

**OFFICIAL STATEMENT**  
**Dated: March 10, 2022**

*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 CERTIFICATES **WILL NOT BE** DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

**\$4,990,000**  
**TOWN OF LAKEWOOD VILLAGE, TEXAS**  
**(Denton County)**  
**COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022**

**Dated Date: March 15, 2022**

**Obligations Due: February 1, as shown on the inside cover**

The Town of Lakewood Village, Texas (the "Town" or the "Issuer") \$4,990,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022 (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") 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 March 15, 2022 (the "Dated Date") and will be payable on August 1, 2022, and on each February 1 and August 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 waterworks and sewer system improvements and extensions, including the acquisition of equipment, land and right-of-way therefor 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.)



The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Certificates by BUILD AMERICA MUTUAL ASSURANCE COMPANY (See "CERTIFICATE INSURANCE" and "CERTIFICATE INSURANCE RISK".

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SEE FOLLOWING PAGE FOR STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES,  
INITIAL YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS FOR THE CERTIFICATES

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*The Obligations are offered for delivery, when, as and if issued and received by Hilltop Securities Inc. (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 No-Litigation Certificate" herein). It is expected that the Certificates will be available for delivery through DTC on or about April 13, 2022.*

**\$4,990,000**  
**Town of Lakewood Village**  
**(A political subdivision of the State of Texas located in Denton County, Texas)**  
**Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022**

**STATED MATURITY SCHEDULE**  
**Base CUSIP – 512707**

Stated Maturity <u>February 1</u>	Principal <u>Amount</u>	Initial Rate <u>(%)</u>	Initial Yield <u>(%)</u>	CUSIP Suffix <sup>(a)</sup>
2023	\$ 25,000	4.000	1.080	AW0
2024	25,000	4.000	1.380	AX8
2025	140,000	4.000	1.550	AY6
2026	145,000	4.000	1.650	AZ3
2027	150,000	4.000	1.770	BA7
2028	155,000	4.000	1.900	BB5
2029	160,000	4.000	1.980	BC3
2030	170,000	4.000	2.070	BD1
2031	175,000	4.000	2.100	BE9
2032	180,000	4.000	2.210 <sup>(b)</sup>	BF6
2033	190,000	4.000	2.370 <sup>(b)</sup>	BG4
2034	200,000	4.000	2.520 <sup>(b)</sup>	BH2
2035	205,000	4.000	2.550 <sup>(b)</sup>	BJ8
2036	215,000	4.000	2.570 <sup>(b)</sup>	BK5

**\$2,855,000 TERM CERTIFICATES**

\$685,000	3.00%	Term Certificates due February 1, 2039 and priced to yield 3.070%	CUSIP Suffix <sup>(a)</sup> BN9
\$745,000	3.00%	Term Certificates due February 1, 2042 and priced to yield 3.170%	CUSIP Suffix <sup>(a)</sup> BR0
\$540,000	3.25%	Term Certificates due February 1, 2044 and priced to yield 3.300%	CUSIP Suffix <sup>(a)</sup> BT6
\$885,000	3.25%	Term Certificates due February 1, 2047 and priced to yield 3.350%	CUSIP Suffix <sup>(a)</sup> BW9

(Interest to accrue from the Dated Date)

The Issuer reserves the right to redeem the Certificates maturing on and after February 1, 2032, on February 1, 2031, 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. In addition the Certificates maturing February 1, 2039, February 1, 2042, February 1, 2044, and February 1, 2047 are subject to mandatory sinking fund redemption, as further described herein. (See "THE CERTIFICATES - Redemption Provisions" herein.)

<sup>(a)</sup>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.

<sup>(b)</sup>Yield calculated based on the assumption that the Certificates denoted and sold at a premium will be redeemed on February 1, 2031, the earliest date of redemption for the Certificates, at a price of par plus accrued interest to the date of redemption.

<sup>(c)</sup>Payable at stated maturity.

**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</u> <u>Since</u>	<u>Term Expires</u> <u>May</u>	<u>Occupation</u>
Dr. Mark Vargus	Mayor	2007	2022	Finance Professor
Darrell West	Mayor Pro Tem	2018	2022	Software Developer
Eric Farage	Council Member	2019	2023	Revenue Cycle Director
Matt Bissonnette	Council Member	2019	2023	Corp. Relationship Mgr – JP Morgan
Serena Lepley	Council Member	2018	2022	Speech Language Pathologist
Clint Bushong	Council Member	2014	2023	Engineer

**ADMINISTRATION**

<u>Name</u>	<u>Position</u>	<u>Years of</u> <u>Municipal</u> <u>Experience</u>
Linda Asbell	Town Secretary	22 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  
 San Antonio, Texas 78209  
 (210) 832-9760  
 mmcliney@samcocapital.com

Mr. Andrew Friedman  
 Senior Managing Director  
**SAMCO Capital Markets, Inc.**  
 1020 NE Loop 410, Suite 640  
 San Antonio, Texas 78209  
 (210) 832-9760  
 afriedman@samcocapital.com

**USE OF INFORMATION IN THE OFFICIAL STATEMENT**

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.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "Certificate Insurance" and "Appendix E - Specimen Municipal Bond Insurance Policy".

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.

**TABLE OF CONTENTS**

SELECTED DATA FROM THE OFFICIAL STATEMENT .....	1	Tax Increment Reinvestment Zones .....	12
INTRODUCTORY STATEMENT .....	1	Tax Abatement Agreements .....	12
Infectious Disease Outbreak - COVID-19.....	1	Town and Taxpayer Remedies.....	13
THE CERTIFICATES.....	2	Levy and Collection of Taxes.....	13
General Description.....	2	Town's Rights in the Event of Tax Delinquencies .....	13
Authority for Issuance .....	2	Public Hearing and Maintenance and Operations Tax Rate Limitations.....	13
Security for Payment .....	2	Debt Tax Rate Limitations.....	14
Use of Certificate Proceeds.....	2	TOWN'S APPLICATION OF THE PROPERTY TAX CODE .....	15
Redemption Provisions.....	2	ECONOMIC DEVELOPMENT PROGRAMS.....	15
Payment Record .....	4	General.....	15
Legality .....	4	ADDITIONAL TAX COLLECTIONS.....	15
Defeasance .....	4	Municipal Sales Tax Collections .....	15
Amendments to the Ordinance .....	4	Optional Sales Tax .....	15
Default and Remedies .....	4	TAX MATTERS .....	16
REGISTRATION, TRANSFER AND EXCHANGE .....	5	Tax Accounting Treatment of Discount and Premium on Certificates .....	16
Paying Agent/Registrar .....	5	CONTINUING DISCLOSURE OF INFORMATION.....	17
Record Date.....	5	Annual Reports .....	17
Future Registration.....	6	Notice of Certain Events .....	17
Limitation on Transferability.....	6	Availability of Information from MSRB .....	18
Replacement Certificates.....	6	Limitations and Amendments.....	18
CERTIFICATE INSURANCE.....	6	Compliance with Prior Agreements .....	18
BOOK-ENTRY-ONLY SYSTEM .....	8	OTHER PERTINENT INFORMATION .....	18
Use of Certain Terms in Other Sections of this Official Statement.....	9	Registration and Qualification of Certificates for Sale .....	18
INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER.....	9	Litigation.....	19
Current Investments.....	11	Future Debt Issuance.....	19
EMPLOYEE RETIREMENT SYSTEM .....	11	Legal Investments and Eligibility to Secure Public Funds in Texas .....	19
AD VALOREM PROPERTY TAXATION .....	11	Ratings.....	19
Valuation of Taxable Property .....	11	Legal Opinions and No-Litigation Certificate.....	19
State Mandated Homestead Exemptions .....	12	Financial Advisor.....	20
Local Option Homestead Exemptions.....	12	Winning Bidder.....	20
Local Option Freeze for the Elderly and Disabled .....	12	Certification of the Official Statement.....	20
Personal Property.....	12	Forward-Looking Statements Disclaimer .....	21
Freeport and Goods-In-Transit Exemptions.....	12	Concluding Statement .....	21
Other Exempt Property.....	12		

Financial Information of the Issuer	Appendix A
General Information Regarding the Town of Lakewood Village and Denton County, Texas	Appendix B
Form of Legal Opinion of Bond Counsel	Appendix C
The Issuer's General Purpose Audited Financial Statements for the Fiscal Year Ended September 30, 2021	Appendix D
Specimen Municipal Bond Insurance Policy	Appendix E

*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.

