

**OFFICIAL NOTICE OF SALE, OFFICIAL BID FORM
and
PRELIMINARY OFFICIAL STATEMENT**

TOWN OF LAKEWOOD VILLAGE, TEXAS

(A Political Subdivision of the State of Texas Located in Denton County, Texas)

\$4,500,000*

**COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES
OF OBLIGATION, SERIES 2020
(THE "CERTIFICATES")**

**To be Designated by the Town as
"QUALIFIED TAX-EXEMPT OBLIGATIONS"**

**Bids due
Thursday, March 12, 2020
at
11:00 A.M., Central Time**

*Preliminary, subject to change based on bid structures. See "THE CERTIFICATES - MATURITY SCHEDULE" and "THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT" in the Official Notice of Sale relating to the Certificates.

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This Official Notice of Sale does not alone constitute an invitation for bids but is merely notice of sale of the Certificates described herein. The invitation for bids on such Certificates is being made by means of this Official Notice of Sale, the Official Bid Form and the Preliminary Official Statement.

The Issuer will designate the Certificates as “Qualified Tax-Exempt Obligations” for financial institutions.

OFFICIAL NOTICE OF SALE

\$4,500,000*

**TOWN OF LAKEWOOD VILLAGE, TEXAS
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2020**

Dated: February 28, 2020

CERTIFICATES OFFERED FOR SALE AT COMPETITIVE BID: The Town Council of the Town of Lakewood Village, Texas (the “Town” or “Issuer”) is offering for sale at competitive bid \$4,500,000* Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020 (the “Certificates”).

Bidders must submit bids for the Certificates electronically by internet as described below in “BIDS BY INTERNET”.

BIDS BY INTERNET: Interested bidders may, at their option and risk, submit their bid by electronic media, as described below, by 11:00 A.M., Central Time, on Thursday, March 12, 2020. Bidders submitting a bid by internet shall not be required to submit signed Official Bid Forms prior to the award. Any prospective bidder that intends to submit an electronic bid must submit its electronic bid via the facilities of the i-Deal, LLC Parity System (“PARITY”) and should, as a courtesy, register with PARITY by 9:00 A.M., Central Time, on Thursday, March 12, 2020 indicating their intent to submit a bid by internet.

In the event of a malfunction in the electronic bidding process, bidders may submit their bids by email to mmcliney@samcocapital.com. If there is a malfunction of the electronic bidding process and a bidder submits a bid via email please call 210-832-9760 to notify the Financial Advisor (defined below) of the incoming bid. Any bid received after the scheduled time for their receipt will not be accepted.

The official time for the receipt of bids shall be the time maintained by PARITY. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale, Official Bid Form and the Preliminary Official Statement. To the extent that any instructions or directions set forth in PARITY conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about the PARITY System, potential bidders may contact PARITY, c/o Ipreo Holdings LLC, 1359 Broadway, New York, New York 10018, 212-849-5021.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Certificates on the terms provided in this Official Notice of Sale, and shall be binding upon the bidder as if made by a signed sealed bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of PARITY, the use of such facilities being at the sole risk of the prospective bidder.

OPENING OF BIDS: Bids will be opened and publicly read at 11:00 A.M., Central Time, on Thursday, March 12, 2020, following the bids will be evaluated by SAMCO Capital Markets, Inc. (the “Financial Advisor”) and the Town Council shall provide final approval of the award at a Town Council meeting later that evening. The Mayor of the Town or his representative shall award the Certificates as described in the section entitled “AWARD AND SALE OF THE CERTIFICATES” below.

AWARD AND SALE OF THE CERTIFICATES: At a regular meeting to commence at 7:00 P.M., Central time, on Thursday, ,March 12, 2020, the Town Council will take action to reject all bids or award the sale of the Certificates pursuant to an ordinance (the “Certificate Ordinance”). The Issuer reserves the right to reject any or all bids and to waive any irregularities, except time of filing.

* Preliminary, subject to change. See “ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS” herein.

THE CERTIFICATES

DESCRIPTION OF CERTAIN TERMS OF THE CERTIFICATES: The Certificates will be dated April 1, 2020 (the "Dated Date") and interest on the Certificates shall accrue from the Dated Date and will be payable on February 1, 2021, and on each August 1 and February 1 thereafter until maturity or prior redemption. The Certificates will be issued as fully-registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Certificates will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof within a stated maturity. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by the Paying Agent/Registrar, initially BOKF, NA, Dallas, Texas, to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" in the Preliminary Official Statement.)

MATURITY SCHEDULE

The Certificates will be stated to mature on February 1 in each of the following years in the following amounts:

<u>Stated Maturity</u>	<u>Principal Amount*</u>		<u>Stated Maturity</u>	<u>Principal Amount*</u>
2021	\$ 45,000		2031	\$ 245,000
2022	90,000		2032	255,000
2023	90,000		2033	265,000
2024	90,000		2034	270,000
2025	200,000		2035	280,000
2026	210,000		2036	290,000
2027	215,000		2037	300,000
2028	225,000		2038	310,000
2029	230,000		2039	320,000
2030	240,000		2040	330,000

ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES: The Town reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Certificates, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Certificates shall not exceed \$4,500,000. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Notice of Sale may be amended at the sole discretion of the Town to reflect such increase or decrease. The Town will attempt to maintain total per bond underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

SERIAL CERTIFICATES AND/OR TERM CERTIFICATES: Bidders may provide that all of the Certificates be issued as serial maturities or may provide that any two or more consecutive annual principal amounts be combined into one or more term certificates, not to exceed five term certificates (the "Term Certificates").

MANDATORY SINKING FUND REDEMPTION: If the Winning Bidder designates principal amounts to be combined into one or more Term Certificates, each such Term Certificate will be subject to mandatory sinking fund redemption commencing on February 1 of the first year which has been combined to form such Term Certificate and continuing on February 1 in each year thereafter until the stated maturity date of that Term Certificate. The amount redeemed in any year will be equal to the principal amount for such year set forth in the table above under the caption "MATURITY SCHEDULE". Certificates to be redeemed in any year by mandatory sinking fund redemption will be redeemed at par and will be selected by lot from among the Certificates then subject to redemption. The Town, at its option, may credit against any mandatory sinking fund redemption requirement Term Certificates of the maturity then subject to redemption which have been purchased and canceled by the Town or have been optionally redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

OPTIONAL REDEMPTION: The Town reserves the right, at its option, to redeem the Certificates maturing on or after February 1, 2028, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2027, or any date thereafter, at the redemption price of par plus accrued interest as further described in the Official Statement.

* Preliminary, subject to change. See "THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES".

SECURITY FOR PAYMENT: The Certificates constitute direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the Town, within the limits prescribed by law, and further secured by and payable from a lien on and limited pledge (not to exceed \$1,000) of the net revenues derived from the operation of the Issuer's combined waterworks and sewer system (the "System"), as provided in the Ordinance.

OTHER TERMS AND COVENANTS: Other terms of the Ordinance and the various covenants of the Town contained in the Ordinance are described in the Official Statement, to which reference is made for all purposes.

PAYING AGENT/REGISTRAR: The initial Paying Agent/Registrar for the Certificates is BOKF, NA, Dallas, Texas. In the Ordinance, the Town covenants to provide a Paying Agent/Registrar at all times while the Certificates are outstanding, and any Paying Agent/Registrar selected by the Town shall be a commercial bank, trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. The Paying Agent/Registrar will maintain the Security Register containing the names and addresses of the registered owners of the Certificates. In the Ordinance the Town retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, such Paying Agent/Registrar, promptly upon the appointment of a successor, is required to deliver the Security Register to the successor Paying Agent/Registrar.

In the event there is a change in the Paying Agent/Registrar, the Town has agreed to notify each registered owner of the Certificates then outstanding by United States mail, first-class postage prepaid, at the address in the Security Register, stating the effective date of the change and the mailing address of the successor Paying Agent/Registrar.

BOOK-ENTRY-ONLY SYSTEM: The Town intends to utilize the Book-Entry-Only System of DTC, with respect to the issuance of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" in the Preliminary Official Statement.)

PRELIMINARY OFFICIAL STATEMENT AND OTHER TERMS AND COVENANTS IN THE ORDINANCE: Further details regarding the Certificates and certain covenants of the Town contained in the Ordinance are set forth in the Preliminary Official Statement to which reference is made for all purposes.

CONDITIONS OF SALE

TYPES OF BIDS AND INTEREST RATES: The Certificates will be sold in one block on an "All or None" basis, and at a price of not less than their par value, plus accrued interest on the Certificates from the Dated Date of the Certificates to the date of Initial Delivery (defined herein) of the Certificates. **No bid producing a cash premium on the Certificates that results in a dollar price of less than 102% nor greater than 107% will be considered; provided, however, that any bid is subject to adjustment as described under the caption "ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS".** Bidders are invited to name the rate(s) of interest to be borne by the Certificates, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1% and the net effective interest for the Certificates (calculated in the manner required by Chapter 1204, as amended, Texas Government Code) must not exceed 15%. **The highest rate bid may not exceed the lowest rate bid by more than 300 basis points (or 3% in rate). No limitation is imposed upon bidders as to the number of rates or changes which may be used.** All Certificates of one stated maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

BASIS OF AWARD: The sale of the Certificates will be awarded to the bidder making a bid that conforms to the specifications herein and which produces the lowest **True Interest Cost** rate to the Issuer (the "Purchaser" or the "Initial Purchaser"). The True Interest Cost rate is that rate which, when used to compute the total present value as of the Dated Date of all debt service payments on the Certificates on the basis of semi-annual compounding, produces an amount equal to the sum of the par value of the Certificates plus the premium (but not interest accrued from the Dated Date to the date of their delivery). In the event of a bidder's error in interest cost rate calculation, the interest rates, and premium, if any, set forth in the Official Bid Form will be considered as the intended bid.

In order to provide the Town and its consultants with information required to be submitted to the Texas Bond Review Board pursuant to Section 1202.008, Texas Government Code, as amended, the Initial Purchaser will be required to provide the Town (on or before the 10th business day prior to the delivery of the Certificates) with a breakdown of its "underwriting spread" among the following categories: Takedown, Management Fee (if any), Legal Counsel Fee (if any) and Spread Expenses (if any).

ESTABLISHMENT OF ISSUE PRICE:

(a) The winning bidder shall assist the Town in establishing the issue price of the Certificates and shall execute and deliver to the Town by the date of Initial Delivery an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public, together with the supporting pricing wires or equivalent communications, such issue price certificate substantially in the form attached hereto, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the Town, and Norton Rose Fulbright US LLP, the Town's Bond Counsel (but not to the extent that would preclude the establishment of issue price of the Certificates under applicable federal regulations). All actions to be taken by the Town under this Official Notice of Sale to establish the issue price of the Certificates may be taken on behalf of the Town by the Town's Financial Advisor and any notice or report to be provided to the Town may be provided to the Town's Financial Advisor.

(b) The Town intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Certificates) will apply to the initial sale of the Certificates (the “competitive sale requirements”) because:

- (1) the Town shall disseminate this Official Notice of Sale to potential underwriters (defined below) in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the Town may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the Town anticipates awarding the sale of the Certificates to the bidder who submits a firm offer to purchase the Certificates at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale.

Any bid submitted pursuant to this Official Notice of Sale shall be considered a firm offer for the purchase of the Certificates, as specified in the bid.

(c) In the event that the competitive sale requirements are not satisfied, the Town shall so advise the winning bidder. In such event, the Town intends to treat the initial offering price to the public (defined below) as of the sale date (defined below) of each maturity of the Certificates as the issue price of that maturity (the “hold-the-offering-price rule”). The Town shall promptly advise the winning bidder, at or before the time of award of the Certificates, if the competitive sale requirements were not satisfied, in which case the hold-the-offering-price rule shall apply to the Certificates. **Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied and the hold-the-offering-price rule applies.** In the event that the competitive sale requirements are not satisfied, resulting in the application of the hold-the-offering price rule, the issue price certificate shall be modified as necessary in the reasonable judgment of Bond Counsel and the Town.

(d) By submitting a bid, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Certificates to the public on or before the date of award at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Certificates, that the underwriters will neither offer nor sell unsold Certificates of any maturity to which the hold-the-offering-price rule applies to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

The winning bidder shall promptly advise the Town when the underwriters have sold 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

(e) The Town acknowledges that, in making the representation set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Certificates to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail or other third-party distribution agreement that was employed in connection with the initial sale of the Certificates to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail or other third-party distribution agreement and the related pricing wires. The Town further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail or other third-party distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Certificates.

(f) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail or other third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail or other third-party distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail or other third-party distribution agreement to be employed in connection with the initial sale of the Certificates to the public to require each broker-dealer that is a party to

such retail or other third-party distribution agreement to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

(g) Sales of any Certificates to any person that is a related party (defined below) to an underwriter shall not constitute sales to the public for purposes of this Official Notice of Sale. Further, for purposes of this section of the Official Notice of Sale entitled "CONDITIONS OF SALE - ESTABLISHMENT OF ISSUE PRICE":

- (1) "public" means any person other than an underwriter or a related party,
- (2) "underwriter" means (A) any person that agrees pursuant to a written contract with the Town (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Certificates to the public (including a member of a selling group or a party to a retail or other third-party distribution agreement participating in the initial sale of the Certificates to the public),
- (3) a purchaser of any of the Certificates is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (4) "sale date" means the date that the Certificates are awarded by the Town to the winning bidder.

ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS: See "THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES" for a description of the Town's reservation of the right to increase or decrease the principal (maturity) amount of any maturity of the Certificates, including the elimination of a maturity or maturities.

GOOD FAITH DEPOSIT: A bank cashier's check payable to the order of "Town of Lakewood Village, Texas" in the amount of \$90,000 which is 2% of the par value of the Certificates (the "Good Faith Deposit") is required. The Good Faith Deposit of the Purchaser will be retained uncashed by the Issuer until the Certificates are delivered, and at that time it will be returned to the Purchaser of the Certificates. The above mentioned Good Faith Deposit may accompany the bid, or it may be submitted separately; however, if submitted separately, it shall be made available to the Issuer prior to the opening of the bids and shall be accompanied by instructions from the bank on which it is drawn which will authorize its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. No interest will be paid or allowed on any Good Faith Deposit. The checks accompanying all other bids will be returned immediately after the bids are opened and the award of the sale of the Certificates has been made.

ADDITIONAL CONDITION OF AWARD — DISCLOSURE OF INTERESTED PARTY FORM: Described hereinafter is a new obligation of the Town to receive information from the winning bidder if the bidder is not a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity (a "Privately Held Bidder"). Effective January 1, 2018, pursuant to Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the Town may not award the Certificates to a winning bidder which is a Privately Held Bidder unless such party submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the Town as prescribed by the Texas Ethics Commission ("TEC"). See "Official Bid Form". In the event that a Privately Held Bidder's bid for the Certificates conforms to the specifications herein and is the best bid received, the Town, acting through its financial advisor, will promptly notify the bidder. The apparent winning bidder listed on the Official Bid Form must have submitted a completed Disclosure Form, as described below, not later than 1 hour after the deadline for the submission of bids in order for Town to complete the formal award. If the apparent winning bidder is a Privately Held Bidder and fails to file the Disclosure Form within the time period described in the previous sentence, the Town reserves the right to notify the apparent winning bidder on the Official Bid Form that their bid has been rejected and award the sale to the next lowest bidder.

For purposes of completing the Disclosure Form, reference is made to the following information needed to complete it: (a) item 2 – name of governmental entity – "Town of Lakewood Village, Texas" and (b) item 3 – the identification number assigned to this contract by the Town (2020 Certificates of Obligation) and description of the goods or services assigned to this contract by the Town – "LV2020 CO-Bid Form". The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the "Disclosure Rules") require a business entity contracting with the Town to (i) complete the Disclosure Form electronically at www.ethics.state.tx.us and (ii) print, sign and deliver, in physical form, the Disclosure Form and certification of filing that is generated by the TEC's "electronic portal" to the Town. Following the electronic filing with the TEC, the winning bidder listed on the Official Bid Form must submit an electronic copy of their completed Disclosure Form and certification of filing to the Town at: mark@lakewoodvillage.tx.us, to the Town's financial advisor at mmcliney@samcocapital.com and to Bond Counsel at robert.dransfield@nortonrosefulbright.com. Originals of the completed Disclosure Form and the certification of filing must be physically delivered to the Town within 2 business days of the award at the following address: Dr. Mark Vargus, Town of Lakewood Village, 100 Highridge Drive, Lakewood Village, TX 75068. Following the award of the Certificates, the Town will, if required, acknowledge the receipt of the completed Disclosure Form through the TEC website, as required by law.

