended September 30, 2024. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

THE REPORTING ENTITY

Pantego was incorporated in 1952 as a village but changed to a Type A General Law city in 1967. Pantego is located in Tarrant County and is entirely surrounded by the cities of Arlington and Dalworthington Gardens. It is located in the middle of the Dallas-Fort Worth Metroplex, a metropolitan area spanning several counties. General Law cities are smaller cities, most of which are less than 5,000 in population. All General Law cities operate according to specific state statutes prescribing their powers and duties. General Law cities are limited to doing what the state authorizes or permits them to do. If state law does not grant General Law cities the express or implied power to initiate a particular action, none may be taken.

The governing body of a municipality operating as a Type A General Law municipality is known as the "City Council" and if the city has not been divided into wards, the governing body always consists of a Mayor and five Council members. Under this form of government, the Mayor and five Council members are elected at large for staggered two-year terms on the first Saturday in May. All members serve without compensation. The Mayor and City Council appoint the City Manager, City Secretary, Town Attorney, and all who serve on the Town's Boards and Commissions. The City Manager in turn appoints the heads of various departments.

In 1980, the Town adopted a Council-Manager form of government. The basic structure of the Council-Manager plan is similar to that of a private corporation, in which the stockholders elect a board of directors which then hires a president to run the company. Under the Council-Manager plan, the voters elect a City Council which, in turn, hires a City Manager to administer the Town's day-to-day affairs. The Town Council serves as the legislative body, sets policy, approves an annual operating budget, sets the tax rate, and determines the size of the payroll and the extent and cost of municipal services. In short, the Council is the final authority on all the many policy decisions that determine the scope and functions of the Town government.

The Town provides a full range of services. These include public safety (police, fire, and emergency medical services), municipal court, public works, community development and general administrative services. In addition, the Town owns and operates a water and sewer distribution system.

The basic financial statements of the Town include all governmental activities, organizations, and functions for which the Town is financially accountable. The criteria considered in determining governmental activities to be reported within the Town's basic financial statements are based upon and consistent with those set forth in the Codification of Governmental Accounting and Financial Reporting Standards. Component units are legally separate organizations that a primary government must include as a part of its financial reporting entity. The government-wide financial statements include not only the Town itself (known as the primary government), but also include the Pantego Economic Development

Corporation (PEDC) as a discretely presented component unit. The discretely presented component unit is presented in a separate column in the government-wide financial statements.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

In developing and evaluating the Town's accounting system, consideration is given to the accuracy of internal control over financial reporting. These controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from the control. The evaluation of costs and benefits requires estimates and judgments by management. We believe the Town's current system of internal control over financial reporting adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions.

In addition to the system of internal controls, the Town maintains budgetary controls. The objective of these budgetary controls is to ensure compliance of legal provisions embodied in the annual appropriated budget adopted by the Town Council. Budgetary controls are exercised at the departmental level. If necessary, the original adopted budget is modified to incorporate into a proposed mid-year budget, which is then used as the working budget for the remainder of the fiscal year.

LOCAL ECONOMY

The Town of Pantego's location between Dallas and Fort Worth is ideal for business and residents. The North Texas region possesses diverse research and educational institutions, logistics, oil and gas, manufacturing and industrial, and a professional service. This base has traditionally contributed to a relative stability of the unemployment rate. The Town currently enjoys a stable economic environment, and local indicators point to continued stability despite National economic uncertainty. Overall, the North Texas region has fared better than the nation as a whole. Relative low taxes, housing and energy costs make the area attractive to business, with the additional enticement that Texas has no state personal income tax.

As it is widely recognized, revenue sources for municipalities are primarily derived from Ad-Valorem (Property), sales and use taxes. Combined, property and sales tax funded approximately 69.7% of the General Fund maintenance and operation expenditures for Fiscal Year 2024. Sales tax revenue is the largest source of income for the Town of Pantego. The Town of Pantego and the PEDC are committed to the support and growth of the local economy. Rich with an eclectic mix of small businesses and national retailers, the Town and PEDC seek new investments and redevelopment that build on the abundant strengths already present in the community. To assist in this effort, PEDC continues the use of several valuable business assistance tools, such as economic incentives and small business grants.

In July 2014, both PEDC and the Town Council unanimously voted to officially join the Arlington Chamber of Commerce. The investment in becoming part of the Chamber's President Advisory Council

continues to provide significant new resources to Pantego's businesses. The Chamber has expanded its marketing and communications tools to further elevate the Pantego business community and deliver unique services for businesses to access new customers, capital, and continuing education. These resources continue to enhance the Town's proactive visionary attitude toward business development, retention and quality of life and its mission on building an economically sustainable community.

BUDGETING PROCESS

State Law requires that an operating budget be adopted prior to the first day of the fiscal year beginning October 1st. The Town's budget process is a four-month cycle, which begins in early June and ends in late September. Departments submit budget proposals in June and during the months of June and July the City Manager and the Finance Director develop the recommended budget based on the directives received from the Council.

The Town of Pantego uses a program-based budgeting process. Each budgeting unit/department is given a target "baseline" funding level based upon the previous year's funding level. With a few exceptions, no capital assets, wages and benefits, or one-time packages are included in the baseline funding. Any funding request that represents new expenditures and programs, or that is in excess of baseline funding, must be submitted as a separate request or "package." These packages may be either a new or restoration request of resources, depending upon the budgeting unit's funding target.

The budget revenue projections for the new fiscal year begin early in the current fiscal year. The projections are made by the departments responsible for the revenues with help from the Finance Director. Projections are based upon consultations with state and local agencies, trend analysis, anticipated changes in the local and regional economy, and discussions with directly associated staff members. Although revenue projections are prepared early in the budget process, the budget revenue analysis continues with departmental budget development and extends until the budget is adopted based upon any new information. Given revenue projections and baseline funding requirements, budget funding changes are made according to necessity and priority. A total recommended funding level is determined and is weighed against available resources.

Prior to August, the City Manager submits to the Council a proposed budget of expenditures and the means to finance them for the next year. The Council holds workshop meetings and public hearings on the proposed budget to receive citizen feedback and make final determinations about the eventual adopted budget. Prior to September 30th, the budget is legally enacted through the favorable passage of an appropriation ordinance. The budget may be amended during the year only after complying with the notice procedure called for adopting of the budget.

The City Manager is authorized to make line-item and departmental budget adjustments during the year in order to avoid over-expenditure of particular line items. Adjustments require no further Council action if the total appropriation for each fund as set forth in the adopted budget is not exceeded. Expenditures in excess of the adopted appropriations for each fund require budget amendments in accordance with Town

Policy. Budget maintenance is a year-round activity of divisions/departments and the Finance Director. Spending control mechanisms during the year include monthly review of expenditures and financial reports to the Town Council. Finally, program goals, objectives and measures are evaluated during the budget implementation to determine effectiveness of program activities and levels of appropriate funding for subsequent years. The legally adopted budgets for the General Fund, Court House Security Special Revenue Fund, Court Technology Special Revenue Fund, Shamburger Special Revenue Fund, and the Debt Service Fund are adopted on a basis consistent with generally accepted accounting principles.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Pantego for its Annual Comprehensive Financial Report for the fiscal year ended September 30, 2023. This award recognizes conformance with the highest standards for preparation of state and local government financial reports. A Certificate of Achievement is valid for a period of one year only. This was the tenth year for which the Town of Pantego received this prestigious award. We believe our current Annual Comprehensive Financial Report conforms to the Certificate of Achievement Program requirements and consequently we will be submitting to the GFOA to determine its eligibility.

The preparation of this report could not be accomplished on a timely basis without the efficient and dedicated endeavors of the entire Town staff. We would like to express our sincere appreciation to all employees who contributed to the preparation. We would also like to thank the Mayor and Town Council for their support in planning and conducting the financial operations of the Town in a responsible manner.

Respectfully submitted,



Joe Ashton
City Manager



Sean Smith
Finance Director

TOWN OF PANTEGO, TEXAS

ELECTED OFFICIALS

Town Council

Russell Brewster, Mayor
Tori Roemmich, Place 1
Tyler Loe, Place 2
Mike Duncan, Place 3
Gregg Kidd, Place 4
Jeff Brown, Place 5 Mayor Pro-Tem

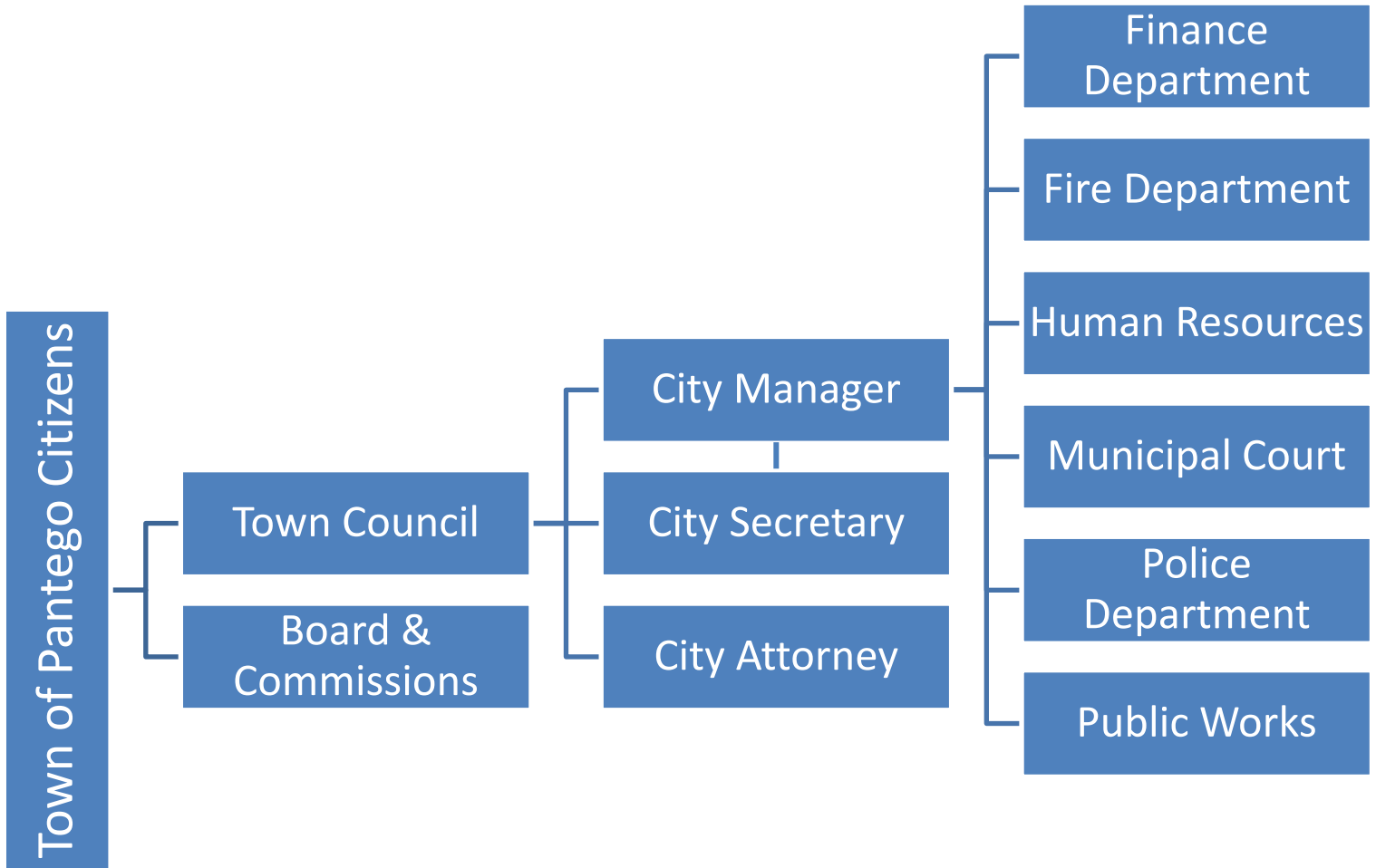
APPOINTED OFFICIALS

Joe Ashton, City Manager
Leslie Galloway, City Secretary
Carvan Adkins, Town Attorney