<b>The Issuer</b>	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 1,056. (See “APPENDIX B - GENERAL INFORMATION REGARDING THE TOWN OF LAKEWOOD VILLAGE AND DENTON COUNTY, TEXAS” herein.)
<b>The Certificates</b>	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”) adopted by the Town Council. (See “THE CERTIFICATES - Authority for Issuance” herein.)
<b>Paying Agent/Registrar</b>	The initial Paying Agent/Registrar for the Certificates is BOKF, NA, Dallas, Texas.
<b>Security</b>	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.)
<b>Redemption Provisions</b>	The Issuer reserves the right to redeem the Certificates maturing on and after February 1, 2032, on February 1, 2031, 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. Additionally, the Certificates maturing on February 1, 2039, February 1, 2042, February 1, 2044, and February 1, 2047 (the “Term Certificates”) will be subject to mandatory sinking fund redemption. See “THE CERTIFICATES - Redemption Provisions” herein.)
<b>Tax Matters</b>	In the opinion of Bond Counsel interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under “TAX MATTERS” herein. (See “TAX MATTERS” and “APPENDIX C - FORM OF LEGAL OPINION OF BOND COUNSEL” herein.)
<b>Not Qualified Tax-Exempt Obligations</b>	The Issuer will NOT designate the Certificates as “Qualified Tax-Exempt Obligations” for financial institutions.
<b>Use of Proceeds</b>	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 waterworks and sewer system improvements and extensions, including the acquisition of equipment, land, and right-of-way therefor 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.)
<b>Book-Entry-Only System</b>	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.)
<b>Rating</b>	The Certificates are rated “AA” (stable outlook) by S&P Global Ratings, a division of S&P Global (“S&P”), by virtue of a municipal bond insurance policy to be issued by Build America Mutual Assurance Company. S&P has assigned an unenhanced, underlying rating of “AA-” to the Certificates without regard to credit enhancement. An explanation of the significance of such rating may be obtained from S&P. (See “OTHER PERTINENT INFORMATION - Ratings” herein.)
<b>Issuance of Additional Debt</b>	The Issuer does anticipate the issuance of additional debt payable from ad valorem taxes within the next twelve months.
<b>Payment Record</b>	The Town has never defaulted on the payment of its debt.
<b>Delivery</b>	It is anticipated the Certificates will be available for delivery through DTC on or about April 13, 2022.
<b>Legality</b>	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 \$4,990,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022 (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") 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.

### **Infectious Disease Outbreak – COVID -19**

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings and other activities.

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the U.S., the State and the Town. Following the widespread release and distribution of various COVID-19 vaccines beginning in December 2020 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Under executive orders in effect as of the date of this Official Statement, there are no COVID-19 related operating limits for any business or other establishment in Texas. The Governor retains the right to impose additional restrictions on activities if needed in order to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

With the easing or removal of associated governmental restrictions, economic activity has increased. However, there are no assurances that economic activity will continue or increase at the same rate, especially if there are future outbreaks of COVID-19 or variants of COVID-19. The COVID-19 pandemic may result in lasting changes in some businesses and social practices, which could affect business activity and limit the growth of or reduce the Town's ad valorem and sales tax collections. In addition, further or extended reductions in the value of stocks and other investments could impact employee retirement plans or other funds and could require actions by the State. The Town cannot predict the long-term economic effect of COVID-19 or the effect of any future outbreak of COVID-19, or variants of COVID-19, or a similar virus on the Town's operations or financial condition.

Some of the financial and operating data contained herein are as of dates and for periods prior to the economic impact of COVID-19 and measures instituted to slow it. Accordingly, such information is not necessarily indicative of the current financial condition or future prospects of the Town. The Town continues to monitor the spread of COVID-19 and is working with local, State, and national agencies to address the potential impact of the COVID-19 pandemic upon the Town. While the extent of the impact of COVID-19 on the Town cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the Town's operations and financial condition, and the effect could be material.

## THE CERTIFICATES

### General Description

The Certificates are dated March 15, 2022 (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 August 1, 2022, and on each February 1 and August 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").

### 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 (i) constructing waterworks and sewer system improvements and extensions, including the acquisition of equipment, land and right-of-way therefor 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, 2032, on February 1, 2031, 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.

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**Mandatory Sinking Fund Redemption:** The Certificates maturing February 1, 2039, February 1, 2042, February 1, 2044, and February 1, 2047 (the "Term Certificates") are subject to mandatory sinking fund redemption in part prior to their stated maturity and will be redeemed by the Issuer at the redemption prices equal to the principal amounts thereof, plus accrued interest thereon to the redemption dates, on February 1, in the years and principal amounts shown below:

<b>Term Certificates to Mature on February 1, 2039</b>	
<b>Year</b>	<b>Principal Amount</b>
2037	\$220,000
2038	230,000
2039*	235,000

<b>Term Certificates to Mature on February 1, 2042</b>	
<b>Year</b>	<b>Principal Amount</b>
2040	\$240,000
2041	250,000
2042*	255,000

<b>Term Certificates to Mature on February 1, 2044</b>	
<b>Year</b>	<b>Principal Amount</b>
2043	\$265,000
2044*	275,000

<b>Term Certificates to Mature on February 1, 2047</b>	
<b>Year</b>	<b>Principal Amount</b>
2045	\$285,000
2046	295,000
2047*	305,000

\*Final Maturity

The particular Term Certificates to be redeemed shall be chosen by the Paying Agent/Registrar at random by lot or other customary method of random selection; provided, however, the principal amount of the Term Certificates required to be redeemed on a mandatory redemption date may be reduced, at the option of the Town, by the principal amount of Term Certificates which, at least fifty (50) days prior to the mandatory redemption date, (1) shall have been acquired by the Town at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation or (2) shall have been redeemed pursuant to the

**Notice of 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 Certificate holders upon any failure of the Town to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

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 August 1, 2022, and on each February 1 and August 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 Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

#### **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.

### **CERTIFICATE INSURANCE**

#### **Bond Insurance Policy**

Concurrently with the issuance of the Certificates, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Certificates (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Certificates when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

#### **BUILD AMERICA MUTUAL ASSURANCE COMPANY**

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://www.buildamerica.com).

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at <https://www.spglobal.com/en/>. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Certificates, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Certificates. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Certificates on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Certificates, nor does it guarantee that the rating on the Certificates will not be revised or withdrawn.

#### *Capitalization of BAM*

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2021 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$481.5 million, \$183.4 million and \$298.1 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at [www.buildamerica.com](http://www.buildamerica.com), is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "CERTIFICATE INSURANCE".

#### *Additional Information Available from BAM*

**Credit Insights Videos.** For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at [www.buildamerica.com/videos](http://www.buildamerica.com/videos). (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Credit Profiles.** Prior to the pricing of certificates that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those certificates. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes certificates insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at [www.buildamerica.com/credit-profiles](http://www.buildamerica.com/credit-profiles). BAM will produce a Credit Profile for all certificates insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such certificates. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Disclaimers.** The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer or the underwriter for the Certificates, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Certificates. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Certificates, whether at the initial offering or otherwise.

## 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](http://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 them 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 365 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (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, Certificate 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 Certificate 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 Certificate 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, 2021, the Town's total investable funds is in the amount of \$988,431 (which excludes \$1,148 in debt service funds). Of this \$968,384 were invested in checking and money market accounts with the Town's depository bank and the remaining \$20,047 was invested at 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 Central Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (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 Assessor/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 created one public improvement district.

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 (½%) 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 purchase price of certain Certificates (the "Premium Certificates") paid by an owner may be greater than the amount payable on such Certificates at maturity. An amount equal to the excess of a purchaser's tax basis in a Premium Certificate over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Certificate in the hands of such purchaser must be reduced each year by the amortizable certificate premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable certificate 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 that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity (or, in some cases with respect to a callable Certificate, the yield based on a call date that results in the lowest yield on the Certificate).

Purchasers of the Premium Certificates should consult with their own tax advisors with respect to the determination of amortizable certificate 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.

#### **CONTINUING DISCLOSURE OF INFORMATION**

In the Ordinance, the Town has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The Town is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the Town will be obligated to provide certain updated financial information and operating data annually and timely notice of specified events to the MSRB. The information provided to the MSRB will be available to the public free of charge via the EMMA system through an internet website accessible at [www.emma.msrb.org](http://www.emma.msrb.org).

##### **Annual Reports**

The Town will file certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the Town of the general included in Appendix A of the Official Statement, Tables 1 through 14 attached hereto, and Appendix D attached hereto. The Town will update and provide this information within six months after the end of each fiscal year ending in or after 2021.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's EMMA Internet Web site or filed with the SEC, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the Town commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Town will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the Town may be required to employ from time to time pursuant to State law or regulation.

The Town's current fiscal year end is September 30. Accordingly, it must provide updated information by the last day in March in each year, unless the Town changes its fiscal year. If the Town changes its fiscal year, it will file notice of the change with the MSRB.

##### **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 clauses (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](http://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**

During the past five years, the Issuer has complied in all material respects in accordance with SEC Rule 15c2-12.

### **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 debt payable from an ad valorem tax 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 with the understanding that concurrently with the delivery of the Certificates a municipal bond insurance policy will be issued by BAM. See "CERTIFICATE INSURANCE" herein. The Town received from S&P an underlying, unenhanced rating of "AA-".

An explanation of the significance of such rating may be obtained from S&P. The rating of the Certificates by S&P 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 the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the 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.