Preparations for completion, and the significance of, the reported information. In accordance with the Interested Party Disclosure Act, the information reported by the winning Privately Held Bidder must be declared by an authorized agent of the Privately Held Bidder. No exceptions may be made to that requirement. The Interested Party Disclosure Act and the Disclosure Form provides that such acknowledgment is made "under penalty of perjury." Consequently, a Privately Held Bidder should take appropriate steps prior to completion of the Disclosure Form to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the Disclosure Form. Time will be of the essence in submitting the form to the Town, and no final award will be made by the Town regarding the sale of the Certificates until a completed Disclosure Form from the winning Privately Held Bidder is received. If applicable, the Town reserves the right to reject any bid that does not satisfy the requirement of a completed Disclosure Form, as described herein. Neither the Town nor its consultants have the ability to verify the information included in a Disclosure Form, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Certificates should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form, if required, promptly upon notification from the Town that its bid is the conditional winning bid.

ADDITIONAL CONDITION OF AWARD - COMPLIANCE WITH H.B. 89 AND S.B. 252, 85TH TEXAS LEGISLATURE: Each bidder, through submittal of an executed Official Bid Form, represents that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, to the extent the Official Notice of Sale and Official Bid Form is a contract for goods or services, will not boycott Israel during the term of this agreement. The foregoing verification is made solely to comply with Section 2270.002, Texas Government Code, and to the extent such Section does not contravene applicable Texas or Federal law. As used in the foregoing verification, 'boycott Israel' means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. Each bidder, through submittal of an executed Official Bid Form, understands 'affiliate' to mean an entity that controls, is controlled by, or is under common control with our company and exists to make a profit.

Each bidder, through submittal of an executed Official Bid Form, represents that neither it nor any parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website: <https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>; <https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or <https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>. The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Texas or Federal law and excludes our company and each parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. Each bidder, through submittal of an executed Official Bid Form, understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with our company and exists to make a profit.

IMPACT OF BIDDING SYNDICATE ON AWARD: For purposes of contracting for the sale of the Certificates, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Certificates. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the Town is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

OFFICIAL STATEMENT

To assist the Initial Purchaser in complying with Rule 15c2-12 (the "Rule") of the United States Securities and Exchange Commission ("SEC"), the Issuer and the Initial Purchaser contract and agree, by the submission and acceptance of the winning bid, as follows:

COMPLIANCE WITH THE RULE: The Issuer has approved and authorized distribution of the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Certificates, but does not presently intend to prepare any other document or version thereof for such purpose, except as described below. Accordingly, the Issuer deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of the Rule, except for information relating to the offering prices, interest rates, final debt service schedule, selling compensation, identity of the Purchaser and other similar information, terms and provisions to be specified in the competitive bidding process. The Initial Purchaser shall be responsible for promptly informing the Issuer of the initial offering yields of the Certificates.

Thereafter, the Issuer will complete and authorize distribution of the final Official Statement identifying the Initial Purchaser and containing such omitted information. The Issuer does not intend to amend or supplement the Preliminary Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the Initial Purchaser on or after the sale date, the Issuer intends the same to be final as of such date, within the meaning of the Rule. Notwithstanding the foregoing, the Issuer makes no representation concerning the absence of material misstatements or omissions from the Preliminary Official Statement, except only as and to the extent under "CERTIFICATION OF THE OFFICIAL STATEMENT" as described below. To the best knowledge and belief of the Issuer, the Preliminary Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Certificates.

CONTINUING DISCLOSURE AGREEMENT: The Town will agree in the Ordinance to provide certain periodic information and notices of material events in accordance with the Rule, as described in the Preliminary Official Statement under "CONTINUING DISCLOSURE OF INFORMATION." The Initial Purchaser's obligation to accept and pay for the Certificates is conditioned upon delivery to the Initial Purchaser or its agent of a certified copy of the Ordinance containing the agreement described under such heading.

COMPLIANCE WITH PRIOR UNDERTAKINGS: The Issuer has not had any continuing disclosure requirements prior to this issuance.

FINAL OFFICIAL STATEMENT: The Issuer will furnish to the Purchaser, within seven (7) business days after the sale date, an aggregate maximum of fifty (50) copies of the final Official Statement (and 50 copies of any addenda, supplement or amendment thereto), together with information regarding interest rates and other terms relating to the reoffering of the Certificates, in accordance with the Rule. The Issuer agrees to provide, or cause to be provided, to the Purchaser the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in such printed or electronic format as may be required for the Purchaser to comply with the Rule and the rules of the Municipal Securities Rulemaking Board (the "MSRB"). The Issuer consents to the distribution of such documents in electronic format. The Purchaser may arrange at its own expense to have the final Official Statement reproduced and printed if it requires more than 50 copies and may also arrange, at its own expense and responsibility, for completion and perfection of the first or cover page of the final Official Statement so as to reflect interest rates and other terms and information related to the reoffering of the Certificates. The Purchaser will be responsible for providing information concerning the Issuer and the Certificates to subsequent purchasers of the Certificates, and the Issuer will undertake no responsibility for providing such information other than to make the final Official Statement available to the Purchaser as provided herein. The Issuer's obligation to supplement the final Official Statement to correct representations determined to be materially misleading, after the date of the final Official Statement, shall terminate upon the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from the MSRB, but in no case less than 25 days after the "end of the underwriting period" for the Certificates. The Purchaser by submitting a bid for the Certificates agrees to promptly file the Official Statement with the MSRB. Unless otherwise notified in writing by the Purchaser, the Issuer can assume that the "end of the underwriting period" for purposes of the Rule is the date of the initial delivery of the Certificates to the Purchaser.

CHANGES TO OFFICIAL STATEMENT: If, subsequent to the date of the final Official Statement, the Issuer learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser of any adverse event which causes the final Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Certificates, as described below under "DELIVERY AND ACCOMPANYING DOCUMENTS - CONDITIONS TO DELIVERY," the Issuer will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the final Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the Issuer to do so will terminate on the date specified under "FINAL OFFICIAL STATEMENT" above.

CERTIFICATION OF THE OFFICIAL STATEMENT: At the time of payment for and delivery of the Initial Certificates, the Initial Purchaser will be furnished a certificate, executed by proper officials of the Issuer, acting in their official capacity, in the form specified in the Official Statement under the heading "OTHER PERTINENT INFORMATION – Certification of the Official Statement." The Preliminary Official Statement and Official Notice of Sale will be approved as to form and content and the use thereof in the offering of the Certificates will be authorized, ratified and approved by the Town Council on the date of sale, and the Initial Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Certificates, a certified copy of such approval, duly executed by the proper officials of the Issuer.

DELIVERY AND ACCOMPANYING DOCUMENTS

INITIAL DELIVERY OF INITIAL CERTIFICATE: Initial Delivery will be accomplished by the issuance of one fully registered Certificate, in the aggregate principal amount of \$4,500,000*, payable to the Purchaser (the "Initial Certificate"), signed by the Mayor and Town Secretary, by their manual or facsimile signatures, approved by the Attorney General, and registered and manually signed by the Comptroller of Public Accounts. Initial Delivery will be at the designated office of the Paying Agent/Registrar. Upon delivery of the Initial Certificates it shall be immediately canceled and one definitive Certificate for each maturity in the aggregate principal amount of \$4,500,000* payable to Cede & Co. will be delivered to DTC in connection with DTC's Book-Entry-Only System. Payment for the Certificates must be made in immediately available funds for unconditional credit to the Town, or as otherwise directed by the Town.

The Purchaser will be given six business days' notice of the time fixed for delivery of the Certificates. It is anticipated that the delivery of the Initial Certificate can be made on or about Tuesday, March 10, 2020, but if for any reason the Town is unable to make delivery by March 13, 2020, then the Town shall immediately contact the Purchaser and offer to allow the Purchaser to extend his obligation to take up and pay for the Certificates an additional 30 days. If the Purchaser does not elect to extend its offer within six days thereafter, then its Good Faith Deposit will be returned, and both the Town and the Purchaser shall be relieved of any further obligation. In no event shall the Town be liable for any damages by reason of its failure to deliver the Certificates, provided that such failure is due to circumstances beyond the Town's reasonable control.

* Preliminary, subject to change.

DTC DEFINITIVE CERTIFICATES: The Certificates will be issued in book-entry-only form. Cede & Co. is the nominee for DTC. All references herein and in the Official Statement to the holders or registered owners of the Certificates shall mean Cede & Co. and not the beneficial owners of the Certificates. Purchases of beneficial interests in the Certificates will be made in book-entry form in the denomination of \$5,000 principal amounts or any integral multiple thereof. Under certain limited circumstances, there may be a cessation of the immobilization of the Certificates at DTC, or another securities depository, in which case, such beneficial interests would become exchangeable for definitive printed obligations of like principal amount.

CUSIP NUMBERS: It is anticipated that CUSIP identification numbers will be printed on the Certificates, but neither the failure to print such number on any Certificate nor any error with respect thereto shall constitute cause for a failure or refusal by the Initial Purchaser to accept delivery of and pay for the Certificates in accordance with the terms of the Official Bid Form and this Official Notice of Sale. All expenses in relation to the printing of CUSIP numbers on the Certificates shall be paid by the Issuer; however, the CUSIP Service Bureau's charge for the assignment of the numbers shall be paid by the Initial Purchaser.

CONDITIONS TO DELIVERY: The obligation to take up and pay for the Certificates is subject to the following conditions: the issuance of an approving opinion of the Attorney General of Texas, the Initial Purchaser's receipt of the legal opinion of Bond Counsel and the no-litigation certificate, and the non-occurrence of the events described below under the caption "NO MATERIAL ADVERSE CHANGE," all as described below. In addition, if the Issuer fails to comply with its obligations described under "OFFICIAL STATEMENT" above, the Initial Purchaser may terminate its contract to purchase the Certificates by delivering written notice to the Issuer within five (5) days thereafter.

NO MATERIAL ADVERSE CHANGE: The obligations of the Initial Purchaser to take up and pay for the Certificates, and of the Issuer to deliver the Certificates to the Initial Purchaser, are subject to the condition that, up to the time of delivery of and receipt of payment for the Certificates, there shall have been no material adverse change in the affairs of the Issuer subsequent to the date of sale from that set forth in the Official Statement, as it may have been finalized, supplemented or amended through the date of delivery.

LEGAL OPINIONS: The Certificates are offered when, as and if issued, subject to the approval of certain legal matters by the Attorney General of the State of Texas and Bond Counsel (see discussion "OTHER PERTINENT INFORMATION - Legal Opinions and No-Litigation Certificate" in the Official Statement).

CHANGE IN TAX-EXEMPT STATUS: At any time before the Certificates are tendered for initial delivery to the Initial Purchaser, the Initial Purchaser may withdraw its bid if the interest on obligations such as the Certificates shall be declared to be includable in the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, either by Treasury regulations, by ruling or administrative guidance of the Internal Revenue Service, by a decision of any federal court, or by the terms of any federal income tax legislation enacted subsequent to the date of this Official Notice of Sale.

QUALIFIED TAX-EXEMPT OBLIGATIONS: The City will designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions (see discussion under "TAX MATTERS – Qualified Tax-Exempt Obligations" in the Preliminary Official Statement).

GENERAL CONSIDERATIONS

RATING: S&P Global Ratings ("S&P") has assigned a rating of "AA-" to the Certificates. An explanation of the significance of such rating, when received, may be obtained from S&P. A rating reflects only the view of such company at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that such a rating will continue for any given period of time, or that it will not be revised downward or withdrawn entirely by the company assigning such rating if, in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

SALE OF ADDITIONAL DEBT: The Town does not anticipate the issuance of additional debt within the next twelve months.

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE: No registration statement relating to the Certificates has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act. The Certificates have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. Any representation to the contrary is a criminal offense. The Certificates have not been registered or qualified under the Securities Act of Texas in reliance upon exemptions contained therein, nor have the Certificates been registered or qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for registration or 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 registration or qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the Purchaser to register or qualify sale of the Certificates under the securities laws of any jurisdiction which so requires. The Issuer agrees to cooperate, at the Purchaser's written request and expense and within reasonable limits, in registering or qualifying the Certificates, or in obtaining an exemption from registration or qualification in any state where such action is necessary, but will in no instance execute a special or general consent to service of process in any state that the Certificates are offered for sale.

ADDITIONAL COPIES: Subject to the limitations described under "OFFICIAL STATEMENT" herein, additional copies of this Official Notice of Sale, the Official Bid Form, and the Preliminary Official Statement may be obtained from SAMCO Capital Markets, Inc., 1700 Pacific Ave., Suite 2000, Dallas, Texas 75201, Attention: Peggy Kilborn (214-765-1440, pkilborn@samcocapital.com).

On the date of the sale, the Town Council will, in the Ordinance, approve the form and content of the Final Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Certificates by the Purchaser.

ATTEST:

Town Secretary
Town of Lakewood Village, Texas

Mayor
Town of Lakewood Village, Texas

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CERTIFICATE OF INTERESTED PARTIES

FORM 1295

1 of 1

Complete Nos. 1 - 4 and 6 if there are interested parties.
 Complete Nos. 1, 2, 3, 5, and 6 if there are no interested parties.

**OFFICE USE ONLY
 CERTIFICATION OF FILING**

1 Name of business entity filing form, and the city, state and country of the business entity's place of business.

2 Name of governmental entity or state agency that is a party to the contract for which the form is being filed.

Town of Lakewood Village, Texas

3 Provide the identification number used by the governmental entity or state agency to track or identify the contract, and provide a description of the services, goods, or other property to be provided under the contract.

Contract Number: LV2020 CO-Bid Form

Purchase of the Town of Lakewood Village, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020

4	Name of Interested Party	City, State, Country (place of business)	Nature of interest (check applicable)	
			Controlling	Intermediary

SAMPLE

5 Check only if there is NO Interested Party.

6 UNSWORN DECLARATION

My name is _____, and my date of birth is _____.

My address is _____, _____, _____, _____, _____.
(street) (city) (state) (zip code) (country)

I declare under penalty of perjury that the foregoing is true and correct.

Executed in _____ County, State of _____, on the ____ day of _____, 20____.
(month) (year)

 Signature of authorized agent of contracting business entity
 (Declarant)

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OFFICIAL BID FORM

Honorable Mayor and Town Council
 Town of Lakewood Village
 100 Highridge Drive
 Lakewood Village, Texas 75068

February 18, 2020

Ladies and Gentlemen:

Reference is made to your Official Notice of Sale and Preliminary Official Statement dated February 11, 2020 of \$4,500,000* Town of Lakewood Village, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020, both of which constitute a part hereof.

For said legally issued Certificates, as described in said Official Notice of Sale and Preliminary Official Statement, we will pay you a price of \$_____ (being a price of no less than 102% nor more than 107% of the par value) plus accrued interest from their Dated Date to the date of delivery to us, for Certificates maturing February 1 and bearing interest as follows:

<u>Stated Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Stated Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Stated Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2021	\$ 45,000	_____ %	2028	\$ 225,000	_____ %	2035*	\$ 280,000	_____ %
2022	90,000	_____ %	2029	230,000	_____ %	2036*	290,000	_____ %
2023	90,000	_____ %	2030*	240,000	_____ %	2037*	300,000	_____ %
2024	90,000	_____ %	2031*	245,000	_____ %	2038*	310,000	_____ %
2025	200,000	_____ %	2032*	255,000	_____ %	2039*	320,000	_____ %
2026	210,000	_____ %	2033*	265,000	_____ %	2040*	330,000	_____ %
2027	215,000	_____ %	2034*	270,000	_____ %			

**Maturities available for Term Certificates*

Of the principal maturities set forth in the table above, we have created term certificates (the "Term Certificates") as indicated in the following table (which may include no more than five Term Certificates. For those years which have been combined into a Term Certificate, the principal amount shown in the table shown on page ii of the Official Notice of Sale will be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the Term Certificate maturity date will mature in such year. The Term Certificates created are as follows:

<u>Term Certificate Maturity Date February 1</u>	<u>Year of First Mandatory Redemption</u>	<u>Principal Amount of Term Certificate</u>	<u>Interest Rate</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Our calculation (which is not part of this bid) of the True Interest Cost from the above is: _____ %

ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS: The Town reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Certificates, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Certificates shall not exceed \$4,500,000. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Notice of Sale may be amended at the sole discretion of the Town to reflect such increase or decrease. The Town will attempt to maintain total per bond underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

By its acceptance of this bid, we understand the Town will provide the copies of the Final Official Statement and of any amendments or supplements thereto in accordance with the Official Notice of Sale, and will cooperate to permit the undersigned to comply with Rule 15c2-12 of the United States Securities and Exchange Commission. The Purchaser by submitting this bid for the Certificates agrees to promptly file the Official Statement when received from the Town with the Municipal Securities Rulemaking Board.