KEY STAFF

Sean Smith, Finance Director
Dale Alexander, Public Works Director
Christie Barris, Human Resources
Robert Rife, Police Chief
Randy Fulton, Fire Chief
Cat Hughes, Municipal Court Administrator







Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Pantego
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2023

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
and Members of Town Council
Town of Pantego, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Pantego, Texas, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Town of Pantego, Texas' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Pantego, Texas as of September 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Pantego, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Change in Accounting Principle

As described in the notes to the financial statements, in fiscal year 2024 the Town of Pantego, Texas implemented Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Pantego, Texas' basic financial statements. The combining statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information included in the Annual Comprehensive Financial Report

Management is responsible for the other information included in the annual comprehensive financial report (ACFR). The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2025 on our consideration of the Town of Pantego, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of 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 Town of Pantego, Texas' internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
June 2, 2025

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the Town of Pantego, Texas (the "Town") for the year ended September 30, 2024. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the Town's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the Town's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflow of resources of the Town of Pantego exceeded its liabilities and deferred inflow of resources at the close of the most recent fiscal year by \$11,264,947 (net position) compared to \$11,406,942 for the prior year. (\$2,997,256) is classified unrestricted net position, which may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position decreased by \$141,995. The Town's governmental activities net position decreased by \$2,770,440 and the business-type activities net position increased by \$2,628,445.
- As of the close of the current fiscal year, the Town of Pantego's governmental funds reported combined ending fund balances of \$13,617,321 which is a decrease of \$2,826,967 from the prior year.
- As of the close of the current fiscal year, unassigned fund balance for the general fund was \$869,169 which is 59 days or 16.1% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Town's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements. The government-wide statements report information for the Town as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the Town as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the Town's financial statements, report information on the Town's activities that enable the reader to understand the financial condition of the Town. These statements are prepared using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year revenues and expenses are taken into account even if cash has not yet changed hands.

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

The Statement of Activities presents information showing how the Town's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the Town's financials into two classes of activities:

1. **Governmental Activities** – Most of the Town's basic services are reported here including general government, public safety, public works, and community development. Sales tax, property tax, franchise tax, fines and forfeitures, and intergovernmental revenue finance most of these activities.
2. **Business-Type Activities** – The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's water and sewer system are reported here.

The government-wide financial statements include not only the Town itself (known as the primary government), but also a legally separate Economic Development Corporation for which the Town is financially accountable. The Pantego Economic Development Corporation (the "PEDC") accounts for the local sales tax used to stimulate the local economy, development, and redevelopment. Financial information for this component unit is reported separately from the financial information presented for the primary government. Additional information on the component unit can be found in the notes to the basic financial statements.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

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

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

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

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, the 2023 Capital Projects Fund, the Equipment Replacement fund, and the Debt Service fund, which are considered to be major funds for reporting purposes.

The Town adopts an annual appropriated budget for its General Fund, the Debt Service fund, and special revenue funds. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with these budgets.

Proprietary Funds. The Town maintains one type of proprietary fund, enterprise funds. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its utility (water and sewer) system. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

Notes to Financial Statements

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

Other Information

In addition to basic financial statements, this MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). RSI includes a budgetary comparison schedule for the general fund and schedules of changes in net pension and total other postemployment benefits liability and related ratios and the schedule of contributions for the Texas Municipal Retirement System. RSI can be found after the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve, over time, as a useful indicator of the Town's financial position. Assets and deferred outflows of resources exceed liabilities and deferred inflows by \$11,264,947 as of year-end. The largest portion of the Town's net position (120.4%) reflects its investments in capital assets (e.g., land, buildings, improvements, construction in progress, and infrastructure) less any 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 assets themselves cannot be used to liquidate these liabilities.

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 15,058,007	\$ 17,950,115	\$ 592,354	\$ 1,109,408	\$ 15,650,361	\$ 19,059,523
Capital assets	5,620,490	5,341,446	8,872,670	5,816,924	14,493,160	11,158,370
Total assets	20,678,497	23,291,561	9,465,024	6,926,332	30,143,521	30,217,893
Deferred outflows of resources	811,670	2,271,232	86,593	275,364	898,263	2,546,596
Long-term liabilities	18,268,257	18,672,308	218,750	316,333	18,487,007	18,988,641
Other liabilities	1,081,058	1,218,046	119,911	207,118	1,200,969	1,425,164
Total liabilities	19,349,315	19,890,354	338,661	523,451	19,687,976	20,413,805
Deferred inflows of resources	80,294	841,441	8,567	102,301	88,861	943,742
Net position:						
Net investment in capital assets	4,693,441	2,640,510	8,872,670	5,816,924	13,566,111	8,457,434
Restricted	224,011	2,165,030	472,081	-	696,092	2,165,030
Unrestricted	(2,856,894)	25,458	(140,362)	759,020	(2,997,256)	784,478
Total net position	\$ 2,060,558	\$ 4,830,998	\$ 9,204,389	\$ 6,575,944	\$ 11,264,947	\$ 11,406,942

A portion of the primary government's net position, \$696,092, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position (\$2,997,256) or -26.6% may be used to meet the government's ongoing obligation to citizens and creditors.

Total assets are \$30,143,521, a decrease of \$74,372 compared to prior year. Total assets increased compared to the prior year primarily due to increases in property and sales taxes as well as investment earnings and capital asset acquisitions. Total liabilities are \$19,687,976, a decrease of \$725,829 compared to prior year. The decrease is mainly due to the bond payments made during the fiscal year. Total deferred outflows of resources are \$898,263, a decrease of \$1,648,333 compared to the prior year. Total deferred inflows of resources are \$88,861, a decrease of \$854,881 compared to the prior year. The changes in deferred outflows and inflows of resources are due to the net differences between projected and actual investment earnings on pension plan assets.

Statement of Activities

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

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	\$ 1,055,716	\$ 812,645	\$ 1,121,896	\$ 1,276,455	\$ 2,177,612	\$ 2,089,100
Operating grants and contributions	4,161	26,720	-	-	4,161	26,720
Capital grants and contributions	-	-	413,297	-	413,297	-
General revenues:						
Property tax	2,499,166	1,857,039	-	-	2,499,166	1,857,039
Sales tax	2,314,948	2,381,234	-	-	2,314,948	2,381,234
Franchise tax	285,762	318,043	-	-	285,762	318,043
Investment earnings	871,090	356,227	30,715	37,024	901,805	393,251
Gain (loss) on sale of assets	-	(71,645)	-	-	-	(71,645)
Miscellaneous	105,247	120,131	-	346	105,247	120,477
Total revenues	<u>7,136,090</u>	<u>5,800,394</u>	<u>1,565,908</u>	<u>1,313,825</u>	<u>8,701,998</u>	<u>7,114,219</u>
Expenses:						
General government	1,133,299	1,158,892	-	-	1,133,299	1,158,892
Public safety						
Police	2,124,929	1,965,746	-	-	2,124,929	1,965,746
Fire	1,896,231	2,041,918	-	-	1,896,231	2,041,918
Public works	1,373,166	898,275	-	-	1,373,166	898,275
Community development	39,891	32,448	-	-	39,891	32,448
Interest on long-term debt	687,723	408,133	-	-	687,723	408,133
Water and Sewer	-	-	1,588,754	1,512,954	1,588,754	1,512,954
Total expenses	<u>7,255,239</u>	<u>6,505,412</u>	<u>1,588,754</u>	<u>1,512,954</u>	<u>8,843,993</u>	<u>8,018,366</u>
Transfers	<u>(2,651,291)</u>	<u>(568,545)</u>	<u>2,651,291</u>	<u>568,545</u>	<u>-</u>	<u>-</u>
Change in net position	(2,770,440)	(1,273,563)	2,628,445	369,416	(141,995)	(904,147)
Net position, beginning	<u>4,830,998</u>	<u>6,104,561</u>	<u>6,575,944</u>	<u>6,206,528</u>	<u>11,406,942</u>	<u>12,311,089</u>
Net position, ending	<u>\$ 2,060,558</u>	<u>\$ 4,830,998</u>	<u>\$ 9,204,389</u>	<u>\$ 6,575,944</u>	<u>\$ 11,264,947</u>	<u>\$ 11,406,942</u>

For the year, revenues from governmental activities totaled \$7,136,090, an increase of 23.0% compared to the prior year. This increase is largely due to an increase in property tax revenues from an increase in the assessed values of properties within the Town and an increase in the tax rate, along with an increase in charges for services due to higher sewer rates implemented during the fiscal year. Expenses from governmental activities totaled \$7,255,239, an increase of 11.5% compared to the prior year. This increase was mainly due to an increase in payroll cost from increases in wages and an increase in depreciation expense due to more capital assets being depreciated.

Revenues from business-type activities totaled \$1,565,908, an increase of 19.2% compared to the prior year. This increase was largely related to an increase in capital grants and contributions related to capital assets contributed from the governmental capital projects fund. Expenses from business-type activities totaled \$1,588,754, an increase of 5.0% compared to the prior year. The increase in expenses was largely a result of the increase in noncapital repair and maintenance projects.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The General Fund ended the year with total fund balance of \$942,434 which was a slight decrease of \$158,863, this decrease was primarily due to a reduced of collection of fines and fees revenue as compared to the prior year.

The 2023 Capital Projects Fund ended the year with total fund balance of \$10,487,264, a decrease of \$2,359,449. The decrease was caused by an increase in capital outlay expenditures.

The Equipment Replacement Fund has a total ending fund balance of \$883,063, an decrease of \$310,175. The decrease is attributable to an increase in capital outlay expenditures.

The Debt Service Fund has a total ending fund balance of \$16,708, an increase of \$11,577. The increase is attributable to an increase in property tax revenue.