#### **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.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with its responsibilities to the Town and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

#### **Winning Bidder**

After requesting competitive bids for the Certificates, the Town accepted the bid of Hilltop Securities Inc. to purchase the Certificates at the interest rates shown on the page ii of this Official Statement at a price of par, plus a reoffering premium of \$204,078.70, less a Purchaser's discount of \$83,117.18, plus accrued interest on the Certificates from their Dated Date to their date of initial delivery. The Town can give no assurance that any trading market will be developed for the Town after their sale by the Town to the Purchaser. The Town has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

#### **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, 2020, 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**

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Town. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer of solicitation.

The information set forth herein has been obtained from the Town's records, audited financial statements and other sources which the Town considers to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and the Ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and the Ordinance. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

The Ordinance authorizing the issuance of the Certificates has approved the form and content of this Official Statement and any addenda, supplement or amendment thereto and has authorized its further use in the re-offering of the Certificates by the Purchaser.

This Official Statement was approved by the Council for distribution in accordance with the provisions of the SEC's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

TOWN OF LAKEWOOD VILLAGE, TEXAS

/s/ Mark Vargus  
Mayor  
Town of Lakewood Village, Texas

ATTEST:

/s/ Linda Asbell  
Town Secretary  
Town of Lakewood Village, Texas

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**APPENDIX A**

**FINANCIAL INFORMATION OF THE ISSUER**

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**FINANCIAL INFORMATION OF THE ISSUER**

**ASSESSED VALUATION**

**TABLE 1**

2021 Certified Market Value of Taxable Property (100% of Market Value).....	\$	146,496,896
Less Exemptions:		
Optional Over 65 or Disabled.....	\$	1,275,000
Veterans' Exemptions.....		605,484
Open Space Land and Timberland.....		674,220
Loss to 10% HO Cap.....		9,996,741
Exemptions/Other.....		3,409,466
<b>TOTAL EXEMPTIONS</b> .....	\$	<u>15,960,911</u>
2021 Certified Assessed Value of Taxable Property.....	\$	<u>130,535,985</u>

*Source: Denton Central Appraisal District.*

**GENERAL OBLIGATION BONDED DEBT**

*(as of December 31, 2021)*

**General Obligation Debt Principal Outstanding**

Certificates of Obligation, Series 2014	\$	535,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020		4,475,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022		4,990,000
Total Gross General Obligation Debt	\$	<u>10,000,000</u>
Less: Self Supporting Debt		
The Certificates (100% W&S)	\$	4,990,000
Total Self-Supporting Debt	\$	<u>4,990,000</u>
Total Net General Obligation Debt Outstanding	\$	<u>5,010,000</u>
2021 Net Assessed Valuation	\$	130,535,985
Ratio of Total Gross General Obligation Debt Principal to Certified Net Taxable Assessed Valuation		7.66%
Ratio of Net General Obligation Debt to Certified Net Taxable Assessed Valuation		3.84%

Population: 2000 - 342; 2010 - 545; 2020 - 1,010; est 2021 - 1,056  
 Per Capita Certified Net 2021 Taxable Assessed Valuation - \$123,613.62  
 Per Capita Gross General Obligation Debt Principal - \$9,469.70  
 Per Capita Net General Obligation Debt Principal - \$4,744.32

**TOWN DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE**

**TABLE 2**

*(As of September 30, 2021)*

**None**

*Source: The Issuer's Annual Financial Report for the fiscal year ended September 30, 2021.*

**GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

Fiscal Year Ending Sept. 30	Current Total Outstanding Debt	The Certificates			Combined Debt Service	Less: Self- Supporting Debt	Total Net Debt Service
		Principal	Interest	Total			
2022	\$ 414,975	\$ -	\$ 65,965	\$ 65,965	\$ 480,940	\$ 65,965	\$ 414,975
2023	412,733	25,000	174,113	199,113	611,845	199,113	412,733
2024	411,381	25,000	173,113	198,113	609,493	198,113	411,381
2025	343,675	140,000	169,813	309,813	653,488	309,813	343,675
2026	339,575	145,000	164,113	309,113	648,688	309,113	339,575
2027	341,175	150,000	158,213	308,213	649,388	308,213	341,175
2028	342,375	155,000	152,113	307,113	649,488	307,113	342,375
2029	343,175	160,000	145,813	305,813	648,988	305,813	343,175
2030	343,575	170,000	139,213	309,213	652,788	309,213	343,575
2031	338,675	175,000	132,313	307,313	645,988	307,313	338,675
2032	338,475	180,000	125,213	305,213	643,688	305,213	338,475
2033	339,225	190,000	117,813	307,813	647,038	307,813	339,225
2034	340,975	200,000	110,013	310,013	650,988	310,013	340,975
2035	342,425	205,000	101,913	306,913	649,338	306,913	342,425
2036	338,650	215,000	93,513	308,513	647,163	308,513	338,650
2037	339,650	220,000	85,913	305,913	645,563	305,913	339,650
2038	340,350	230,000	79,163	309,163	649,513	309,163	340,350
2039	340,547	235,000	72,188	307,188	647,734	307,188	340,547
2040	340,234	240,000	65,063	305,063	645,297	305,063	340,234
2041	-	250,000	57,713	307,713	307,713	307,713	-
2042	-	255,000	50,138	305,138	305,138	305,138	-
2043	-	265,000	42,006	307,006	307,006	307,006	-
2044	-	275,000	33,231	308,231	308,231	308,231	-
2045	-	285,000	24,131	309,131	309,131	309,131	-
2046	-	295,000	14,706	309,706	309,706	309,706	-
2047	-	305,000	4,956	309,956	309,956	309,956	-
Total	<u>\$ 6,691,845</u>	<u>\$ 4,990,000</u>	<u>\$ 2,552,446</u>	<u>\$ 7,542,446</u>	<u>\$ 14,234,291</u>	<u>\$ 7,542,446</u>	<u>\$ 6,691,845</u>

**TAX ADEQUACY**

2021 Certified Assessed Value of Taxable Property	\$ 130,535,985
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2025)	653,487.50 *
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$ 0.5108

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

**TAX ADEQUACY (NET OF SELF-SUPPORT)**

2021 Certified Assessed Value of Taxable Property	\$ 130,535,985
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2022)	414,975.15 *
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$ 0.3244

*\*Includes the Certificates.*

*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		
2022	\$ 248,000	\$ -	\$ 248,000	\$ 9,752,000	2.48%
2023	253,000	25,000	278,000	9,474,000	5.26%
2024	259,000	25,000	284,000	9,190,000	8.10%
2025	200,000	140,000	340,000	8,850,000	11.50%
2026	205,000	145,000	350,000	8,500,000	15.00%
2027	215,000	150,000	365,000	8,135,000	18.65%
2028	225,000	155,000	380,000	7,755,000	22.45%
2029	235,000	160,000	395,000	7,360,000	26.40%
2030	245,000	170,000	415,000	6,945,000	30.55%
2031	250,000	175,000	425,000	6,520,000	34.80%
2032	260,000	180,000	440,000	6,080,000	39.20%
2033	270,000	190,000	460,000	5,620,000	43.80%
2034	280,000	200,000	480,000	5,140,000	48.60%
2035	290,000	205,000	495,000	4,645,000	53.55%
2036	295,000	215,000	510,000	4,135,000	58.65%
2037	305,000	220,000	525,000	3,610,000	63.90%
2038	315,000	230,000	545,000	3,065,000	69.35%
2039	325,000	235,000	560,000	2,505,000	74.95%
2040	335,000	240,000	575,000	1,930,000	80.70%
2041	-	250,000	250,000	1,680,000	83.20%
2042	-	255,000	255,000	1,425,000	85.75%
2043	-	265,000	265,000	1,160,000	88.40%
2044	-	275,000	275,000	885,000	91.15%
2045	-	285,000	285,000	600,000	94.00%
4046	-	295,000	295,000	305,000	96.95%
2047	-	305,000	305,000	-	100.00%
Total	\$ 5,010,000	\$ 4,990,000	\$ 10,000,000		

**TAXABLE ASSESSED VALUATION FOR TAX YEARS 2012-2021**

**TABLE 3**

Tax Year	Net Taxable Assessed Valuation	Change From Preceding Year	
		Amount (\$)	Percent
2013	73,245,065	386,539	0.53%
2014	77,178,486	3,933,421	5.37%
2015	83,485,481	6,306,995	8.17%
2016	87,527,563	4,042,082	4.84%
2017	94,791,919	7,264,356	8.30%
2018	100,963,475	6,171,556	6.51%
2019	107,176,785	6,213,310	6.15%
2020	110,555,240	3,378,455	3.15%
2021	130,535,985	19,980,745	18.07%

Source: Denton Central Appraisal District.