** Preliminary; subject to change.*

The Initial Certificate shall be registered in the name of _____ (Syndicate Manager), which will upon payment for the Certificates, be canceled by the Paying Agent/Registrar. The Certificates will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the Book-Entry-Only System. We will advise DTC of registration instructions at least five business days prior to the date set for Initial Delivery.

Cashier's Check of the _____ Bank, _____, in the amount of \$90,000 which represents our Good Faith Deposit (is attached hereto) or (has been made available to you prior to the opening of this bid), and is submitted in accordance with the terms as set forth in the Official Notice of Sale. Upon delivery of the Certificates, said check shall be returned to the Initial Purchaser.

We agree to accept delivery of the Initial Certificate(s) through DTC and make payment for the Initial Certificate(s) in immediately available funds at BOKF, NA, Dallas, Texas, no later than 10:00 A.M., Central time, on March 10, 2020, or thereafter on the date the Initial Certificate(s) are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale.

Through submittal of this executed Official Bid Form, the undersigned verifies that, except to the extent otherwise required by applicable Texas or Federal law, it does not and will not "boycott Israel" and is not a company on the Texas Comptroller's list concerning "foreign terrorist organizations" prepared and maintained thereby under applicable Texas law, all as more fully provided in the Official Notice of Sale under the heading "ADDITIONAL CONDITION OF AWARD - COMPLIANCE WITH H.B. 89 AND S.B. 252, 85TH TEXAS LEGISLATURE".

For purposes of contracting for the sale of the Certificates, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Certificates. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the Town is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

Upon notification of conditional verbal acceptance, the undersigned will, if required by applicable Texas law as described in the Official Notice of Sale under the heading "ADDITIONAL CONDITION OF AWARD – Disclosure of Interested Party Form", complete an electronic form of the Certificate of Interested Parties Form 1295 (the "Disclosure Form") through the Texas Ethics Commission's (the "TEC") electronic portal and the resulting certified Disclosure Form that is generated by the TEC's electronic portal will be printed, signed, and sent by email to the Town's financial advisor at mmcliney@samcocapital.com and Bond Counsel at robert.dransfield@nortonrosefulbright.com. The undersigned understands that the failure to provide the certified Disclosure Form will prohibit the Town from providing final written award of the enclosed bid.

By: _____
Authorized Representative

Telephone Number

E-mail Address

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by the Town of Lakewood Village, Texas, subject to and in accordance with the Official Notice of Sale and Official Bid Form, this 12th day of March 2020.

ATTEST:

Town Secretary, Town of Lakewood Village, Texas

Mayor, Town of Lakewood Village, Texas

\$4,500,000*
TOWN OF LAKEWOOD VILLAGE, TEXAS
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2020

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of _____ (the "Purchaser"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Certificates") of Lakewood Village, Texas (the "Issuer").

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Certificates to the Public by the Purchaser are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Certificates used by the Purchaser in formulating its bid to purchase the Certificates. Attached as Schedule B is a true and correct copy of the bid provided by the Purchaser to purchase the Certificates.

(b) The Purchaser was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Purchaser constituted a firm offer to purchase the Certificates.

2. Defined Terms.

(a) *Maturity* means Certificates with the same credit and payment terms. Certificates with different maturity dates, or Certificates with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Certificates. The Sale Date of the Certificates is March 12, 2020.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Certificates to the Public (including a member of a selling group or a party to a retail or other retail or other third-party distribution agreement participating in the initial sale of the Certificates to the Public.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Purchaser's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Certificate as to Tax Exemption with respect to the Certificates and with respect to compliance with the federal income tax rules affecting the Certificates, and by Norton Rose Fulbright US LLP in connection with rendering its opinion that the interest on the Certificates is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Certificates.

Underwriter: _____

By: _____

Name: _____

Title: _____

Dated: _____

*Preliminary. Subject to change.

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SCHEDULE A

EXPECTED OFFERING PRICES

(this page intentionally left blank)

SCHEDULE B

COPY OF UNDERWRITER'S BID

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This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of any such jurisdiction.

NEW ISSUE: BOOK-ENTRY-ONLY

Ratings: S&P: "AA-"
(See "OTHER PERTINENT INFORMATION - Ratings" herein)

PRELIMINARY OFFICIAL STATEMENT
Dated: March 5, 2020

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 of initial delivery of the Certificates, subject to the matters described under "TAX MATTERS" herein.

The Issuer will designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions.

\$4,500,000*
TOWN OF LAKEWOOD VILLAGE, TEXAS
(Denton County)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2020

Dated Date: April 1, 2020

Obligations Due: February 1, as shown on page ii

The Town of Lakewood Village, Texas (the "Town" or the "Issuer") \$4,500,000* Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020 (the "Certificates" or "Obligations") are being issued pursuant to the Constitution and laws of the State of Texas (the "State"), including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, and an ordinance (the "Ordinance") to be adopted by the Town Council. (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates constitute direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the Town, within the limits prescribed by law, and further secured by and payable from a lien on and limited pledge (not to exceed \$1,000) of the net revenues derived from the operation of the Issuer's combined waterworks and sewer system (the "System"). (See "THE CERTIFICATES - Security for Payment" herein.)

Interest on the Certificates will accrue from April 1, 2020 (the "Dated Date") as shown above and will be payable on February 1, 2021, and on each August 1 and February 1 thereafter until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Obligations will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Obligations will be made available for purchase in principal amounts of \$5,000 or any integral multiple thereof within a maturity. Purchasers of the Obligations ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Obligations purchased. So long as DTC or its nominee is the registered owner of the Obligations, the principal of and interest on the Obligations will be payable by BOKF, NA, Dallas, Texas, as Paying Agent/Registrar, to DTC, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Obligations. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used for the purpose of paying the Town's contractual obligations to be incurred for (i) constructing street improvements (including utilities repair, replacement, and relocation), including drainage incidental thereto, traffic signalization and monitoring equipment and other traffic controls, street lighting and the purchase of materials, supplies, equipment, machinery, land, and rights-of-way for authorized needs and purposes relating to the aforementioned improvements and (ii) professional services rendered in connection therewith; such certificates to be payable from ad valorem taxes and a limited pledge of the net revenues of the Town's combined waterworks and sewer system. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

STATED MATURITY SCHEDULE
(On Page ii)

The Obligations are offered for delivery, when, as and if issued and received by the initial purchaser (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel. (See Appendix C – Form of Legal Opinion of Bond Counsel.) (See "OTHER PERTINENT INFORMATION - Legal Opinions and Non-Litigation Certificate" herein). It is expected that the Certificates will be available for delivery through DTC on or about April 8, 2020.

BIDS FOR CERTIFICATES DUE ON MARCH 12, 2020 AT 11:00 A.M., CENTRAL TIME.

* Preliminary, subject to change.

STATED MATURITY SCHEDULE

(Due February 1)

Base CUSIP – To be assigned

<u>Stated Maturity February 1</u>	<u>Principal Amount*</u>	<u>Initial Rate (%)</u>	<u>Initial Yield (%)</u>	<u>CUSIP Suffix^(a)</u>
2021	\$ 45,000			
2022	90,000			
2023	90,000			
2024	90,000			
2025	200,000			
2026	210,000			
2027	215,000			
2028	225,000			
2029	230,000			
2030	240,000			
2031	245,000			
2032	255,000			
2033	265,000			
2034	270,000			
2035	280,000			
2036	290,000			
2037	300,000			
2038	310,000			
2039	320,000			
2040	330,000			

(Interest to accrue from the Dated Date)

The Issuer reserves the right to redeem the Certificates maturing on and after February 1, 2028, on February 1, 2027, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest as further described herein. (See “THE CERTIFICATES - Redemption Provisions” herein.)

^(a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (“CGS”), managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the Town nor the Financial Advisor is responsible for the selection or the correctness of the CUSIP numbers set forth herein.

* Preliminary, subject to change.

TOWN OF LAKEWOOD VILLAGE, TEXAS
100 Highridge Drive
Lakewood Village, Texas 75068
972-294-5555

ELECTED OFFICIALS

<u>Name</u>	<u>Position</u>	<u>On Council Since</u>	<u>Term Expires May</u>	<u>Occupation</u>
Dr. Mark Vargus	Mayor	2007	2020	Finance Professor
Darrell West	Mayor Pro Tem	2018	2020	Software Developer
Eric Farage	Council Member	2019	2021	Revenue Cycle Director
Matt Bissonnette	Council Member	2019	2021	Corp. Relationship Mgr – JP Morgan
Serena Lepley	Council Member	2018	2020	Speech Language Pathologist
Clint Bushong	Council Member	2014	2021	Engineer

ADMINISTRATION

<u>Name</u>	<u>Position</u>	<u>Years of Municipal Experience</u>
Linda Asbell	Town Secretary	20 years

CONSULTANTS AND ADVISORS

Bond Counsel	Norton Rose Fulbright US LLP Dallas, Texas
Financial Advisor	SAMCO Capital Markets, Inc. San Antonio, Texas
Certified Public Accountants	Nabors CPA Services, P.C. Frisco, Texas

For Additional Information Please Contact:

Dr. Mark Vargus
 Chief Financial Officer
Town of Lakewood Village
 100 Highridge Drive
 Lakewood Village, Texas 75068
 972-294-5555
 mark@lakewoodvillagetx.us

Mr. Mark McLiney
 Senior Managing Director
SAMCO Capital Markets, Inc.
 1020 NE Loop 410, Suite 640
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USE OF INFORMATION IN THE OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities Exchange Commission (the “Rule”), this document constitutes a preliminary official statement of the Issuer with respect to the Certificates that has been deemed “final” by the Issuer as of its date except for the omission of no more than the information permitted by the Rule.

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

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

Certain information set forth herein has been provided by sources other than the Town that the Town believes to be reliable, but the Town makes no representation as to the accuracy of such information. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the 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.

NEITHER THE TOWN NOR ITS FINANCIAL ADVISOR MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY (“DTC”) OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC.

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 JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The Issuer	The Town of Lakewood Village, Texas (the “Town” or “Issuer”) is a political subdivision of the State of Texas located in Denton County, and is a municipal corporation organized and existing under the laws of the State. The Town is a Type A General Law City operating under a Mayor-Council Form of Government. The Town’s current population estimate is 825. (See “APPENDIX B - GENERAL INFORMATION REGARDING THE TOWN OF LAKEWOOD VILLAGE AND DENTON COUNTY, TEXAS” herein.)
The Certificates	The Certificates are being issued pursuant to the Constitution and laws of the State of Texas (the “State”), including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, an ordinance (the “Ordinance”) to be adopted by the Town Council. (See “THE CERTIFICATES - Authority for Issuance” herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Certificates is BOKF, NA, Dallas, Texas.
Security	The Certificates constitute direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the Town, within the limits prescribed by law, and further secured by and payable from a lien on and limited pledge (not to exceed \$1,000) of the net revenues derived from the operation of the Issuer’s combined waterworks and sewer system (the “System”). (See “THE CERTIFICATES - Security for Payment” herein.)
Redemption Provisions	The Issuer reserves the right to redeem the Certificates maturing on and after February 1, 2028, on February 1, 2027, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest, as further described herein. See “THE CERTIFICATES - Redemption Provisions” herein.)
Tax Matters	In the opinion of Bond Counsel, the 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. (See “TAX MATTERS” and APPENDIX C - FORM OF LEGAL OPINION OF BOND COUNSEL” herein.)
Qualified Tax Exempt Obligations	The Issuer will designate the Certificates as “Qualified Tax-Exempt Obligations” for financial institutions. (See “TAX MATTERS – Qualified Tax-Exempt Obligations” herein.)
Use of Proceeds	Proceeds from the sale of the Certificates will be used for the purpose of paying the Town’s contractual obligations to be incurred for (i) constructing street improvements (including utilities repair, replacement, and relocation), including drainage incidental thereto, traffic signalization and monitoring equipment and other traffic controls, street lighting and the purchase of materials, supplies, equipment, machinery, land, and rights-of-way for authorized needs and purposes relating to the aforementioned improvements and (ii) professional services rendered in connection therewith; such certificates to be payable from ad valorem taxes and a limited pledge of the net revenues of the Town’s combined waterworks and sewer system. (See “THE CERTIFICATES - Use of Certificate Proceeds” herein.)
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York described herein. No physical delivery of the Certificates will be made to the beneficial owners of the Certificates. Such Book-Entry-Only System may affect the method and timing of payments on the Certificates and the manner the Certificates may be transferred. (See “Book-Entry-Only System” herein.)
Ratings	S&P Global Ratings (“S&P”) has assigned a rating of “AA-” to the Certificates. An explanation of the significance of such rating may be obtained from the rating agency. (See “OTHER PERTINENT INFORMATION - Ratings” herein.)
Issuance of Additional Debt	The Issuer does not anticipate the issuance of additional debt within the next twelve months.
Payment Record	The Town has never defaulted on the payment of its debt.
Delivery	It is anticipated the Certificates will be available for delivery through DTC on or about April 8, 2020.
Legality	Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Norton Rose Fulbright US LLP, Bond Counsel, Dallas, Texas.

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INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by Town of Lakewood Village, Texas (the "Town" or "Issuer") of its \$4,500,000* Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020 (the "Certificates") identified on the cover page hereof.

The Issuer is a political subdivision of the State of Texas and operates as a Type-A General-Law municipality under the statutes and the constitution of the State of Texas (the "State"). The Certificates are being issued pursuant to the Constitution and general laws of the State, an ordinance (the "Ordinance" or the "Certificate Ordinance") to be adopted by the Town Council authorizing the issuance of the Certificates. (See "THE CERTIFICATES - Authority for Issuance" herein.)

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

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

THE CERTIFICATES

General Description

The Certificates will be dated April 1, 2020 (the "Dated Date"). The Certificates are stated to mature on February 1 in the years and in the principal amounts set forth on page ii hereof. The Certificates shall bear interest from their Dated Date on the unpaid principal amounts, and the amount of interest to be paid with respect to each payment period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Certificates will be payable on February 1, 2021, and on each August 1 and February 1 thereafter, until maturity or prior redemption. Principal is payable at the designated offices of the Paying Agent/Registrar for the Certificates, initially BOKF, NA, Dallas, Texas; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Certificates, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. Interest on the Certificates shall be paid to the registered owners whose names appear on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (as hereinafter defined) and shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk of, the registered owner. If the date for the payment of the principal or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to be closed, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Initially, the Certificates will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described below. No physical delivery of the Certificates will be made to the Beneficial Owners. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will distribute the amounts received to the appropriate DTC Participants, who shall in turn make payment to the Beneficial Owners of the Certificates. Such Book-Entry-Only System may change the method and timing of payment for the Certificates and the method of transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Authority for Issuance

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

Security for Payment

The Certificates constitute direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the Town, within the limits prescribed by law, and further secured by and payable from a lien on and limited pledge (not to exceed \$1,000) of the net revenues derived from the operation of the Issuer's combined waterworks and sewer system (the "System").

* Preliminary, subject to change.

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for Proceeds from the sale of the Certificates will be used for the purpose of paying the Town's contractual obligations to be incurred for (i) constructing street improvements (including utilities repair, replacement, and relocation), including drainage incidental thereto, traffic signalization and monitoring equipment and other traffic controls, street lighting and the purchase of materials, supplies, equipment, machinery, land, and rights-of-way for authorized needs and purposes relating to the aforementioned improvements and (ii) professional services rendered in connection therewith; such certificates to be payable from ad valorem taxes and a limited pledge of the net revenues of the Town's combined waterworks and sewer system.

Redemption Provisions

Optional Redemption: The Issuer reserves the right, at its option, to redeem the Certificates maturing on and after February 1, 2028, on February 1, 2027, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof (and, if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date fixed for redemption.

Not less than thirty (30) days prior to a redemption date for the Certificates, the Town shall cause a notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owners of each Certificate or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. ANY NOTICE OF REDEMPTION SO MAILED TO THE REGISTERED OWNERS WILL BE DEEMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE OF THE REGISTERED OWNERS FAILED TO RECEIVE SUCH NOTICE. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates or portions thereof which are to be so redeemed. If such notice of redemption is given and any other condition to redemption satisfied, all as provided above, the Certificates or portion thereof which are to be redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

With respect to any optional redemption of the Certificates, unless certain prerequisites to such redemption required by the Certificate Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Certificates to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption will, at the option of the Town, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the Town will not redeem such Certificates and the Paying Agent/Registrar will 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 Issuer, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Certificates or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the Issuer will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC direct participants and indirect participants may implement a redemption of such Certificates from the Beneficial Owners. Any such selection of Certificates the Issuer has called for redemption will not be governed by the Certificate Ordinance and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC direct participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption. (See "Book-Entry-Only System" herein.)