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

Unrestricted Net Position of the Utility Fund at the end of the year amounted to (\$140,362). Net Position increased by a net amount of \$2,628,445. The increase was caused by growth in water sales that exceeded increases in expenses.

General Fund Budgetary Highlights - Actual revenues collected fell short of management's original estimate of the General Fund's revenues by \$431,518, mostly caused by fewer than expected fines and fees revenues. Revenue budget amendments during the year included an increase to fire inspection fee revenue, fire department donations and miscellaneous revenues. Expenditures were less than appropriations by \$185,480 due to reduced personnel and benefits costs due to staff turnovers during the year. Significant budget amendments included increases to public safety vehicle maintenance, increases to general government, public safety, and public works fuel costs, and increases to capital outlay.

CAPITAL ASSETS

The following are the Town's investment in capital assets for its governmental and business-type activities as of September 30, 2024:

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Land	\$ 211,263	\$ 211,263	\$ 384,461	\$ 384,461	\$ 595,724	\$ 595,724
Construction in progress	98,989	22,174	3,609,616	397,690	3,708,605	419,864
Buildings	2,229,529	2,212,415	-	-	2,229,529	2,212,415
Improvements other than buildings	2,422,207	2,434,428	8,487,200	8,306,911	10,909,407	10,741,339
Machinery and equipment	3,099,738	2,664,523	-	-	3,099,738	2,664,523
Infrastructure	11,157,963	11,157,963	-	-	11,157,963	11,157,963
Right-to-use assets	714,418	398,718	-	-	714,418	398,718
Accumulated depreciation	(14,313,617)	(13,760,038)	(3,608,607)	(3,272,138)	(17,922,224)	(17,032,176)
Total	\$ 5,620,490	\$ 5,341,446	\$ 8,872,670	\$ 5,816,924	\$ 14,493,160	\$ 11,158,370

Additional information on the Town of Pantego capital assets can be found in the notes to the financial statements.

LONG-TERM DEBT

At the end of the current fiscal year, the Town had long-term debt obligations as follows. This debt is secured by a combination of property taxes and a pledge of water and sewer revenues.

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Certificates of obligation	\$ 14,395,000	\$ 14,785,000	\$ -	\$ -	\$ 14,395,000	\$ 14,785,000
Premiums	719,596	941,027	-	-	719,596	941,027
Discounts	-	(183,086)	-	-	-	(183,086)
Leases	489,405	314,567	-	-	489,405	314,567
Financed purchase	437,644	-	-	-	437,644	-
Compensated absences	176,172	212,939	-	-	176,172	212,939
Total	\$ 16,217,817	\$ 16,070,447	\$ -	\$ -	\$ 16,217,817	\$ 16,070,447

Additional information on the Town of Pantego long term-debt can be found in the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Although the nationwide economic forecast continues to be uncertain, the Town for the most part remains in a stable position. However, there have been some modest headwinds. For example, the Town experienced a decrease in sales tax revenue of (2.8%) compared to the prior fiscal year. This was the first year-over-year decrease since fiscal 2019-2020. Other areas were mixed in their results. As has been standard practice, the Town remained conservative in comprising its budget for the coming fiscal year. The Town's efforts towards economic development, attracting new retail businesses and redeveloping existing properties continue to be a major focus now and will for years to come.

The Town's property tax rate for fiscal year 2024-2025 was unchanged and remains at the \$0.57 per \$100 taxable value that was levied in fiscal year 2023-2024. In fiscal year 2025, general fund revenues are budgeted to decrease slightly by (0.65%) compared to fiscal year 2024 budgeted revenues. Due to continuing cost pressures, general fund expenditures for fiscal year 2025 are budgeted to increase slightly by 1.8% versus fiscal year 2024 budgeted expenditures.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Town's finances. Questions concerning any of the information provided in this report or requests for additional information may be obtained by contacting the Town of Pantego, Attn: Finance Department, 1614 South Bowen Rd, Pantego, Texas 76013. This information can also be accessed on the Town of Pantego's website at www.townofpantego.com.

BASIC FINANCIAL STATEMENTS

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TOWN OF PANTEGO, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2024

	Primary Government			Discretely Presented Component Unit Pantego Economic Development Corporation
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 14,104,451	\$ 159,124	\$ 14,263,575	\$ 1,416,984
Receivables, net	880,291	274,384	1,154,675	129,270
Inventory	4,515	38,935	43,450	8,912
Prepays	68,750	-	68,750	-
Restricted assets:				
Cash and cash equivalents	-	119,911	119,911	-
Capital assets:				
Nondepreciable	310,252	3,994,077	4,304,329	147,846
Depreciable, net	5,310,238	4,878,593	10,188,831	1,209,840
Total assets	<u>20,678,497</u>	<u>9,465,024</u>	<u>30,143,521</u>	<u>2,912,852</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related	787,526	84,017	871,543	-
OPEB related	24,144	2,576	26,720	-
Total deferred outflows of resources	<u>811,670</u>	<u>86,593</u>	<u>898,263</u>	<u>-</u>
LIABILITIES				
Accounts payable	512,270	-	512,270	23,096
Accrued liabilities	332,115	-	332,115	-
Customer deposits	-	119,911	119,911	-
Due to other governments	148,062	-	148,062	-
Accrued interest	88,611	-	88,611	14,797
Noncurrent liabilities:				
Due within one year				
Long-term liabilities	754,450	-	754,450	40,000
Total OPEB liability	2,755	294	3,049	-
Due in more than one year				
Long-term liabilities	15,463,367	-	15,463,367	1,245,000
Net pension liability	1,891,915	201,838	2,093,753	-
Total OPEB liability	155,770	16,618	172,388	-
Total Liabilities	<u>19,349,315</u>	<u>338,661</u>	<u>19,687,976</u>	<u>1,322,893</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related	38,166	4,072	42,238	-
OPEB related	42,128	4,495	46,623	-
Total deferred inflows of resources	<u>80,294</u>	<u>8,567</u>	<u>88,861</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	4,693,441	8,872,670	8,961,940	72,686
Restricted for:				
Municipal court	147,718	-	147,718	-
Animal control services	76,293	-	76,293	-
Infrastructure improvements	-	472,081	472,081	-
Unrestricted	(2,856,894)	(140,362)	1,606,915	1,517,273
Total net position	<u>\$ 2,060,558</u>	<u>\$ 9,204,389</u>	<u>\$ 11,264,947</u>	<u>\$ 1,589,959</u>

The notes to the financial statements are an integral part of these financial statements.

TOWN OF PANTEGO, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
General government	\$ 1,133,299	\$ 515,607	\$ 788
Public safety			
Police	2,124,929	335,801	3,373
Fire	1,896,231	114,406	-
Public works	1,373,166	-	-
Community development	39,891	89,902	-
Interest	687,723	-	-
Total governmental activities	<u>7,255,239</u>	<u>1,055,716</u>	<u>4,161</u>
Business-type activities:			
Water and sewer	<u>1,588,754</u>	<u>1,121,896</u>	<u>-</u>
Total business-type activities	<u>1,588,754</u>	<u>1,121,896</u>	<u>-</u>
Total primary government	<u>\$ 8,843,993</u>	<u>\$ 2,177,612</u>	<u>\$ 4,161</u>
Component unit:			
Pantego Economic Development Corporation	\$ 742,199	\$ -	\$ -
Total component unit	<u>\$ 742,199</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:			
Property taxes			
Sales taxes			
Franchise tax			
Investment earnings			
Miscellaneous			
Transfers			
Total general revenues and transfers			
Change in net position			
Net position - beginning			
Net position - ending			

The notes to the financial statements are an integral part of these financial statements.

Program Revenues	Net (Expense) Revenue and Changes in Net Position			Discretely Presented Component Unit
Capital Grants and Contributions	Primary Government			Pantego Economic Development Corporation
	Governmental Activities	Business-type Activities	Total	
\$ -	\$ (616,904)	\$ -	\$ (616,904)	\$ -
-	(1,785,755)	-	(1,785,755)	-
-	(1,781,825)	-	(1,781,825)	-
-	(1,373,166)	-	(1,373,166)	-
-	50,011	-	50,011	-
-	(687,723)	-	(687,723)	-
-	(6,195,362)	-	(6,195,362)	-
413,297	-	(53,561)	(53,561)	-
413,297	-	(53,561)	(53,561)	-
\$ 413,297	(6,195,362)	(53,561)	(6,248,923)	-
\$ -				(742,199)
\$ -				(742,199)
	2,499,166	-	2,499,166	-
	2,314,948	-	2,314,948	766,854
	285,762	-	285,762	-
	871,090	30,715	901,805	94,372
	105,247	-	105,247	8,558
	(2,651,291)	2,651,291	-	-
	3,424,922	2,682,006	6,106,928	869,784
	(2,770,440)	2,628,445	(141,995)	127,585
	4,830,998	6,575,944	11,406,942	1,462,374
	\$ 2,060,558	\$ 9,204,389	\$ 11,264,947	\$ 1,589,959

TOWN OF PANTEGO, TEXAS

BALANCE SHEET GOVERNMENTAL FUNDS

SEPTEMBER 30, 2024

	General Fund	2023 Capital Projects	Equipment Replacement
ASSETS			
Cash and cash equivalents	\$ 967,702	\$ 11,011,714	\$ 883,063
Receivables, net:			
Property taxes	38,965	-	-
Sales taxes	319,792	-	-
Franchise taxes	160,362	-	-
Fines	229,236	-	-
Accounts	61,373	-	-
Inventory	4,515	-	-
Prepaid items	68,750	-	-
Total assets	<u>1,850,695</u>	<u>11,011,714</u>	<u>883,063</u>
LIABILITIES			
Accounts payable	130,150	380,241	-
Accrued liabilities	187,906	144,209	-
Due to other governments	148,062	-	-
Total liabilities	<u>466,118</u>	<u>524,450</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue:			
Property taxes	34,030	-	-
Fines	229,236	-	-
Franchise tax	146,852	-	-
Ambulance	32,025	-	-
Total inflows of resources	<u>442,143</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable:			
Inventory	4,515	-	-
Prepaid items	68,750	-	-
Restricted:			
Debt service	-	-	-
Municipal court	-	-	-
Animal control services	-	-	-
Capital projects	-	10,487,264	-
Committed:			
Capital improvements	-	-	883,063
Street improvements	-	-	-
Unassigned	869,169	-	-
Total fund balances	<u>942,434</u>	<u>10,487,264</u>	<u>883,063</u>
 Total liabilities, deferred inflows and fund balances	 <u>\$ 1,850,695</u>	 <u>\$ 11,011,714</u>	 <u>\$ 883,063</u>

The notes to the financial statements are an integral part of these financial statements.

Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 16,199	\$ 1,225,773	\$ 14,104,451
6,605	-	45,570
-	63,958	383,750
-	-	160,362
-	-	229,236
-	-	61,373
-	-	4,515
-	-	68,750
<u>22,804</u>	<u>1,289,731</u>	<u>15,058,007</u>
-	1,879	512,270
-	-	332,115
-	-	148,062
<u>-</u>	<u>1,879</u>	<u>992,447</u>
6,096	-	40,126
-	-	229,236
-	-	146,852
-	-	32,025
<u>6,096</u>	<u>-</u>	<u>448,239</u>
-	-	4,515
-	-	68,750
16,708	-	16,708
-	147,718	147,718
-	76,293	76,293
-	23,161	10,510,425
-	54,609	937,672
-	986,071	986,071
-	-	869,169
<u>16,708</u>	<u>1,287,852</u>	<u>13,617,321</u>
<u>\$ 22,804</u>	<u>\$ 1,289,731</u>	<u>\$ 15,058,007</u>

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TOWN OF PANTEGO, TEXAS

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

SEPTEMBER 30, 2024

Total Fund Balances - Governmental Funds	\$ 13,617,321
Amount reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets	19,934,107
Accumulated depreciation	(14,313,617)
Long-term liabilities, including bonds payable, that are not due and payable in the current period, and, therefore are not reported as liabilities in the funds.	
Leases	(489,405)
Financed purchase	(437,644)
Certificates of obligation	(14,395,000)
Interest payable on long-term debt	(88,611)
Compensated absences	(176,172)
Net pension liability	(1,891,915)
Total OPEB liability	(158,525)
Unavailable revenue is not available to pay for current period expenditures and therefore, are deferred in the governmental funds.	
Property taxes	40,126
Fines	229,236
Franchise tax	146,852
Ambulance	32,025
Governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Premium on bonds	(719,596)
Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the postretirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the statement of net position.	
Deferred outflows - pension related	787,526
Deferred outflows - OPEB related	24,144
Deferred inflows - pension related	(38,166)
Deferred inflows - OPEB related	(42,128)
Net Position of Governmental Activities	<u>\$ 2,060,558</u>

TOWN OF PANTEGO, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>General Fund</u>	<u>2023 Capital Projects</u>	<u>Equipment Replacement</u>
REVENUES			
Property taxes	\$ 1,834,028	\$ -	\$ -
Sales taxes	1,931,521	-	-
Franchise tax	294,287	-	-
Fines and forfeitures	421,757	-	-
Licenses and permits	115,159	-	-
Charges for services	126,682	-	-
Intergovernmental	376,415	-	-
Investment earnings	55,508	678,784	55,662
Miscellaneous	2,635	-	-
Total revenues	<u>5,157,992</u>	<u>678,784</u>	<u>55,662</u>
EXPENDITURES			
Current:			
General government	1,029,093	-	-
Public safety:			
Police	1,928,244	-	30,116
Fire	1,742,278	-	-
Public works	623,635	-	-
Community development	37,533	-	-
Capital outlay	45,103	3,038,233	929,709
Debt service:			
Principal	-	-	210,265
Interest and fiscal charges	-	-	54,249
Total expenditures	<u>5,405,886</u>	<u>3,038,233</u>	<u>1,224,339</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(247,894)</u>	<u>(2,359,449)</u>	<u>(1,168,677)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Issuance of leases	-	-	315,700
Issuance of financed purchase	-	-	507,047
Insurance recoveries	89,031	-	-
Sale of capital assets	-	-	35,755
Total other financing sources (uses)	<u>89,031</u>	<u>-</u>	<u>858,502</u>
CHANGE IN FUND BALANCE	<u>(158,863)</u>	<u>(2,359,449)</u>	<u>(310,175)</u>
FUND BALANCE - BEGINNING, AS PREVIOUSLY REPORTED	1,101,297	12,846,713	-
ADJUSTMENTS - CHANGE WITHIN THE FINANCIAL REPORTING ENTITY	<u>-</u>	<u>-</u>	<u>1,193,238</u>
FUND BALANCE - BEGINNING, AS RESTATED	<u>1,101,297</u>	<u>12,846,713</u>	<u>1,193,238</u>
FUND BALANCE - ENDING	<u>\$ 942,434</u>	<u>\$ 10,487,264</u>	<u>\$ 883,063</u>

The notes to the financial statements are an integral part of these financial statements.

Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 665,138	\$ -	\$ 2,499,166
-	383,427	2,314,948
-	-	294,287
-	20,895	442,652
-	-	115,159
-	-	126,682
-	-	376,415
15,661	65,475	871,090
-	-	2,635
<u>680,799</u>	<u>469,797</u>	<u>7,043,034</u>
-	46,533	1,075,626
-	-	1,958,360
-	-	1,742,278
-	282,685	906,320
-	2,358	39,891
-	148,278	4,161,323
390,000	-	600,265
<u>746,882</u>	<u>-</u>	<u>801,131</u>
<u>1,136,882</u>	<u>479,854</u>	<u>11,285,194</u>
<u>(456,083)</u>	<u>(10,057)</u>	<u>(4,242,160)</u>
467,660	-	467,660
-	-	315,700
-	-	507,047
-	-	89,031
-	-	35,755
<u>467,660</u>	<u>-</u>	<u>1,415,193</u>
<u>11,577</u>	<u>(10,057)</u>	<u>(2,826,967)</u>
-	2,496,278	16,444,288
<u>5,131</u>	<u>(1,198,369)</u>	<u>-</u>
<u>5,131</u>	<u>1,297,909</u>	<u>16,444,288</u>
<u>\$ 16,708</u>	<u>\$ 1,287,852</u>	<u>\$ 13,617,321</u>

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TOWN OF PANTEGO, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Total net change in Fund Balances - Governmental Funds \$ (2,826,967)

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

Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the current year capital outlays is to increase net position. 1,088,354

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) can both increase and decrease net position. (22,174)

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. (787,136)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on the net position.

Issuance of lease (315,700)
Issuance of financed purchase (507,047)
Principal paid on long-term debt 638,610

Revenues and expenditures in the statement of activities that do not provide or use current financial resources are not reported as revenues and expenses in the governmental funds.

Fines 5,357
Franchise tax (8,525)
Ambulance (6,388)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Interest on long-term debt 81,402
Amortization of deferred loss on refunding and premium (6,339)
Compensated absences 36,767
Pension expense (126,489)
OPEB expense (14,165)

Total change in net position of Governmental Activities \$ (2,770,440)

TOWN OF PANTEGO, TEXAS**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

SEPTEMBER 30, 2024

	Business-Type Activities <u>Water and Sewer Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 159,124
Accounts receivable, net	274,384
Inventory	38,935
Restricted assets:	
Cash and cash equivalents	119,911
Total current assets	<u>592,354</u>
Noncurrent assets:	
Capital assets:	
Nondepreciable	3,994,077
Depreciable, net	4,878,593
Total noncurrent assets	<u>8,872,670</u>
Total assets	<u>9,465,024</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	84,017
OPEB related	2,576
Total deferred outflows of resources	<u>86,593</u>
LIABILITIES	
Current liabilities (payable from restricted assets):	
Customer deposits	119,911
OPEB liability	294
Total current liabilities	<u>120,205</u>
Noncurrent liabilities:	
Net pension liability	201,838
OPEB liability	16,618
Total noncurrent liabilities	<u>218,456</u>
Total liabilities	<u>338,661</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related	4,072
OPEB related	4,495
Total deferred inflows of resources	<u>8,567</u>
NET POSITION	
Net investment in capital assets	8,872,670
Restricted for infrastructure improvements	472,081
Unrestricted	(140,362)
Total net position	<u>\$ 9,204,389</u>

TOWN OF PANTEGO, TEXAS

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Business-Type Activities <u>Water and Sewer Fund</u>
OPERATING REVENUES	
Charges for services:	
Water sales	\$ 506,705
Sewer charges	592,977
Miscellaneous	<u>22,214</u>
Total revenues	<u>1,121,896</u>
OPERATING EXPENSES	
Personnel services	488,989
Contractual services	710,177
Materials and supplies	53,119
Depreciation	<u>336,469</u>
Total expenses	<u>1,588,754</u>
Operating income (loss)	<u>(466,858)</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment earnings	<u>30,715</u>
Total non-operating revenues (expenses)	<u>30,715</u>
Income (loss) before capital contributions and transfers	(436,143)
Capital contributions - impact fees	413,297
Capital contributions - capital assets	3,118,951
Transfers out	<u>(467,660)</u>
CHANGE IN NET POSITION	2,628,445
NET POSITION - BEGINNING	<u>6,575,944</u>
NET POSITION - END OF YEAR	<u>\$ 9,204,389</u>

TOWN OF PANTEGO, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Business-Type Activities
	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,088,194
Payments to employees	(491,535)
Payments to suppliers	(740,919)
Net cash provided (used) by operating activities	(144,260)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Payments to other funds	(467,660)
Net cash provided (used) by noncapital financing activities	(467,660)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(273,264)
Capital contributions	413,297
Net cash provided (used) by capital and related financing activities	140,033
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	30,715
Net cash provided (used) by investing activities	30,715
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(441,172)
CASH AND CASH EQUIVALENTS, BEGINNING	720,207
CASH AND CASH EQUIVALENTS, ENDING	\$ 279,035
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income	\$ (466,858)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	336,469
(Increase) decrease in:	
Accounts receivable	(34,472)
Inventory	110,354
Deferred outflows of resources	188,771
Increase (decrease) in:	
Accounts payable	(87,977)
Customer deposits	770
Net pension liability	(98,999)
Net OPEB liability	1,416
Deferred inflows of resources	(93,734)
Total adjustments	322,598
Net cash provided (used) by operating activities	\$ (144,260)

The notes to the financial statements are an integral part of these financial statements.

TOWN OF PANTEGO, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town of Pantego, Texas (the "Town") was incorporated January 5, 1952. and operates under a Council Manager form of government providing the following services as a duly incorporated general law town as authorized by the general laws of the State of Texas and subsequent Town ordinances: public safety (police, fire and ambulance), streets and bridges, sanitation, water and sewer, public improvements, planning and zoning, and general administrative services.

The accounting policies of the Town of Pantego, Texas, conform to generally accepted accounting principles issued by the Governmental Accounting Standards Board, which is the recognized financial accounting standard setting body of governmental entities. The notes to the financial statements are an integral part of the Town's financial statements.

As required by Generally Accepted Accounting Principles (GAAP), these financial statements present the Town and its component units, entities for which the Town is considered financially accountable or other organizations whose nature and significant relationship with the Town are such that exclusion would cause the Town's financial statements to be misleading or incomplete. The Town is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Town.

The financial statements include one discretely presented component unit. The 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.

Discretely Presented Component Unit

The Pantego Economic Development Corporation (PEDC) was created under the Development Corporation Act of 1979 and is governed by Section 48 of the Act. The PEDC is governed by a Board of Directors comprised of appointed members of Town Council and members appointed by the Town Council. Capital improvement projects undertaken by the PEDC are for the benefit of the Town. The PEDC may not issue debt without approval of the voters of the Town and the Town Council. The Town must approve changes to the PEDC's articles of incorporation, may unilaterally terminate the PEDC and has residual interest in the net position of the PEDC. The PEDC is reported as a discretely presented component unit in the statement of net positions and statement of activities.