**PRINCIPAL TAXPAYERS 2021**

**TABLE 4**

Name	Type of Business/ Property	2021 Net Taxable Assessed Valuation	% of Total 2021 Assessed Valuation
Ashton, Russell Brent	Residential	\$ 2,450,490	1.88%
Tuong Huu Le & Golden Gate Investment	Undeveloped Land	2,086,288	1.60%
La'el Collins	Residential	1,947,508	1.49%
Sam Hill Venture	Residential	1,874,938	1.44%
Fleitman, Samuel J & Jannet L	Residential	1,794,517	1.37%
ADT LLC	Commercial/Security	1,654,590	1.27%
Mark Vargus	Residential	1,547,270	1.19%
Scott Lataste	Residential	1,500,000	1.15%
Ricardo Moreno	Residential	1,442,194	1.10%
Shawn D & Alyssa M Maxson	Residential	1,276,449	0.98%
		<u>\$ 17,574,244</u>	<u>13.46%</u>

Source: Denton Central Appraisal District.

**CLASSIFICATION OF ASSESSED VALUATION**

**TABLE 5**

	<b>2021</b>	<b>% of Total</b>	<b>2020</b>	<b>% of Total</b>	<b>2019</b>	<b>% of Total</b>
Real, Residential, Single-Family	\$ 125,413,506	85.61%	\$ 99,486,387	86.41%	\$ 95,742,538	85.58%
Real, Residential, Multi-Family	242,230	0.17%	211,557	0.18%	211,576	0.19%
Real, Vacant Lots/Tracts	9,600,384	6.55%	7,377,200	6.41%	7,924,494	7.08%
Real, Acreage (Land Only)	704,272	0.48%	715,746	0.62%	713,928	0.64%
Real, Farm and Ranch Improvements	4,974,111	3.40%	5,212,715	4.53%	5,143,157	4.60%
Real & Tangible, Personal Utilities	327,750	0.22%	357,250	0.31%	324,450	0.29%
Tangible Personal, Commercial	1,806,057	1.23%	28,271	0.02%	24,240	0.02%
Tangible Personal, Industrial	19,120	0.01%	-	0.00%	-	0.00%
Tangible Personal, Income Producing	-	0.00%	963	0.00%	-	0.00%
Total Exempt Property	3,409,466	2.33%	1,744,583	1.52%	1,791,732	1.60%
<b>Total Appraised Value</b>	<b>\$ 146,496,896</b>	<b>100.00%</b>	<b>\$ 115,134,672</b>	<b>100.00%</b>	<b>\$ 111,876,115</b>	<b>100.00%</b>
<b>Less:</b>						
Optional Over 65 or Disabled	\$ 1,275,000		\$ 1,225,000		\$ 1,225,000	
Veterans' Exemptions	605,484		605,224		590,148	
Open Space Land and Timberland	674,220		674,175		674,025	
Loss to 10% HO Cap	9,996,741		311,679		418,425	
Exemptions/Other	3,409,466		1,763,354		1,791,732	
<b>Total Exemptions</b>	<b>\$ 15,960,911</b>		<b>\$ 4,579,432</b>		<b>\$ 4,699,330</b>	
<b>Net Taxable Assessed Valuation</b>	<b>\$ 130,535,985</b>		<b>\$ 110,555,240</b>		<b>\$ 107,176,785</b>	

Source: Denton Central Appraisal District.

**TAX DATA**

**TABLE 6**

<b>Tax Year</b>	<b>Net Taxable Assessed Valuation</b>	<b>Tax Rate</b>	<b>Tax Levy</b>	<b>% of Collections</b>		<b>Year Ended</b>
				<b>Current</b>	<b>Total</b>	
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	100.19%	101.21%	9/30/2020
2020	110,555,240	0.450000	497,499	99.92%	100.16%	9/30/2021
2021	130,535,985	0.450000	587,412	(In Process of Collection)		9/30/2022

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

**TAX RATE DISTRIBUTION**

**TABLE 7**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
General Fund	\$ 0.250000	\$ 0.250000	\$ 0.250000	\$ 0.250000	\$ 0.250000
I & S Fund	0.200000	0.200000	0.165000	0.050000	0.050000
<b>Total Tax Rate</b>	<b>\$ 0.450000</b>	<b>\$ 0.450000</b>	<b>\$ 0.415000</b>	<b>\$ 0.300000</b>	<b>\$ 0.300000</b>

Source: Denton Central Appraisal District.

**INTEREST AND SINKING FUND MANAGEMENT INDEX****TABLE 8**

General Fund Balance, Fiscal Year Ended 9/30/2021	\$	292,914
2021 Interest and Sinking Fund Tax Levy at 98% Collections Produce		255,851
Plus: Other Town Funds*		290,000
Total Available for General Obligation Debt	\$	<u>838,765</u>
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9/30/22		480,940
Estimated Surplus at Fiscal Year Ending 9/30/22	\$	<u>357,825</u>

\* Represents an annual transfer from the Town's utility fund for self-supporting portion of the Obligations as well as a transfer from other budgeted revenues dedicated to serving the Town's outstanding obligations.

**MUNICIPAL SALES TAX COLLECTIONS****TABLE 9**

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
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
2020	80,945	16.27%	0.073	26,686
2021	59,651	10.15%	0.046	31,312

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

**OVERLAPPING DEBT INFORMATION**

(As of October 31, 2021)

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 12/31/21)	% Overlapping	Amount Overlapping
Denton County	\$ 571,605,000	0.09%	\$ 514,445
Little Elm ISD	330,441,408	1.90%	6,278,387
Total Gross Overlapping Debt			\$ 6,792,831
Town of Lakewood Village			\$ 10,000,000
Total Gross Direct and Overlapping Debt			\$ 16,792,831
Ratio of Gross Direct and Overlapping Debt to 2021 Net Assessed Valuation			12.86%
Per Capita Gross Direct and Overlapping Debt			\$ 15,902.30

Note: The above figures show Gross General Obligation Debt for the Issuer. The Issuer's Net General Obligation Debt is \$5,010,000. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Ratio of Net Direct and Overlapping Debt to 2021 Net Assessed Valuation	3.84%
Per Capita Gross Direct and Overlapping Debt	\$ 11,176.92

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

**ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS**

Governmental Subdivision	Valuation	% of Actual	2021 Tax Rate
Denton County	\$ 127,010,590,822	100%	\$ 0.233086
Little Elm Independent School District	5,257,480,545	100%	1.430300

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	None				
Little Elm Independent School District	11/7/2017	School Building/Athletic Improvements	\$ 235,000,000	\$ 230,000,000	\$ 5,000,000
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 10**

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.

	<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>
Fund Balance - Beginning of Year	\$ 646,180	\$ 268,064	\$ 213,408	\$ 199,827	\$ 69,678
Revenues	714,371	782,307	439,447	418,667	428,692
Expenditures	<u>705,353</u>	<u>448,763</u>	<u>447,447</u>	<u>448,717</u>	<u>413,139</u>
Excess (Deficit) of Revenues Over Expenditures	\$ 9,018	\$ 333,544	\$ (8,000)	\$ (30,050)	\$ 15,553
Other Financing Sources (Uses):					
Operating Transfers In	\$ (336,706)	\$ 44,572	\$ 62,656	\$ 43,631	\$ 46,097
Sale of Capital Assets	-	-	-	-	108,499
Insurance Proceeds	29,322	-	-	-	27,053
Casualty expenditures	(54,900)	-	-	-	(27,053)
Court Settlement	-	-	-	-	(40,000)
Operating Transfers Out	-	-	-	-	-
Interest Income	-	-	-	-	-
Proceeds Bonds	-	-	-	-	-
Proceeds from Sale of Bonds	-	-	-	-	-
Total Financings Sources (Uses)	(362,284)	44,572	62,656	43,631	114,596
Fund Balance - End of Year	<u>\$ 292,914</u>	<u>\$ 646,180</u>	<u>\$ 268,064</u>	<u>\$ 213,408</u>	<u>\$ 199,827</u>

Source: Audited Financial Reports and information provided by the Issuer.

**EMPLOYEE RETIREMENT SYSTEM****TABLE 11**

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

**WATERWORKS SYSTEM OPERATING SYSTEM <sup>(1)</sup>****TABLE 12**

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 sanitation, depreciation, transfers, bad debt, debt service payments and expenditures identified as capital.

<b>Fiscal Year Ended:</b>	<b>9/30/2021*</b>	<b>9/30/2020</b>	<b>9/30/2019</b>	<b>9/30/2018</b>	<b>9/30/2017</b>
Revenues	\$ 612,249	\$ 465,896	\$ 418,571	\$ 366,485	\$ 334,303
Expenses	<u>285,515</u>	<u>212,061</u>	<u>204,578</u>	<u>252,403</u>	<u>244,280</u>
Net Revenue Available for Debt Service	\$ 326,734	\$ 253,835	\$ 213,993	\$ 114,082	\$ 90,023
Customer Count:					
Water	309	274	264	258	257
Sewer	253	247	238	232	230

Source: The Issuer's Annual Financial Reports.

\* The increase in water system accounts in FY 2021 are due to the Town taking over a failed water system in the ETJ by order of TCEQ. The Town took over the operations in August of 2020 and began providing water and sewer service at that time, but did not begin billing the users of the System until February, 2021.