Payment Record

The Town has never defaulted on the payment of its debt.

Legality

The Certificates are offered when, as and if issued, subject to the approvals of legality by the Attorney General of the State of Texas and Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel. A form of the legal opinion of Bond Counsel appears in Appendix C attached hereto.

Defeasance

The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or otherwise) is provided by irrevocably depositing with the Paying Agent/Registrar or authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Government Securities that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates. The Ordinance provides that "Government Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and on the date of their acquisition or purchase by the Town are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any other then authorized securities of obligations that may be used to defease obligations such as the Certificates under the then applicable laws of the State of Texas. 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 for defeasance purposes or that for any other Government Securities will be maintained at any particular rating category.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of Certificates have been made as described above, all rights of the Town to initiate proceedings to call such Certificates for redemption or take any other action amending the terms of such Certificates are extinguished; provided, however, that the right to call such 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 such Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of such 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.

Amendments to the Ordinance

The Town may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein.

In addition, the Town may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Certificates affected, no such amendment, addition, or rescission shall (i) extend the time or times of payment of the principal of, premium if any and interest on the Certificates, reduce the principal amount thereof, the redemption price therefor or the rate of interest thereon or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Certificates, (ii) give any preference to any Certificate over any other Certificates or (iii) reduce the aggregate principal amount of Certificates required for consent to any such amendment, addition or rescission.

Default and Remedies

The Ordinance does not provide or specify remedies with regard to an event of default. Upon the occurrence of an event of default, the registered owners may seek a writ of mandamus to compel the Town officials to carry out the legally imposed duties with respect to the Certificates if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the Town's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so 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 Certificateholders 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 April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("Wasson") that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. The Texas Supreme Court reviewed *Wasson* again in June 2018 and clarified 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 when it entered into the contract, not at the time of the alleged breach. Therefore in regard to municipal contract cases (as in tort claims) it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory 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 the authority or for the benefit of the state. If sovereign immunity is determined by a court to exist, then the Texas Supreme Court has 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, owners of the Certificates may not be able to bring such a suit against the Town for breach of the covenants in the Ordinance or the Certificates. 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. Furthermore, the Town is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or owners 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 creditors' rights 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 Certificates are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

Initially, the only registered owner of the Certificates will be Cede & Co., as nominee of DTC. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the duties of DTC with regard to ownership of the Certificates.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Certificates is BOKF, NA, Dallas, Texas. In the Ordinance, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a bank, trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. Upon a change in the Paying Agent/Registrar for the Certificates, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates by United States mail, first-class, postage prepaid.

The Certificates will be issued in fully registered form in multiples of \$5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. Interest will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar on the Record Date (as defined below) by check or such other method acceptable to the Paying Agent/Registrar mailed on February 1, 2021, and on each August 1 and February 1 thereafter until maturity or prior redemption of the Certificates, by the Paying Agent/Registrar to the last known address of the registered owner as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal of a Certificate will be paid to the registered owner at its stated maturity or its prior redemption upon presentation to the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized 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. So long as Cede & Co. is the registered owner of the Certificates, payments of principal of and interest on the Certificates will be made as described in "BOOK-ENTRY-ONLY SYSTEM" herein.

Record Date

The record date ("Record Date") for interest payable to the registered owner of a Certificate on any interest payment date means the fifteenth (15th) day of the month next preceding such interest payment date.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (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 Bond 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.

Future Registration

The Certificates are initially to be issued utilizing the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC"). In the event such Book-Entry-Only System should be discontinued, printed certificates will be issued to the owners of the Certificates and thereafter, the Certificates may be transferred, registered, and assigned 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 registration and transfer 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 and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. 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 (3) business days after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the 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 in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Certificate or Certificates surrendered for exchange or transfer. (See "Book-Entry-Only System" herein for a description of the system to be initially utilized in regard to ownership and transferability of the Certificates.)

Limitation on Transferability

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

Replacement Certificates

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

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Certificates is to be transferred and how the principal of, 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 Official Statement. The Town and the Financial Advisor believe the source of such information to be reliable, but take 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 Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully registered 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 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 for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Certificates may wish to take certain steps to augment the transmission to then of notices of significant events with respect to the Certificates, such as defaults and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

All payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or 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, Paying Agent/Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the Issuer or 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 Issuer or 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 Participants or the Beneficial Owners, as the case may be.

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

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 by the Town, the Financial Advisor, or the initial purchaser of the Certificates.

Use of Certain Terms in Other Sections of this Official Statement

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

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER

The Town invests funds in instruments authorized by Texas law in accordance with investment policies approved by the Town Council. Direct management responsibility for the investment program of the Town is delegated by the respective governing body to the Investment Officer. The Investment Officer authority will at all times be limited by all applicable laws and regulations in effect. Both State law and the Town's investment policies are subject to change.

Available Town funds are invested as authorized by Texas law and in accordance with investment policies approved by the Town Council. Both State law and the Town's investment policies are subject to change. 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 directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in this State that the investing entity selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Insurance Fund or its successor, or are secured as to principal by obligations described in the clauses (1) through (8) or in any other manner and amount provided by law for Town deposits, or (ii) where (a) the funds are invested by the Town through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the Town as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the Town; (b) the broker or the depository institution selected by the Town arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the Town; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the Town appoints the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the Town with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) 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) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the Town, held in the Town's name and deposited at the time the investment is made with the Town or a third party designated by the Town; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less, (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (13) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (14) a no-load money market mutual fund registered with and regulated by the Securities and Exchange Commission that provides 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 federal Securities and Exchange Commission Rule 2a-7, and (15) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

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

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

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

Under Texas 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 entity 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 or requires an interpretation of subjective investment standards), 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.

Current Investments

As of December 31, 2019, (unaudited), all the Town's investable funds in the amount of \$545,375.41 (which excludes \$98,560.75 in debt service funds) were invested in checking and money market accounts with the Town's depository bank and Texpool.

As of such date, the market value of such investments (as determined by the Town by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. No funds of the Town are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

EMPLOYEE RETIREMENT SYSTEM

The Town has a voluntary 403(b) Retirement Plan for active employees. There are no post-retirement benefits.

AD VALOREM PROPERTY TAXATION

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

VALUATION OF TAXABLE PROPERTY. . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the Town is the responsibility of the Denton County 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.

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.

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. 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 "AD VALOREM PROPERTY TAXATION – 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.

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

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

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

TAX INCREMENT 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 “TOWN’S APPLICATION OF PROPERTY 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.

Beginning in the 2020 tax year, owners of certain property with a taxable value in excess of the current year “minimum eligibility amount”, as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$50 million for the 2020 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 District and provides for taxpayer referenda that could result in the repeal of certain tax increases (see “AD VALOREM PROPERTY TAXATION – 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.

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.

"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 town for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

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

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

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

A city must annually calculate its voter-approval tax rate and no-new-revenue tax rate in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

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

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

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

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

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

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

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

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.

TOWN'S APPLICATION OF THE PROPERTY TAX CODE

The Town does not grant an optional exemption of \$10,000 to the market value of the residence homestead of persons 65 years of age or older and the disabled.

The Town does not grant an additional exemption of up to 20% for residence homesteads.

The Town does not tax business personal property.

The Denton County Tax Collector collects property taxes for the Town.

The Town does not permit discounts but does allow split payments as required for over 65.

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

The Town does not exempt "goods-in-transit".

The Town does not have any abatement agreements at this time.

The Town does not have any tax increment reinvestment zones at this time.

The Town has not created public improvement districts.

The Town has not entered into any Chapter 380 agreements regarding developments in the Town.

ECONOMIC DEVELOPMENT PROGRAMS

General

Economic development incentives are offered on a project by project basis commensurate with the quality and character of the development and the extent to which it contributes to Town character and quality of life. The Town is authorized pursuant to State law, including Chapter 380, Texas Local Government Code, as amended ("Chapter 380"), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the Town. In accordance with a program established pursuant to Chapter 380, the Town may make loans or grants of public funds for economic development purposes, however no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the Town. The Town may contract with the federal government, the State of Texas, another political subdivision, a nonprofit organization or any other entity, including private entities, for the administration of such a program. Economic development incentives may include the creation of one or more public improvements districts ("PIDs") to fund public improvements that benefit certain designated areas. Special assessments are levied on the benefited property to pay the costs of the public improvements or pledged to the payment of bonds or other obligations issued to fund the public improvements.

ADDITIONAL TAX COLLECTIONS

Municipal Sales Tax Collections

The Town has adopted the provisions of Chapter 321.103(a), Texas Tax Code, which provides for the maximum levy of a two percent sales tax which may be used by the Town for any lawful purpose except that the Town may not pledge any of the anticipated sales tax revenue to secure the payment of certificates or other indebtedness. Net collections on a calendar year basis are shown in Table 8 of Appendix A.

Optional Sales Tax

The Tax Code provides certain cities and counties the option of levying additional sales taxes for various purposes, including property tax reduction and economic development, provided that the total of all local sales taxes cannot exceed two percent.

In May 2016, registered voters of the Town approved the abolishment of an additional one-half percent ($\frac{1}{2}\%$) sales tax to be used for economic development and approved an additional 0.5% sales tax for General Fund purposes. In addition, voters also approved an 0.5% sales tax for a Municipal Development District.

The optional sales tax revenues are not pledged to the payment of the Obligations.

TAX MATTERS

Tax Exemption

The delivery of the Certificates is subject to the opinion of Bond Counsel to the effect that interest on the Certificates for federal income tax purposes (i) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (ii) will not be included in computing the alternative minimum taxable income of the owners thereof. A form of Bond Counsel's opinion is reproduced as Appendix C. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinion, Bond Counsel will rely upon representations and certifications of the Town made in a certificate dated the date of delivery of the Certificates pertaining to the use, expenditure, and investment of the proceeds of the Certificates and will assume continuing compliance by the Town with the provisions of the Ordinance subsequent to the issuance of the Certificates. The Ordinance contains covenants by the Town with respect to, among other matters, the use of the proceeds of the Certificates and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Certificates are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Certificates to be includable in the gross income of the owners thereof from the date of the issuance of the Certificates.

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

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust ("FASIT"), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change to reduce or eliminate the benefit to holders of the Certificates of the exclusion of interest on the Certificates from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Certificates. Prospective purchasers of the Certificates should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certificates

The initial public offering price of certain Certificates (the "Discount Certificates") may be less than the amount payable on such Certificates at maturity. An amount equal to the difference between the initial public offering price of a Discount Certificate (assuming that a substantial amount of the Discount Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Certificate. A portion of such original issue discount allocable to the holding period of such Discount Certificate by the initial purchaser will, upon the disposition of such Discount Certificate (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Certificates described above under "Tax Exemption". Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Certificate, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Certificate and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with "subchapter C" earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Certificate was held) is includable in gross income.

Owners of Discount Certificates should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Certificates. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Certificates may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Certificates (the "Premium Certificates") may be greater than the amount payable on such Certificates at maturity. An amount equal to the difference between the initial public offering price of a Premium Certificate (assuming that a substantial amount of the Premium Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Certificates. The basis for federal income tax purposes of a Premium Certificate in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Certificate. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Certificates should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Certificates.

Qualified Tax-Exempt Obligations

Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for interest expense allocable to tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) which are designated by an issuer as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed \$10,000,000.

The Town will designate the Certificates as "qualified tax-exempt obligations" and will certify its expectation that the above-described \$10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Certificates will not be subject to the 100% disallowance of interest expense allocable to interest on the Certificates under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Certificates will be reduced by 20% pursuant to section 291 of the Code.

CONTINUING DISCLOSURE OF INFORMATION

The Town is exempt from certain of the continuing disclosure obligations set forth in the United States Securities and Exchange Commission Rule 15c2-12, as amended (the "Rule") pursuant to the exemption under subsection (d)(2), which applies to certain small issuers such as the Town who are not an "obligated person" (as defined in the Rule) responsible for the repayment of municipal securities outstanding (including the Certificates) in an aggregate principal amount exceeding \$10,000,000. In the Ordinance, the Town has made the following agreement for the benefit of the Registered 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 events to the Municipal Securities Rulemaking Board (the "MSRB"). The information provided to the MSRB will be available to the public free of charge via the Electronic Municipal Market Access ("EMMA") system through an internet website accessible at www.emma.msrb.org.

Annual Reports

The Town will provide certain financial information and operating data to the MSRB through its EMMA system annually. The information to be provided includes financial information and operating data with respect to the Town of the general type included in this Official Statement and in APPENDIX A, but only to the extent that such information is customarily prepared and publicly available. Currently, the only information that is customarily prepared by the Town and publicly available consists of an annual audit of the Town's financial statements. The Town will provide such information within twelve months after the end of each fiscal year ending in or after 2020. The Town will provide the information to the MSRB in an electronic format, which will be available through EMMA to the general public without charge.

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

Notice of Certain Events

The Town will also provide timely notices of certain events to the MSRB. The Town will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Town, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the Town, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Town, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Town, any of which reflect financial difficulties. In addition, the

Town will provide timely notice of any failure by the Town to provide annual financial information or operating data in accordance with their agreement described above under "Annual Reports".

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

For the purposes of the above described event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. The City intends the words used in clauses (15) and (16) above to have the meanings ascribed to them in SEC Release No. 34-83885, dated August 20, 2018.

Availability of Information from MSRB

The Issuer has agreed to provide the foregoing information only as described above. The foregoing information, data and notices can be obtained from the Chief Financial Officer of the Town as shown on page (iii). Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

Limitations and Amendments

The Issuer has agreed to update information and to provide notices of certain specified events only as described above. The Issuer 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 Issuer 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 Issuer disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its agreement or from any statement made pursuant to its agreement, although holders or beneficial owners of Certificates may seek a writ of mandamus to compel the Issuer to comply with its agreement.

The Issuer may amend its agreement 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 Issuer, if the agreement, as amended, would have permitted an underwriter 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 either the holders of a majority in aggregate principal amount of the outstanding Certificates consent or any person unaffiliated with the Issuer (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Certificates. The Issuer may also repeal or amend its agreement if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the Issuer amends its agreement, it must 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 information and data provided.

Compliance with Prior Agreements

The Issuer has not had any disclosure requirements prior to this issuance.

OTHER PERTINENT INFORMATION

Registration and Qualification of Certificates for Sale

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

Litigation

In the opinion of the Town officials, the Issuer is not a party to any litigation or other proceeding pending or to its knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the Issuer, would have a material adverse effect on the financial condition of the Town.

Future Debt Issuance

The Town does not anticipate the issuance of additional tax-backed debt within the next twelve months.

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 governed by Chapter 8, Texas Business and Commerce Code, and are real 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 Public Funds Investment Act, 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 PERTINENT INFORMATION - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivision, and are legal security for those deposits to the extent of their fair 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.

Additionally, with respect to the Certificates, Section 271.051 of the Texas Local Government Code expressly provides that certificates of obligation approved by the Attorney General of Texas are legal authorized investments for banks, savings banks, trust companies, and savings and loan associations, insurance companies, fiduciaries, trustees, and guardians, and sinking funds of municipalities, counties, school districts, or other political corporations or subdivisions of the State. The Certificates are eligible to secure deposits of any public funds of the State, municipalities, school and other political subdivisions of the State, and are legal security for those deposits to the extent of the market value.

Ratings

S&P Global Ratings ("S&P") has assigned a rating of "AA-" to the Certificates. An explanation of the significance of such rating may be obtained from S&P. A rating by a rating agency reflects only the view of such company at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that such a rating will continue for any given period of time, or that it will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Certificates.

Legal Opinions and No-Litigation Certificate

The Issuer will furnish the Purchaser with a complete transcript of proceedings incident to the authorization and issuance of the Certificates, as applicable, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Certificates are valid and legally binding obligations of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Certificates are valid and legally binding obligations of the Issuer and, the interest on the Certificates is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions existing on the date of the initial delivery of the Certificates, subject to the qualifications set forth herein under "TAX MATTERS." The customary closing papers, including certificates to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Certificates will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Notice of Sale, the Official Bid Form and the 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. Such firm has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the Issuer for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to the accuracy or completeness of any of the

information contained herein. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates are contingent on the sale and delivery of the Certificates. Though it represents the Financial Advisor and certain entities that may bid on the Certificates 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 connection with the issuance of the Certificates.