Governmental accounting standards require reasonable separation between the primary government, and its discretely presented component units, both in the financial statements and in the related notes. Because discretely presented component units, although legally separate, have been and are operated as if each is part of the primary government, there are limited instances where special note reference or separation will be required. If no separate note reference or categorization is made, the user should assume that information presented is equally applicable.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of Net Position and the statement of changes in Net Position) report information on all of the primary government and its blended component units. 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 is 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. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statement.

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 the proprietary 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, inventories of materials and supplies are considered expenditures when used and debt service expenditures, as well as expenditures related to accumulated unpaid sick pay, are recorded only when payment is due.

Property and taxpayer-assessed taxes estimated to be collectible within sixty days after balance sheet date, interest, and expenditure driven grants are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

The **General Fund** is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Debt Service Fund** accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The **2023 Capital Projects Fund** was created to account for expenditures to provide upgrades to the Town's water system. The Certificates of Obligation are currently being serviced by ad valorem taxes.

The **Equipment Replacement Fund** was created to account for resources used for the acquisition or construction of general major capital facilities and equipment for various governmental departments of the Town, other than those financed by enterprise funds.

The Town reports the following major enterprise fund:

The **Water and Sewer Fund** is used to account for the provision of water and sewer services to residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, capital improvements, billing and collection.

Additionally, the Town reports the following fund types:

Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specified purposes (not including expendable trusts or major capital projects).

The **Capital Projects Funds** account for resources to be used for the construction of capital assets, or for the acquisition of replacement equipment.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's utility function and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as 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. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utility fund are charges to customers for sales and services and the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the utility fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Cash, Deposits and Investments

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

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposit, are reported at cost.

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

- Direct obligations of the U.S. Government or U.S. Government agencies
- Fully collateralized certificates of deposit
- Money market mutual funds that meet certain criteria
- Bankers' acceptances
- Statewide investment pools

E. Receivables and Payables

All receivables are shown net of allowance for uncollectible accounts. The allowances for uncollectible accounts are based upon historical experience. Property tax and municipal court allowance for uncollectible accounts are equal to approximately 60% and 15% of the outstanding balance at September 30, and the ambulance allowance consists of accounts aged more than 120 days. The allowance for the water and sewer accounts receivable is equal to the accounts receivable that are aged ninety days or more as of September 30.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivables in excess of sixty days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is based on historical collection experience.

The Town's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property. Appraised values are established by the Tarrant Appraisal District as market value and assessed at 100% of appraised value. Property taxes attach as an enforceable lien on property as of January 1. The Tarrant County Tax Assessor/Collector bills and collects the Town's property taxes, which are due October 1. Full payment can be made prior to the next January 31 to avoid penalty and interest charges. Overtime, substantially all property taxes are collected.

F. Inventories and Prepaid Items

Inventories consist of expendable supplies held for consumption. The inventory of supplies are recorded under the purchase method. Under the purchase method the inventory is first recorded as an expense when purchased and then adjusted at the end of the year to reflect the value of inventory to date. Inventories, which are expensed as they are consumed, are stated at cost. In the General Fund, certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the government wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

G. Restricted Assets

Cash received from utility customer deposits are classified as restricted assets on the balance sheet because they will ultimately be paid back to the customer upon the closing of their account, and the funds are restricted for that purpose alone.

H. Capital Assets

Capital assets, which include land, buildings, improvements, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), purchased or acquired, are carried at historical cost or estimated historical cost if historical cost is not available. Donated capital assets, donated works of art and similar items, and any capital assets received in a service concession arrangement are reported at acquisition value, as of the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

The Town defines capital assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Intangible assets with definite lives are recorded at cost and amortized over the useful lives. Intangible assets with indefinite lives are recorded at cost and no amortization is taken.

Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

<u>Asset Type</u>	<u>Number of Years</u>
Buildings	5-50
Improvements other than buildings	3-30
Machinery, equipment and furniture	3-10
Water & sewer system infrastructure	5-50
Street and storm drainage infrastructure	10-40
Right to use equipment	2-5

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest accrued during the construction phase of capital assets of business-type activities is capitalized.

I. Compensated Absences

It is the Town's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick benefits. No sick pay benefits are paid upon separation from service and therefore have not been accrued in the financial statements. All vacation pay benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and/or retirements.

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has the following items that qualify for reporting in this category.

- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Changes in actuarial assumptions – These changes are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has the following items that qualify for reporting in this category.

- Unavailable revenue is reported only in the governmental funds balance sheet – These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Difference in expected and actual pension and OPEB experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions – These changes are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

K. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Leases

The Town has entered into various lease agreements as lessee. Key estimates and judgments related to leases include how the Town determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Town uses the interest rate charged by the lessor as the discount rate, if available. When the interest rate charged by the lessor is not provided, the Town generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Town is reasonably certain to exercise.

The Town monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability or lease asset.

Lessee. The Town is a lessee for noncancellable leases of equipment. The Town recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. At the commencement of a lease, the Town initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

L. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, Town specific information about its Fiduciary Net Position in 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.

M. Other Post-Employment Benefits

For purposes of measuring the total Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF) OPEB liability, related deferred outflows and inflows of resources, and expense, Town-specific information about its total TMRS SDBF liability and additions to/deductions from the Town's total TMRS SDBF liability have been determined on the same basis as they are reported by TMRS. The TMRS SDBF expense and deferred (inflows)/outflows of resources related to TMRS SDBF, primarily result from changes in the components of the total TMRS SDBF liability. Most changes in the total TMRS SDBF liability will be included in TMRS SDBF expense in the period of the change. For example, changes in the total TMRS SDBF liability resulting from current period service cost, interest on the TOL, and changes of benefit terms are required to be included in TMRS SDBF expense immediately. Changes in the total TMRS SDBF liability that have not been included in TMRS SDBF expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to TMRS SDBF.

N. Net Position and Fund Balance

In the government-wide and proprietary fund financial statements, the Town reports restrictions of net position for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Net investment in capital assets represents the Town's investment in the book value of capital assets, less any unspent proceeds from capital-related debt issuances. Unrestricted net position consists of net position that does not meet the definition of restricted or net investment in capital assets.

In the fund financial statements, governmental funds report fund balance categorized as follows:

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes prepaid items.

Restricted fund balance includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts restricted due to constitutional provisions or enabling legislation. This classification includes the child nutrition program, retirement of long-term debt, construction programs and other federal and state grants.

Committed fund balance includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Town through formal action of the highest level of decision making authority. Committed fund balance is reported pursuant to resolution passed by the Town Council. This classification includes campus activity funds, local special revenue funds and potential litigation, claims and judgments.

Assigned fund balance includes fund balance amounts that are self-imposed by the Town to be used for a particular purpose. Fund balance can be assigned by the Town Council, the Town Manager, or the Finance Director. This classification includes insurance deductibles, encumbrances, program start-up costs, projected budget deficit for subsequent years and other legal uses.

Unassigned fund balance includes residual positive fund balance within the General Fund which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

Net Position Flow Assumption

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

Fund Balance Flow Assumption

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

Minimum Fund Balance Policy

It is the goal of the Town that unassigned fund balance of the General Fund should be at least 90 days (24.66%) of General Fund annual expenditures. In order to adhere to the principles of matching current revenues with current expenditures and minimizing property taxes, the Town will take action to reduce fund balance as stated in the Town's current financial policy, if the unassigned fund balance grows beyond 120 days of expenditures. As of September 30, 2024, the General Fund had approximately 59 days or 16.1% of annual expenditures in the unassigned fund balance.

O. Management's Use of Estimates

The preparation of financial statements, in conformity with Generally Accepted Accounting Principles, requires management to make estimates and assumptions that affect the reported amount of assets, deferred resource outflows, liabilities, deferred resource inflows, and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

P. Change in Accounting Principle

During fiscal year 2024, the Town adopted GASB Statement No. 100, *Accounting Changes and Error Corrections*—an amendment of GASB Statement No. 62, which became effective on October 1, 2023. The primary goal of this Statement is to improve the accounting and financial reporting standards for accounting changes and error corrections, providing more understandable, reliable, relevant, consistent, and comparable information for decision-making and assessing accountability. As a result of this adoption, the Town clarified the reporting of changes within the reporting entity, as reflected both in the notes to the financial statements and within the financial statements themselves.

II. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

Statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. Agencies, municipal bonds, managed public fund investment pools, and certificates of deposit. The Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (the "Act"), provide for the creation of public funds investment pools, such as Texas Short-term Reserve Fund ("TexStar"), Local Government Investment Cooperative ("LOGIC"), TexasDAILY, and Lone Star Investment Pool ("Lone Star"), through which political subdivisions and other entities may invest public funds.

TexPool and TexSTAR have a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

At September 30, 2024, the Town had the following investments which are considered cash equivalents:

	Carrying Value	Weighted Average Maturity (days)
Investment Pool:		
TexPool	\$ 929,503	26
TexPool Prime	2,272,206	39
LOGIC	12,327,196	47
Total	<u>\$ 15,528,905</u>	

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

Credit risk: The Town's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service. As of September 30, 2024, the Town's investment in investment pools were rated AAAM and AAA by Standard & Poor's.

Custodial credit risk — Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town's policy requires that all deposits with financial institutions must be collateralized to the extent not protected by the Federal Deposit Insurance Corporation ("FDIC") insurance. The PEDC deposits are secured by a separate pledge of securities and FDIC insurance. At September 30, 2023, the Town's deposits and those of the Pantego Economic Development Corporation were covered by FDIC insurance or by collateral held by the bank's agent in the Town's name.

Custodial credit risk — 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. This 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 and (9) bid solicitation references for certificates of deposit.

The Town's investment policy authorizes the Town to invest in obligations of the United States government and its agencies and instrumentalities, fully insured or collateralized certificates of deposit, repurchase agreements not to exceed 90 days to stated maturity, AAA-rated, SEC registered money market funds, AAA-rated Texas local government investment pools, and other interest bearing accounts at the Town's depository. During the year ended September 30, 2023, the Town did not own any types of securities other than those permitted by statute.

The Town invests idle funds in the Texas Local Government Investment Pools: TexPool, TexPool Prime, and Logic. These government investment pools operate in a manner consistent with the SEC's Rule 2A7 of the Investment Act of 1940. The Pools are required to maintain market value of its underlying investment portfolio within one half of one percent of the value of its shares.

Interest Rate Risk - Interest rate risk is the risk that changes in the market place will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In order to limit interest and market rate risk from changes in interest rates, the Town of Pantego's adopted Investment Policy sets the weighted average maturity (WAM) limit to one (1) year for operating funds and two (2) years for non-operating funds.

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized rating agency. A primary stated objective of the Town of Pantego's adopted Investment Policy is the safety of principal and avoidance of principal loss. The Town controls risk by limiting its investments to those instruments allowed by its investment policy.