<sup>(1)</sup> The Obligations are being issued to finance the expansion of its utility system to provide service to new housing developments which are expected to triple the number of system users over the next 10 years. The Town expects that Impact Fees and Tap Fees resulting from such development will cover most, if not all, of the annual debt service resulting from the Obligations.

**WATER RATES****TABLE 13**

(Based on monthly billing)

**(New Rates effective February 15, 2022)**

**Town Water Service**

	<b><u>New Rate</u></b>	<b><u>Old Rate</u></b>
Base Rate 5/8" meter	\$30.00	\$25.00
Base Rate 1" meter	\$40.00	\$25.00
2K - 20K gallons	\$5.25 / Thousand	\$4.75 / Thousand
20K - 50K gallons	\$6.50 / Thousand	\$6.25 / Thousand
>50K gallons	\$15.00 / Thousand	\$15.00 / Thousand

Source: The Issuer.

**SEWER RATES****TABLE 14**

(Based on monthly billing)

**(New Rates effective February 15, 2022)**

**Town Sewer Service**

	<b><u>New Rate</u></b>	<b><u>Old Rate</u></b>
Flat Fee (per month)	\$45.00	\$41.00

Source: The Issuer.

**APPENDIX B**

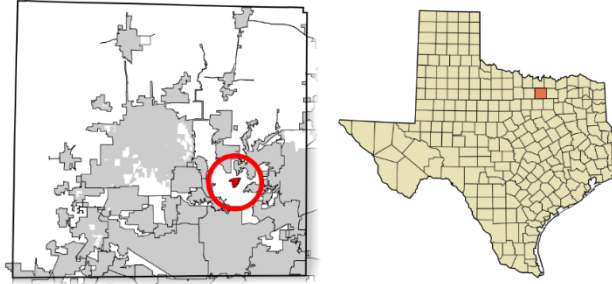
**GENERAL INFORMATION REGARDING THE TOWN OF LAKEWOOD VILLAGE  
AND DENTON COUNTY, TEXAS**

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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	1,056	944,139
2020	1,002	906,442
2010	545	662,614
2000	342	432,976

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

**Leading Employers Denton County (2020):**

<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>2021*</u>	<u>2020</u>	<u>2021*</u>	<u>2020</u>
Civilian Labor Force	524,457	503,962	14,204,236	13,983,319
Total Employed	505,125	471,296	13,434,278	12,915,337
Total Unemployed	19,332	32,666	769,958	1,067,982
% Unemployed	3.7	6.5	5.4	7.6

Source: Texas Workforce Commission, Labor Market Information.

\*As of October 2021.

**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

Tel +1 214 855 8000  
Fax +1 214 855 8200  
nortonrosefulbright.com

IN REGARD to the authorization and issuance of the “Town of Lakewood Village, Texas, Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022,” dated March 15, 2022, in the principal amount of \$4,990,000 (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 2022"

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**

**AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

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**TOWN OF LAKEWOOD VILLAGE, TEXAS**

Financial Statements  
(With Auditor's Report Thereon)

September 30, 2021

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**TOWN OF LAKEWOOD VILLAGE**  
**Annual Financial Report**  
**For the Year Ended September 30, 2021**

	Page Number
Independent Auditor’s Report. . . . .	1
Management’s Discussion and Analysis. . . . .	4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position. . . . .	12
Statement of Activities. . . . .	13
Fund Financial Statements:	
Balance Sheet - Governmental Fund. . . . .	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position. . . . .	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Government Funds. . . . .	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities. . . . .	18
Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual - General Fund. . . . .	19
Statement of Net Position - Proprietary Funds. . . . .	20
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds. . . . .	21
Statement of Cash Flows - Proprietary Funds. . . . .	22
Notes to the Financial Statements. . . . .	23
Individual Fund Schedules:	
Schedule of Revenues, Expenses, and Changes in Fund Net Position - Budget and Actual - Water and Sewer Fund. . . . .	38



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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, 2021, 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, 2021, 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 21 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.*

December 10, 2021

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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, 2021.

### Financial Highlights

- The assets of the Town of Lakewood Village exceeded its liabilities at the close of the most recent fiscal year by \$4,170,534 (net position). Of this amount \$1,101,824 (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 \$336,947, a decrease of \$2,872,542 in comparison with the prior year. Of this balance, \$263,585 is available for spending at the government's discretion (unassigned). Unassigned fund balance represents 51 percent of general fund expenditures, and 51 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 2:1, based on the current assets of \$643,535 and current liabilities of \$317,092

### 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 14-16 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 17-20 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 22-24 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 25-38 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 \$4,170,534 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	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 654,039	3,938,441	388,057	276,538	1,042,096	4,214,979
Capital Assets	<u>6,661,030</u>	<u>3,760,588</u>	<u>1,888,119</u>	<u>1,827,843</u>	<u>8,549,149</u>	<u>5,588,431</u>
Total assets	<u>7,315,069</u>	<u>7,699,029</u>	<u>2,276,176</u>	<u>2,104,381</u>	<u>9,591,245</u>	<u>9,803,410</u>
Long-term liabilities	4,762,000	5,010,000			4,762,000	5,010,000
Other liabilities	<u>590,110</u>	<u>994,344</u>	<u>68,601</u>	<u>62,341</u>	<u>658,711</u>	<u>1,056,685</u>
Total liabilities	<u>5,352,110</u>	<u>6,004,344</u>	<u>68,601</u>	<u>62,341</u>	<u>5,421,911</u>	<u>6,066,685</u>
Net position:						
Invested in capital assets net of related debt	1,651,030	(1,432,411)	1,888,119	1,827,843	3,539,149	395,432
Restricted	73,362	2,682,014			73,362	2,682,014
Unrestricted	<u>238,567</u>	<u>445,082</u>	<u>319,456</u>	<u>214,197</u>	<u>558,023</u>	<u>659,279</u>
Total net position	\$ <u>1,962,959</u>	<u>1,694,685</u>	<u>2,207,575</u>	<u>2,042,040</u>	<u>4,170,534</u>	<u>3,736,725</u>

Governmental Activities:

- During the year revenues decreased by \$40,172 (4%), primarily due to fewer reimbursed expenses.
- Expenses for the year increased by \$83,517 (16%), primarily due to debt service.

Business-type Activities:

- Charges for services increased by \$23,045 (5%) during the year primarily due to water sales, while expenses increased by \$76,541 (24%).

**TOWN OF LAKEWOOD VILLAGE - Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 96,523	90,102	447,802	424,757	544,325	514,859
General revenues:						
Property taxes	501,734	449,978			501,734	449,978
Other taxes	136,793	122,569			136,793	122,569
Other	<u>55,621</u>	<u>168,194</u>	<u>164,447</u>	<u>18,821</u>	<u>220,068</u>	<u>187,015</u>
Total revenues	790,671	830,843	612,249	443,578	1,402,920	1,274,421
Expenses:						
General government	370,475	361,897			370,475	361,897
Public safety	30,750	30,000			30,750	30,000
Public works	12,101	9,909			12,101	9,909
Interest	170,001	98,004			170,001	98,004
Water & sewer			<u>385,784</u>	<u>309,243</u>	<u>385,784</u>	<u>309,243</u>
Total expenses	<u>583,327</u>	<u>499,810</u>	<u>385,784</u>	<u>309,243</u>	<u>969,111</u>	<u>809,053</u>
Increase in net position before other transfers	207,344	331,033	226,465	134,335	433,809	465,368
Transfers	60,930	56,263	(60,930)	(56,263)		
Premium on bonds issued		91,867				91,867
Gain/(loss) on disposal of capital assets				<u>22,318</u>		<u>22,318</u>
Increase/(decrease) in net position	268,274	479,163	165,535	100,390	433,809	579,553
Net position - beginning	<u>1,694,685</u>	<u>1,694,685</u>	<u>2,042,040</u>	<u>1,941,650</u>	<u>3,736,725</u>	<u>3,157,172</u>
Net position - ending	\$ <u>1,962,959</u>	<u>1,694,685</u>	<u>2,207,575</u>	<u>2,042,040</u>	<u>4,170,534</u>	<u>3,736,725</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 \$336,947, a decrease of \$2,872,542 from the prior year. Of the current combined ending fund balance, \$263,585 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 \$319,456. The total increase in unrestricted net position of the Enterprise Funds was \$165,535. 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 \$89,880, and expenditures were more than budgetary estimates by \$2,637,868. The budget had called for a \$293,188 decrease in fund balance, however, as a result of transfers in from the Utility funds and transfer of the new streets into service, \$2,872,542 was removed from 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 2021, amounts to \$8,262,532 (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:

- Land improvements totaling \$9,200 were added to the general fund.
- Construction of roads totaling \$5,024,551 were added to the general fund.
- System and improvements and equipment totaling \$160,544 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 34-35 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 36-37 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

### **COVID-19**

In sharp contrast to the rest of the country, the Town has experienced strong positive increases in economic activity during 2021. As a true bedroom community, the town has no brick and mortar commercial enterprises and thus did not suffer any adverse economic consequences due to mandatory closings. Rather, due to online purchasing from work-at-home residents, sales tax collections rose by more than 20 percent to all-time record amounts. Additionally, building starts have increased, and nearly all vacant lots have recently been purchased for new homes.