The various legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering legal opinions the attorney does not become an insurer or guarantor of the 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 from the transaction.

Winning Bidder

On March 12, 2020, it is expected that the Certificates will be awarded to an underwriter or group of underwriters managed by _____ (the "Purchaser" or the "Initial Certificate Purchaser") through a competitive bid process, or the Town will reject all bids in accordance with the provisions of the Official Notice of Sale. The initial reoffering yields will be supplied to the Town by the Purchaser. The initial reoffering yields shown on page ii of the Official Statement will produce compensation to the Purchaser of approximately \$_____.

Financial Advisor

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

Certification of the Official Statement

At the time of payment for and delivery of the Certificates, the Purchaser, will be furnished a certificate executed by the proper officials of the Town acting in their official capacity, to the effect that: (a) the descriptions and statements of or pertaining to the Town contained in its Official Statement relating to the Certificates, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of the sale of said Certificates, 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 statement therein, in the light of the circumstances under which they were made, not misleading; (c) to the best of their knowledge, insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the Town and its 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 September 30, 2019, the date of the last audited financial statements of the Town, portions of which appear in the Official Statement.

The Official Statement will be approved as to form and content and the use thereof in the offering of the Certificates will be authorized, ratified and approved by the Town Council on the date of sale, and the Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Certificates, a certified copy of such approval, duly executed by the proper officials of the Town.

Forward-Looking Statements Disclaimer

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

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

Concluding Statement

The financial data and other information contained in this Official Statement have been obtained from the Town's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and 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.

The Official Statement will be approved by the Town Council of the Issuer for distribution in accordance with the provisions of the Rule.

TOWN OF LAKEWOOD VILLAGE, TEXAS

ATTEST:

Mayor
Town of Lakewood Village, Texas

Town Secretary
Town of Lakewood Village, Texas

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APPENDIX A

FINANCIAL INFORMATION OF THE ISSUER

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

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FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION

TABLE 1

2019 Certified Market Value of Taxable Property (100% of Market Value).....	\$ 111,876,115
Less Exemptions:	
Optional Over 65 or Disabled.....	\$ 1,225,000
Veterans' Exemptions.....	590,148
Pollution Control.....	-
Open Space Land and Timberland.....	674,025
Prorations.....	-
Loss to 10% HO Cap.....	418,425
Exemptions/Other.....	<u>1,791,732</u>
TOTAL EXEMPTIONS	\$ 4,699,330
 2019 Certified Assessed Value of Taxable Property.....	 <u><u>\$ 107,176,785</u></u>

Source: Denton County Appraisal District

GENERAL OBLIGATION BONDED DEBT

(as of September 30, 2019)

General Obligation Debt Principal Outstanding

Certificates of Obligation, Series 2014	\$ 866,000
	<u>866,000</u>
 Certificates of Obligation, Series 2020 (the "Certificates")	 4,500,000 *
Total Gross General Obligation Debt	<u><u>\$ 5,366,000</u></u> *
 Less: Self Supporting Debt	
Total Self-Supporting Debt	\$ - *
 Total Net General Obligation Debt Outstanding	 <u><u>\$ 5,366,000</u></u> *
 2019 Net Assessed Valuation	\$ 107,176,785
Ratio of Total Gross General Obligation Debt Principal to Certified Net Taxable Assessed Valuation	5.01% *
Ratio of Net General Obligation Debt to Certified Net Taxable Assessed Valuation	5.01% *

Population: 2000 - 342; 2010 - 545; est. 2019 - 825
Per Capita Certified Net 2019 Taxable Assessed Valuation - \$129,911.25
Per Capita Gross General Obligation Debt Principal - \$6,504.24*
Per Capita Net General Obligation Debt Principal - \$6,504.24

* Preliminary, subject to change.

CITY DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE

TABLE 2

(As of September 30, 2019)

None

Source: The Issuer's Annual Financial Report for the fiscal year ended September 30, 2019.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending Sept. 30	Current Total Outstanding Debt	The Certificates*			Combined Debt Service	Total Net Debt Service
		Principal	Interest	Total		
2020	\$ 178,612				\$ 178,612	\$ 178,612
2021	180,318	\$ 45,000	\$ 188,581	\$ 233,581	413,899	413,899
2022	181,925	90,000	143,325	233,325	415,250	415,250
2023	183,433	90,000	140,400	230,400	413,833	413,833
2024	185,831	90,000	137,475	227,475	413,306	413,306
2025	-	200,000	132,763	332,763	332,763	332,763
2026	-	210,000	126,100	336,100	336,100	336,100
2027	-	215,000	119,194	334,194	334,194	334,194
2028	-	225,000	112,044	337,044	337,044	337,044
2029	-	230,000	104,650	334,650	334,650	334,650
2030	-	240,000	97,013	337,013	337,013	337,013
2031	-	245,000	89,131	334,131	334,131	334,131
2032	-	255,000	81,006	336,006	336,006	336,006
2033	-	265,000	72,556	337,556	337,556	337,556
2034	-	270,000	63,863	333,863	333,863	333,863
2035	-	280,000	54,925	334,925	334,925	334,925
2036	-	290,000	45,663	335,663	335,663	335,663
2037	-	300,000	36,075	336,075	336,075	336,075
2038	-	310,000	26,163	336,163	336,163	336,163
2039	-	320,000	15,925	335,925	335,925	335,925
2040	-	330,000	5,363	335,363	335,363	335,363
Total	<u>\$ 910,118</u>	<u>\$ 4,500,000</u>	<u>\$ 1,792,213</u>	<u>\$ 6,292,213</u>	<u>\$ 7,202,331</u>	<u>\$ 7,202,331</u>

* Preliminary, subject to change. Interest calculations based on an assumed rate.

TAX ADEQUACY

2019 Certified Assessed Value of Taxable Property	\$ 107,176,785
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2022)	415,250.15 *
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service require	\$ 0.3954 *

*Includes the Certificates. Preliminary, subject to change.

Note: Above computations are exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

Fiscal Year Ending 9-30	Principal Repayment Schedule			Principal Unpaid at End of Year	Percent of Principal Retired (%)
	Currently Outstanding	The Certificates*	Total*		
2020	\$ 163,000	\$ -	\$ 163,000	\$ 5,203,000	3.04%
2021	168,000	45,000	213,000	4,990,000	7.01%
2022	173,000	90,000	263,000	4,727,000	11.91%
2023	178,000	90,000	268,000	4,459,000	16.90%
2024	184,000	90,000	274,000	4,185,000	22.01%
2025	-	200,000	200,000	3,985,000	25.74%
2026	-	210,000	210,000	3,775,000	29.65%
2027	-	215,000	215,000	3,560,000	33.66%
2028	-	225,000	225,000	3,335,000	37.85%
2029	-	230,000	230,000	3,105,000	42.14%
2030	-	240,000	240,000	2,865,000	46.61%
2031	-	245,000	245,000	2,620,000	51.17%
2032	-	255,000	255,000	2,365,000	55.93%
2033	-	265,000	265,000	2,100,000	60.86%
2034	-	270,000	270,000	1,830,000	65.90%
2035	-	280,000	280,000	1,550,000	71.11%
2036	-	290,000	290,000	1,260,000	76.52%
2037	-	300,000	300,000	960,000	82.11%
2038	-	310,000	310,000	650,000	87.89%
2039	-	320,000	320,000	330,000	93.85%
2040	-	330,000	330,000	-	100.00%
Total	\$ 866,000	\$ 4,500,000	\$ 5,366,000		

*Preliminary, subject to change.

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2010-2019

TABLE 3

Tax Year	Net Taxable Assessed Valuation	Change From Preceding Year	
		Amount (\$)	Percent
2010-11	\$ 72,980,132	-	-
2011-12	72,858,526	(121,606)	-0.17%
2012-13	69,035,434	(3,823,092)	-5.25%
2013-14	73,245,065	4,209,631	6.10%
2014-15	77,178,486	3,933,421	5.37%
2015-16	83,485,481	6,306,995	8.17%
2016-17	87,527,563	4,042,082	4.84%
2017-18	94,791,919	7,264,356	8.30%
2018-19	100,963,475	6,171,556	6.51%
2019-20	107,176,785	6,213,310	6.15%

Source: Denton County Appraisal District.

PRINCIPAL TAXPAYERS 2019

TABLE 4

Name	Type of Business/ Property	2019 Net Taxable Assessed Valuation	% of Total 2019 Assessed Valuation
Sam Hill Venture	Residential	\$ 2,268,608	2.12%
Tuong Huu Le & Golden Gate Investment	Undeveloped land	1,925,667	1.80%
Fleitman, Samuel J	Residential	1,644,547	1.53%
Ashton, Russell Brent	Residential	1,643,512	1.53%
Vargus, Mark E	Residential	1,259,534	1.18%
Valverde, Juan Manuel	Residential	1,088,161	1.02%
Lataste, Scott	Residential	1,065,000	0.99%
Menckhoff, Carl	Residential	1,053,954	0.98%
Moreno, Ricardo	Residential	1,009,842	0.94%
Wimsatt, John	Residential	1,006,776	0.94%
		<u>\$ 13,965,601</u>	<u>13.03%</u>

Source: Denton County Appraisal District.

CLASSIFICATION OF ASSESSED VALUATION

TABLE 5

	2019	% of Total	2018	% of Total	2017	% of Total
Real, Residential, Single-Family	\$ 95,742,538	85.58%	\$ 89,541,955	84.95%	\$ 84,361,058	83.72%
Real, Residential, Multi-Family	211,576	0.19%	206,239	0.20%	193,544	0.19%
Real, Vacant Lots/Tracts	7,924,494	7.08%	7,836,584	7.43%	8,353,853	8.29%
Real, Acreage (Land Only)	713,928	0.64%	707,786	0.67%	700,000	0.69%
Real, Farm and Ranch Improvements	5,143,157	4.60%	5,031,029	4.77%	4,900,864	4.86%
Real, Commercial	-	0.00%	-	0.00%	-	0.00%
Real, Industrial	-	0.00%	-	0.00%	-	0.00%
Oil and Gas	-	0.00%	-	0.00%	-	0.00%
Real & Tangible, Personal Utilities	324,450	0.29%	287,900	0.27%	272,740	0.27%
Tangible Personal, Commercial	24,240	0.02%	67,783	0.06%	53,663	0.05%
Tangible Personal, Industrial	-	0.00%	-	0.00%	-	0.00%
Tangible Personal, Mobile Homes	-	0.00%	-	0.00%	-	0.00%
Total Exempt Property	1,791,732	1.60%	1,722,985	1.63%	1,927,826	1.91%
Total Appraised Value	\$ 111,876,115	100.00%	\$ 105,402,261	100.00%	\$ 100,763,548	100.00%
Less:						
Optional Over 65 or Disabled	\$ 1,225,000		\$ 1,275,000		\$ 1,275,000	
Veterans' Exemptions	590,148		364,377		261,519	
Pollution Control	-		-		-	
Open Space Land and Timberland Prorations	674,025		673,950		673,950	
Loss to 10% HO Cap Exemptions/Other	418,425		402,474		1,833,334	
	1,791,732		1,722,985		1,927,826	
Total Exemptions	\$ 4,699,330		\$ 4,438,786		\$ 5,971,629	
Net Taxable Assessed Valuation	\$ 107,176,785		\$ 100,963,475		\$ 94,791,919	

Source: Denton County Appraisal District

TAX DATA

TABLE 6

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% of Collections		Year Ended
				Current	Total	
2010	\$ 72,980,132	\$ 0.250000	\$ 182,450	100.00%	103.97%	9/30/2011
2011	72,858,526	0.250000	182,146	100.00%	100.00%	9/30/2012
2012	69,035,434	0.250000	172,589	100.00%	100.00%	9/30/2013
2013	73,245,065	0.250000	183,113	99.40%	100.00%	9/30/2014
2014	77,178,486	0.300000	231,535	100.00%	100.22%	9/30/2015
2015	83,485,481	0.300000	250,456	100.20%	100.54%	9/30/2016
2016	87,527,563	0.300000	262,583	101.00%	101.02%	9/30/2017
2017	94,791,919	0.300000	284,376	100.41%	100.65%	9/30/2018
2018	100,963,475	0.300000	302,890	100.13%	100.34%	9/30/2019
2019	107,176,785	0.415000	444,784	58.96%	58.98%	9/30/2020 *

* Collections as of January 2, 2020.

Source: Denton County Appraisal District, Texas Municipal Reports and the Issuer.

TAX RATE DISTRIBUTION

TABLE 7

	2019	2018	2017	2016	2015
General Fund	\$ 0.250000	\$ 0.250000	\$ 0.250000	\$ 0.250000	\$ 0.250000
I & S Fund	0.165000	0.050000	0.050000	0.050000	0.050000
Total Tax Rate	\$ 0.415000	\$ 0.300000	\$ 0.300000	\$ 0.300000	\$ 0.300000

Source: Denton County Appraisal District

MUNICIPAL SALES TAX COLLECTIONS**TABLE 8**

The Town has adopted the provisions of Chapter 321.103(a), as amended, Texas Tax Code (the "Municipal Sales and Use Tax Act") which provides for the maximum levy of a two percent sales tax which may be used by the Town for any lawful purpose except that the Town may not pledge any of the anticipated sales tax revenue to secure the payment of the Obligations or other indebtedness. In May 2016, the Town voted to abolish the Lakewood Village EDC and move its 0.5% sales tax to the General Fund and to authorize a 0.5% sales tax for a Municipal Development District.

Calendar Year	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Lakewood Village Municipal Development District
2010	\$ 10,922	5.99%	\$ 0.015	\$ 6,682
2011	14,626	8.03%	0.020	6,825
2012	11,355	6.58%	0.016	4,546
2013	13,618	7.44%	0.019	6,668
2014	25,997	11.23%	0.034	10,477
2015	47,250	18.87%	0.057	17,626
2016	47,778	18.20%	0.055	18,406
2017	43,552	15.31%	0.046	17,480
2018	29,442	9.72%	0.029	23,887
2019	32,786	7.37%	0.031	18,463

Source: State Comptroller's Office of the State of Texas.

OVERLAPPING DEBT INFORMATION

(As of October 31, 2019)

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the City and the estimated percentages and amounts of such indebtedness attributable to property within the City. Expenditures of the various taxing bodies overlapping the territory of the Issuer are paid out of ad valorem taxes levied by these taxing bodies on properties overlapping the Issuer. These political taxing bodies are independent of the Issuer and may incur borrowings to finance their expenditures. The following statements of direct and estimated overlapping ad valorem tax bonds was developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the Issuer, the Issuer 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 below may have authorized or issued additional bonds since the date stated below, and such entities may have programs requiring the authorization and/or issuance of substantial amounts of additional bonds, the amount of which cannot be determined.

Taxing Body	Gross Debt (As of 1/31/20)	% Overlapping	Amount Overlapping
Denton County	\$ 627,060,000	0.12%	\$ 752,472
Little Elm ISD	315,439,212	3.03%	9,557,808
Total Gross Overlapping Debt			\$ 10,310,280
Town of Lakewood Village			\$ 5,366,000
Total Gross Direct and Overlapping Debt			\$ 15,676,280
Ratio of Gross Direct and Overlapping Debt to 2019 Net Assessed Valuation			14.63%
Per Capita Gross Direct and Overlapping Debt			\$ 19,001.55

Note: The above figures show Gross General Obligation Debt for the Issuer. The Issuer's Net General Obligation Debt is \$5,366,000. Calculations on the

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS

Governmental Subdivision	2019 Net Assessed	% of Actual	2019 Tax Rate
Denton County	\$ 108,204,034,359	100%	\$ 0.225280
Little Elm Independent School District	4,439,112,099	100%	1.538300

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF DIRECT AND OVERLAPPING GOVERNMENTAL SUBDIVISIONS

Issuer	Date of Authorization	Purpose	Amount Authorized	Issued To-Date	Unissued
Denton County	1/16/1999	Road	\$ 85,320,000	\$ 77,629,375	\$ 7,690,625
	5/15/2004	Equipment	2,000,000	-	2,000,000
Little Elm Independent School District	11/7/2017	School Building/Athletic Improvements	235,000,000	175,000,000	60,000,000
Lakewood Village, Town of	None				

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES

TABLE 9

The following statements set forth in condensed form reflect the historical operations of the Issuer. Such summary has been prepared for inclusion herein based upon information obtained from the Issuer's audited financial statements and records. Reference is made to such statements for further and complete information.