Concentration Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. It is the policy of the Town of Pantego to diversify its investment portfolios. Whenever practical, assets held in the common investment portfolio shall be diversified to minimize the risk of loss resulting from one concentration of assets in a specific maturity, a specific issuer, or a specific class of securities.

Custodial Credit Risk- Investments- In order to control custody and safekeeping risk State law and the Town of Pantego's adopted Investment Policy requires collateral for all time and demand deposits, as well as collateral for repurchase agreements, be transferred delivery versus payment and held by an independent party approved by the Town and held in the Town's name. The custodian is required to provide original safekeeping receipts and monthly reporting of positions with position descriptions including market value. Repurchase agreements and deposits must be collateralized to 102% and be executed under written agreements. Depository agreements are executed under the terms of U.S. Financial Institutions Resource and Recovery Enforcement Act ("FIRREA"). The counter-party of each type transaction is held contractually liable for monitoring and maintaining the required collateral margins on a daily basis.

Accounts Receivable

The Town's accounts receivable as of September 30, 2024 consisted of the following:

	General Fund	Debt Service	Water and Sewer	PEDC	Nonmajor Governmental	Total
Property taxes	\$ 97,413	\$ 16,513	\$ -	\$ -	\$ -	\$ 113,926
Sales tax	319,792	-	-	127,917	63,958	511,667
Franchise tax	160,362	-	-	-	-	160,362
Ambulance	193,083	-	-	-	-	193,083
Utilities	28,903	-	318,847	-	-	347,750
Fines	979,381	-	-	-	-	979,381
Other	<u>5,656</u>	<u>-</u>	<u>-</u>	<u>8,897</u>	<u>-</u>	<u>14,553</u>
Total gross receivables	1,784,590	16,513	318,847	136,814	63,958	2,320,722
Less: allowance for uncollectible accounts	<u>(974,862)</u>	<u>(9,908)</u>	<u>(44,463)</u>	<u>(7,544)</u>	<u>-</u>	<u>(1,036,777)</u>
Total net receivables	<u>\$ 809,728</u>	<u>\$ 6,605</u>	<u>\$ 274,384</u>	<u>\$ 129,270</u>	<u>\$ 63,958</u>	<u>\$ 1,283,945</u>

Capital Assets

Capital asset activity for the year ended September 30, 2024 was as follows:

	Beginning Balance	Additions	Transfers/ Retirements	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 211,263	\$ -	\$ -	\$ 211,263
Construction in progress	<u>22,174</u>	<u>98,989</u>	<u>(22,174)</u>	<u>98,989</u>
Total capital assets not being depreciated	<u>233,437</u>	<u>98,989</u>	<u>(22,174)</u>	<u>310,252</u>
Capital assets being depreciated:				
Buildings	2,212,415	17,114	-	2,229,529
Improvements other than buildings	2,434,428	38,678	(50,899)	2,422,207
Machinery and equipment	2,664,523	617,873	(182,658)	3,099,738
Right to use equipment	398,718	315,700	-	714,418
Infrastructure	<u>11,157,963</u>	<u>-</u>	<u>-</u>	<u>11,157,963</u>
Total assets being depreciated	<u>18,868,047</u>	<u>989,365</u>	<u>(233,557)</u>	<u>19,623,855</u>
Less accumulated depreciation for:				
Buildings	(1,528,232)	(48,621)	-	(1,576,853)
Improvements other than buildings	(1,489,567)	(128,771)	50,899	(1,567,439)
Machinery and equipment	(1,828,939)	(262,924)	182,658	(1,909,205)
Right to use equipment	(75,625)	(145,078)	-	(220,703)
Infrastructure	<u>(8,837,675)</u>	<u>(201,742)</u>	<u>-</u>	<u>(9,039,417)</u>
Total accumulated depreciation	<u>(13,760,038)</u>	<u>(787,136)</u>	<u>233,557</u>	<u>(14,313,617)</u>
Total capital assets being depreciated, net	<u>5,108,009</u>	<u>202,229</u>	<u>-</u>	<u>5,310,238</u>
Total governmental activities capital assets, net	<u>\$ 5,341,446</u>	<u>\$ 301,218</u>	<u>\$ (22,174)</u>	<u>\$ 5,620,490</u>

	Beginning Balance	Additions	Transfers/ Retirements	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 384,461	\$ -	\$ -	\$ 384,461
Construction in progress	397,690	3,211,926	-	3,609,616
Total capital assets, not being depreciated	782,151	3,211,926	-	3,994,077
Capital assets being depreciated:				
Improvements other than buildings	8,306,911	180,289	-	8,487,200
Total assets being depreciated	8,306,911	180,289	-	8,487,200
Less accumulated depreciation for:				
Improvements other than buildings	(3,272,138)	(336,469)	-	(3,608,607)
Total accumulated depreciation	(3,272,138)	(336,469)	-	(3,608,607)
Total capital assets being depreciated, net	5,034,773	(156,180)	-	4,878,593
Total business-type activities capital assets, net	<u>\$ 5,816,924</u>	<u>\$ 3,055,746</u>	<u>\$ -</u>	<u>\$ 8,872,670</u>

	Beginning Balance	Additions	Transfers/ Retirements	Ending Balance
Component Unit:				
Capital assets, not being depreciated:				
Construction in progress	\$ 39,856	\$ 107,990	\$ -	\$ 147,846
Total capital assets, not being depreciated	39,856	107,990	-	147,846
Capital assets being depreciated:				
Improvements other than buildings	508,476	941,734	-	1,450,210
Total assets being depreciated	508,476	941,734	-	1,450,210
Less accumulated depreciation for:				
Improvements other than buildings	(161,270)	(79,100)	-	(240,370)
Total accumulated depreciation	(161,270)	(79,100)	-	(240,370)
Total capital assets being depreciated, net	347,206	862,634	-	1,209,840
Total component unit capital assets, net	<u>\$ 387,062</u>	<u>\$ 970,624</u>	<u>\$ -</u>	<u>\$ 1,357,686</u>

Depreciation expense for the year ended September 30, 2024 was charged to functions/programs of the primary government and component unit as follows:

Governmental activities:	
General government	\$ 42,020
Public safety	155,342
Culture and recreation	118,274
Public works	471,500
Total	<u>\$ 787,136</u>
Business-type activities:	
Water	\$ 262,191
Sewer	74,278
Total	<u>\$ 336,469</u>
Component Unit:	
PEDC	\$ 79,100
Total	<u>\$ 79,100</u>

Interfund Activity

Interfund transfers made during the fiscal year were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Water and Sewer	Debt Service	<u>\$ 467,660</u>

The transfers to Debt Service includes the Water and Sewer fund subsidizing debt service payments.

Long-Term Debt

The Town of Pantego and the PEDC component unit have issued Certificates of Obligation Bonds and Sales Tax Revenue Bonds to provide funds for the acquisition and construction of major capital facilities. The Certificates of Obligation Bonds are paid by the debt service fund and the Sales Tax Revenue Bonds are paid by the PEDC debt service fund.

All taxes levied and collected for and on account of said bonds are pledged to the debt service fund in amounts authorized by the Town Council. The ordinances authorizing the issuance of the Certificates of Obligation that require the Town's ad valorem tax revenues be enough to generate net revenues sufficient to provide for the payment of the debt service requires of the bonds issued. The Certificates of Obligation outstanding for the Town are as follows:

<u>Description</u>	<u>Original Amount</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amounts Outstanding</u>
Governmental activities:					
Certificates of Obligation:					
Combination Tax and Revenue, Series 2019	\$ 2,735,000	2019	2/15/2040	3.0%	\$ 2,250,000
Combination Tax and Revenue, Series 2023	12,425,000	2023	2/15/2040	4.0 - 5.0%	<u>12,145,000</u>
Total governmental activities					<u>\$ 14,395,000</u>

The annual debt service requirements to maturity for the Certificates of Obligation Bonds outstanding as of September 30, 2024, are as follows:

<u>Year Ended September 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 495,000	\$ 639,313	\$ 1,134,313
2026	515,000	616,688	1,131,688
2027	540,000	593,163	1,133,163
2028	565,000	568,563	1,133,563
2029	590,000	542,638	1,132,638
2030-2034	3,380,000	2,281,490	5,661,490
2035-2039	4,225,000	1,426,065	5,651,065
2040-2043	<u>4,085,000</u>	<u>431,077</u>	<u>4,516,077</u>
Total	<u>\$ 14,395,000</u>	<u>\$ 7,098,997</u>	<u>\$ 21,493,997</u>

The PEDC component unit Sales Tax Revenue Bonds outstanding are as follows:

<u>Description</u>	<u>Original Amount</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amounts Outstanding</u>
Component unit:					
Sales Tax Revenue Bonds, Series 2023	\$ 1,285,000	2023	2/15/2044	4.25 - 5.00%	<u>\$ 1,285,000</u>
Total component unit					<u>\$ 1,285,000</u>

The PEDC component unit debt service requirements to maturity for Sales Tax Revenue Bonds outstanding are as follows:

Year Ended September 30,	Component Unit		
	Principal	Interest	Total
2025	\$ 40,000	\$ 59,188	\$ 99,188
2026	40,000	57,188	97,188
2027	45,000	55,188	100,188
2028	45,000	52,938	97,938
2029	50,000	50,688	100,688
2030-2034	280,000	214,190	494,190
2035-2039	350,000	144,714	494,714
2040-2043	435,000	60,300	495,300
Total	<u>\$ 1,285,000</u>	<u>\$ 694,394</u>	<u>\$ 1,979,394</u>

Leases

The Town has entered into enterprise fleet lease agreements for multiple vehicles. The leases carry interest rates 2.52% to 12.02% and have monthly payments ranging from \$634 to \$1,374.

Principal and interest requirements to maturity for the leases are as follows:

Year Ended September 30,	Governmental Activities		
	Principal	Interest	Total
2025	\$ 152,110	\$ 27,037	\$ 179,147
2026	188,701	16,555	205,256
2027	145,766	3,649	149,415
2028	<u>2,828</u>	<u>12</u>	<u>2,840</u>
Total	<u>\$ 489,405</u>	<u>\$ 47,253</u>	<u>\$ 536,658</u>

Financed Purchase Payable

During the fiscal year, the Town entered into a financed purchase agreement for a leased pump truck. The Town is required to make fixed annual payments of \$88,025. As of September 30, 2024, the value of the financed purchase is \$437,644. The financed purchase has an interest rate of 5.65%. The asset value of the Pump Truck as of September 30, 2024, is \$507,047 with accumulated depreciation of \$42,254.