We experienced a record breaking increases in appraised property values of 27.2 percent which was among the highest in the state. Our typical year-on-year taxable value increase is 7 to 9 percent.

### **Residential Development inside the Town**

In 2021, the Town approved several developer agreements. First Texas Homes is expected to break ground on a 140 unit single-family development in early 2022. The Town is also finalizing a new custom home development with 80 single-family lots that is scheduled to begin in the first quarter of 2022.

### **Residential Development in Lakewood Village Extraterritorial Jurisdiction**

In 2021 the Town reached agreement with Taylor/Morrison and Corson-Cramer Development for a 290 unit single-family residential development. The Town agreed to create a Public Improvement District in the Town's ETJ and not annex the property. In return, TM/CCD agreed to pay the Town a fee of \$ 1.5 million, building inspection fees, and utility tap fees. The PID will also pay for the proportionate share of the required water and sewer improvements.

### **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 2019 the Town Council determined that the Phase Two Road Replacement Project was appropriate. In April 2020, the Town issued \$4,500,000 in Certificates of Obligation. In response the town adopted a debt servicing rate of \$0.20. This adopted I&S rate will collect 63 percent of our debt payment, with the remaining 37 percent derived from our general fund operating surplus. Our overall tax rate of \$0.45 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.

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## **BASIC FINANCIAL STATEMENTS**

**TOWN OF LAKEWOOD VILLAGE**

## Statement of Net Position

September 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents - unrestricted	\$ 286,492	344,896	631,388
Cash and equivalents - restricted	357,043		357,043
Receivables (Net of allowance for uncollectibles):			
Sales taxes	8,555		8,555
Property taxes	1,199		1,199
Accounts receivable	750	43,161	43,911
Noncurrent assets:			
Capital assets (net of accumulated depreciation):			
Land and improvements	141,662	50,814	192,476
Buildings, systems and improvements	40,995	1,835,572	1,876,567
Furniture and equipment	12,460	1,733	14,193
Streets	<u>6,465,913</u>		<u>6,465,913</u>
Total assets	<u>7,315,069</u>	<u>2,276,176</u>	<u>9,591,245</u>
<b>LIABILITIES</b>			
Accounts payable	71,411		71,411
Retainage payable	215,210		215,210
Accrued interest payable	26,217		26,217
Deposits payable		63,475	63,475
Other payables	29,272	5,126	34,398
Noncurrent liabilities:			
Bonds payable:			
Due within one year	248,000		248,000
Due in more than one year	<u>4,762,000</u>		<u>4,762,000</u>
Total liabilities	<u>5,352,110</u>	<u>68,601</u>	<u>5,420,711</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	1,651,030	1,888,119	3,539,149
Restricted	73,362		73,362
Unrestricted	<u>238,567</u>	<u>319,456</u>	<u>558,023</u>
Total net position	<u>\$ 1,962,959</u>	<u>2,207,575</u>	<u>4,170,534</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, 2021

<b>Functions/Programs</b>	<u>Expenses</u>	Program Revenues		
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 370,475	96,523		
Public safety	30,750			
Public works	12,101			
Interest	<u>170,001</u>			
Total governmental activities	<u>583,327</u>	<u>96,523</u>		
Business-type activities				
Water and sewer	<u>385,784</u>	<u>447,802</u>		
Total business-type activities	<u>385,784</u>	<u>447,802</u>		
 Total primary government	 <u>\$ 967,387</u>	 <u>544,325</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

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>
(273,952)		(273,952)
(30,750)		(30,750)
(12,101)		(12,101)
<u>(170,001)</u>		<u>(170,001)</u>
<u>(486,804)</u>		<u>(486,804)</u>
	<u>62,018</u>	<u>62,018</u>
	<u>62,018</u>	<u>62,018</u>
		<u>(424,786)</u>
501,734		501,734
39,498		39,498
97,295		97,295
4,560		4,560
20,742	2,537	23,279
30,319	161,910	192,229
<u>60,930</u>	<u>(60,930)</u>	
<u>755,078</u>	<u>103,517</u>	<u>858,594</u>
268,274	165,535	433,809
<u>1,694,685</u>	<u>2,042,040</u>	<u>3,736,725</u>
<u>\$ 1,962,959</u>	<u>2,207,575</u>	<u>4,170,534</u>

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

**TOWN OF LAKEWOOD VILLAGE**

Balance Sheet

Government Funds

September 30, 2021

	<u>General Fund</u>	<u>Municipal Development District</u>	<u>Capital Projects Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents - unrestricted	\$ 286,492			286,492
Cash and cash equivalents - restricted	29,329	41,092	286,622	357,043
Receivables (net of allowance for uncollectibles):				
Sales taxes	5,615	2,940		8,555
Property taxes	1,199			1,199
Accounts receivable	750			750
Total assets	<u>\$ 323,385</u>	<u>44,032</u>	<u>286,622</u>	<u>654,039</u>
<b>LIABILITIES &amp; FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$		71,411	71,411
Deferred revenue	1,199			1,199
Other payables	29,272			29,272
Retainage payable			215,210	215,210
Total liabilities	<u>30,471</u>		<u>286,621</u>	<u>317,092</u>
Fund balances:				
Restricted	29,329	44,032	1	73,362
Unassigned	263,585			263,585
Total fund balance	<u>292,914</u>	<u>44,032</u>	<u>1</u>	<u>336,947</u>
Total liabilities & fund balances	<u>\$ 323,385</u>	<u>44,032</u>	<u>286,622</u>	<u>654,039</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, 2021

**Total Fund Balances - Governmental Funds** \$ 336,947

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 \$4,251,646, and the accumulated depreciation was \$(491,058). In addition, long-term liabilities, including bonds payable and legal liabilities of \$(5,193,000), 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. (1,432,412)

Interest due on long-term debt is recorded as accrued interest payable in the statement of net position but does not become a liability on the fund statements until the due date. Accrued interest in the current year is \$(26,217). (26,217)

Current year capital outlays of \$2,971,891 and long-term debt principal payments of \$183,000 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. 3,154,891

The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets. (71,449)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue. 1,199

**Net Position of Governmental Activities** **\$ 1,962,959**

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, 2021

	<u>General Fund</u>	<u>Municipal Development District</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes				
Property	\$ 500,536			500,536
Franchise	39,498			39,498
Sales	64,638	32,657		97,295
Fines and forfeitures	4,560			4,560
Licenses and permits	86,278			86,278
Fees and service charges	10,245			10,245
Interest	7,620	371	12,751	20,742
Miscellaneous	996			996
Total revenues	<u>714,371</u>	<u>33,028</u>	<u>12,751</u>	<u>760,150</u>
<b>EXPENDITURES</b>				
General government	244,126			244,126
Public safety	30,750			30,750
Public works	12,101			12,101
Capital outlay	9,200		2,962,691	2,971,891
Debt service:				
Principal	183,000			183,000
Interest and fiscal charges	226,176			226,176
Total expenditures	<u>705,353</u>	<u>          </u>	<u>2,962,691</u>	<u>3,668,044</u>
Excess/(deficiency) of revenues over expenditures	<u>9,018</u>	<u>33,028</u>	<u>(2,949,940)</u>	<u>(2,907,894)</u>
<b>OTHER FINANCING SOURCES AND USES</b>				
Casualty income	29,322			29,322
Casualty expense	(54,900)			(54,900)
Transfers (to)/from other funds	<u>(336,706)</u>	<u>(23,398)</u>	<u>421,034</u>	<u>60,930</u>
Total other financing sources	<u>(362,284)</u>	<u>(23,398)</u>	<u>421,034</u>	<u>35,352</u>
Net change in fund balances	(353,266)	9,630	(2,528,906)	(2,872,542)
Fund balance, beginning (as restated)	<u>646,180</u>	<u>34,402</u>	<u>2,528,907</u>	<u>3,209,489</u>
Fund balance, ending	<u>\$ 292,914</u>	<u>44,032</u>	<u>1</u>	<u>336,947</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, 2021

**Total Net Change in Fund Balances - Governmental Funds** \$ (2,872,542)

Current year capital outlays of \$2,971,891 and long-term debt principal payments of \$183,000, 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. 3,154,891

Interest due on long-term debt is recorded as accrued interest payable in the statement of net position but is not reported as an expense for the current period in the governmental funds. Accrued interest at the beginning of the year was \$82,392 and current year is \$(26,217). 56,175

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in governmental funds. Depreciation of \$(71,449) 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. (71,449)

Deferred revenue is not recognized as revenue in the governmental activities. The net effect is to decrease net position. 1,199