	Fiscal Year Ended				
	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Fund Balance - Beginning of Year	\$ 213,408	\$ 199,827	\$ 69,678	\$ 187,044	\$ 223,882
Revenues	439,447	418,667	428,692	405,464	376,469
Expenditures	447,447	448,717	413,139	589,403	406,162
Excess (Deficit) of Revenues Over Expenditures	\$ (8,000)	\$ (30,050)	\$ 15,553	\$ (183,939)	\$ (29,693)
Other Financing Sources (Uses):					
Operating Transfers In	\$ 62,656	\$ 43,631	\$ 46,097	\$ 66,573	\$ -
Sale of Capital Assets	-	-	108,499	-	-
Insurance Proceeds	-	-	27,053	-	-
Casualty expenditures	-	-	(27,053)	-	-
Court Settlement	-	-	(40,000)	-	-
Operating Transfers Out	-	-	-	-	(7,145)
Interest Income	-	-	-	-	-
Proceeds Bonds	-	-	-	-	-
Proceeds from Sale of Bonds	-	-	-	-	-
Total Financing Sources (Uses)	62,656	43,631	114,596	66,573	(7,145)
Fund Balance - End of Year	<u>\$ 268,064</u>	<u>\$ 213,408</u>	<u>\$ 199,827</u>	<u>\$ 69,678</u>	<u>\$ 187,044</u>

Source: The Issuer's Comprehensive Annual Financial Reports and information provided by the Issuer.

WATERWORKS SYSTEM OPERATING SYSTEM**TABLE 10**

The following condensed statements have been compiled using accounting principles customarily employed in the determination of net revenues available for debt service, and in all instances exclude depreciation, transfers, bad debt, debt service payments and expenditures identified as capital.

Fiscal Year Ended:	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Revenues	\$ 418,571	\$ 352,702	\$ 334,303	\$ 338,393	\$ 354,482
Expenses	<u>204,578</u>	<u>252,403</u>	<u>244,280</u>	<u>280,487</u>	<u>179,600</u>
for Debt Service	\$ 213,993	\$ 100,299	\$ 90,023	\$ 57,906	\$ 174,882
Customer Count:					
Water	264	258	257	253	250
Sewer	238	232	230	227	224

Source: The Issuer's Annual Financial Reports.

WATER RATES**TABLE 11**

(Based on monthly billing)
(Effective September 13, 2018)

Town Water Service

<u>Water Quantity</u>	<u>Rates</u>
0 to 2,000 Gallons	\$25.00 per month minimum
2,001 to 20,000	\$4.50 per thousand gallons over 2,000 gallons
20,001 to 50,000	\$5.50 per thousand gallons over 20,000 gallons
Over 50,000	\$15.00 per thousand gallons over 50,000 gallons

<u>Commercial Quantity</u>	<u>Rates</u>
0 to 2,000	\$39.00 minimum
over 2,001	\$6.00 per thousand gallons over 2,000

Extra Territorial Jurisdiction Area Water Service

<u>Water Quantity</u>	<u>Rates</u>
0 to 3,000 Gallons	\$37.00 per month minimum
Over 3,000	\$37.00 plus \$8.00 per thousand gallons over 3,000 gallons

Source: The Issuer - Ordinance No. 18-04

SEWER RATES**TABLE 12**

(Based on monthly billing)
(Effective August 10, 2015)

Town Sewer Service Flat Rate - \$41.00 per month

Source: The Issuer - Ordinance No. 15-10

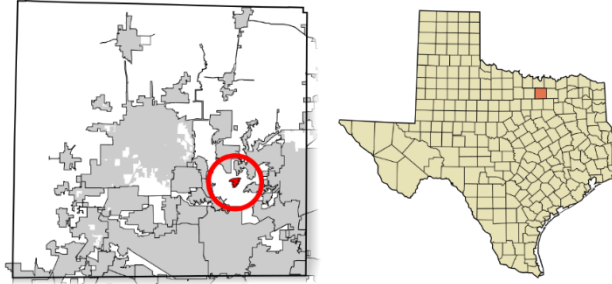
APPENDIX B

GENERAL INFORMATION REGARDING THE TOWN OF LAKEWOOD VILLAGE AND DENTON COUNTY, TEXAS

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**GENERAL INFORMATION REGARDING THE TOWN OF LAKEWOOD VILLAGE
AND DENTON COUNTY, TEXAS**

Location of Lakewood Village in Denton County, Texas



General:

The Town of Lakewood Village is located between I-35 and the Dallas North Tollway on the Lewisville Lake/FM 720 corridor, at the foot of the Lewisville Lake toll bridge. The Town was incorporated on April 26, 1977. The Town Lakewood Village operates with a mayor-council style of municipal government. Residents elect six at-large members to serve on the Town Council, including a mayor. Council elections in Texas are nonpartisan. Members are elected to two-year terms and are not term-limited. The mayor does not vote on issues that come before the council except in the case of a tie.

Easy access to the North Dallas Tollway, as well as FM720 (a major road through the Town) provides connections to neighboring cities and job centers (Denton, Frisco, The Colony, Carrollton, Lewisville and Plano). This accessibility to major thoroughfares has been one of the major driving forces in the overall growth and development of the area.

Denton County (the "County") is located in north central Texas and was created in 1846 from Fannin County. The 2010 Census was 662,614, which is a 53.0% increase since 2000. The current population estimate for the County is 943,020. The economy is diversified by manufacturing, state supported institutions, and agriculture. The Texas Almanac designates cattle, horses, poultry, hay and wheat as the principal source of agricultural income. Minerals produced in the county include natural gas and clay. Institutions of higher education include University of North Texas and Texas Woman's University. Lake Lewisville attracts over 3,000,000 visitors annually. Alliance Airport, located in the County has continued to expand. Texas Motor Speedway, a major NASCAR race-track was opened in 1997, which has had a positive impact on employment and recreations spending for the area.

Population Trends:

<u>Census Report</u>	<u>Town of Lakewood Village</u>	<u>Denton County</u>
Current Estimate	825	943,020
2010	545	662,614
2000	342	432,976
1990		273,525

Sources: U.S. Census Bureau and the Issuer.

Leading Employers Denton County:

<u>Employer</u>	<u>Product or Type of Business</u>	<u>Number of Employees</u>
University of North Texas	Education	8,738
Lewisville Independent School District	Education	6,325
Wal-Mart	Retail	3,900
Denton Independent School District	Education	3,800
Dentex Home Equity	Finance/Insurance	2,600
Frito Lay Co	Manufacturing	2,500
American Airlines	Transportation/Warehousing	2,154
Peterbilt Motors	Manufacturing	2,100
Northwest ISD	Education	2,050
Denton State School	Health Care/Social Assistance	1,700

Source: Denton County Comprehensive Annual Financial Report.

Labor Force Statistics:

	<u>Denton County</u>		<u>State of Texas</u>	
	<u>November 2019</u>	<u>November 2018</u>	<u>November 2019</u>	<u>November 2018</u>
Civilian Labor Force	505,306	489,221	14,265,562	13,961,940
Total Employed	491,418	475,043	13,788,541	13,475,980
Total Unemployed	13,888	14,178	477,021	485,960
% Unemployed	2.7%	2.9%	3.3%	3.5%
% Unemployed (United States)	3.3%	3.7%	3.3%	3.7%

Source: Texas Workforce Commission, Labor Market Information.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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[Closing Date]

Norton Rose Fulbright US LLP
2200 Ross Avenue, Suite 3600
Dallas, Texas 75201-7932
United States

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Fax +1 214 855 8200
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IN REGARD to the authorization and issuance of the “Town of Lakewood Village, Texas, Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020,” dated April 1, 2020, in the principal amount of \$_____ (the “Certificates”), we have examined into their issuance by the Town of Lakewood Village, Texas (the “Town”), solely to express legal opinions as to the validity of the Certificates and the exclusion of the interest on the Certificates from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the Town, the disclosure of any financial or statistical information or data pertaining to the Town and used in the sale of the Certificates, or the sufficiency of the security for or the value or marketability of the Certificates.

THE CERTIFICATES are issued in fully registered form only and in denominations of \$5,000 or any integral multiple thereof (within a maturity). The Certificates mature on February 1 in each of the years specified in the ordinance adopted by the Town Council of the Town authorizing the issuance of the Certificates (the “Ordinance”), unless redeemed prior to maturity in accordance with the terms stated on the Certificates. The Certificates accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Certificates, including the Ordinance and an examination of the initial Certificate executed and delivered by the Town (which we found to be in due form and properly executed); (ii) certifications of officers of the Town relating to the expected use and investment of proceeds of the sale of the Certificates and certain other funds of the Town and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Certificates, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Certificates have been duly authorized by the Town and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the Town, payable from an ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the Town, and are additionally payable from and secured by a limited pledge of the Net Revenues (as defined in the Ordinance) of the Town’s combined waterworks and sewer system in the manner and to the extent provided in the Ordinance, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency,

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Page 2 of Legal Opinion of Norton Rose Fulbright US LLP

Re: "Town of Lakewood Village, Texas, Combination Tax and Limited Pledge Revenue
Certificates of Obligation, Series 2020"

reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with the general principles of equity.

2. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the Town with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the Certificates for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of the owners thereof.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

APPENDIX D

**THE TOWN OF LAKEWOOD VILLAGE AUDITED FINANCIAL STATEMENTS FOR THE
FISCAL YEAR ENDED SEPTEMBER 30, 2019**

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TOWN OF LAKEWOOD VILLAGE, TEXAS

Financial Statements
(With Auditor's Report Thereon)

September 30, 2019

TOWN OF LAKEWOOD VILLAGE
Annual Financial Report
For the Year Ended September 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
and Members of the Town Council
Town of Lakewood Village
Lakewood Village, Texas 75068

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Lakewood Village, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Lakewood Village, Texas, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 10 and 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lakewood Village, Texas's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Nabors CPA Services, P.C.

November 13, 2019

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Management's Discussion and Analysis

As management of the Town of Lakewood Village, we offer readers of the Town of Lakewood Village's financial statements this narrative overview and analysis of the financial activities of the Town of Lakewood Village for the fiscal year ended September 30, 2019.

Financial Highlights

- The assets of the Town of Lakewood Village exceeded its liabilities at the close of the most recent fiscal year by \$3,157,172 (net position). Of this amount \$411,970 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Town of Lakewood Village's governmental funds reported ending fund balance of \$290,289, an increase of \$58,894 in comparison with the prior year. Of this balance, \$267,977 is available for spending at the government's discretion (unassigned). Unassigned fund balance represents 93 percent of general fund expenditures, and 91 percent of total governmental fund expenditures. At the close of the current fiscal year, the Town of Lakewood Village's governmental funds had a current ratio of approximately 2900:1, based on the current assets of \$290,401 and current liabilities of \$112.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Lakewood Village's basic financial statements. The Town of Lakewood Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

The *statement of net position* presents information on all of the Town of Lakewood Village's assets and liabilities, with the difference between the two 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 of Lakewood Village is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

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

The government-wide financial statements can be found on pages 13-15 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Lakewood Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the Town of Lakewood Village can be divided into two categories: governmental funds (General Fund) and proprietary funds (Water and Sewer Fund).

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 *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

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

The Town of Lakewood Village maintains three governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund, the capital projects fund which is considered to be a major fund, and the municipal development district fund is a component unit.

The Town of Lakewood Village adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16-19 of this report.

Proprietary funds. The Town of Lakewood Village maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Lakewood Village uses enterprise funds to account for its Water and Sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the LWV Utility Fund operations, and the Rocky Point Utility Fund operations.

The basic proprietary fund financial statements can be found on pages 21-23 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-37 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Lakewood Village, assets exceed liabilities by \$3,157,172 at the close of the most recent fiscal year.

A portion of the Town of Lakewood Village's net position reflects its investment in capital assets (e.g., land, building, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Town of Lakewood Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Lakewood Village's investment in its capital assets is reported not of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TOWN OF LAKEWOOD VILLAGE - Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 290,401	238,441	198,639	113,536	489,040	351,977
Capital Assets	<u>1,791,121</u>	<u>1,815,178</u>	<u>1,797,769</u>	<u>1,798,851</u>	<u>3,588,890</u>	<u>3,614,029</u>
Total assets	<u>2,081,522</u>	<u>2,053,619</u>	<u>1,996,408</u>	<u>1,912,387</u>	<u>4,077,930</u>	<u>3,966,006</u>
Long-term liabilities	866,000	1,024,000			866,000	1,024,000
Other liabilities		<u>6,400</u>	<u>54,758</u>	<u>49,284</u>	<u>54,758</u>	<u>55,684</u>
Total liabilities	<u>866,000</u>	<u>1,030,400</u>	<u>54,758</u>	<u>49,284</u>	<u>920,758</u>	<u>1,079,684</u>
Net position:						
Invested in capital assets net of related debt	925,121	791,178	1,797,769	1,798,851	2,722,890	2,590,029
Restricted	22,312	17,378			22,312	17,378
Unrestricted	<u>268,089</u>	<u>214,663</u>	<u>143,881</u>	<u>64,252</u>	<u>411,970</u>	<u>278,915</u>
Total net position	\$ <u>1,215,522</u>	<u>1,023,219</u>	<u>1,941,650</u>	<u>1,863,103</u>	<u>3,157,172</u>	<u>2,886,322</u>

Governmental Activities:

- During the year revenues increased by \$13,583 (3%), primarily due to property taxes.
- Expenses for the year decreased by \$36,924 (10%), primarily due to less repairs and maintenance.

Business-type Activities:

- Charges for services increased by \$49,427 (14%) during the year primarily due to water sales, while expenses decreased by \$45,036 (13%).

TOWN OF LAKEWOOD VILLAGE - Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 59,262	49,816	390,932	341,505	450,194	391,321
General revenues:						
Property taxes	304,799	287,753			304,799	287,753
Other taxes	77,419	90,522			77,419	90,522
Other	<u>14,861</u>	<u>14,667</u>	<u>27,639</u>	<u>24,980</u>	<u>42,500</u>	<u>39,647</u>
Total revenues	456,341	442,758	418,571	366,485	874,912	809,243
Expenses:						
General government	254,596	274,118			254,596	274,118
Public safety	31,500	27,100			31,500	27,100
Public works	12,290	30,988			12,290	30,988
Interest	18,806	21,910			18,806	21,910
Water & sewer			<u>297,943</u>	<u>342,979</u>	<u>297,943</u>	<u>342,979</u>
Total expenses	<u>317,192</u>	<u>354,116</u>	<u>297,943</u>	<u>342,979</u>	<u>615,135</u>	<u>697,095</u>
Increase in net position before other transfers	139,149	88,642	120,628	23,506	259,777	112,148
Transfers	53,154	27,872	(53,154)	(27,872)		
Gain/(loss) on disposal of capital assets				<u>(4,430)</u>		<u>(4,430)</u>
Increase/(decrease) in net position	192,303	116,514	67,474	(8,796)	259,777	107,718
Net position - beginning (as restated)	<u>1,023,219</u>	<u>906,705</u>	<u>1,874,176</u>	<u>1,871,899</u>	<u>2,897,395</u>	<u>2,778,604</u>
Net position - ending	\$ <u><u>1,215,522</u></u>	<u><u>1,023,219</u></u>	<u><u>1,941,650</u></u>	<u><u>1,863,103</u></u>	<u><u>3,157,172</u></u>	<u><u>2,886,322</u></u>

Financial Analysis of the Government's Funds

As noted earlier, the Town of Lakewood Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

At the end of the current fiscal year, the Town of Lakewood Village's governmental funds reported ending fund balance of \$290,289, an increase of \$58,894 from the prior year. Of the current combined ending fund balance, \$267,977 is unassigned.

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

Unrestricted net position of the Enterprise Funds at the end of the year amounted to \$143,881. The total increase in unrestricted net position of the Enterprise Funds was \$79,629. The factors concerning the finances of this fund have already been addressed in the discussion of the Town of Lakewood Village's business type activities.

General Fund Budgetary Highlights

During the year, revenues were more than budgetary estimates by \$8,447, and expenditures were less than budgetary estimates by \$8,259. The budget had called for a \$15,494 increase in fund balance, however, as a result of transfers in from the Utility funds, \$54,656 was added to fund balance.

Capital Assets and Debt Administration

Capital Assets. The Town of Lakewood Village's investment in capital assets for its governmental and business-type activities as of September 30 2019, amounts to \$3,587,890 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, and equipment.