Principal and interest requirements to maturity are as follows:

Year Ended September 30,	Governmental Activities		
	Principal	Interest	Total
2025	\$ 63,297	\$ 24,728	\$ 88,025
2026	66,873	21,152	88,025
2027	70,652	17,373	88,025
2028	74,644	13,381	88,025
2029	78,861	9,164	88,025
2030	<u>83,317</u>	<u>4,708</u>	<u>88,025</u>
Total	<u>\$ 437,644</u>	<u>\$ 90,506</u>	<u>\$ 528,150</u>

Changes in Long-term Liabilities

During the year ended September 30, 2024, the following changes occurred in liabilities reported in the general long-term debt:

	Beginning Balance	Issued	Retired	Ending Balance	Amount Due Within One Year
Governmental activities:					
Long-term debt:					
Certificates of obligation	\$ 14,785,000	\$ -	\$ (390,000)	\$ 14,395,000	\$ 495,000
Leases	314,567	315,700	(140,862)	489,405	152,110
Financed purchase	-	507,047	(69,403)	437,644	63,297
Issuance premium	757,941	-	(38,345)	719,596	-
Total long-term debt	15,857,508	822,747	(638,610)	16,041,645	710,407
Compensated absences	212,939	142,550	(179,317)	176,172	44,043
Total governmental	<u>\$ 16,070,447</u>	<u>\$ 965,297</u>	<u>\$ (817,927)</u>	<u>\$ 16,217,817</u>	<u>\$ 754,450</u>
Component Unit:					
Long-term debt:					
Sales tax revenue bonds	\$ 1,285,000	\$ -	\$ -	\$ 1,285,000	\$ 40,000
Issuance discount	(8,224)	-	8,224	-	-
Total long-term debt	1,276,776	-	-	1,285,000	40,000
Total business-type	<u>\$ 1,276,776</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,285,000</u>	<u>\$ 40,000</u>

DEFINED BENEFIT PENSION PLAN

Plan Description

The Town participates as one of 919 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS 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 annual comprehensive financial report (ACFR) that can be obtained www.tmrs.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. The plan provisions for the Town were as follows:

Employee deposit rate	7%
Matching ratio (Town to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated service credit	100% repeating, transfers
Annuity increase to retirees	30% of CPI repeating

At the December 31, 2023 valuation and measurement date, the following numbers of employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	76
Inactive employees entitled to but not yet receiving benefits	95
Active employees	<u>39</u>
Total	<u><u>210</u></u>

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 were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Town were 15.01% and 15.80% in calendar years 2022 and 2023, respectively. The Town's contributions to TMRS for the year ended September 30, 2024, were \$506,441 and were equal to the required contributions.

Net Pension Liability

The Town's Net Pension Liability (NPL) was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

The Total Pension Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Discount Rate	3.77% (Based on Fidelity Index's 20-Year Municipal GO AA Index as of December 31, 2023)
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year setforward 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 with scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

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, 2018 to December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 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 expenses 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 return for each major asset class in fiscal year 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
		(Arithmetic)
Global Public Equity	35.00%	6.70%
Core Fixed Income	6.00%	4.70%
Non-Core Fixed Income	20.00%	8.00%
Other Public and Private Markets	12.00%	8.00%
Real Estate	12.00%	7.60%
Hedge Funds	5.00%	6.40%
Private Equity	10.00%	11.60%
Total	<u>100.00%</u>	

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 Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at 12/31/2022	\$ 18,873,749	\$ 16,098,502	\$ 2,775,247
Changes for the year:			
Service cost	608,002	-	608,002
Interest	1,261,318	-	1,261,318
Difference between expected and actual experience	112,801	-	112,801
Change in assumptions	(90,235)	-	(90,235)
Contributions - employer	-	494,371	(494,371)
Contributions - employee	-	230,553	(230,553)
Net investment income	-	1,860,392	(1,860,392)
Benefit payments, including refunds of employee contributions	(983,127)	(983,127)	-
Administrative expense	-	(11,853)	11,853
Other changes	-	(83)	83
Net changes	908,759	1,590,253	(681,494)
Balance at 12/31/2023	<u>\$ 19,782,508</u>	<u>\$ 17,688,755</u>	<u>\$ 2,093,753</u>

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%)	Current Single Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Town's net pension liability (asset)	\$ 4,859,631	\$ 2,093,753	\$ (155,516)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2024, the Town recognized pension expense of \$605,527.

At September 30, 2024, 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	\$ 52,800	\$ -
Changes in actuarial assumptions	-	42,238
Difference between projected and actual investment earnings	448,223	-
Contributions subsequent to the measurement date	370,519	-
Total	<u>\$ 871,542</u>	<u>\$ 42,238</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended September 30,	
2025	\$ 128,383
2026	142,715
2027	342,436
2028	(154,749)

DEFINED OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN – TMRS SUPPLEMENTAL DEATH BENEFITS FUND

Plan Description

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

Benefits Provided

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. 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 post-employment benefit and is a fixed amount of \$7,500.

Employees covered by benefit terms

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	35
Inactive employees entitled to but not yet receiving benefits	14
Active employees	<u>39</u>
Total	<u><u>88</u></u>

Contributions

The Town contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.35% for 2023 and 0.37% for 2024, of which 0.12% and 0.13%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The Town's contributions to the SDBF for the years ended September 30, 2024 and 2023 were \$4,138 and \$3,433, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

Total OPEB Liability

The Town's total OPEB Liability was measured as of December 31, 2023 and was determined by an actuarial valuation as of that date.

The Total OPEB Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Discount Rate	3.77% (Based on Fidelity Index's 20-Year Municipal GO AA Index as of December 31, 2023)
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year setforward 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 with scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

Changes in the OPEB Liability

	Total OPEB Liability
Balance at 12/31/2022	\$ 142,948
Changes for the year:	
Service cost	10,210
Interest	5,916
Difference between expected and actual experience	10,561
Changes of assumptions	9,754
Benefit payments	(3,952)
Net changes	32,489
Balance at 12/31/2023	<u>\$ 175,437</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the Town, calculated using the discount rate of 3.77%, 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 (2.77%) or 1-percentage-point higher (4.77%) than the current rate:

	1% Decrease in Discount Rate (2.77%)	Discount Rate (3.77%)	1% Increase in Discount Rate (4.77%)
Total OPEB Liability	\$ 213,337	\$ 175,437	\$ 146,552

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

For the year ended September 30, 2024, the Town recognized OPEB expense of \$11,909. At September 30, 2024, the Town reported 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	\$ 9,064	\$ 1,916
Changes in actuarial assumptions	14,608	44,707
Contributions subsequent to the measurement date	3,049	-
Total	<u>\$ 26,721</u>	<u>\$ 46,623</u>

Amounts reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date are due to benefit payments the Town paid with own assets and will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,	
2025	\$ (8,117)
2026	(11,918)
2027	(5,411)
2028	2,495
2029	(435)
Thereafter	435

NET POSITION - NET INVESTMENT IN CAPITAL ASSETS

The Town has previously issued bonds in the 2023 capital projects fund to acquire capital assets on the water and sewer fund's behalf. Therefore, any unspent bond proceeds in the 2023 capital projects fund are considered to be a part of unrestricted net position as the bond's whole purpose is to be spent on capital improvements within business-type activities. Accordingly, the capital asset and related borrowing are reported in different activity columns but within the same primary government total column. As a result, the amount of net investment in capital assets and unrestricted net position do not cross foot by \$4,604,171.

COMMITMENTS AND CONTINGENCIES

Sewer Contracts

The Town has contracts with the Town of Fort Worth and Town of Arlington for the treatment of wastewater. The contracts require the Town to pay varying amounts based on the costs associated with the wastewater treated. Charges for wastewater treatment during fiscal year 2024 were \$241,346 for Fort Worth and \$173,825 for Arlington.

Contingent Liabilities and Commitments

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

Construction Commitments

The Town has active construction projects as of September 30, 2024, consisting of a court relocation project, various water system improvements, crosswalk project.

Projects	Spent to Date	Remaining Commitment
Governmental funds:		
New ambulance	\$ 98,989	\$ 195,259
Total governmental funds	98,989	195,259
Enterprise fund:		
Water transition rate study	27,247	-
Arlington water transition study	55,578	-
Chloramine transition study	31,588	-
Reverse osmosis system	2,123,164	1,695,018
New trinity well	93,720	2,186,280
SCADA upgrades	51,450	51,450
Meter replacement project	122,242	230,000
Arrowhead W&S by Pipeburst	505,649	57,453
Newsome W&S by Pipeburst	598,978	255,179
Total water and sewer fund	3,609,616	4,475,380
Total primary government	\$ 3,708,605	\$ 4,670,639
Component unit:		
Park row crosswalk	69,806	157,380
Marquee signange	78,040	94,460
Total component unit	\$ 147,846	\$ 251,840

RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

ADJUSTMENTS – CHANGE WITHIN THE FINANCIAL REPORTING ENTITY

For Fiscal Year 2024, the Town reported two changes in its financial reporting entity. The Debt Service fund was previously reported as a nonmajor governmental fund and is now reported as a major fund. The Equipment Replacement fund was previously reported as a nonmajor governmental fund and is now reported as a major fund. The changes in classification are required based on certain quantitative factors.

SIGNIFICANT FORTHCOMING STANDARDS

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the Town include the following:

GASB Statement No. 101, *Compensated Absences* – The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for reporting periods beginning after December 15, 2023, and the impact has not yet been determined.

GASB Statement No. 102, *Certain Risk Disclosures* – The objective of this Statement is to provide users of government financial statements with information about risks related to a government’s vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2024, and the impact has not yet been determined.

GASB Statement No. 103, *Financial Reporting Model Improvements* – The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* – The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be presented separately in the note disclosures, including right-to-use assets related to leases, Subscription-Based Information Technology Arrangements, and public-private or public-public partnerships. Other intangible assets are also required to be presented separately by major class. Additional disclosures have also been required for capital assets held for sale. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

**REQUIRED SUPPLEMENTARY
INFORMATION**

TOWN OF PANTEGO, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,850,840	\$ 1,850,840	\$ 1,834,028	\$ (16,812)
Sales taxes	1,965,000	1,965,000	1,931,521	(33,479)
Franchise tax	314,400	314,400	294,287	(20,113)
Fines and forfeitures	506,450	506,450	421,757	(84,693)
Licenses and permits	142,500	142,500	115,159	(27,341)
Charges for services	123,650	123,650	126,682	3,032
Intergovernmental	636,670	636,670	376,415	(260,255)
Investment earnings	45,000	45,000	55,508	10,508
Miscellaneous	5,000	5,000	2,635	(2,365)
Total revenues	<u>5,589,510</u>	<u>5,589,510</u>	<u>5,157,992</u>	<u>(431,518)</u>
EXPENDITURES				
Current:				
General government	1,027,168	1,027,168	1,029,093	(1,925)
Public safety:				
Police	1,992,217	1,992,217	1,928,244	63,973
Fire	1,792,862	1,792,862	1,742,278	50,584
Public works	668,589	668,589	623,635	44,954
Community development	34,750	34,750	37,533	(2,783)
Capital outlay	75,780	75,780	45,103	30,677
Total expenditures	<u>5,591,366</u>	<u>5,591,366</u>	<u>5,405,886</u>	<u>185,480</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,856)</u>	<u>(1,856)</u>	<u>(247,894)</u>	<u>(246,038)</u>
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	7,500	7,500	89,031	81,531
Total other financing sources (uses)	<u>7,500</u>	<u>7,500</u>	<u>89,031</u>	<u>81,531</u>
CHANGE IN FUND BALANCE	5,644	5,644	(158,863)	(164,507)
FUND BALANCE - BEGINNING	<u>1,101,297</u>	<u>1,101,297</u>	<u>1,101,297</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 1,106,941</u>	<u>\$ 1,106,941</u>	<u>\$ 942,434</u>	<u>\$ (164,507)</u>

TOWN OF PANTEGO, TEXAS

NOTES TO BUDGETARY SCHEDULE

SEPTEMBER 30, 2024

Summary of Significant Accounting Policies

A. Budgetary Information

The Town follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Public hearings are conducted to obtain taxpayer comments.
2. Prior to October 1, the budget is legally enacted through passage of an ordinance.
3. The Town Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Town Council. Therefore the fund level is the legal level of control.
4. Formal budgetary integration is employed as a management control device during the year. The legally adopted budgets for the General Fund, Court House Security Special Revenue Fund, Court Technology Special Revenue Fund, Shamburger Special Revenue Fund, and the Debt Service Fund are adopted on a basis consistent with generally accepted accounting principles.
5. Budgeted amounts are as originally adopted or as amended by the Town Council. During 2024, individual amendments were not material in relation to the original appropriations. Any budgeted amounts appropriated at fiscal year-end and not spent automatically lapse.
6. Capital Project funds, as presented, are not budgeted since project length financial plans usually extend into two or more fiscal years, making comparisons for a single year statement confusing.

B. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. All encumbrances lapse at the fiscal year-end.

C. Expenditures Over Budget

For fiscal year 2024, actual expenditures exceeded appropriations in the General Fund by \$1,925 in the General Government function and by \$2,783 in the Community Development function. Actual expenditures also exceeded appropriations in the Debt Service fund by \$2,150 in the Debt Service function and by \$3,018 in the General Government function of the Court Technology fund. These items were funded with excess budgets in other functions and more than anticipated revenue.

TOWN OF PANTEGO, TEXAS

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)**

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Measurement year December 31,	2014	2015	2016	2017
Total pension liability				
Service cost	\$ 294,270	\$ 362,190	\$ 421,798	\$ 462,387
Interest (on the total pension liability)	935,669	963,211	980,866	1,016,821
Difference between expected and actual experience	(103,022)	(57,274)	(104,215)	(90,676)
Changes in assumptions	-	252,911	-	-
Benefit payments, including refunds of employee contributions	<u>(696,398)</u>	<u>(838,452)</u>	<u>(720,846)</u>	<u>(851,307)</u>
Net change in total pension liability	430,519	682,586	577,603	537,225
Total pension liability - beginning	<u>13,567,769</u>	<u>13,998,288</u>	<u>14,680,874</u>	<u>15,258,477</u>
Total pension liability - ending (a)	<u>\$ 13,998,288</u>	<u>\$ 14,680,874</u>	<u>\$ 15,258,477</u>	<u>\$ 15,795,702</u>
Plan fiduciary net position				
Contributions - employer	\$ 301,148	\$ 329,956	\$ 388,070	\$ 473,050
Contributions - employee	144,634	148,438	163,941	180,118
Net investment income	666,569	17,797	791,051	1,707,200
Benefit payments, including refunds of employee contributions	(696,398)	(838,452)	(720,846)	(851,307)
Administrative expenses	(6,960)	(10,841)	(8,936)	(8,850)
Other	<u>(572)</u>	<u>(535)</u>	<u>(481)</u>	<u>(449)</u>
Net change in plan fiduciary net position	408,421	(353,637)	612,799	1,499,762
Plan fiduciary net position - beginning	<u>11,653,375</u>	<u>12,061,796</u>	<u>11,708,159</u>	<u>12,320,958</u>
Plan fiduciary net position - ending (b)	<u>\$ 12,061,796</u>	<u>\$ 11,708,159</u>	<u>\$ 12,320,958</u>	<u>\$ 13,820,720</u>
Net Pension Liability (a) - (b)	<u>\$ 1,936,492</u>	<u>\$ 2,972,715</u>	<u>\$ 2,937,519</u>	<u>\$ 1,974,982</u>
Plan fiduciary net position as a percentage of total pension liability	86.17%	79.75%	80.75%	87.50%
Covered payroll	\$ 2,066,197	\$ 2,066,197	\$ 2,342,020	\$ 2,573,108
Net pension liability as a percentage of covered payroll	93.72%	143.87%	125.43%	76.75%

2018	2019	2020	2021	2022	2023
\$ 481,596 1,047,898	\$ 512,881 1,091,193	\$ 492,183 1,119,646	\$ 512,760 1,154,962	\$ 575,536 1,188,932	\$ 608,002 1,261,318
21,520 -	(404,716) 54,251	(234,358) -	(227,276) -	295,833 -	112,801 (90,235)
<u>(1,024,180)</u>	<u>(826,320)</u>	<u>(817,146)</u>	<u>(911,967)</u>	<u>(1,025,181)</u>	<u>(983,127)</u>
526,834	427,289	560,325	528,479	1,035,120	908,759
<u>15,795,702</u>	<u>16,322,536</u>	<u>16,749,825</u>	<u>17,310,150</u>	<u>17,838,629</u>	<u>18,873,749</u>
<u>\$ 16,322,536</u>	<u>\$ 16,749,825</u>	<u>\$ 17,310,150</u>	<u>\$ 17,838,629</u>	<u>\$ 18,873,749</u>	<u>\$ 19,782,508</u>
\$ 482,422 187,705 (413,685)	\$ 509,097 203,755 2,014,633	\$ 475,832 193,991 1,132,516	\$ 444,879 196,352 2,072,638	\$ 490,016 218,479 (1,290,907)	\$ 494,371 230,553 1,860,392
(1,024,180) (8,001) (418)	(826,320) (11,395) (342)	(817,146) (7,335) (286)	(911,967) (9,598) 66	(1,025,181) (11,183) 13,345	(983,127) (11,853) (83)
(776,157)	1,889,428	977,572	1,792,370	(1,605,431)	1,590,253
<u>13,820,720</u>	<u>13,044,563</u>	<u>14,933,991</u>	<u>15,911,563</u>	<u>17,703,933</u>	<u>16,098,502</u>
<u>\$ 13,044,563</u>	<u>\$ 14,933,991</u>	<u>\$ 15,911,563</u>	<u>\$ 17,703,933</u>	<u>\$ 16,098,502</u>	<u>\$ 17,688,755</u>
<u>\$ 3,277,973</u>	<u>\$ 1,815,834</u>	<u>\$ 1,398,587</u>	<u>\$ 134,696</u>	<u>\$ 2,775,247</u>	<u>\$ 2,093,753</u>
79.92%	89.16%	91.92%	99.24%	85.30%	89.42%
\$ 2,681,493	\$ 2,910,790	\$ 2,771,302	\$ 2,805,033	\$ 3,121,130	\$ 3,293,609
122.24%	62.38%	50.47%	4.80%	88.92%	63.57%

FOR THE YEAR ENDED SEPTEMBER 30, 2024

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
\$ 482,843	\$ 479,475	\$ 477,916	\$ 457,837	\$ 459,320	\$ 514,304	\$ 506,741
<u>482,843</u>	<u>479,475</u>	<u>477,916</u>	<u>457,837</u>	<u>459,320</u>	<u>514,304</u>	<u>506,741</u>
-	-	-	-	-	-	-
2,665,742	2,725,177	2,768,463	2,820,155	2,917,543	3,380,684	3,252,599
18.11%	17.59%	17.26%	16.23%	15.74%	15.21%	15.58%

TOWN OF PANTEGO, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Measurement year December 31,	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total OPEB liability			
Service cost	\$ 5,661	\$ 6,704	\$ 8,441
Interest (on the total OPEB liability)	4,315	4,447	4,630
Difference between expected and actual experience	-	(10,724)	(10,252)
Changes in assumptions	11,009	(9,433)	27,353
Benefit payments, including refunds of employee contributions	<u>(1,257)</u>	<u>(1,341)</u>	<u>(1,455)</u>
Net change in total OPEB liability	19,728	(10,347)	28,717
Total OPEB liability - beginning	<u>111,930</u>	<u>131,658</u>	<u>121,311</u>
Total OPEB liability - ending (a)	<u>\$ 131,658</u>	<u>\$ 121,311</u>	<u>\$ 150,028</u>
Covered-employee payroll	\$ 2,573,108	\$ 2,681,493	\$ 2,910,790
Total OPEB liability as a percentage of covered-employee payroll	5.117%	4.524%	5.154%

Notes to schedule:

1. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.
2. The actuarial assumptions and other inputs used to calculate the total OPEB liability are described in the notes to the financial statements.
3. 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.
4. This schedule is required to have 10 years of information, but the information before 2017 is not available.

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 9,700 4,244	\$ 14,025 3,794	\$ 16,542 3,872	\$ 10,210 5,916
(6,411) 27,505	(2,464) 7,090	1,454 (79,364)	10,561 9,754
<u>(1,909)</u>	<u>(1,725)</u>	<u>(3,433)</u>	<u>(3,952)</u>
33,129	20,720	(60,929)	32,489
<u>150,028</u>	<u>183,157</u>	<u>203,877</u>	<u>142,948</u>
<u>\$ 183,157</u>	<u>\$ 203,877</u>	<u>\$ 142,948</u>	<u>\$ 175,437</u>
 \$ 2,771,302	 \$ 2,805,033	 \$ 3,121,130	 \$ 3,293,609
 6.609%	 7.268%	 4.580%	 5.327%

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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

[Closing]

TOWN OF PANTEGO, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2025
DATED _____, 2025
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$[PAR]

AS BOND COUNSEL FOR THE TOWN OF PANTEGO, TEXAS (the "Issuer") in connection with the issuance of the Combination Tax and Revenue Certificates of Obligation, Series 2025, described above (the "Certificates of Obligation"), we have examined into the legality and validity of the Certificates of Obligation, which bear interest from the dates and mature and are subject to redemption on the dates, in accordance with the terms and conditions stated in the text of the Certificates of Obligation. Terms used herein and not otherwise defined shall have the meaning given in the ordinance of the Issuer authorizing the issuance and sale of the Certificates of Obligation (the "Ordinance").

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

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

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Certificates of Obligation is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the

date of this opinion. We are further of the opinion that the Certificates of Obligation are not "specified private activity bonds" and that, accordingly, interest on the Certificates of Obligation will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Certificates of Obligation and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Issuer to comply with such covenants, interest on the Certificates of Obligation may become includable in gross income retroactively to the date of issuance of the Certificates of Obligation.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Certificates, including the amount, accrual or receipt of interest on, the Certificates. Owners of the Certificates should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Certificates.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Certificates, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

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

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

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to

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

Respectfully,

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