**Changes in Net Position of Governmental Activities** \$ 268,774

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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes				
Property	\$ 495,000	495,000	500,536	5,536
Franchise	37,000	37,000	39,498	2,493
Sales	65,000	65,000	97,295	32,295
Fines and forfeitures	3,000	3,000	4,560	1,560
Licenses and permits	39,000	39,000	86,278	47,278
Fees and service charges	2,000	2,000	10,245	8,245
Interest	6,000	6,000	20,742	14,742
Miscellaneous	<u>23,270</u>	<u>23,270</u>	996	<u>(22,274)</u>
Total revenues	<u>670,270</u>	<u>670,270</u>	<u>760,150</u>	<u>89,880</u>
 <b>EXPENDITURES</b>				
General government	192,000	192,000	244,126	(52,126)
Public safety	30,000	30,000	30,750	(750)
Public works	24,000	24,000	12,101	11,899
Capital outlay	375,000	375,000	2,971,891	(2,596,891)
Debt service:				
Principal	183,000	183,000	183,000	
Interest	<u>226,176</u>	<u>226,176</u>	<u>226,176</u>	
Total expenditures	<u>1,030,176</u>	<u>1,030,176</u>	<u>3,668,044</u>	<u>(2,637,868)</u>
Excess (deficiency) of revenues over expenditures	<u>(359,906)</u>	<u>(359,906)</u>	<u>(2,907,894)</u>	<u>(2,547,988)</u>
 <b>OTHER FINANCING SOURCES</b>				
Casualty income			29,322	29,322
Casualty expense			(54,900)	(54,900)
Transfers (to)/from other funds	<u>66,718</u>	<u>66,718</u>	<u>60,930</u>	<u>(5,788)</u>
Total other financing sources	<u>66,718</u>	<u>66,718</u>	<u>35,352</u>	<u>(31,366)</u>
Net change in fund balances	(293,188)	(293,188)	(2,872,542)	(2,579,354)
Fund balance, beginning (as restated)	<u>3,209,489</u>	<u>3,209,489</u>	<u>3,209,489</u>	_____
Fund balance, ending	\$ <u>2,916,301</u>	<u>2,916,301</u>	<u>336,947</u>	<u>(2,579,354)</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, 2021

	<u>Business-Type Activities</u>		
	<u>LWV Utility Fund</u>	<u>Rocky Point Utility Fund</u>	<u>Totals</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents - unrestricted	\$ 323,088	21,808	344,896
Accounts receivable (net of allowance for uncollectibles)	<u>34,358</u>	<u>8,803</u>	<u>43,161</u>
Total current assets	<u>357,446</u>	<u>30,611</u>	<u>388,057</u>
Noncurrent assets:			
Capital assets:			
Land	34,892	15,922	50,814
Equipment	5,824		5,824
Water systems and improvements	1,673,999	156,590	1,830,589
Sanitation systems and improvements	1,685,895		1,685,895
Buildings and improvements	29,737	3,533	33,270
Less: Accumulated depreciation	<u>(1,691,755)</u>	<u>(26,518)</u>	<u>(1,718,273)</u>
Total noncurrent assets	<u>1,738,592</u>	<u>149,527</u>	<u>1,888,119</u>
Total assets	\$ <u>2,096,038</u>	<u>180,138</u>	<u>2,276,176</u>
<b>LIABILITIES</b>			
Current liabilities:			
Customer deposits	\$ 58,400	5,075	63,475
Other payables	<u>4,897</u>	<u>229</u>	<u>5,126</u>
Total current liabilities	<u>63,297</u>	<u>5,304</u>	<u>68,601</u>
Total liabilities	<u>63,297</u>	<u>5,304</u>	<u>68,601</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	1,738,592	149,527	1,888,119
Unrestricted	<u>294,149</u>	<u>25,307</u>	<u>319,456</u>
Total net position	\$ <u>2,032,741</u>	<u>174,834</u>	<u>2,207,575</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, 2021

	Business-Type Activities		
	LWV	Rocky Point	Totals
	Utility Fund	Utility Fund	
<b>OPERATING REVENUES</b>			
Water	\$ 179,153	33,331	212,484
Sewer	134,775		134,775
Sanitation	70,038		70,038
Fees and services	30,505		30,505
Other income	4,438	38,037	42,475
Total operating revenues	<u>418,909</u>	<u>71,368</u>	<u>490,277</u>
 <b>OPERATING EXPENSES</b>			
Contract services	47,207	1,908	49,115
Administrative	91,866	7,477	99,343
Repairs and maintenance	66,702	3,655	70,357
Miscellaneous	2,895	3,089	5,984
Garbage collections	60,716		60,716
Depreciation	95,473	4,796	100,269
Total operating expenses	<u>364,859</u>	<u>20,925</u>	<u>385,784</u>
 Operating income (loss)	<u>54,050</u>	<u>50,443</u>	<u>104,493</u>
 <b>NONOPERATING REVENUES (EXPENSES)</b>			
CRF funds	119,435		119,435
Interest revenue	2,368	169	2,537
Total nonoperating revenues (expenses)	<u>121,803</u>	<u>169</u>	<u>121,972</u>
 Income (loss) before transfers	175,853	50,612	226,465
 Transfers (to)/from other funds	<u>(55,000)</u>	<u>(5,930)</u>	<u>(60,930)</u>
 Change in net position	120,853	44,682	165,535
 Net position - beginning	<u>1,911,888</u>	<u>130,152</u>	<u>2,042,040</u>
 Net position - ending	<u>\$ 2,032,741</u>	<u>174,834</u>	<u>2,207,575</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, 2021

	Business-Type Activities		Totals
	LWV Utility Fund	Rocky Point Utility Fund	
Cash flows from operating activities:			
Cash received from customers and users	\$ 415,276	66,256	481,532
Cash payments to suppliers	<u>(269,251)</u>	<u>(16,029)</u>	<u>(285,280)</u>
Net cash provided by operating activities	<u>146,025</u>	<u>50,227</u>	<u>196,252</u>
Cash flows from capital and related financing activities:			
Acquisition/disposition of capital assets	<u>(120,813)</u>	<u>(39,731)</u>	<u>(160,544)</u>
Net cash used by capital and related financing activities	<u>(120,813)</u>	<u>(39,731)</u>	<u>(160,544)</u>
Cash flows from noncapital financing activities:			
Transfer in/(out)	<u>(55,000)</u>	<u>(5,930)</u>	<u>(60,930)</u>
Net cash used by noncapital financing activities	<u>(55,000)</u>	<u>(5,930)</u>	<u>(60,930)</u>
Cash flows from investing activities:			
Interest on deposits and investments	<u>2,368</u>	<u>169</u>	<u>2,537</u>
Net cash provided by investing activities	<u>2,368</u>	<u>169</u>	<u>2,537</u>
Cash flows from non-operating activities			
CRF funds	<u>119,435</u>		<u>119,435</u>
Net cash provided by non-operating activities	<u>119,435</u>		<u>119,435</u>
Net increase in cash and cash equivalents	92,015	4,735	96,750
Cash and cash equivalents - beginning	<u>231,073</u>	<u>17,073</u>	<u>248,146</u>
Cash and cash equivalents - ending	<u>\$ 323,088</u>	<u>21,808</u>	<u>344,896</u>

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

Operating income	\$ 54,050	50,443	104,493
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	95,473	4,796	100,269
(Increase)/decrease in accounts receivable	(7,383)	(7,387)	(14,770)
Increase/(decrease) in customer deposits	3,750	2,275	6,025
Increase/(decrease) in other payables	<u>135</u>	<u>100</u>	<u>235</u>
Total adjustments	<u>91,975</u>	<u>(216)</u>	<u>91,759</u>
Net cash provided by operating activities	<u>\$ 146,025</u>	<u>50,227</u>	<u>196,252</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, 2021

### (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, 2021, the amount provided by the MDD to the Rocky Point Proprietary fund totals \$92,007.

## TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2021

-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, 2021

-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, 2021

-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, 2021

-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, 2021

-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, 2021.
- 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, 2021

-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, 2021, fund balances are composed of the following:

	<u>General Fund</u>	<u>Municipal Development District</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Nonspendable:	\$			
Restricted:				
Municipal Development		44,032		44,032
Debt service	57			57
PSA funds	29,272			29,272
Capital improvements			1	1
Committed:				
Assigned:				
Road maintenance				
Unassigned:	<u>263,585</u>	_____	_____	<u>263,858</u>
Total fund balances	<u>\$ 292,914</u>	<u>44,032</u>	<u>1</u>	<u>336,947</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.