Major capital asset events during the current fiscal year included the following:

- Engineering and drainage improvements totaling \$49,925 were added to the general fund.
- System and improvements and equipment totaling \$92,284 were added to the LWV Utility Funds.

Additional information on the Town of Lakewood Village's capital assets can be found in Note 3.C. on pages 33-34 of this report.

Long-term debt. The Town has outstanding certificate of obligation bonds sold to finance construction of concrete streets.

Additional information on the Town of Lakewood Village long-term debt can be found in Note 3.D. on pages 35 of this report.

Economic Factors and Next Year's Budgets and Rates

The Town is in advanced negotiations with two separate developers that are proposing single-family residential projects. One project is inside the Town's corporate boundary. The other project is located outside the Town, in the Lakewood Village ETJ and will not be annexed. The Town will be providing utilities to both developments. The Town has adopted impact fees and also assesses connection fees applicable to all new development.

Utility System Improvements and Capacity

The Town owns and operates water and wastewater systems. There is no system debt. There are currently 240 connections. Absent annexation, the projected build-out will be 650-700 single-family homes. Since 2014 the town has made significant capital expenditures on the utility system to improve capacity and efficiency.

Wastewater. In 2014, the Town completely refurbished the wastewater treatment plant replacing and upgrading plumbing, and electrical components. New components included high efficiency motors, fine air diffusers/bubblers, an algae treatment system, and recirculating water pumps to more efficiently operate the chlorine gas disinfection system. The system is currently operating at 42 percent capacity.

Water. Since 2014 the Town has reinvested nearly all operating cash flow to expand the water distribution and production system. Under TCEQ operating guidelines, the water system currently has ground storage, pressure pumps, and hydropneumatic tank capacity for 700 connections, and well production for 350. The Town has already completed an engineering well study and site planning in anticipation of the need for a future well (to be paid for with developers' impact and connection fees). During the 2019 peak summer season demand, the water system operated at an average of 28 percent of maximum capacity.

Operating Cash Flow. From 2016-2018, the Town expanded the water system by constructing a new ground storage tank, installing additional pressure pumps, pneumatic tanks, and a new water main thereby increasing system capacity by over 60 percent. In 2019 the Town received the benefits of the new economies of scale with record operating cash flow. Operating Cash Flow increased from \$60,512 (2017) to \$93,919 (2018) to \$191,094 in the current year. With expansion complete we expect strong cash flow performance to continue in the upcoming year. In addition, the Town maintains significant financial flexibility as our current water rates are 30 to 50 percent below our surrounding communities.

Tax Rates

The Town's Maintenance and Operations (M&O) rate is currently \$0.25 per \$100 and will continue to remain unchanged since the Town's incorporation in 1977. In 2014, via a private placement, the Town issued 10-year Certificates of Obligation for the Phase One Road Replacement Project (new concrete streets). Accordingly, the Town adopted an Income and Sinking Fund (I&S) rate of \$0.05 which represented 25 percent of the annual debt servicing payment. The remaining 75 percent of the annual payment was made using M&O funds. The Town adopted the \$0.05 I&S rate from Fiscal 2014/15 through the September 30, 2019 fiscal year end. Despite diverting significant amounts of general fund revenue to debt servicing, the Governmental Fund balance has increased steadily and now is over 90 percent of annual expenditures.

In 2019 the Town Council determined that the Phase Two Road Replacement Project was appropriate. To increase our liquidity in anticipation of a new debt issuance in March 2020, the Town adopted an I&S rate of \$0.165 for FY 2019/2020. This will fully pay the annual debt servicing on the 2014 CO debt. Thus, no M&O funds will be used for debt servicing, resulting in a large increase in General Fund cash and fund balance for the current year. Our overall tax rate of \$0.415 remains substantially lower than our surrounding cities which average \$0.60 and provides us with additional financial flexibility.

Request for information

This financial report is designed to provide a general overview of the Town of Lakewood Village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Mayor, 100 Highridge, Lakewood Village, Texas 75068.

BASIC FINANCIAL STATEMENTS

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TOWN OF LAKEWOOD VILLAGE

Statement of Net Position

September 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents - unrestricted	\$ 265,380	119,463	384,843
Cash and equivalents - restricted	21,029	52,272	73,301
Receivables (Net of allowance for uncollectibles):			
Property taxes	112		112
Sales taxes	3,880		3,880
Accounts receivable		26,904	26,904
Noncurrent assets:			
Capital assets (net of accumulated depreciation):			
Land and improvements	133,021	73,475	206,496
Buildings, systems and improvements	78,080	1,720,897	1,798,977
Furniture and equipment	5,928	3,397	9,325
Streets	<u>1,574,092</u>	<u> </u>	<u>1,574,092</u>
Total assets	<u>2,081,522</u>	<u>1,996,408</u>	<u>4,077,930</u>
 LIABILITIES			
Deposits payable		50,200	50,200
Other payables		4,558	4,558
Noncurrent liabilities:			
Bonds payable:			
Due within one year	163,000		163,000
Due in more than one year	<u>703,000</u>	<u> </u>	<u>703,000</u>
Total liabilities	<u>866,000</u>	<u>54,758</u>	<u>920,758</u>
 NET POSITION			
Invested in capital assets, net of related debt	925,121	1,797,769	2,722,890
Restricted	22,312		22,312
Unrestricted	<u>268,089</u>	<u>143,881</u>	<u>411,970</u>
Total net position	\$ <u>1,215,522</u>	<u>1,941,650</u>	<u>3,157,172</u>

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

TOWN OF LAKEWOOD VILLAGE
Statement of Activities
For the Fiscal Year Ended September 30, 2019

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>
Primary government:				
Governmental activities:				
General government	\$ 254,596	59,262		
Public safety	31,500			
Public works	12,290			
Interest	<u>18,806</u>			
Total governmental activities	<u>317,192</u>	<u>59,262</u>		
Business-type activities				
Water and sewer	<u>297,943</u>	<u>415,958</u>		
Total business-type activities	<u>297,943</u>	<u>415,958</u>		
 Total primary government	 <u>\$ 615,135</u>	 <u>475,220</u>		

General revenues:
Property taxes
Franchise fees
Sales taxes
Fines and forfeitures
Investment earnings
Miscellaneous revenue
Transfer (to)/from other funds
Total general revenues

Change in net position

Net position - beginning (as restated)

Net position - ending

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

Net (Expense) Revenue and
Changes in Net Position
Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
(195,334)		(195,334)
(31,500)		(31,500)
(12,290)		(12,290)
<u>(18,806)</u>		<u>(18,806)</u>
<u>(257,930)</u>		<u>(257,930)</u>
	<u>118,015</u>	<u>118,015</u>
	<u>118,015</u>	<u>118,015</u>
		<u>(139,915)</u>
304,799		304,799
26,753		26,753
50,666		50,666
3,731		3,731
7,318	2,613	9,931
3,812		3,812
<u>53,154</u>	<u>(53,154)</u>	<u> </u>
<u>450,233</u>	<u>(50,541)</u>	<u>399,692</u>
192,303	67,474	259,777
<u>1,023,219</u>	<u>1,874,176</u>	<u>2,897,395</u>
<u>\$ 1,215,522</u>	<u>1,941,650</u>	<u>3,157,172</u>

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

TOWN OF LAKEWOOD VILLAGE

Balance Sheet

Government Funds

September 30, 2019

	<u>General Fund</u>	<u>Municipal Development District</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents - unrestricted	\$ 265,380		265,380
Cash and cash equivalents - restricted	87	20,942	21,029
Receivables (net of allowance for uncollectibles):			
Property taxes	112		112
Sales taxes	<u>2,597</u>	<u>1,283</u>	<u>3,880</u>
Total assets	\$ <u>268,176</u>	<u>22,225</u>	<u>290,401</u>
LIABILITIES & FUND BALANCES			
Liabilities:			
Deferred revenue	\$ <u>112</u>		<u>112</u>
Total liabilities	<u>112</u>		<u>112</u>
Fund balances:			
Restricted	87	22,225	22,312
Unassigned	<u>267,977</u>	<u> </u>	<u>267,977</u>
Total fund balance	<u>268,064</u>	<u>22,225</u>	<u>290,289</u>
Total liabilities & fund balances	\$ <u>268,176</u>	<u>22,225</u>	<u>290,401</u>

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

TOWN OF LAKEWOOD VILLAGE
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2019

Total Fund Balances - Governmental Funds \$ 290,289

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$2,156,375, and the accumulated depreciation was \$(341,197). In addition, long-term liabilities, including bonds payable and legal liabilities of \$(1,024,000), are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets.

791,178

Current year capital outlays of \$49,925 and long-term debt principal payments of \$158,000 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net assets.

207,925

The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.

(73,982)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing \$112 of deferred revenue as revenue.

112

Net Position of Governmental Activities **\$ 1,215,522**

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

TOWN OF LAKEWOOD VILLAGE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2019

	<u>General Funds</u>	<u>Municipal Development District</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes			
Property	\$ 305,333		305,333
Franchise	26,753		26,753
Sales	33,434	17,232	50,666
Fines and forfeitures	3,731		3,731
Licenses and permits	49,527		49,527
Fees and service charges	9,735		9,735
Interest	7,122	196	7,318
Miscellaneous	<u>3,812</u>		<u>3,812</u>
Total revenues	<u>439,447</u>	<u>17,428</u>	<u>456,875</u>
 EXPENDITURES			
General government	176,926	3,688	180,614
Public safety	31,500		31,500
Public works	12,290		12,290
Capital outlay	49,925		49,925
Debt service:			
Principal	158,000		158,000
Interest and fiscal charges	<u>18,806</u>		<u>18,806</u>
Total expenditures	<u>447,447</u>	<u>3,688</u>	<u>451,135</u>
Excess/(deficiency) of revenues over expenditures	<u>(8,000)</u>	<u>13,740</u>	<u>5,740</u>
 OTHER FINANCING SOURCES AND USES			
Transfers (to)/from other funds	<u>62,656</u>	<u>(9,502)</u>	<u>53,154</u>
Total other financing sources	<u>62,656</u>	<u>(9,502)</u>	<u>53,154</u>
Net change in fund balances	54,656	4,238	58,894
Fund balance, beginning	<u>213,408</u>	<u>17,987</u>	<u>231,395</u>
Fund balance, ending	\$ <u>268,064</u>	<u>22,225</u>	<u>290,289</u>

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

TOWN OF LAKEWOOD VILLAGE
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 September 30, 2019

Total Net Change in Fund Balances - Governmental Funds \$ 58,894

Current year capital outlays of \$49,925 and long-term debt principal payments of \$158,000, are expenditures and sources in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net position. 207,925

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in governmental funds. Depreciation of \$73,982 is not recognized as an expense in governmental funds since it does not require the use of current resources. The net effect of the current year's activity is to decrease net position. (73,982)

Deferred revenue is not recognized as revenue in the governmental activities. The net effect is to decrease net position. (534)

Changes in Net Position of Governmental Activities \$ 192,303

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

TOWN OF LAKEWOOD VILLAGE
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Fiscal Year Ended September 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes				
Property	\$ 306,000	306,000	305,333	(667)
Franchise	30,000	30,000	26,753	(3,247)
Sales	25,000	30,000	33,434	3,434
Fines and forfeitures	3,000	3,000	3,731	731
Licenses and permits	41,600	51,600	49,527	(2,073)
Fees and service charges	2,400	2,400	9,735	7,335
Interest	3,000	5,000	7,122	2,122
Miscellaneous	<u>3,000</u>	<u>3,000</u>	<u>3,812</u>	<u>812</u>
Total revenues	<u>414,000</u>	<u>431,000</u>	<u>439,447</u>	<u>8,447</u>
EXPENDITURES				
General government	176,900	175,900	176,926	(1,026)
Public safety	25,000	31,500	31,500	
Public works	30,500	30,500	12,290	18,210
Capital outlay	11,000	41,000	49,925	(8,925)
Debt service:				
Principal	158,000	158,000	158,000	
Interest	<u>18,806</u>	<u>18,806</u>	<u>18,806</u>	
Total expenditures	<u>420,206</u>	<u>455,706</u>	<u>447,447</u>	<u>8,259</u>
Excess (deficiency) of revenues over expenditures	<u>(6,206)</u>	<u>(24,706)</u>	<u>(8,000)</u>	<u>16,706</u>
OTHER FINANCING SOURCES				
Transfers (to)/from other funds	<u>40,200</u>	<u>40,200</u>	<u>62,656</u>	<u>22,456</u>
Total other financing sources	<u>40,200</u>	<u>40,200</u>	<u>62,656</u>	<u>22,456</u>
Net change in fund balances	33,994	15,494	54,656	39,162
Fund balance, beginning	<u>213,408</u>	<u>213,408</u>	<u>213,408</u>	_____
Fund balance, ending	<u>\$ 247,402</u>	<u>228,902</u>	<u>268,064</u>	<u>39,162</u>

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

TOWN OF LAKEWOOD VILLAGE

Statement of Net Position

Proprietary Funds

September 30, 2019

	Business-Type Activities		
	LWV	Rocky Point	Totals
	Utility Fund	Utility Fund	
ASSETS			
Current assets:			
Cash and cash equivalents - unrestricted	\$ 108,293	11,170	119,463
Cash and cash equivalents - restricted	49,672	2,600	52,272
Accounts receivable (net of allowance for uncollectibles)	<u>25,687</u>	<u>1,217</u>	<u>26,904</u>
Total current assets	<u>183,652</u>	<u>14,987</u>	<u>198,639</u>
Noncurrent assets:			
Capital assets:			
Land	57,553	15,922	73,475
Equipment	5,824		5,824
Water systems and improvements	1,539,931	111,243	1,651,174
Sanitation systems and improvements	1,563,303		1,563,303
Buildings and improvements	21,281	3,533	24,814
Less: Accumulated depreciation	<u>(1,503,643)</u>	<u>(17,178)</u>	<u>(1,520,821)</u>
Total noncurrent assets	<u>1,684,249</u>	<u>113,520</u>	<u>1,797,769</u>
Total assets	<u>\$ 1,867,901</u>	<u>128,507</u>	<u>1,996,408</u>
LIABILITIES			
Current liabilities:			
Customer deposits	\$ 47,600	2,600	50,200
Other payables	<u>4,429</u>	<u>129</u>	<u>4,558</u>
Total current liabilities	<u>52,029</u>	<u>2,729</u>	<u>54,758</u>
Total liabilities	<u>52,029</u>	<u>2,729</u>	<u>54,758</u>
NET POSITION			
Invested in capital assets, net of related debt	1,684,249	113,520	1,797,769
Unrestricted	<u>131,623</u>	<u>12,258</u>	<u>143,881</u>
Total net position	<u>\$ 1,815,872</u>	<u>125,778</u>	<u>1,941,650</u>

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

TOWN OF LAKEWOOD VILLAGE
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
September 30, 2019

	Business-Type Activities		
	LWV	Rocky Point	Totals
	Utility Fund	Utility Fund	
OPERATING REVENUES			
Water	\$ 178,830	16,692	195,522
Sewer	114,841		114,841
Sanitation	50,058		50,058
Fees and services	30,511		30,511
Other income	<u>24,584</u>	<u>442</u>	<u>25,026</u>
Total operating revenues	<u>398,824</u>	<u>17,134</u>	<u>415,958</u>
 OPERATING EXPENSES			
Contract services	37,400	2,200	39,600
Administrative	67,824	3,946	71,770
Repairs and maintenance	46,414	4,126	50,540
Miscellaneous	619		619
Garbage collections	42,049		42,049
Depreciation	<u>89,947</u>	<u>3,418</u>	<u>93,365</u>
Total operating expenses	<u>284,253</u>	<u>13,690</u>	<u>297,943</u>
 Operating income (loss)	 <u>114,571</u>	 <u>3,444</u>	 <u>118,015</u>
 NONOPERATING REVENUES (EXPENSES)			
Interest revenue	<u>2,478</u>	<u>135</u>	<u>2,613</u>
Total nonoperating revenues (expenses)	<u>2,478</u>	<u>135</u>	<u>2,613</u>
 Income (loss) before transfers	 117,049	 3,579	 120,628
 Transfers (to)/from other funds	 <u>(58,456)</u>	 <u>5,302</u>	 <u>(53,154)</u>
 Change in net position	 58,593	 8,881	 67,474
 Net position - beginning (as restated)	 <u>1,757,279</u>	 <u>116,897</u>	 <u>1,874,176</u>
 Net position - ending	 \$ <u>1,815,872</u>	 <u>125,778</u>	 <u>1,941,650</u>

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

TOWN OF LAKEWOOD VILLAGE
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2019

	Business-Type Activities		Totals
	LWV Utility Fund	Rocky Point Utility Fund	
Cash flows from operating activities:			
Cash received from customers and users	\$ 386,226	17,140	403,366
Cash payments to suppliers	<u>(195,132)</u>	<u>(10,272)</u>	<u>(205,404)</u>
Net cash provided by operating activities	<u>191,094</u>	<u>6,868</u>	<u>197,962</u>
Cash flows from capital and related financing activities:			
Acquisition/disposition of capital assets	<u>(82,788)</u>	<u>(9,495)</u>	<u>(92,283)</u>
Net cash used by capital and related financing activities	<u>(82,788)</u>	<u>(9,495)</u>	<u>(92,283)</u>
Cash flows from noncapital financing activities:			
Transfer in/(out)	<u>(58,456)</u>	<u>5,302</u>	<u>(53,154)</u>
Net cash used by noncapital financing activities	<u>(58,456)</u>	<u>5,302</u>	<u>(53,154)</u>
Cash flows from investing activities:			
Interest on deposits and investments	<u>2,478</u>	<u>135</u>	<u>2,613</u>
Net cash provided by investing activities	<u>2,478</u>	<u>135</u>	<u>2,613</u>
Net increase in cash and cash equivalents	52,328	2,810	55,138
Cash and cash equivalents - beginning	<u>105,637</u>	<u>10,960</u>	<u>116,597</u>
Cash and cash equivalents - ending	\$ <u>157,965</u>	<u>13,770</u>	<u>171,735</u>

Reconciliation of Net Income to Net Cash Provided/(Used) by Operating Activities

Operating income	\$ 114,571	3,444	118,015
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	89,947	3,418	93,365
(Increase)/decrease in accounts receivable	(18,898)	6	(18,892)
(Increase)/decrease in other receivables			
Increase/(decrease) in customer deposits	6,300		6,300
Increase/(decrease) in other payables	<u>(826)</u>		<u>(826)</u>
Total adjustments	<u>76,523</u>	<u>3,424</u>	<u>79,947</u>
Net cash provided by operating activities	\$ <u>191,094</u>	<u>6,868</u>	<u>197,962</u>

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

TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Lakewood Village, Texas, have been prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. **Reporting Entity**

The Town of Lakewood Village is a municipality governed by an elected mayor and town council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the Town of Lakewood Village has only a blended component unit. Blended component units, although legally separate entities, are, in substance, part of the government's operations.

Blended Component Unit. The Lakewood Village Municipal Development District (MDD) is a political subdivision of the State of Texas and the Town, established by the voters in 2009 for the purposes of promoting economic development within the Town as prescribed by Chapter 377 of the Texas Local Government Code. The MDD is presented as a governmental fund type. The fund is supported by a one-half cent sales tax which is currently used in full to fund the cost of construction of infrastructure, other capital asset acquisition, and debt service related to the Rocky Point proprietary fund. As of September 30, 2019, the amount provided by the MDD to the Rocky Point Proprietary fund totals \$99,016.

TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2019

-continued-

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

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

-continued-

TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2019

-continued-

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement focus, basis of accounting, and financial statement presentation(continued)

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government'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 government reports the following proprietary funds:

The *LWV Utility fund* is used to account for those operations that are financed and operated in a manner similar to private business or where the council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The enterprise fund is for water, sewer, and solid waste operations.

The *Rocky Point Utility fund* is used to account for those operations that are financed and operated in a manner similar to private business or where the council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The enterprise fund is for water operations.

-continued-

TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2019

-continued-

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement focus, basis of accounting, and financial statement presentation(continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of inter-fund activity has been eliminated from the governmental-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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, including special assessments. 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 *nonoperating* 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 enterprise fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds 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 Town's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net position or equity

1. Deposits

Cash and cash equivalents includes cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government.

-continued-

TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2019

-continued-

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities, and net position or equity (continued)

2. Short-term Inter-fund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

3. Restricted Assets

Certain resources set aside for customer deposits are classified as restricted assets on the balance sheet because their use is limited.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings, systems and improvements	5 - 40
Furniture and equipment	3 - 10

-continued-

TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2019

-continued-

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities, and net position or equity (continued)

5. 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.

6. Fund Equity

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

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council. These amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Town did not have any committed resources as of September 30, 2019.
- Assigned: This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by an official to which the Town Council delegates this authority.
- Unassigned: This classification includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

-continued-

TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2019

-continued-

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities, and net position or equity (continued)

6. Fund Equity (continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

As of September 30, 2019, fund balances are composed of the following:

	<u>General Fund</u>	<u>Municipal Development District</u>	<u>Total Governmental Funds</u>
Nonspendable:	\$		
Restricted:			
Municipal Development	87	22,225	22,312
Debt service			
Committed:			
Assigned:			
Road maintenance			
Unassigned:	<u>267,977</u>	<u> </u>	<u>267,977</u>
Total fund balances	\$ <u>268,064</u>	<u>22,225</u>	<u>290,289</u>

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted for the general fund and water and sewer fund. All annual appropriations lapse at fiscal year end.

The Town follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to September 1, the Town Council prepares 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.

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TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2019

-continued-

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. Budgetary Information (continued)

2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted by the Town Council through passage of an ordinance prior to the beginning of the fiscal year to which it applies, which can be amended by the Council.
4. Formal budgetary integration, using the modified accrual basis, is employed as a management control device during the year for the General Fund. One supplemental appropriation was made during the fiscal year.
5. The budget approved for the Water and Sewer Fund follows similar approval procedures. One supplemental appropriation was made during the fiscal year.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. At year end, encumbrances are canceled or reappropriated as part of the following year budget.

(3) DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Town may invest in obligations of the U. S. Treasury or the State of Texas, certain U. S. Agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by the Public Funds Investment Act of 1987 (Article 842a-2 Vernon's Civil Statutes).

At September 30, 2019, the Town's carrying amount of deposits was \$457,894 and the bank balance was \$481,611. Of the bank balance, \$81,934 was covered by federal depository insurance and \$399,677 was deposited with Texpool Local Government Investment Pool. Funds are invested in conservative highly liquid investments with average maturity of 60 days or less. Although the pool is conservative, there are no federal guarantees and all assets are at risk.

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

- a. *Custodial Credit Risk - Deposits:* In the case of deposits this is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Town's policy regarding types of deposits allowed and collateral requirements is: the Depository may be a state bank authorized and regulated under Texas law; a national bank, savings and loan association, or savings bank authorized and regulated by federal law, or a savings and loan association or savings bank organized under Texas law; but shall not be any bank the deposits of which are not insured by the Federal Deposit Insurance Corporation (FDIC). The Town is not exposed to custodial credit risk for its deposits, as all are covered by depository insurance.

-continued-

TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2019

-continued-

(3) DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments (continued)

- b. *Custodial Credit Risk - Investments:* For an investment, this is the risk that, in the event of the failure of the counter party, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town has no investments.
- c. *Credit Risk -* This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The Town has no investments.
- d. *Interest Rate Risk -* This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town has no investments.
- e. *Foreign Currency Risk -* This is the risk that exchange rates will adversely affect the fair value of an investment. The Town is not exposed to foreign currency risk.
- f. *Concentration of Credit Risk -* This is the risk of loss attributed to the magnitude of the Town's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. The Town has no investments.

B. Receivables

Receivables at September 30, 2019 consisted of the following:

	<u>General Fund</u>	<u>Municipal Development District</u>	<u>LWV Utility Fund</u>	<u>Rocky Point Utility Fund</u>	<u>Total</u>
Property taxes	\$ 112				112
Sales taxes	2,597	1,283			3,880
Accounts receivable	_____	_____	<u>25,687</u>	<u>1,217</u>	<u>26,904</u>
Total receivables	<u>\$ 2,709</u>	<u>1,283</u>	<u>25,687</u>	<u>1,217</u>	<u>30,896</u>

-continued-

TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2019

-continued-

(3) DETAILED NOTES ON ALL FUNDS (continued)

B. Receivables (continued)

Property taxes are based on the appraised values provided by the Denton County Appraisal District. Taxes are levied by October 1 of each year. Unpaid property taxes become delinquent on February 1 of the following year. Penalty is calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increase 1% per month up to a total of 12%. Interest is calculated after February 1 at the rate of 1% per month up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the Town.

Property taxes are due in full on October 1 and there are no discounts granted. The assessed value as of January 1, 2018, upon which the 2018/2019 levy was based, was approximately 105,572,621. The tax rate for fiscal year 2018/2019 was \$0.30 per \$100 of assessed valuation, with \$0.25 allocated to maintenance and operation (M&O), and \$0.05 allocated to debt service (I&S). The M&O rate will increase to \$0.165 for the fiscal year 2019-2020.

C. Capital Assets

Capital asset activity for the year ended September 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Land and improvements	\$ 123,795	9,400		133,195
Buildings & Improvement	72,430			72,430
Furniture & Equipment	39,057			39,057
Streets	1,921,093			1,921,093
Construction in progress	<u> </u>	<u>40,525</u>	<u> </u>	<u>40,525</u>
Totals at historical cost	2,156,375	49,925		2,206,300
Less accumulated depreciation	<u>(341,197)</u>	<u>(73,982)</u>	<u> </u>	<u>(415,179)</u>
Governmental activities capital assets, net	\$ <u>1,815,178</u>	<u>(24,057)</u>	<u> </u>	<u>1,791,121</u>
Business-type activities:				
LWV Utility:				
Land	\$ 57,553			57,553
Buildings and improvements	21,281			21,281
Equipment	5,824			5,824
Water systems & improvements	1,521,728	18,203		1,539,931
Sanitation systems & improvements	<u>1,498,718</u>	<u>64,585</u>	<u> </u>	<u>1,563,303</u>
Totals at historical cost	3,105,104	82,788		3,187,892
Less accumulated depreciation	<u>(1,413,696)</u>	<u>(89,947)</u>	<u> </u>	<u>(1,503,643)</u>
Business-type activities capital assets, net	\$ <u>1,691,408</u>	<u>(7,159)</u>	<u> </u>	<u>1,684,249</u>

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TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2019

-continued-

(3) DETAILED NOTES ON ALL FUNDS (continued)

C. Capital Assets (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Business-type activities: (continued)				
Rocky Point Utility:				
Land	\$ 15,922			15,922
Building & improvements	3,533			3,533
Water system	<u>101,748</u>	<u>9,495</u>		<u>111,243</u>
Totals at historical cost	121,203	9,495		130,698
Less accumulated depreciation	<u>(13,760)</u>	<u>(3,418)</u>		<u>(17,178)</u>
Component unit capital assets, net	<u>\$ 107,443</u>	<u>6,077</u>		<u>113,520</u>

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

Government Activities:

Administration	\$ 4,411
Public works	<u>69,571</u>

Total depreciation expense - government activities \$ 73,982

Business-type activities:

LWV Utility	\$ 89,947
Rocky Point Utility	<u>3,418</u>

Total depreciation expense - business-type activities \$ 93,365

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TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2019

-continued-

(3) DETAILED NOTES ON ALL FUNDS

D. Long-term Debt

Bonds Payable

On April 10, 2014 the Town Council approved the issuance of \$1,600,000 of certificate of obligation bonds to fund the construction of concrete roads.

Certificate of obligation bonds issued by the Town are backed by the full faith and credit of the Town. The \$1,600,000 certificates of obligation issued by the Town will be repaid by levy of an ad valorem tax upon all taxable property within the Town and a limited pledge of the net revenues from the operation of the Town’s waterworks and sewer system.

Interest expense for the bond issue was \$18,806 for the year ended September 30, 2019.

The following is a summary of changes in bonds payable for the year:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>	<u>Due in One Year</u>
Governmental Activities Certificates of Obligation					
Series 2014, 1.99%, 2015-2024	\$ <u>1,024,000</u>	<u> </u>	<u>(158,000)</u>	<u>866,000</u>	<u>163,000</u>
Total governmental activities	\$ <u>1,024,000</u>	<u> </u>	<u>(158,000)</u>	<u>866,000</u>	<u>163,000</u>

Debt Service Requirement to Maturity

The annual debt service requirements to maturity for bonded debt are as follows at year-end:

Year <u>Ended</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	163,000	15,612	178,612
2021	168,000	12,318	180,318
2022	173,000	8,925	181,925
2023	184,000	5,433	189,433
2024	<u>178,000</u>	<u>1,831</u>	<u>179,831</u>
Total	\$ <u>866,000</u>	<u>44,119</u>	<u>910,119</u>

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TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2019

-continued-

(3) DETAILED NOTES ON ALL FUNDS (continued)

E. Interfund Receivables, Payables and Transfers

The composition of the interfund balances as of September 30, 2019 is as follows:

Interfund transfers:

	<u>General</u> <u>Fund</u>	<u>MDD</u> <u>Fund</u>	<u>LWV</u> <u>Utility</u> <u>Fund</u>	<u>Rocky Point</u> <u>Utility</u> <u>Fund</u>	<u>Total</u>
Transfers In:	\$ 62,656			9,502	72,158
Transfers Out:	_____	(9,502)	(58,456)	(4,200)	(72,158)
	<u>\$ 62,656</u>	<u>(9,502)</u>	<u>(58,456)</u>	<u>5,302</u>	=====

The transfers to/from the LWV Utility Fund and Rocky Point Utility Fund were to cover administrative expenses incurred by the General Fund on behalf of the utility funds, and funding from the MDD for eligible capital projects in the Rocky Point Utility Fund.

(4) OTHER INFORMATION

Risk Management

The government 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 government is a participant in the Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of individual governmental units located within Texas. The government pays an annual premium to the Funds for its workers' compensation and property and liability insurance coverage. The WC Fund and Property-Liability Fund are considered self-sustaining risk pools that provide coverage for its members for up to \$2,000,000 per insured event. There were no significant reduction in insurance coverage from the previous year. Settled claims for risks have not exceeded insurance coverage for the past three years.

-continued-

TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2019

-continued-

(6) RESTATEMENT OF NET POSITION

Net position has been restated at September 30, 2018 to reflect correction of accounts receivable error detected in the water and sewer billing software.

	As Originally <u>Reported</u>	<u>Restatement</u>	<u>As Restated</u>
Governmental activities	\$ 1,023,219		1,023,219
Business-type activities	<u>1,863,103</u>	<u>11,073</u>	<u>1,874,176</u>
Total net assets	\$ <u>2,886,322</u>	<u>11,073</u>	<u>2,897,395</u>

(6) EVALUATION OF SUBSEQUENT EVENTS

The Town has evaluated subsequent events through November 13, 2019, the date which the financial statements were available to be issued.

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INDIVIDUAL FUND SCHEDULES

TOWN OF LAKEWOOD VILLAGE
Statement of Revenues, Expenditures, and Changes in Fund Net Position
Budget and Actual - LWV Utility Funds
For the Fiscal Year Ended September 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
OPERATING REVENUES				
Water sales, fees and service charges	\$ 342,240	342,240	390,932	48,692
Other income	<u>2,000</u>	<u>20,000</u>	<u>25,026</u>	<u>5,026</u>
Total operating revenues	<u>344,240</u>	<u>362,240</u>	<u>415,958</u>	<u>53,718</u>
OPERATING EXPENSES				
Contract services	154,800	79,800	39,600	40,200
Administrative	51,800	51,800	71,770	(19,970)
Repairs and maintenance	36,350	36,350	50,540	(14,190)
Miscellaneous	1,175	2,175	619	1,556
Trash collections	46,000	46,000	42,049	3,951
Capital improvements	10,000	85,000		85,000
Depreciation			<u>93,365</u>	<u>(93,365)</u>
Total operating expenses	<u>300,125</u>	<u>301,125</u>	<u>297,943</u>	<u>3,182</u>
Operating income (loss)	<u>44,115</u>	<u>61,115</u>	<u>118,015</u>	<u>56,900</u>
NONOPERATING REVENUE (EXPENSE)				
Interest income	1,030	1,030	2,613	1,583
Transfers in/(out)	<u>(40,200)</u>	<u>(40,200)</u>	<u>(53,154)</u>	<u>(12,954)</u>
Total nonoperating revenue (expense)	<u>(39,170)</u>	<u>(39,170)</u>	<u>(50,541)</u>	<u>(11,371)</u>
Change in net position	4,945	21,945	67,474	45,529
Net position - beginning (as restated)	<u>1,874,176</u>	<u>1,874,176</u>	<u>1,874,176</u>	_____
Net position - ending	\$ <u>1,879,121</u>	<u>1,896,121</u>	<u>1,941,650</u>	<u>45,529</u>

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