-continued-



**TOWN OF LAKEWOOD VILLAGE**

Notes to the Financial Statements

September 30, 2021

-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, 2021, the Town's carrying amount of deposits was \$988,431 and the bank balance was \$1,020,636. Of the bank balance, \$250,000 was covered by federal depository insurance, \$750,591 was covered by pledged bank securities and 20,045 was deposited with Texpool Local Government Investment Pool. Texpool 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, 2021

-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, 2021 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>
Sales taxes	\$ 5,615	2,940			8,555
Property taxes	1,199				1,199
Accounts receivable	<u>750</u>	<u>      </u>	<u>34,358</u>	<u>8,803</u>	<u>43,911</u>
Total receivables	<u>\$ 7,564</u>	<u>2,940</u>	<u>34,358</u>	<u>8,803</u>	<u>53,665</u>

-continued-

**TOWN OF LAKEWOOD VILLAGE**

Notes to the Financial Statements

September 30, 2021

-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, 2020, upon which the 2020/2021 levy was based, was approximately \$115,511,505. The tax rate for fiscal year 2020/2021 was \$0.45 per \$100 of assessed valuation, with \$0.25 allocated to maintenance and operation (M&O), and \$0.20 allocated to debt service (I&S).

**C. Capital Assets**

Capital asset activity for the year ended September 30, 2021 was a follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
Governmental activities:				
Land and improvements	\$ 133,195	9,200		142,395
Buildings & Improvement	80,425			80,425
Furniture & Equipment	55,073			55,073
Streets	1,921,093	5,024,551		6,945,644
Construction in progress	<u>2,061,860</u>		<u>(2,061,860)</u>	<u>                    </u>
Totals at historical cost	4,251,646	5,033,751		7,223,537
Less accumulated depreciation	<u>(491,058)</u>	<u>(71,449)</u>		<u>(562,507)</u>
Governmental activities capital assets, net	<u>\$ 3,760,588</u>	<u>4,962,302</u>	<u>(2,061,860)</u>	<u>6,661,030</u>
Business-type activities:				
LWV Utility:				
Land	\$ 34,892			34,892
Buildings and improvements	29,737			29,737
Equipment	5,824			5,824
Water systems & improvements	1,646,383	27,615		1,673,998
Sanitation systems & improvements	<u>1,592,697</u>	<u>93,198</u>		<u>1,685,895</u>
Totals at historical cost	3,309,533	120,813		3,430,346
Less accumulated depreciation	<u>(1,596,282)</u>	<u>(95,473)</u>		<u>(1,691,755)</u>
Business-type activities capital assets, net	<u>\$ 1,713,251</u>	<u>25,340</u>		<u>1,738,591</u>

-continued-

**TOWN OF LAKEWOOD VILLAGE**

Notes to the Financial Statements

September 30, 2021

-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>116,859</u>	<u>39,731</u>		<u>156,590</u>
Totals at historical cost	136,314	39,731		176,045
Less accumulated depreciation	<u>(21,722)</u>	<u>(4,796)</u>		<u>(26,518)</u>
Component unit capital assets, net	\$ <u>144,592</u>	<u>34,935</u>		<u>149,527</u>

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

Government Activities:

Administration	\$ 8,291
Public works	<u>63,158</u>

Total depreciation expense - government activities      \$ 71,449

Business-type activities:

LWV Utility	\$ 95,473
Rocky Point Utility	<u>4,796</u>

Total depreciation expense - business-type activities      \$ 100,269

-continued-

**TOWN OF LAKEWOOD VILLAGE**

Notes to the Financial Statements

September 30, 2021

-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 \$226,176 for the year ended September 30, 2021.

On April 1, 2020 the Town Council approved the issuance of \$4,490,000 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 \$4,490,000 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.

Principal and interest payments will be due on February 1 and August 1 of each year beginning on February 1, 2021.

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					
CO Series 2014	\$ 703,000		(168,000)	535,000	173,000
CO Series 2020	4,490,000		(15,000)	4,475,000	75,000
Total governmental activities	<u>\$ 5,193,000</u>		<u>(183,000)</u>	<u>5,010,000</u>	<u>248,000</u>

Debt Service Requirement to Maturity Series 2014

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

	<u>Governmental Activities</u>		
<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	173,000	8,925	181,925
2023	178,000	5,433	189,433
2024	<u>184,000</u>	<u>1,831</u>	<u>179,831</u>
Total	<u>\$ 535,000</u>	<u>16,189</u>	<u>551,189</u>

-continued-

**TOWN OF LAKEWOOD VILLAGE**

Notes to the Financial Statements

September 30, 2021

-continued-

**(3) DETAILED NOTES ON ALL FUNDS** (continued)

**D. Long-term Debt** (continued)

Debt Service Requirement to Maturity Series 2020

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

<u>Year</u> <u>Ended</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	75,000	168,050	233,050
2023	75,000	154,300	229,300
2024	75,000	150,550	225,550
2025	200,000	143,675	343,675
2026	205,000	134,575	339,575
Thereafter	<u>3,845,000</u>	<u>1,611,857</u>	<u>5,456,857</u>
Total	\$ <u>4,475,000</u>	<u>1,665,657</u>	<u>6,140,657</u>

**E. Interfund Receivables, Payables and Transfers**

The composition of the interfund balances as of September 30, 2021 is as follows:

Interfund transfers:

	<u>General</u> <u>Fund</u>	<u>MDD</u> <u>Fund</u>	<u>Capital</u> <u>Projects</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:	\$ 97,084		433,790		470	531,344
Transfers Out:	<u>(433,790)</u>	<u>(23,398)</u>	<u>(12,756)</u>	<u>(55,000)</u>	<u>(6,400)</u>	<u>531,344</u>
	\$ <u>(336,706)</u>	<u>(23,398)</u>	<u>421,034</u>	<u>(55,000)</u>	<u>(5,930)</u>	<u>          </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.

-continued-

**TOWN OF LAKEWOOD VILLAGE**

Notes to the Financial Statements

September 30, 2021

-continued-

**(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.

**(5) RESTATEMENT OF FUND BALANCE**

Governmental fund balances have been restated at September 30, 2020 to accrue retainage payable that was not originally available in the prior year, but has a cumulative effect on the balance sheet.

	As Originally <u>Reported</u>	<u>Restatement</u>	<u>As Restated</u>
General Fund	\$ 646,180		646,180
MDD Fund	34,402		34,402
Capital Projects Fund	\$ 2,607,357	(748,450)	2,528,907
Total net assets	\$ <u>3,287,939</u>	<u>(748,450)</u>	<u>3,209,489</u>

**(6) EVALUATION OF SUBSEQUENT EVENTS**

The Town has evaluated subsequent events through December 10, 2021, the date which the financial statements were available to be issued.

-continued-

**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, 2021

	Original <u>Budget</u>	Final <u>Budget</u>	Actual <u>Amounts</u>	Variance with Final Budget Positive <u>(Negative)</u>
<b>OPERATING REVENUES</b>				
Water sales, fees and service charges	\$ 406,360	406,360	447,802	41,442
Other income	<u>1,040</u>	<u>1,040</u>	<u>42,475</u>	<u>41,435</u>
Total operating revenues	<u>407,400</u>	<u>407,400</u>	<u>490,277</u>	<u>82,877</u>
 <b>OPERATING EXPENSES</b>				
Contract services	43,200	43,200	49,115	(5,915)
Administrative	73,600	73,600	99,343	(25,743)
Repairs and maintenance	35,000	35,000	70,357	(35,357)
Miscellaneous	2,000	2,000	5,984	(3,984)
Trash collections	55,000	55,000	60,716	(5,716)
Capital improvements	97,000	97,000		97,000
Depreciation			<u>100,269</u>	<u>(100,269)</u>
Total operating expenses	<u>305,800</u>	<u>305,800</u>	<u>385,784</u>	<u>(79,984)</u>
 Operating income (loss)	 <u>101,600</u>	 <u>101,600</u>	 <u>104,493</u>	 <u>2,893</u>
 <b>NONOPERATING REVENUE (EXPENSE)</b>				
CRF Funds			119,435	119,435
Interest income	2,300	2,300	2,537	237
Transfers in/(out)	<u>(55,000)</u>	<u>(55,000)</u>	<u>(60,930)</u>	<u>(5,930)</u>
Total nonoperating revenue (expense)	 <u>(52,700)</u>	 <u>(52,700)</u>	 <u>61,042</u>	 <u>113,742</u>
 Change in net position	 48,900	 48,900	 165,535	 116,635
 Net position - beginning	 <u>2,042,040</u>	 <u>2,042,040</u>	 <u>2,042,040</u>	 _____
 Net position - ending	 <u>\$ 2,090,940</u>	 <u>2,090,940</u>	 <u>2,207,575</u>	 <u>116,635</u>

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**APPENDIX E**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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**BAM**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

BONDS: \$ \_\_\_\_\_ in aggregate principal  
amount of [NAME OF TRANSACTION]  
[and maturing on]

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_

Member Surplus Contribution: \$ \_\_\_\_\_

Total Insurance Payment: \$ \_\_\_\_\_

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIMEN

**Notices (Unless Otherwise Specified by BAM)**

Email:  
[claims@buildamerica.com](mailto:claims@buildamerica.com)  
Address:  
200 Liberty Street, 27th floor  
New York, New York 10281  
Telecopy:  
212-962-1524 (attention: Claims)

SPECIMEN

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Financial Advisory Services  
Provided By:

