

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.



(See "Continuing Disclosure of Information" herein)

**OFFICIAL STATEMENT
December 8, 2022**

**Ratings:
S&P: "AA"
See "Other Information –
Ratings" herein**

NEW ISSUE - Book-Entry-Only

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

**THE TOWN HAS NOT DESIGNATED THE CERTIFICATES AS "QUALIFIED TAX-EXEMPT OBLIGATIONS"
FOR FINANCIAL INSTITUTIONS**

**\$14,300,000
TOWN OF NORTHLAKE, TEXAS
(Denton County)**

COMBINATION TAX AND LIMITED SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022

**Dated Date: Date of Delivery
Interest to accrue from date of delivery**

Due: February 15, as shown on page 2

PAYMENT TERMS . . . Interest on the \$14,300,000 Town of Northlake, Texas, Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2022 (the "Certificates") will accrue from the Date of Delivery (defined below), and will be payable February 15, 2023, and each August 15 and February 15 thereafter until maturity or prior redemption. Interest on the Certificates will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 of principal amount or integral multiples thereof. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "The Certificates - Book-Entry-Only System" herein. The initial Paying Agent/Registrar for the Certificates is Zions Bancorporation, National Association, Houston, Texas (see "The Certificates - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Chapter 271, Subchapter C, Texas Local Government Code, as amended, and the ordinance adopted by the Town Council of the Town of Northlake, Texas (the "Town") on December 8, 2022 (the "Ordinance"), and constitute direct obligations of the Town, payable from the levy and collection of a direct and continuing annual ad valorem tax levied on all taxable property within the Town, within the limits prescribed by law, and from a limited pledge of \$1,000 of the surplus net revenues of the Town's Waterworks and Sewer System (the "System"), as provided in the Ordinance (see "The Certificates - Security and Source of Payment" herein.).

PURPOSE . . . Proceeds from the sale of the Certificates will be used for (i) acquiring, constructing, installing and equipping additions, improvements, extensions and equipment for the System and the acquisition of land and rights-of-way therefor and (ii) the payment of fiscal, engineering and legal fees in connection with such projects and the Certificates.

**CUSIP PREFIX: 666495
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2**

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the Underwriter and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see Appendix C, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas.

DELIVERY . . . It is expected that the Certificates will be available for delivery through DTC on or about January 3, 2023 (the "Date of Delivery").

SAMCO CAPITAL

MATURITY SCHEDULE

15-Feb Maturity	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix ⁽¹⁾
2023	\$ 885,000	5.000%	2.450%	FV3
2024	440,000	5.000%	2.560%	FW1
2025	460,000	5.000%	2.600%	FX9
2026	485,000	5.000%	2.650%	FY7
2027	510,000	5.000%	2.700%	FZ4
2028	535,000	5.000%	2.750%	GA8
2029	565,000	5.000%	2.780%	GB6
2030	595,000	5.000%	2.810%	GC4
2031	625,000	5.000%	2.850%	GD2
2032	655,000	5.000%	2.880% ⁽²⁾	GE0
2033	690,000	5.000%	2.920% ⁽²⁾	GF7
2034	725,000	5.000%	3.050% ⁽²⁾	GG5
2035	760,000	5.000%	3.200% ⁽²⁾	GH3
2036	800,000	5.000%	3.380% ⁽²⁾	GJ9
2037	840,000	4.000%	3.730% ⁽²⁾	GK6
2038	870,000	4.000%	3.850% ⁽²⁾	GL4
2039	905,000	4.000%	3.940% ⁽²⁾	GM2
***	***	***	***	***
2042	1,025,000	4.000%	4.060%	GQ3

\$1,930,000 4.000% Term Certificates due February 15, 2041, priced to yield 4.040%, CUSIP Suffix: GP5

(Interest to accrue from the Date of Delivery)

- (1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the Town, the Underwriter or the Financial Advisor take any responsibility for the selection or accuracy of the CUSIP numbers set forth above.
- (2) Yield shown is yield to first call date, February 15, 2031.

OPTIONAL REDEMPTION . . . The Town reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2032, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “The Certificates - Optional Redemption”).

MANDATORY REDEMPTION . . . The Certificates maturing on February 15, 2041 (the “Term Certificates”) are subject to mandatory sinking fund redemption as described herein (see “The Certificates – Mandatory Sinking Fund Redemption”).

For purpose of compliance with Rule 15c2-12 (the "Rule") of the United States Securities and Exchange Commission, this document, as the same may be supplemented or corrected from time to time, may be treated as an Official Statement with respect to the Certificates described herein deemed "final" by the Town as of the date hereof (or of any supplement or correction) except for the omission of no more than the information provided by Subsection (b)(1) of the Rule.

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

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

The information set forth herein has been obtained from the Town and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor or the Underwriter. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. CUSIP Numbers have been assigned to this issue by the CUSIP Service Bureau for the convenience of the owners of the Certificates.

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

NONE OF THE TOWN, ITS FINANCIAL ADVISOR, OR THE UNDERWRITER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town or other matters described. See "Continuing Disclosure of Information" for a description of the Town's undertaking to provide certain information on an ongoing basis.

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

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

This Official Statement contains "Forward-Looking" statements within the meaning of Section 21E of the Securities and Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from the future results, performance and achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements.

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OFFICIAL STATEMENT SUMMARY

This summary 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 summary from this Official Statement or to otherwise use it without this entire Official Statement.

THE TOWN..... The Town of Northlake, Texas (the “Town”) is a political subdivision and home rule municipal corporation of the State of Texas (the “State”), located in Denton County, Texas. The Town covers approximately 17 square miles (see "Introduction - Description of the Town").

THE CERTIFICATES The \$14,300,000 Town of Northlake, Texas Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2022 (the “Certificates”), are issued as serial certificates maturing on February 15 in each of the years 2023 through 2039 and 2042 and as term certificates maturing on February 15, 2041 (the “Term Certificates”) (see “The Certificates – Description of the Certificates”).

PAYMENT OF INTEREST Interest on the Certificates accrues from the Date of Delivery, and is payable February 15, 2023, and each August 15 and February 15 thereafter until maturity or prior redemption (see “The Certificates - Description of the Certificates” and “The Certificates - Optional Redemption”).

AUTHORITY FOR ISSUANCE The Certificates are issued pursuant to the Constitution and general laws of the State, particularly Chapter 271, Subchapter C, Texas Local Government Code, as amended, and the ordinance authorizing the issuance of the Certificates to be adopted by the Town Council of the Town (see “The Certificates - Authority for Issuance of the Certificates”).

SECURITY FOR THE CERTIFICATES..... The Certificates constitute direct obligations of the Town payable from the levy and collection of a direct and continuing annual ad valorem tax levied on all taxable property within the Town, within the limits prescribed by law, and from a limited pledge of \$1,000 of the surplus net revenues of the Town’s Waterworks and Sewer System (the “System”) (see "Tax Information - Effective Tax Rate and Rollback Tax Rate," "The Certificates - Security and Source of Payment," and "The Certificates - Tax Rate Limitation" herein.).

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS The Town has **not** designated the Certificates as “Qualified Tax-Exempt Obligations” for financial institutions (see “Tax Matters”).

REDEMPTION The Town reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2032 in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “The Certificates – Optional Redemption”). Additionally, the Term Certificates are subject to mandatory sinking fund redemption as more particularly described herein (see “The Certificates – Mandatory Sinking Fund Redemption”).

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

USE OF PROCEEDS Proceeds from the sale of the Certificates will be used for: (i) acquiring, constructing, installing and equipping additions, improvements, extensions and equipment for the System and the acquisition of land and rights-of-way therefor and (ii) the payment of fiscal, engineering and legal fees in connection with such projects and the Certificates.

RATINGS The Certificates and the presently outstanding tax supported debt of the Town are rated “AA” by S&P Global Ratings, a Standard and Poor’s Financial Services LLC business (“S&P”), without regard to credit enhancement (see “Other Information - Ratings”).

BOOK-ENTRY-ONLY SYSTEM The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 of principal amount or integral multiples thereof. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will

be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see “The Certificates - Book-Entry-Only System”).

PAYMENT RECORD The Town has never defaulted in payment of its bonded indebtedness.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Town Population ⁽¹⁾	Assessed Valuation ⁽²⁾	Per Capita Assessed Valuation	Net General Obligation (G.O.) Tax Debt	Per Capita Net G. O. Tax Debt	Ratio of Net Tax Debt to Assessed Valuation	% Total Levy Collections
2019	4,140	\$ 625,798,532	\$151,159	\$ 21,905,000	\$ 5,291	3.50%	100.46%
2020	4,930	860,583,844	174,561	21,285,000	4,317	2.47%	101.37%
2021	7,240	1,243,426,711	171,744	26,745,000	3,694	2.15%	100.09%
2022	9,500	1,506,097,810	158,537	30,845,000	3,247	2.05%	100.86% ⁽⁴⁾
2023	10,560	2,060,452,111	195,119	42,170,000 ⁽³⁾	3,993 ⁽³⁾	2.05% ⁽³⁾	N/A

(1) Source: Town officials.

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

(3) Projected, includes the Certificates.

(4) Collections as of August 31, 2022.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	For Fiscal Year Ended September 30,				
	2021	2020	2019	2018	2017
Beginning Balance	\$ 3,601,826	\$ 3,075,444	\$ 1,847,823 ⁽¹⁾	\$ 1,857,987 ⁽¹⁾	\$ 1,575,023
Total Revenue	7,874,683	5,663,052	5,739,114	4,182,394	3,739,221
Total Expenditures	7,371,119	5,387,551	4,801,493	3,909,087	3,055,439
Total Other Financing Sources	268,650	250,881	290,000	(300,000)	(333,352)
Net Funds Available	503,564	275,501	937,621	273,307	683,782
Prior Period Adjustment	-	-	-	-	-
Ending Balance	<u>\$ 4,374,040</u>	<u>\$ 3,601,826</u>	<u>\$ 3,075,444</u>	<u>\$ 1,831,294</u>	<u>\$ 1,925,453</u>

(1) Restated.

For additional information regarding the Town, please contact:

Drew Corn
Town Manager
Town of Northlake
1500 Commons Circle, Ste. 300
Northlake, Texas 76226
(940) 648-3290

or

Marti Shew
Managing Director
Hilltop Securities Inc.
717 N. Harwood, Suite 3400
Dallas, Texas 75201
(214) 953-4000

TOWN OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>Town Council</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
David Rettig Mayor	3 years	May, 2024	Investment Operations Director
Robert Keeker Councilmember	4 months	May, 2024	Owner, Firefly Landscaping
Michael Ganz Councilmember	2 years	May, 2024	Electrical Engineer
Brian Montini Councilmember	4 years	May, 2024	Engineer
Roger Sessions Councilmember	11 years	May, 2023	Owner, Ferris Manufacturing
Bill Moore Councilmember	2 years	May, 2023	Retired
Wes Boyer Councilmember	2 years	May, 2023	Owner, ATA Martial Arts Studio

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Length of Service to the Town</u>	<u>Total Governmental Service</u>
Drew Corn	Town Manager	15 Years	28 Years
Zolaina Parker	Town Secretary	1 Year	22 Years
John Zagurski	Finance Director	3 Years	9 Years

CONSULTANTS, ADVISORS AND INDEPENDENT AUDITORS

Independent Auditors	Brooks Watson & Co. Houston, Texas
Bond Counsel	McCall, Parkhurst & Horton L.L.P. Dallas, Texas
Financial Advisor.....	Hilltop Securities Inc. Dallas, Texas

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OFFICIAL STATEMENT

RELATING TO

\$14,300,000

TOWN OF NORTHLAKE, TEXAS

COMBINATION TAX AND LIMITED SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance by the Town of Northlake, Texas (the "Town") of its \$14,300,000 Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2022 (the "Certificates"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance (the "Ordinance") adopted on the date of sale of the Certificates which authorized the issuance of the Certificates, except as otherwise indicated herein.

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

DESCRIPTION OF THE TOWN . . . The Town is a political subdivision and home rule municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State. The Town was incorporated in 1960. The Town Council is comprised of the Mayor and five Councilmembers. The term of office is two years and the terms of the Mayor and two of the Councilmembers' terms expiring in odd-numbered years and the terms of the other three councilmembers expiring in even-numbered years. Some of the services that the Town provides are: public safety (police and fire protection), ambulance, streets, water and sewer services and general administrative services. The 2020 Census population for the Town was 5,201, while the estimated 2023 population is 10,560. The Town covers approximately 17 square miles.

RECENT FINANCIAL DEVELOPMENTS

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.

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. The COVID-19 pandemic may result in lasting changes in some businesses and social practices, which could affect business activity and Town revenues and expenses. The Town cannot predict the long-term economic effect of COVID-19 or the effect of any future outbreak of COVID-19 or a similar virus on the Town's operations or financial condition.

Cares Act Grant

The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) established the Coronavirus Relief Fund (the “Fund”) which is to be used to cover costs that are necessary expenditures incurred by states and certain local governments due to the public health emergency with respect to COVID-19. Such funds are required to be used to pay for expenditures made to respond to the public health emergency, including direct medical or public health needs, providing economic support to those suffering from employment or business interruptions due to COVID-19-related business closures and payroll expenses for public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to COVID-19. Funds may not be used to cover shortfalls in government revenue when that revenue would have been used to cover expenditures that would not otherwise qualify under the CARES Act. All of such funds have been spent.

American Rescue Plan Act (ARPA)

The American Rescue Plan Act (ARPA) which establishes the Coronavirus State Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Fund (together the “Fiscal Recovery Funds”) provides State, local, and Tribal governments with significant resources to respond to the COVID-19 public health emergency and its economic impacts through four categories of eligible uses: (a) To respond to the public health emergency or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality; (b) To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers; (c) For the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year prior to the emergency; and (d) To make necessary investments in water, sewer, or broadband infrastructure.

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated as of the delivery date, and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Certificates will accrue from the date of delivery and will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15, 2023, and on each August 15 and February 15 thereafter until maturity or prior redemption. The definitive Certificates will be issued only in fully registered form in any integral multiple of \$5,000 of principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”) pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See “The Certificates - Book-Entry-Only System” herein.

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State, particularly, Texas Local Government Code, Chapter 271, Subchapter C (the Certificate of Obligation Act of 1971), as amended, and the Ordinance.

SECURITY AND SOURCE OF PAYMENT . . . The Certificates constitute direct obligations of the Town payable from a direct and continuing annual ad valorem tax levied against all taxable property within the Town, within the limits prescribed by law (see “The Certificates - Tax Rate Limitation” below). The Certificates are additionally secured by a lien on and a limited pledge of \$1,000 of the revenues of the Town's combined Waterworks and Sewer System (the “System”) remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the Town's revenue obligations (now or hereafter outstanding), which are payable from all or part of said revenues, as provided in the Ordinance. The Town currently does not have any such revenue obligations outstanding.

TAX RATE LIMITATION . . . All taxable property within the Town is subject to the assessment, levy and collection by the Town of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the Town, and limits its maximum ad valorem tax rate to \$2.50 per \$100 Taxable Assessed Valuation. The Town Charter adopts the constitutionally authorized maximum tax rate of \$2.50 per \$100 Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance.

OPTIONAL REDEMPTION . . . The Town reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2032, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the Town may select the maturities of Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

With respect to any optional redemption of the Certificates, unless certain prerequisites to such redemption required by the 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 may, 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 such Certificates have not been redeemed.

MANDATORY SINKING FUND REDEMPTION . . . The Certificates maturing on February 15, 2041 (the “Term Certificates”) are subject to mandatory sinking fund redemption in the amounts and at the price of par plus accrued interest to the redemption date on February 15 in the following years:

Term Certificates	
February 15, 2041	
Year	Amount
2040	\$ 945,000
2041 *	985,000

* Maturity.

The principal amount of Term Certificates required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the Town, by the principal amount of any Term Certificates which, at least 45 days prior to a 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, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Town at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

NOTICE OF REDEMPTION . . . At least 30 days prior to a redemption date for the Certificates, the Town shall cause a written notice of such redemption to be deposited in the United States mail, first-class postage prepaid, addressed to each such registered owner at his address shown on the Registration Books (hereinafter defined) of the Paying Agent/Registrar provided however, that the failure to send, mail, or receive such notice described above, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Certificate. **NOTICE HAVING BEEN SO GIVEN AND ALL OTHER CONDITIONS TO REDEMPTION HAVING BEEN SATISFIED, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.**

DTC NOTICES . . . The Paying Agent/Registrar and the Town, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption relating to the Certificates, notice of proposed amendment to the Ordinances 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 Town will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificates from the Beneficial Owners. Any such selection of Certificates within a maturity to be redeemed will not be governed by the Certificate Ordinance and will not be conducted by the Town or the Paying Agent/Registrar. Neither the Town nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption (see “The Certificates - Book-Entry-Only System” herein).

DEFEASANCE . . . The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates being defeased, and thereafter the Town will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment

of such defeased Certificates, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Ordinance provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge securities as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Town authorizes the defeasance of the Certificates, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Town authorizes the defeasance of the Certificates, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The Town has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the Town moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. The Town has reserved the option, however, to be exercised at the time of the defeasance of the Certificates, to call for redemption at an earlier date, which have been defeased to their maturity date, if the Town: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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 may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

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 The Depository Trust Company ("DTC"), New York, New York, 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 believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

The Town cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this 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 security certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of 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 Town ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Town and Fixed Income Clearing Town, 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 companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

Redemption notices for the Certificates shall be sent to DTC. If less than all of the Certificates of 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 Town 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).

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

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

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 Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

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

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM . . . In the event that the Book-Entry-Only System of the Certificates is discontinued, printed Certificates will be issued to the DTC Participants or the holder, as the case may be, and such Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under “The Certificates - Transfer, Exchange and Registration” below.

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

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Certificates will be printed and delivered to the registered owners thereof, and thereafter the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar of the printed Certificate and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See “Book-Entry-Only System” herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the Town 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 and ending with the opening of business on the next following principal or interest payment; and, with respect to a Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption, provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate.

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

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

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 Town. 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 Holder 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.

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

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

REMEDIES . . . The Ordinance establishes specific events of default with respect to the Certificates. If the Town defaults in the payment of the principal of or interest on the Certificates when due or the Town defaults in the observance or performance of any of the covenants, conditions, or obligations of the Town, the failure to perform which materially, adversely affects the rights of the owners of the Certificates, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the Town, the Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the Town to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Certificates 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 holders of the Certificates upon any failure of the Town to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the State legislature has effectively waived the Town's sovereign immunity from a suit for money damages outside of Chapter 1371, Texas Government Code (which is not applicable to the Town) holders of the Certificates may not be able to bring such a suit against the Town for breach of the Certificates or covenants contained in the Ordinance. Even if a judgment against the Town could be obtained, it could not be enforced by direct levy and execution against the Town's property.

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

As noted above, the Ordinance provides that registered owners may exercise the remedy of mandamus to enforce the obligations of the Town under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

Furthermore, the Town is eligible to seek relief from its creditors under Chapter 9 of the 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, holders of the Certificates of an entity which has sought

protection under Chapter 9. Therefore, should the Town avail itself of Chapter 9 protection from creditors, the ability to enforce 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.

See “Book-Entry-Only System” herein for a description of the duties of DTC with regard to ownership of the Certificates. Initially, the only registered owner of the Certificates will be DTC.

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

Principal Amount	\$ 14,300,000.00
Net Premium	926,044.20
TOTAL SOURCES	\$ 15,226,044.20
Deposit to Project Construction Fund	\$ 15,000,000.00
Underwriter's Discount	89,930.86
Costs of Issuance	136,113.34
TOTAL USES	\$ 15,226,044.20

TAX INFORMATION

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

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

STATE MANDATED HOMESTEAD EXEMPTIONS . . . State law grants, with respect to each city 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 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 “Tax Information– Town Application of Tax Code” herein.

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

Owners of certain property with a taxable value in excess of the current year “minimum eligibility amount”, as determined by the State Comptroller, and situated in a county with a population of 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 \$52,978,200 for the 2022 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DEBT TAX RATE LIMITATIONS . . . All taxable property within the Town is subject to the assessment, levy and collection by the Town of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the Town, and limits its maximum ad valorem tax rate to \$2.50 per \$100 Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance.

THE 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.

TOWN APPLICATION OF TAX CODE . . . The Town grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$100,000.

The Town grants an additional 20% exemption of the market value or a minimum of \$5,000 of residence homesteads.

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

The Town does not tax nonbusiness personal property.

The Town does not tax freeport property.

The Town does not tax goods-in-transit.

The Town does not collect the additional one-half cent sales tax for reduction of ad valorem taxes.

The Town has not established an ad valorem tax freeze on the residence homestead of persons 65 years of age or older and the disabled.

The Town has a Water Control and Improvement District and a Municipal Management District within its corporate limits and a Fresh Water Supply District within its Extraterritorial Jurisdiction.

PUBLIC IMPROVEMENT DISTRICTS . . . Pursuant to resolutions adopted on April 24, 2014, and after published notice and a public hearing, the Town created a public improvement district pursuant to Chapter 372, Texas Local Government Code, as amended (the "PID Act") within the Town. The Highlands Public Improvement District (the "Highlands PID") contains approximately 363.905 acres of land generally located on the south side of FM 407 approximately two miles west of Interstate I-35W, as more particularly described by a metes and bounds description available at Northlake Town Hall and available for public inspection.

TAX INCREMENT REINVESTMENT ZONE . . . On December 10, 2015, the Town created Tax Increment Reinvestment Zone Number One, Town of Northlake, Texas ("TIRZ 1"). The purpose of TIRZ 1 is to design, plan, construct, acquire and install trail systems, streets and road improvements, cover annual administrative cost, operation, repair and maintenance of the trail system. The Town's tax participation amount is \$0.0909 per \$100 valuation and the developer reimbursement amount is \$5,381,425.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2022/2023 Market Valuation Established by Denton Central Appraisal District (excluding totally exempt property)		\$ 3,212,832,486
Less Exemptions/Reductions at 100% Market Value:		
Loss to 10% Home Cap	\$ 68,787,198	
Productivity Loss	187,848,632	
Homestead	188,110,253	
Disabled Persons	1,100,000	
Disabled Veterans	29,963,445	
Over 65	28,585,703	
Abatements	81,677,124	
Pollution Control	81,359	
Freeport Property	<u>566,226,661</u>	<u>1,152,380,375</u>
2022/2023 Taxable Assessed Valuation		\$ 2,060,452,111
Outstanding General Obligation Debt as of 9/30/2022	\$ 30,845,000	
The Certificates	<u>14,300,000</u>	
Total General Obligation Debt		\$ 45,145,000
Less: Self-Supporting Debt ⁽¹⁾		
The Highlands Public Improvement District (Assessments)	\$ 2,815,000	
Waterworks and Sewer System Net Revenue	<u>275,000</u>	
Total Self-Supporting Debt		\$ 3,090,000
Net General Obligation Debt Payable from Ad Valorem Taxes		\$ 42,055,000
Ratio Net General Obligation Tax Debt to Taxable Assessed Valuation		2.04%

2023 Estimated Population - 20,560
 Per Capita Taxable Assessed Valuation - \$100,217
 Per Capita General Obligation Debt Payable from Ad Valorem Taxes - \$2,196
 Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - \$2,045

(1) It is the Town's current policy to provide these payments from the various revenue sources; this policy is subject to change in the future. In the event the Town changes its policy, or such revenues are not sufficient to pay debt service on such obligations the Town will be required to levy an ad valorem tax to pay such debt service. See "Table 10 – Computation of Self-Supporting Debt" herein.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2023		2022		2021	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 1,256,903,094	39.12%	\$ 766,160,986	31.81%	\$ 451,999,470	24.29%
Real, Residential, Multi-Family	180,034,060	5.60%	158,539,083	6.58%	150,065,925	8.06%
Real, Vacant Lots/Tracts	72,227,399	2.25%	50,657,514	2.10%	94,029,941	5.05%
Real, Acreage (Land Only)	189,638,039	5.90%	106,873,499	4.44%	105,114,895	5.65%
Real, Farm and Ranch Improvements	56,763,407	1.77%	30,365,999	1.26%	35,674,365	1.92%
Real, Commercial	421,744,961	13.13%	364,181,933	15.12%	307,518,527	16.53%
Real, Industrial	10,117,047	0.31%	7,971,198	0.33%	14,554,285	0.78%
Gas and Oil	27,961,714	0.87%	17,172,072	0.71%	12,622,123	0.68%
Real and Tangible Personal, Utilities	12,083,291	0.38%	11,481,831	0.48%	10,120,171	0.54%
Tangible Personal, Commercial	338,550,245	10.54%	213,738,953	8.87%	87,325,135	4.69%
Tangible Personal, Industrial	576,474,471	17.94%	615,452,270	25.55%	535,953,705	28.80%
Tangible Personal, Mobile Homes	6,698	0.00%	5,805	0.00%	14,174	0.00%
Real Property, Inventory	69,721,333	2.17%	66,261,510	2.75%	55,302,554	2.97%
Special Inventory	606,727	0.02%	64,051	0.00%	419,631	0.02%
Total Appraised Value Before Exemptions	\$ 3,212,832,486	100.00%	\$ 2,408,926,704	100.00%	\$ 1,860,714,901	100.00%
Less: Total Exemptions/Reductions	1,152,380,375		902,828,894	%	617,288,190	
Taxable Assessed Value	<u>\$ 2,060,452,111</u>		<u>\$ 1,506,097,810</u>		<u>\$ 1,243,426,711</u>	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2020		2019	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 311,696,390	28.24%	\$ 220,409,861	28.49%
Real, Residential, Multi-Family	107,401,417	9.73%	95,326,415	12.32%
Real, Vacant Lots/Tracts	41,922,014	3.80%	25,583,043	3.31%
Real, Acreage (Land Only)	108,350,794	9.82%	98,456,241	12.73%
Real, Farm and Ranch Improvements	30,845,167	2.80%	38,676,167	5.00%
Real, Commercial	246,253,427	22.31%	166,203,153	21.48%
Real, Industrial	7,453,876	0.68%	4,955,940	0.64%
Gas and Oil	24,363,712	2.21%	27,239,195	3.52%
Real and Tangible Personal, Utilities	7,125,501	0.65%	6,489,296	0.84%
Tangible Personal, Commercial	25,818,780	2.34%	19,573,719	2.53%
Tangible Personal, Industrial	159,623,374	14.46%	51,845,118	6.70%
Tangible Personal, Mobile Homes	14,174	0.00%	14,040	0.00%
Real Property, Inventory	32,081,310	2.91%	18,947,719	2.45%
Special Inventory	601,720	0.05%	-	0.00%
Total Appraised Value Before Exemptions	\$ 1,103,551,656	100.00%	\$ 773,719,907	100.00%
Less: Total Exemptions/Reductions	242,967,812		147,921,375	
Taxable Assessed Value	<u>\$ 860,583,844</u>		<u>\$ 625,798,532</u>	

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

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TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	Net General Obligation (G.O.) Tax Debt ⁽³⁾	Net G.O. Tax Debt Per Capita	Ratio of Net G.O. Tax Debt to Taxable Assessed Valuation
2019	4,140	\$ 625,798,532	\$ 151,159	\$ 21,905,000	\$ 5,291	4.57%
2020	4,930	860,583,844	174,561	21,285,000	4,317	3.50%
2021	7,240	1,243,426,711	171,744	26,745,000	3,694	2.47%
2022	9,500	1,506,097,810	158,537	30,845,000	3,247	2.15%
2023	10,560	2,060,452,111	195,119	42,170,000 ⁽⁴⁾	3,993 ⁽⁴⁾	2.05% ⁽⁴⁾

(1) Source: Town Officials.

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

(3) Includes self-supporting debt.

(4) Projected. Includes the Certificates.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	General Fund	Interest and Sinking Fund	Total Tax Rate	Total Tax Levy	% Current Collections	% Total Collections
2019	\$ 0.1705	\$ 0.1245	\$ 0.2950	\$ 1,576,456	99.88%	100.46%
2020	0.1556	0.1394	0.2950	2,602,600	100.13%	101.37%
2021	0.1468	0.1482	0.2950	3,450,279	99.81%	100.09%
2022	0.1667	0.1283	0.2950	4,375,337	99.67% ⁽¹⁾	100.86% ⁽¹⁾
2023	0.1776	0.1174	0.2950	6,078,334	N/A	N/A

(1) Collections as of August 31, 2022.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2022/2023 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Dry Creek Apartments, LTD	Residential	\$ 63,000,000	3.06%
Lex Northlake LP	Distribution Center	61,940,826	3.01%
Farmer Brothers	Coffee Sales	59,901,968	2.91%
Northport Owner. LLC	Warehouse	58,844,740	2.86%
Northport 35 Investors. LLC	Warehouse	54,810,143	2.66%
Walgreen Co	Distribution Center	52,380,026	2.54%
Black & Decker Inc	Industrial Manufacturing	49,547,481	2.40%
Chadwick Apartments Phase II LTD	Residential	46,000,000	2.23%
Tides on Chadwick Owner LLC	Residential	42,034,060	2.04%
B9 MF Northlake Owner LP	Residential	29,000,000	1.41%
		<u>\$ 517,459,244</u>	<u>25.11%</u>

GENERAL OBLIGATION DEBT LIMITATION . . . No general obligation debt limitation is imposed on the Town under current State law or the Town's Home Rule Charter (see "The Certificates - Tax Rate Limitation").

TABLE 6 - TAX ADEQUACY ⁽¹⁾

Net General Obligation Debt Service Requirements, FY 2023	\$ 3,934,367
\$0.1929 I&S Tax Rate Required at 99% Collection Rate Produces	\$ 3,934,866
Average Net General Obligation Debt Service Requirements, FY 2023-2042	\$ 2,809,662
\$0.1378 I&S Tax Rate Required at 99% Collection Rate Produces	\$ 2,810,910
Maximum Net General Obligation Debt Service Requirements, FY 2023	\$ 3,934,367
\$0.1929 I&S Tax Rate Required at 99% Collection Rate Produces	\$ 3,934,866

(1) Includes the Certificates.

TABLE 7 - ESTIMATED OVERLAPPING DEBT

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

Taxing Jurisdiction	2022/23 Taxable Assessed Valuation	2022/23 Tax Rate	Total GO Tax Debt 9/30/2022	Estimated % Applicable	Town's Overlapping GO Tax Debt 9/30/2022
Town of Northlake	\$ 2,060,452,111	\$ 0.29500	\$ 42,055,000 ⁽¹⁾	100.00%	\$ 42,055,000 ⁽¹⁾
Argyle ISD	3,297,978,525	1.40000	324,967,774	4.98%	16,183,395
Canyon Falls WC & ID #2	337,563,162	0.70500	32,795,000	95.92%	31,456,964
Denton County	127,010,590,822	0.23300	559,930,000	1.63%	9,126,859
Northlake Municipal Management District #1	234,547,587	0.70500	51,760,000	100.00%	51,760,000
Northlake Municipal Management District #2	42,716,227	0.70500	9,000,000	94.99%	8,549,100
Northwest ISD	25,980,836,220	1.29200	1,353,929,040	3.77%	51,043,125
Ponder ISD	743,923,056	1.40800	71,970,000	0.44%	316,668
					\$ 210,491,111
Ratio of Direct and Overlapping GO Debt to Taxable Assessed Valuation					10.22%
Per Capita Overlapping GO Debt					\$ 10,238

(1) Includes the Certificates.

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DEBT INFORMATION

TABLE 8 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Year Ending	Outstanding Debt Service ⁽¹⁾			The Certificates ⁽²⁾			Less: PID Assess. Supported Debt Service ⁽³⁾	Less: W&S System Supported Debt Service ⁽³⁾	Net General Obligation Debt Service	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total				
	30-Sep									
2023	\$ 2,090,000	\$ 888,618	\$ 2,978,618	\$ 885,000	\$ 384,443	\$ 1,269,443	\$ 285,163	\$ 28,531	\$ 3,934,367	
2024	2,155,000	851,493	3,006,493	440,000	604,050	1,044,050	285,775	28,081	3,736,687	
2025	2,255,000	811,993	3,066,993	460,000	581,550	1,041,550	285,775	27,581	3,795,187	
2026	2,350,000	768,608	3,118,608	485,000	557,925	1,042,925	284,625	26,981	3,849,927	
2027	2,435,000	721,288	3,156,288	510,000	533,050	1,043,050	288,325	26,381	3,884,632	31.16%
2028	1,480,000	665,813	2,145,813	535,000	506,925	1,041,925	285,625	30,781	2,871,332	
2029	1,580,000	612,038	2,192,038	565,000	479,425	1,044,425	287,750	30,031	2,918,682	
2030	1,670,000	554,425	2,224,425	595,000	450,425	1,045,425	290,113	29,281	2,950,456	
2031	1,760,000	492,600	2,252,600	625,000	419,925	1,044,925	292,150	28,469	2,976,906	
2032	1,825,000	425,625	2,250,625	655,000	387,925	1,042,925	293,544	27,625	2,972,381	56.16%
2033	1,900,000	356,038	2,256,038	690,000	354,300	1,044,300	294,600	26,781	2,978,957	
2034	1,960,000	291,275	2,251,275	725,000	318,925	1,043,925	294,975	25,906	2,974,319	
2035	1,705,000	223,744	1,928,744	760,000	281,800	1,041,800	-	-	2,970,544	
2036	1,755,000	171,050	1,926,050	800,000	242,800	1,042,800	-	-	2,968,850	
2037	1,365,000	114,950	1,479,950	840,000	206,000	1,046,000	-	-	2,525,950	83.85%
2038	1,410,000	68,800	1,478,800	870,000	171,800	1,041,800	-	-	2,520,600	
2039	375,000	21,125	396,125	905,000	136,300	1,041,300	-	-	1,437,425	
2040	385,000	11,650	396,650	945,000	99,300	1,044,300	-	-	1,440,950	
2041	390,000	3,900	393,900	985,000	60,700	1,045,700	-	-	1,439,600	
2042	-	-	-	1,025,000	20,500	1,045,500			1,045,500	100.00%
	<u>\$ 30,845,000</u>	<u>\$ 8,055,029</u>	<u>\$ 38,900,029</u>	<u>\$ 14,300,000</u>	<u>\$ 6,798,068</u>	<u>\$ 21,098,068</u>	<u>\$ 3,468,420</u>	<u>\$ 336,429</u>	<u>\$ 56,193,248</u>	

(1) "Outstanding Debt" does not include lease/purchase obligations.

(2) Average life of the Certificates – 10.811 years.

(3) It is the Town's current policy to provide these payments from the respective revenue sources (see "Table 10 - Computation of Self-Supporting Debt" herein); this policy is subject to change in the future. In the event the Town changes its policy, or such revenues are not sufficient to pay debt service on such obligations the Town will be required to levy an ad valorem tax to pay such debt service. The Town collects water and sewer impact fees. In some instances it may apply a portion of these fees to pay debt service.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Interest and Sinking Fund Balance, as of 9/30/2022 ⁽¹⁾	\$ 659,628
Budgeted Interest and Sinking Fund Tax Levy	2,417,982
Budgeted Delinquent Taxes, Penalties and Interest	-
Budgeted Transfers	1,528,709
Other Revenue	100
Total Available	<u>\$ 4,606,419</u>
Less: Net Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/2023	\$ 3,934,367
Projected Interest and Sinking Fund Balance as of September 30, 2023	\$ 672,052

TABLE 10 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

The Town has no authorized but unissued ad valorem tax bonds.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . After the issuance of the Certificates, the Town does not anticipate the issuance of additional ad valorem tax debt in the next 12 months.

TABLE 11 – OTHER OBLIGATIONS**OPERATING LEASES:**

The Town’s operating lease obligation is for the rental of office space to house the Town Hall and Police Department building. On February 1, 2019, the Town renewed an office lease for the Town Hall building with a 5-year term with an option to renew the lease by the Town for an additional 5-year term. On March 1, 2020 the Town commenced an office lease for the Town Police Department building. The lease agreement has a 5-year term with an option to renew the lease by the town for an additional 5-year term. The Town paid \$339,112 in rental expense during the year. The Town’s lease obligations are as follows:

Period Ending <u>September 30</u>	Operating <u>Leases</u>
2022	\$ 390,694
2023	402,415
2024	263,977
2025	80,859
Total	<u>\$ 1,137,945</u>

PENSION FUND

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

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

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

At retirement, the benefit is calculated as if the sum of the employee’s contributions, with interest, and the Town-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest.

The plan provisions are adopted by the governing body of the Town, within the options available in the state statutes governing TMRS.

Plan provisions for the Town were as follows:

	<u>Plan Year 2020</u>	<u>Plan Year 2019</u>
Deposit Rate:	7.0%	7.0%
Matching Ratio (Town to Employee):	2 to 1	2 to 1
Years required for vesting	5 years	5 years
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	0% of CPI	0% of CPI

Employees covered by benefit terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	31
Active employees	<u>49</u>
Total	84

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

Town employees were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Town were 10.50% and 9.97% in calendar years 2020 and 2021, respectively. The Town's contributions to TMRS for the year ended September 30, 2021, was \$281,503, and were equal to the required contributions.

Net Pension Liability – The Town's Net Pension Liability (NPL) was measured as of December 31, 2020 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equite	10.0%	7.75%
Total	100.0%	

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Town, calculated using the discount rate of 6.75%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in 5.75%	Current Single Rate Assumption 6.75%	1% Increase in 7.75%
Town's net pension liability	\$ 1,303,999	\$ 460,530	\$ (220,844)

Changes in the Net Pension Liability

	<u>Changes in the Net Pension Liability</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Balance at 12/31/19	\$ 3,959,368	\$ 3,593,825	\$ 365,543
Changes for the year:			
Service Cost	451,301	-	451,301
Interest	282,136	-	282,136
Difference between expected and actual experience	123,686	-	123,686
Changes of assumptions	-	-	
Contributions-employer	-	287,874	(287,874)
Contributions-employee	-	202,118	(202,118)
Net investment income	-	273,978	(273,978)
Benefit payments, including refunds of emp. Contributions	(10,447)	(10,447)	-
Administrative expense	-	(1,765)	1,765
Other changes	-	(69)	69
Net changes	846,676	751,689	94,987
Balance at 12/31/20	\$ 4,806,044	\$ 4,345,514	\$ 460,530

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s Fiduciary Net Position is available in the separately-issued TMRS financial report. That report may be obtained on the internet at www.tmr.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended September 30, 2021, the Town recognized pension expense of \$291,555.

At September 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 87,385	\$ -
Changes in actuarial assumptions	19,577	-
Difference between projected and actual investment earnings	-	(103,126)
Contributions subsequent to the measurement date	241,770	-
Total	\$ 261,347	\$ (103,126)

The Town reported \$241,769 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

2021	\$ (7,022)
2022	14,404
2023	(33,982)
2024	16,984
2025	13,452
Thereafter	-
	<u>\$ 3,836</u>

OTHER POSTEMPLOYMENT BENEFITS

Plan Description – The Town also participates in a defined benefit group-term life insurance plan operated by the TMRS known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The Town elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The Town may terminate coverage under the discontinued participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other postemployment benefit,” or OPEB. The SDBF covers both active and retiree benefits with no segregation of assets and, therefore, doesn’t meet the definition of a trust under GASB No. 75, paragraph 4b, (i.e., no assets are accumulated for OPEB). As such, the SDBF is considered to be a single-employer unfunded OPEB plan (and not a cost sharing plan) with benefit payments treated as being equal to the employer’s yearly contributions for retirees.

<u>The City offers supplemental death to:</u>	<u>Plan Year 2019</u>	<u>Plan Year 2020</u>
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

The Town contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees’ entire careers.

The Town’s contributions to the TMRS SDBF for the years ended 2021, 2020 and 2019 were \$821, \$279 and \$214, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates
(RETIREE-only portion of the rate)

<u>Plan/ Calendar Year</u>	<u>Annual Required Contribution (Rate)</u>	<u>Actual Contribution Made (Rate)</u>	<u>Percentage of ARC Contributed</u>
2019	0.01%	0.01%	100.0%
2020	0.01%	0.01%	100.0%
2021	0.03%	0.03%	100.0%

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	7
Active employees	<u>49</u>
Total	58

Total OPEB Liability

The Town's OPEB was measured as of December 31, 2020, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.5%, including inflation per year
Discount rate	2.00%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 2.00%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the Town, calculated using the discount rate of 2.00%, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

1% Decrease	Current Single Rate Assumption	1% Increase
<u>1.00%</u>	<u>2.00%</u>	<u>3.00%</u>
\$ 79,430	\$ 61,994	\$ 49,101

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/19	\$ 50,898
Changes for the year:	
Service Cost	6,064
Interest	1,479
Difference between expected and actual experience	(6,003)
Changes of assumptions	9,845
Benefit payments	(289)
Net changes	11,096
Balance at 12/31/20	<u>\$ 61,994</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended September 30, 2021, the Town recognized OPEB expense of \$8,665. At September 30, 2021, the Town reported deferred outflows of resources and deferred inflow of resources related to the OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 15,391	\$ -
Changes in actuarial assumptions	-	(8,373)
Contributions subsequent to the measurement date	738	-
Total	<u>\$ 16,129</u>	<u>\$ (8,373)</u>

The Town reported \$738 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2022.

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

Year ended December 31:	
2021	\$ 1,122
2022	1,122
2023	1,122
2024	1,122
2025	830
Thereafter	1,700
	<u>\$ 7,018</u>

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FINANCIAL INFORMATION

TABLE 12 - SCHEDULE OF CHANGES IN NET ASSETS

	Fiscal Year Ended September 30,				
	2021	2020	2019	2018	2017
<u>Revenues:</u>					
Program Revenues:					
Fees, Fines and Charges for Services	\$ 4,172,913	\$ 2,980,065	\$ 6,048,391	\$ 2,124,846	\$ 1,886,105
Capital Grants and Contributions	3,461,847	8,333,922	421,929	-	-
General Revenue:					
Property Tax	4,667,918	3,710,077	3,058,040	1,572,424	1,179,013
PID Assessment	-	-	-	-	610,503
Sales Tax	1,489,157	854,553	1,485,578	1,284,730	1,246,433
Franchise Tax	568,056	477,795	443,387	376,093	282,277
Hotel/Motel Taxes	598,771	393,540	417,116	444,447	267,965
Investment Earnings	20,829	149,848	531,322	160,360	113,463
Miscellaneous	35,172	396,402	111,201	1,080,388	1,542,348
Total Revenues	<u>\$ 15,014,663</u>	<u>\$ 17,296,202</u>	<u>\$ 12,516,964</u>	<u>\$ 7,043,288</u>	<u>\$ 7,128,107</u>
<u>Expenditures:</u>					
General Government	\$ 1,516,599	\$ 1,598,011	\$ 1,740,431	\$ 928,400	\$ 1,437,941
Municipal Court	-	-	262,449	263,078	279,833
Police	2,993,487	2,617,563	1,538,975	1,574,463	1,312,199
Public Works	2,656,449	1,928,485	854,028	952,983	1,016,548
Economic Development	3,890,392	2,325,958	1,693,550	1,274,815	932,591
Promotional	48,029	59,350	104,689	67,431	61,929
Public Improvement Districts (PID)	1,219,270	962,745	1,130,320	-	-
Tax Increment Reinvestment Zone (TIRZ)	265,447	539,727	4,741	-	-
Utility Cost Participation	-	-	970	-	-
Interest on Long-Term Debt	286,868	641,799	721,933	150,220	432,877
Total Expenditures	<u>\$ 12,876,541</u>	<u>\$ 10,673,638</u>	<u>\$ 8,052,086</u>	<u>\$ 5,211,390</u>	<u>\$ 5,473,918</u>
Change in Net Position Before Transfers	\$ 2,138,122	\$ 6,622,564	\$ 4,464,878	\$ 1,831,898	\$ 1,654,189
Transfers	(301,881)	10,174,118	230,000	200,000	172,262
Change in Net Position	\$ 1,836,241	\$ 16,796,682	\$ 4,694,878	\$ 2,031,898	\$ 1,826,451
Net Assest 9/30 Prior Year	\$ 35,599,964	\$ 18,406,824	\$ 11,448,880	\$ 9,416,982 ⁽¹⁾	\$ 6,774,190
Prior Period Adjustment	-	396,458	2,263,066	-	-
Net Position - 9/30 Current Year	<u>\$ 37,436,205</u>	<u>\$ 35,599,964</u>	<u>\$ 18,406,824</u>	<u>\$ 11,448,880</u>	<u>\$ 8,600,641</u>

(1) Restated.

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TABLE 12A – SCHEDULE OF GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
	2021	2020	2019	2018	2017
<u>Revenues</u>					
Taxes:					
Property	\$ 1,607,400	\$ 1,247,253	\$ 1,014,024	\$ 885,559	\$ 744,911
PID Assessment	-	-	-	-	-
Sales and Beverage	1,489,157	854,553	757,432	642,746	623,492
Franchise	568,056	477,795	454,537	376,093	282,277
Hotel/Motel Tax	-	-	-	-	-
Building Permits, Plant and Other Fines	3,536,250	2,247,231	2,579,477	1,546,713	1,341,544
Municipal Court	413,414	455,228	512,290	510,818	592,248
Interest Income	6,446	35,180	186,563	6,699	4,487
Miscellaneous	253,960	345,812	234,791	213,766	150,262
Total Revenues	<u>\$ 7,874,683</u>	<u>\$ 5,663,052</u>	<u>\$ 5,739,114</u>	<u>\$ 4,182,394</u>	<u>\$ 3,739,221</u>
<u>Expenditures</u>					
Current:					
General Government	\$ 1,738,314	\$ 1,195,113	\$ 927,873	\$ 866,111	\$ 1,126,020
Municipal Court	298,228	304,302	279,621	257,457	235,974
Police	2,655,447	2,136,445	2,383,963	1,542,814	1,227,348
Public Works	1,020,281	811,192	564,418	623,885	466,097
Development Services	1,658,849	940,499	645,618	610,551	-
Capital Outlay	-	-	-	8,269	-
Debt Service					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Total Expenditures	<u>\$ 7,371,119</u>	<u>\$ 5,387,551</u>	<u>\$ 4,801,493</u>	<u>\$ 3,909,087</u>	<u>\$ 3,055,439</u>
Excess of Revenues Over (Under) Expenditures	503,564	275,501	937,621	273,307	683,782
Other Financing Sources (Uses)					
Bond Proceeds	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers In	268,650	250,881	290,000	200,000	200,000
Transfers (Out)	-	-	-	(500,000)	(533,352)
Total Other Financing Sources (Uses)	<u>\$ 268,650</u>	<u>\$ 250,881</u>	<u>\$ 290,000</u>	<u>\$ (300,000)</u>	<u>\$ (333,352)</u>
Net Change in Fund Balances	772,214	526,382	1,227,621	(26,693)	350,430
Fund Balances - Beginning	3,601,826	3,075,444	1,847,823 ⁽¹⁾	1,857,987 ⁽¹⁾	1,575,023
Prior Period Adjustment	-	-	-	-	-
Fund Balances - Ending	<u>\$ 4,374,040</u>	<u>\$ 3,601,826</u>	<u>\$ 3,075,444</u>	<u>\$ 1,831,294</u>	<u>\$ 1,925,453</u>

(1) Restated.

(Remainder of page intentionally left blank)

TABLE 13 - MUNICIPAL SALES TAX HISTORY

The Town has adopted the Municipal Sales and Use Tax Act, Texas Tax Code, Chapter 321, which grants the Town the power to impose and levy a 1% Local Sales and Use Tax within the Town; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the Town monthly. In addition to the collections below, the voters of the Town approved the imposition of an additional sales and use tax of one-half of one percent (1/2% of 1%) solely for the promotion and development of new expanded business enterprises, and such tax may be pledged to secure payment of sales tax revenue bond issued by the Northlake Economic Development Corporation. The voters of the Town also approved a sales and use tax of one-half of one percent (1/2% of 1%) solely for the promotion and development of new and expanded business enterprises and such tax may be pledged to the payment of obligations that may be issued by the Northlake Community Development Corporation.

In October 1998 Congress passed the Internet Tax Freedom Act. This Act placed a three-year moratorium on the levy of taxes on internet commerce. In 2004, Congress extended the moratorium until November 1, 2007. On November 1, 2007 the President signed into law a continuation of the moratorium passed by Congress that extends the moratorium until November 1, 2014. The impact of this moratorium on future municipal sales tax is not determinable.

Fiscal Year Ended 9/30	Total Sales Tax Collected ⁽¹⁾	1% Sales Tax Collected ⁽²⁾	% of Ad Valorem Tax Levy ⁽³⁾	Equivalent of Ad Valorem Tax Rate ⁽³⁾	Per Capita ⁽³⁾
2018	\$ 1,244,264	\$ 622,132	38.64%	\$ 0.1244	\$ 171.39
2019	1,476,033	738,016	46.81%	0.1179	178.26
2020	1,620,773	810,387	31.14%	0.0942	164.38
2021	2,617,347	1,308,674	37.91%	0.1052	180.76
2022	3,479,838 ⁽⁴⁾	1,739,919	39.77%	0.1155	183.15

(1) As reported by the Texas Comptroller of Public Accounts.

(2) Represents the Town’s sales and use taxes; excludes 4A and 4B Corporations’ collections.

(3) Percentage of 1% Sales Tax Collected

(4) Collections through September 2022.

FINANCIAL POLICIES

Government-wide and Fund Financial Statements. . . The governmental-wide financial statement (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Government 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. Likewise, the primary government is reported separately from certain legally separate component units for which the *primary government* is financially accountable.

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 as *general revenues*.

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

Measurement Focus, Basis of Accounting and Basis of 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 and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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 have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of intergovernmental revenues, which have a one-year period of

availability. 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, claims and judgments, landfill closure/post closure costs, are recorded only when the liability has matured.

Property taxes, sales taxes, hotel/motel taxes, franchise fees and licenses, intergovernmental revenues, certain charges for services, 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. All other revenue items are considered to be measurable and available only when the Town receives the cash as the resulting receivables are deemed immaterial.

INVESTMENTS

The Town invests its investable funds in investments authorized by Texas law, including particularly the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the "PFIA"), in accordance with investment policies approved by the Town Council. Both state law and the Town's investment policies are subject to change.

LEGAL INVESTMENTS . . . Under Texas law, the Town is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is unconditionally guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund, or their respective successors; (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, Texas Government Code; 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; (9) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in 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 of Texas 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 of Texas that is selected by the Town; (b) the broker or the depository institution selected by the Town arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the Town; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the Town appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the United States 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 value of 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 of Texas; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state

bank; (14) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission that comply with federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.) and that provide the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934; and, (15) no-load mutual funds registered with the United States Securities and Exchange Commission that have an average weighted maturity of less than two years, and either: (i) have a duration of one year or more and are invested exclusively in obligations described in this paragraph or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the Town and deposited with the Town or with a third party selected and approved by the Town.

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

INVESTMENT POLICIES . . . Under 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, 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 Public Funds Investment Act. 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 the probable income to be derived.” At least quarterly the Town’s investment officers must submit an investment report to the Town Council detailing: (1) the investment position of the Town, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest Town funds without express written authority from the Town Council.

ADDITIONAL PROVISIONS . . . Under State law, the Town is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt by written instrument a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the Town to disclose the relationship and file a statement with the Texas Ethics Commission and the Town Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the Town to: (a) receive and review the Town’s investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the Town and the business organization that are not authorized by the Town’s investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the 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 treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the Town’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the Town.

TABLE 14 - CURRENT INVESTMENTS

As of June 30, 2022, the Town’s investable funds were invested in the following categories:

Type of Investment	Fair Value
LOGIC ⁽¹⁾	\$ 6,336,233
Wells Fargo Investment Account	8,125,639
Lamar ICS Account	28,533,046
Total	<u>\$ 42,994,918</u>

(1) Local Government Investment Cooperative (“LOGIC”) is a local government investment pool for whom Hilltop Securities Inc., is a co-administrator for the pool. LOGIC currently maintains a “AAAm” rating from Standard & Poor's and has an investment objective of achieving and maintaining a stable net asset value of \$1.00 per share. Daily investments or redemptions of funds are allowed by the participants. LOGIC operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, to the extent such rule is applicable to its operations. Accordingly, LOGIC uses the amortized cost method permitted by SEC Rule 2a-7 to report net assets and share prices since that amount approximates fair value. The investment activities of LOGIC are administered by third party advisors. There is no regulatory oversight by the State of Texas over LOGIC.

TABLE 15 – WATER AND SEWER RATES

Water

Residential		Commercial	
Meter Size	Effective 8/21/2020	Meter Size	Effective 8/21/2020
3/4"	\$25.00	3/4"	\$38.00
1"	38.00	1"	58.00
1.5"	51.00	1.5"	78.00
2"	77.00	2"	117.00
3"	109.00	3"	166.00
4"	160.00	4"	244.00
6"	321.00	6"	487.00
*Volume Charge		*Volume Charge	
<u>(per gallons)</u>		<u>(per gallons)</u>	
3,001 - 15,000	\$4.00	0 - 15,000	\$6.00
15,001 - 30,000	5.00	15,001 - 30,000	7.00
Over 30,001	7.00	Over 30,001	8.00

Sewer

Residential		Commercial	
Meter Size	Effective 8/21/2020	Meter Size	Effective 8/21/2020
3/4"	\$25.00	3/4"	\$38.00
1"	38.00	1"	58.00
1.5"	51.00	1.5"	78.00
2"	77.00	2"	117.00
3"	109.00	3"	166.00
4"	160.00	4"	244.00
6"	321.00	6"	487.00
*Volume Charge		*Volume Charge	
<u>(per gallons)</u>		<u>(per gallons)</u>	
Over 3,001	\$7.00	Over 3,001	\$9.00

TABLE 16 – WATER AND SEWER OPERATING REVENUES

	Fiscal Year Ended September 30,				
	2021	2020	2019	2018	2017
Revenues:					
<i>Operating Revenues:</i>					
Water and Sewer Service	\$ 8,422,392	\$ 5,414,952	\$ 3,961,274	\$ 3,783,858	\$ 3,296,635
Total Revenues	\$ 8,422,392	\$ 5,414,952	\$ 2,584,170	\$ 2,016,122	\$ 1,053,338
Expenditures:					
<i>Operating Expenditures:</i>					
Operating Expenses	\$ 6,207,519	\$ 5,170,338	\$ 4,328,723	\$ 3,180,445	\$ 2,444,601
Total Expenditures	\$ 6,207,519	\$ 5,170,338	\$ 1,511,773	\$ 1,260,979	\$ 1,030,717
Non-operating Revenues (Expenses):					
Miscellaneous Revenue	\$ (491,012)	\$ 3,835	\$ 2,309	\$ 18,728	\$ 20,324
Interest Income	187	(27,273)	298	17,503	(7,339)
Total Revenues	\$ (490,825)	\$ (23,438)	\$ 2,607	\$ 36,231	\$ 12,985
Net Revenue Available for Debt Service	\$ 1,724,048	\$ 221,176	\$ 1,075,004	\$ 791,374	\$ 35,606
Debt Service Requirements	\$ -	\$ -	\$ -	\$ -	\$ -
Coverage Ratio	n/a	n/a	n/a	n/a	n/a

TAX MATTERS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Certificates, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less

than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the Town has made the following agreement for the benefit of the registered 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 Municipal Securities Rulemaking Board ("*MSRB*"). This information will be publicly available on the MSRB's Electronic Municipal Market Access System ("*EMMA*") at <http://emma.msrb.org/>.

ANNUAL REPORTS . . . The Town will provide certain updated financial information and operating data to the MSRB on an annual basis. The information to be updated includes all quantitative financial information and operating data with respect to the Town of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 16 (the "Annual Operating Report"). The Town will update and provide this information within six months after the end of each fiscal year ending in and after 2022. The Town will additionally provide audited financial statements of the Town (the "Financial Statements") and such Financial Statements will be provided when and if available, but in any event within 12 months after the end of each fiscal year ending in or after 2022. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the Town will file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such Financial Statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the Town may be required to employ from time to time pursuant to State law or regulation. The Town may provide updated information in full text or may incorporate by reference documents available on EMMA or filed with the U.S. Securities and Exchange Commission (the "*SEC*").

The Town's current fiscal year end is September 30. Accordingly, the Annual Operating Report must be provided by March 31 in each year, and the Financial Statements must be provided by September 30 of each year, unless the Town changes its fiscal year. If the Town changes its fiscal year, it will notify the MSRB of the change.

EVENT NOTICES . . . The Town will also provide to the MSRB notices of certain events on a timely basis no later than 10 business days after the event. The Town will provide notice of any of the following events with respect to the Certificates: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 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; (13) the consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of the assets of the Town, other than in the ordinary course of business, the entry into 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 any trustee, if material; and (15) incurrence of a financial obligation of the Town, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Town, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Town, any of which reflect financial difficulties. (Neither the Certificates nor the Ordinance makes any provision for a bond trustee, debt service reserves or credit enhancement.) As used above in item (12), the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent or similar officer for the Town in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the Town, or if jurisdiction has been assumed by leaving the existing Town Council and officials or officers of the Town in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Town. For the purposes of the above describe event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in Rule 15c2-12 (the "Rule") of the SEC) has been provided to the MSRB consistent with the Rule.

In addition, the Town will provide timely notice of any failure by the Town to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

AVAILABILITY OF INFORMATION FROM MSRB . . . The Town has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS . . . The Town has agreed to update information and to provide notices of material events only as described above. The Town has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Town makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The Town disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Certificates may seek a writ of mandamus to compel the Town to comply with its agreement.

The Town may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Town, if (i) the agreement, as amended, would have permitted 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 (ii) either (a) the registered holders of a majority in aggregate principal amount of the outstanding Certificates consent to the amendment or (b) any person unaffiliated with the Town (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the registered and beneficial owners of the Certificates. The Town may also amend or repeal the provisions of the continuing disclosure agreements if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling the Certificates in the primary offering of such Certificates. If the Town so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

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

OTHER INFORMATION

RATINGS

The Certificates and the presently outstanding tax supported debt of the Town are rated "AA" by S&P, without regard to credit enhancement. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the view of such organization and the Town makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

LITIGATION

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

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 Town assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code, as amended) provides that the Certificates are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, as amended, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State of Texas, the PFIA requires that the Certificates be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. See "Other Information - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their 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.

LEGAL MATTERS

The Town will furnish to the Underwriter a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Certificate is a valid and binding obligation of the Town, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel to the effect that the Certificates issued in compliance with the provisions of the Ordinance are valid and legally binding obligations of the Town and the interest on the Certificates is excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on certain corporations. A form of such opinion is attached hereto as Appendix C. Though it represents the Financial Advisor and the Underwriter from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by the Town and only represents the Town in connection with the issuance of the Certificates. Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates and the Ordinance in the Official Statement under the captions "The Certificates" (except for the last sentence of the subcaption "Tax Rate Limitation" and the subcaptions "DTC Notices," "Book-Entry-Only System," " Remedies" and "Sources and Uses of Certificate Proceeds"), "Tax Matters" and "Continuing Disclosure of Information" (except for the subcaptions "Availability of Information from MSRB" and "Compliance with Prior Undertakings") and the subcaptions "Registration and Qualification of Certificates for Sale", "Legal Investments and Eligibility to Secure Public Funds in Texas", and "Legal Matters" (except for the last two sentences of the first paragraph) under the caption "Other Information", and such firm is of the opinion that the information relating to the Certificates and the Ordinance contained therein fairly and accurately describe the provisions thereof. The Town expects to pay the legal fees of Bond Counsel for services rendered in connection with the issuance of the Certificates from proceeds of the Certificates. The legal opinion will accompany the Certificates deposited with DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry-Only System. The Town expects to pay Bond Counsel's legal fee from proceeds of the Certificates. Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. The legal fees to be paid to Underwriter's Counsel for services rendered in connection with the issuance of the Certificates are contingent on the sale and delivery of the Certificates.

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

FINANCIAL ADVISOR

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

The Financial Advisor to the Town 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, and as part of, its responsibilities to the Town and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

UNDERWRITING

The Underwriter has agreed, subject to certain conditions, to purchase the Certificates from the Town, at a price equal to the initial offering prices to the public shown on page 2 of this Official Statement, less an underwriting discount of \$89,930.86. The Underwriter will be obligated to purchase all of the Certificates if any Certificates are purchased.

The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Certificates into investment trusts) at prices lower than the public offering prices of such Certificates, and such public offering prices may be changed, from time to time, by the Underwriter.

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

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

MISCELLANEOUS

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

The Ordinance approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Certificates by the Underwriter.

David Rettig
Mayor
Town of Northlake, Texas

ATTEST:

Zolaina Parker
Town Secretary
Town of Northlake, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE TOWN

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THE TOWN

LOCATION . . . The Town of Northlake is located in Denton County. Some of the services that the Town provides are: public safety (police and fire protection), ambulance, streets, water and sewer services and general administrative services. The 2020 Census population for the Town was 5,201, while the estimated 2023 population is 10,560. The Town covers approximately 17 square miles.

EDUCATION . . . The Town is served by the Northwest ISD and the Argyle ISD. The Northwest ISD encompasses 232 square miles and is situated northwest of the Dallas-Fort Worth Metroplex in the counties of Denton, Tarrant, and Wise. Argyle ISD is on U.S. Highway 377 six miles southwest of Denton in Southwestern Denton County.

EMPLOYMENT STATISTICS

	Average Annual				
	2022 ⁽¹⁾	2021	2020	2019	2018
Civilian Labor Force	550,196	528,401	508,668	497,471	479,070
Total Employed	532,522	505,287	475,991	482,704	463,617
Total Unemployed	17,674	23,114	32,677	14,767	15,453
Unemployment Rate	3.2%	4.4%	6.4%	3.0%	3.2%

Source: Texas Workforce Commission, Austin, Texas.

(1) Averages through August 2022.

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APPENDIX B

EXCERPTS FROM THE
TOWN OF NORTHLAKE, TEXAS
ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2021

The information contained in this Appendix consists of excerpts from the Town of Northlake, Texas Annual Financial Report for the Year Ended September 30, 2021, and is not intended to be a complete statement of the Town's financial condition. Reference is made to the complete Report for further information.

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the Town Council
Town of Northlake, Texas:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Northlake, Texas (the "Town") 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

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note V.F. to the financial statements, the Town has restated beginning net position within the internal service funds due to the reallocation of governmental type capital assets as reported in the prior year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of employer contributions to pension plan, schedule of changes in other postemployment benefits liability and related ratios, and budgetary comparison information 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's basic financial statements. The combining and individual

nonmajor fund financial statements and other budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

This accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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.

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, flowing script.

BrooksWatson & Co., PLLC
Certified Public Accountants
Houston, Texas
April 13, 2022



*MANAGEMENT'S DISCUSSION
AND ANALYSIS*



Town of Northlake, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2021

As management of the Town of Northlake, Texas (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-iv of this report.

Financial Highlights

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows (net position) at September 30, 2021 by \$73,238,024. Of this amount, \$15,970,809 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$6,489,662. The majority of the Town's net position are invested in capital assets and restricted for specific purposes.
- The Town's governmental funds reported combined ending fund balances of \$15,000,037 at September 30, 2021, an increase of \$4,570,297 from the prior fiscal year; this includes an increase of \$17,396 in the debt service fund, an increase of \$772,214 in the general fund, an increase of \$4,210,244 in the capital improvements fund, a decrease of \$843,753 in the roadway impact fee funds, and an increase of \$26,908 in the PID funds.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$4,372,176 or 59% of total general fund expenditures.
- The Town's total debt showed a net increase of \$5,416,791, including bond premiums. The total governmental bonds payable at the close of the fiscal year was \$12,385,000. Self-supporting debt of the proprietary fund was \$14,360,000.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

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

Town of Northlake, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2021

The *statement of net position* presents information on all of the Town's assets and liabilities. The difference between the two is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. Other non-financial factors, such as the Town's property tax base and the condition of the Town's infrastructure, need to be considered in order to assess the overall health of the Town.

The *statement of activities* presents information showing how the Town's net position changed during the most recent 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 for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town 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 include general government, public safety, public works, PID special assessments, TIRZ, promotional, and development services. The business-type activities of the Town include water and sewer, water capital projects, and utility impact fees.

The government-wide financial statements include not only the Town itself (known as the *primary government*), but also the legally separate Northlake Economic Development Corporation and Northlake Community Development Corporation, for which the Town is financially accountable. Financial information for these component units are reported separately from the financial information presented for the primary government itself. The Harvest Public Improvement District No.1 and the Highlands Public Improvement District No. 2, although also legally separate, functions for all practical purposes as a department of the Town, and therefore has been included as an integral part of the primary government.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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*

Town of Northlake, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2021

resources, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the 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 maintains twenty-three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, capital improvements fund, the roadway impact fee funds, and the PID funds, which are considered to be major funds. The Town's fifteen other special revenue funds are considered nonmajor for reporting purposes.

The Town adopts an annual appropriated budget for its general fund, debt service fund, impact fee funds, capital improvement fund, PID funds, and most special revenue funds. A budgetary comparison statement has been provided for each fund to demonstrate compliance with the budget.

Proprietary Funds

The Town maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses seven enterprise funds to account for its water and sewer, water capital projects, utility impact fees, municipal utility district, and sewer billing operations. All activities associated with providing such services are accounted for in this fund, including administration, operation, maintenance, debt service, capital improvements, meter maintenance, billing and collection. The Town's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses internal service funds to account for major equipment purchases and building services.

Proprietary financial statements 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 seven major enterprise funds of the Town.

Town of Northlake, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2021

Component Units

The Town maintains the accounting and financial statements for two component units. The Northlake Economic Development Corporation and Northlake Community Development Corporation are reported as discrete component units on the government-wide financial statements. The Harvest Public Improvement District No.1 and the Highlands Public Improvement District No. 2 are reported as blended component units and are considered major funds.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Town's progress in funding its obligation to provide pension benefits to its employees and the budgetary comparison for various major governmental funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the Town's financial position. For the Town of Northlake, assets and deferred outflows exceed liabilities and deferred inflows by \$73,238,024 as of September 30, 2021 in the primary government.

The largest portion of the Town's net position, \$52,879,973, reflects its investments in capital assets (e.g., land, buildings, automobiles, equipment, infrastructure assets, as well as the water and sewer system), less any debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Town of Northlake, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2021

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2021			2020		
	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activities	Activities		Activities	Activities	
Current and						
other assets	\$ 18,460,576	\$ 15,987,441	\$ 34,448,017	\$ 12,133,334	\$ 13,398,794	\$ 25,532,128
Long-term receivables	1,777,635	-	1,777,635	2,096,765	-	2,096,765
Capital assets, net	32,767,363	37,794,290	70,561,653	32,977,241	31,053,272	64,030,513
Total Assets	53,005,574	53,781,731	106,787,305	47,207,340	44,452,066	91,659,406
Total Deferred						
Outflows	317,429	47,432	364,861	210,332	31,429	241,761
Other liabilities	3,894,818	3,616,291	7,511,109	1,803,327	1,425,525	3,228,852
Long-term liabilities	11,894,975	14,396,559	26,291,534	9,910,539	11,894,056	21,804,595
Total Liabilities	15,789,793	18,012,850	33,802,643	11,713,866	13,319,581	25,033,447
Total Deferred						
Inflows	97,005	14,494	111,499	103,842	15,516	119,358
Net Position:						
Net investment						
in capital assets	23,544,461	29,335,512	52,879,973	23,691,121	28,566,151	52,257,272
Restricted	4,387,242	-	4,387,242	4,735,030	-	4,735,030
Unrestricted	9,504,502	6,466,307	15,970,809	7,173,813	2,582,247	9,756,060
Total Net Position	\$ 37,436,205	\$ 35,801,819	\$ 73,238,024	\$ 35,599,964	\$ 31,148,398	\$ 66,748,362

Current assets for business-type activities increased primarily due to a additional cash on hand resulting from the issuance new debt funds for capital development as well as repairs and maintenance costs and utility impact fees paid to developers. Total capital assets increased primarily as a result of contributed capital water and sewer system improvements during the current year. Total other liabilities increased resulting from timing of repayments to vendors subsequent to yearend for ongoing capital projects. Long-term liabilities increased for both governmental and business-type as a result of new debt issuances.

Town of Northlake, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2021

Statement of Activities:

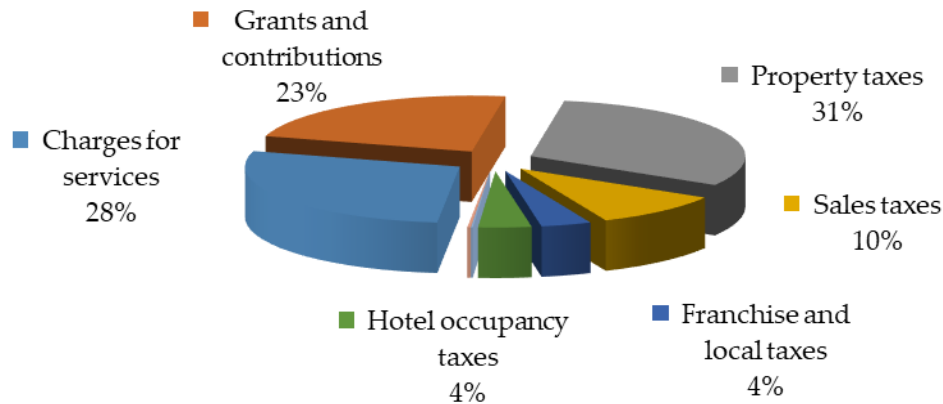
The following table provides a summary of the Town's changes in net position:

	For the Year Ended September 30, 2021			For the Year Ended September 30, 2020		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
			Primary Government			Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 4,172,913	\$ 8,562,742	\$ 12,735,655	\$ 2,980,065	\$ 5,478,560	\$ 8,458,625
Grants and contributions	3,461,847	4,091,096	7,552,943	8,333,922	8,689,843	17,023,765
General revenues:						
Property taxes	4,667,918	-	4,667,918	3,710,077	-	3,710,077
Sales taxes	1,489,157	-	1,489,157	854,553	-	854,553
Franchise and local taxes	568,056	-	568,056	477,795	-	477,795
Hotel occupancy taxes	598,771	-	598,771	393,540	-	393,540
Investment income	20,829	59,415	80,244	149,848	120,480	270,328
Other revenues	35,172	-	35,172	396,402	-	396,402
Total Revenues	15,014,663	12,713,253	27,727,916	17,296,202	14,288,883	31,585,085
Expenses						
General government	1,516,599	-	1,516,599	1,598,011	-	1,598,011
Public safety	2,993,487	-	2,993,487	2,617,563	-	2,617,563
Public works	2,656,449	-	2,656,449	1,928,485	-	1,928,485
PID special assessments	1,219,270	-	1,219,270	962,745	-	962,745
TIRZ	265,447	-	265,447	539,727	-	539,727
Promotional	48,029	-	48,029	59,350	-	59,350
Development services	3,890,392	-	3,890,392	2,325,958	-	2,325,958
Interest and fiscal charges	286,868	456,012	742,880	641,799	27,273	669,072
Water & Sewer	-	7,037,178	7,037,178	-	5,823,770	5,823,770
Utility Impact Fees	-	868,523	868,523	-	1,087,067	1,087,067
Total Expenses	12,876,541	8,361,713	21,238,254	10,673,638	6,938,110	17,611,748
Change in Net Position						
Before Transfers	2,138,122	4,351,540	6,489,662	6,622,564	7,350,773	13,973,337
Transfers	(301,881)	301,881	-	10,174,118	(10,174,118)	-
Total	(301,881)	301,881	-	10,174,118	(10,174,118)	-
Change in Net Position	1,836,241	4,653,421	6,489,662	16,796,682	(2,823,345)	13,973,337
Beginning Net Position	35,599,964	31,148,398	66,748,362	18,803,282	33,971,743	52,775,025
Ending Net Position	\$ 37,436,205	\$ 35,801,819	\$ 73,238,024	\$ 35,599,964	\$ 31,148,398	\$ 66,748,362

Town of Northlake, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2021

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the Town's activities.

Governmental Activities - Revenues

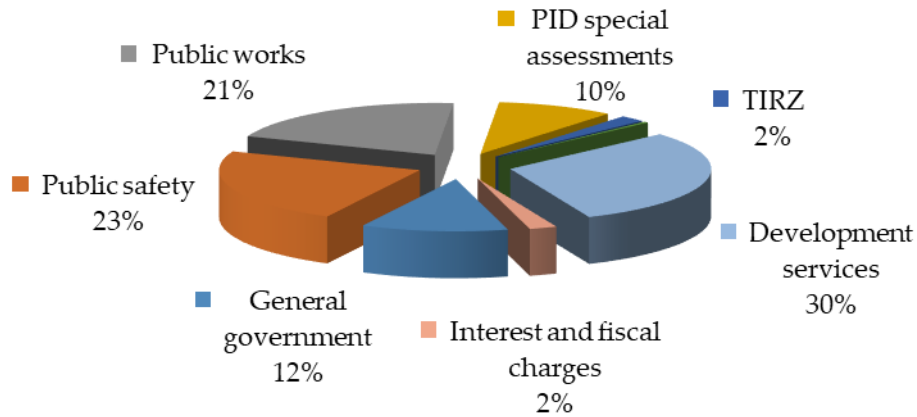


For the year ended September 30, 2021, revenues from governmental activities totaled \$15,014,663. Property tax, grants and contributions, and charges for services are the Town's largest general revenue sources. Overall revenue decreased \$2,281,539 or 13% primary due to nonrecurring capital contributions that were received in the prior year. Grants and contributions decreased by \$4,872,075 relating to the aforementioned nonrecurring contributed capital. Property tax revenue increased \$957,841 or 26% due to an increase in appraised property values. Sales tax increased by \$634,604 or 74% and franchise and local taxes increased by \$90,261 or 19% due to continued economic growth within the Town. Charges for services increased by \$1,192,848 or 40%, primarily due to greater license and permits in the current year as a result of continued development within the Town. Investment income decreased by \$129,019 or 86% due primarily to the realization of lower interest rates in the current year. Other revenues decreased by \$361,230 or 91% primarily as a result of nonrecurring miscellaneous income received in the prior year. All other revenues remained relatively stable when compared to the previous year.

Town of Northlake, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2021

This graph shows the governmental function expenses of the Town:

Governmental Activities - Expenses

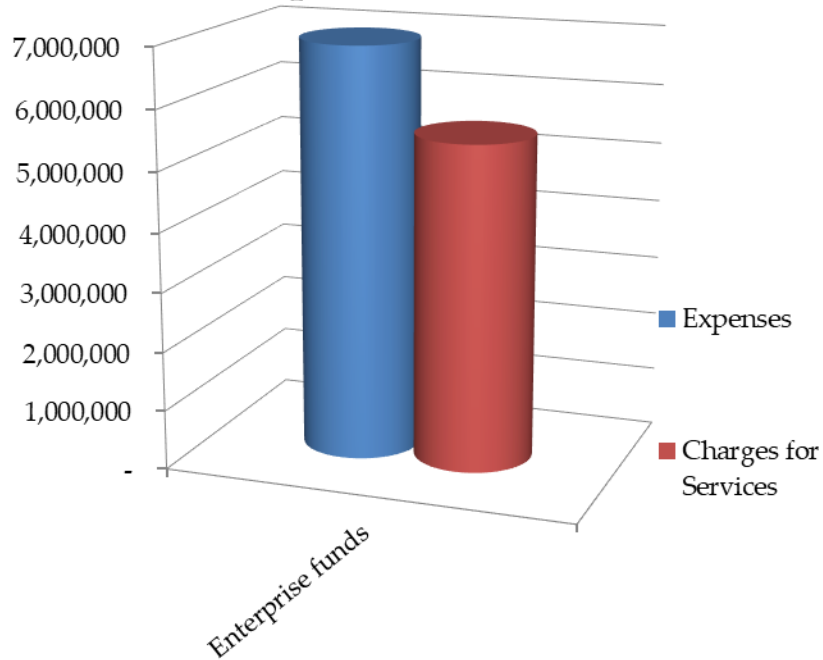


For the year ended September 30, 2021, expenses for governmental activities totaled \$12,876,541. This represents an increase of \$2,202,903 or 21% from the prior year. The Town's largest functional expenses are public safety of \$2,993,487 and development services of \$3,890,392 . Public safety reflected an increase of \$375,924 or 14% from prior year. This increase is attributed primarily to higher personnel costs to keep up with the community growth and higher noncapital expenses when compared to the prior year. Development services expenses increased by \$1,564,434 or 67% due primarily to nonrecurring in-kind impact fee expenses incurred in the current year. Public works increased by \$727,964 or 38% due to increased personnel costs and street maintenance. PID special assessment expenses increased by \$256,525 or 27% due primarily to increased non-capital expenditures for repairs and maintenance during the year. TIRZ expenses decreased by \$274,280 due to nonrecurring trail way maintenance in the previous year. All other expenses remained relatively consistent with the previous year.

Town of Northlake, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2021

Business-type activities are shown comparing operating costs to revenues generated by related services.

Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2021, charges for services by business-type activities totaled \$8,562,742. This represents an increase of \$3,084,182 or 56% from the previous year. This increase directly relates to the increased consumption caused by the development within the town, in addition to the increase in water rates compared to the previous year.

Total expenses increased \$1,423,603 to a total of \$8,361,713, due primarily to increased personnel costs, wholesale water purchases, wastewater service expenses, and nonrecurring water impact fee expenses.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

Town of Northlake, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2021

At September 30, 2021, the Town's governmental funds reported combined fund balances of \$15,000,037, an increase of \$4,570,297 in comparison with the prior year. Approximately 29% of this amount, \$4,331,269, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable or restricted* to indicate that it is 1) not in spendable form, \$4,997 or 2) restricted for particular purposes, \$6,870,625.

As of the end of the year the general fund reflected a total fund balance of \$4,374,040. Of this, \$4,997 is considered nonspendable and \$4,372,176 is unassigned. The increase in fund balance of \$772,214 is attributable to revenues and transfers from other funds exceeding current year expenditures.

As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. The total fund balance of general fund is 59% of total general fund expenditures. The unassigned (the amount available for spending) fund balance of the general fund of \$4,372,176 is 59% of total general fund expenditures.

The debt service fund had an ending fund balance of \$571,486 at September 30, 2021, an increase of \$17,396. The increase was a result of property tax revenues and transfer in exceeding debt service expenditures.

The capital improvements fund had an ending fund balance of \$5,132,682, an increase of \$4,210,244. The increase is primarily due to transfers in from the roadway impact fees fund and debt service fund for new debt issuance proceeds, both of which are to be used for upcoming capital improvements.

The roadway impact fees fund had an ending fund balance of \$1,695,340, a decrease of \$843,753. The decrease is a result of impact and development fees being transferred out to the capital improvement fund for future utilization toward capital improvements.

The Northlake PID fund had an ending fund balance of \$326,199, an increase of \$26,908. The increase is primarily due to special assessment revenues exceeding current year debt service and capital outlay expenditures.

Proprietary Funds - The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The following are comments regarding operations of the enterprise funds:

- The Town received capital contributions from new local developments amounting to \$1,374,963 consisting of water and sewer system infrastructure.
- Operational expenses excluding depreciation and amortization were \$7,102,261.
- Cash and cash equivalents in the enterprise funds were \$14,660,530 at fiscal yearend.

The Water & Sewer fund had an ending net position of \$12,520,490, a decrease of \$2,277,707. The decrease is primarily due to transfers out to the water capital projects fund to be utilized for ongoing utility developments.

Town of Northlake, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2021

The Water Capital Projects fund had an ending net position of \$20,203,399, an increase of \$6,741,864. The increase is primarily due to transfers in of the bond funds from the water and sewer fund, in addition to capital contributions received of water infrastructure.

The Utility Impact Fees fund had an ending net position of \$2,884,591, an increase of \$48,914. The increase is primarily due to the receipt of impact fees exceeding expenses and transfers out.

An internal service fund was established for the purpose of tracking and allocating expenses for major equipment purchases and building services. Revenue consists of budgeted allocations transferred from the general and water and sewer funds. Expenses consist of equipment and vehicle maintenance, information technology expenses, and building insurance premiums. The fund had an ending fund balance of \$2,659,592 to be retained for future risk.

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a positive variance of \$799,579 over budgeted general fund revenues and a total negative variance of \$99,205 in budgeted expenditure appropriations. The budgeted surplus of revenue over expenditures before transfers amounted to \$700,374. There was an actual net positive change in fund balance of \$772,214.

The original general fund budget surplus of \$53,190 was amended during the year to a final budgeted surplus of \$53,190. Significant amendments include an increase in sales tax and license, permits and fees revenues, and an increase in general government, development services and public works expenditures. No other reclassifications and amendments were made.

CAPITAL ASSETS

As of the end of the year, the Town's governmental activities funds had invested \$32,767,363 in a variety of capital assets and infrastructure, net of accumulated depreciation. The Town's business-type activities funds had invested \$37,794,290 in a variety of capital assets and infrastructure, net of accumulated depreciation. This investment in capital assets includes land, buildings, vehicles, equipment, and infrastructure. The Town's total investment in capital assets increased by \$6,531,140, net of depreciation.

Major capital asset events during the current year include the following:

- Contribution of assets by a developer for water and sewer system improvements totaling \$1,374,963
- Construction and development cost for street infrastructure for \$1,661,950.
- Construction and development of water and sewer infrastructure.

Town of Northlake, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2021

More detailed information about the Town's capital assets is presented in note IV. C to the financial statements.

LONG-TERM DEBT

At the end of the current fiscal year, the Town had total bonded debt obligations of \$26,745,000 (excluding premiums). Of this amount, \$11,597,000 is self-supporting through revenues collected from the rates of the Town's utility fund. During the year, the Town made \$1,610,000 in principal payments on long-term debt. All of the Town's debt is backed by a full-faith credit pledge of property taxes with a limited pledge of revenues of the enterprise/utility system. The Town monitors its debt obligations for refinancing opportunities with market conditions. More detailed information about the Town's long-term liabilities is presented in note IV. D and E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The 2021-2022 Fiscal Year Budget was approved by Town Council on August 26, 2021. The tax rate adopted that same day was \$0.295 per \$100 assessed value, unchanged from the previous year. There was an increase in taxable values of \$1.495 billion (20.2%) from the previous year, resulting in an overall increase in budgeted ad valorem taxes of \$858,211 to be allocated across the General, Debt Service, and both Tax Increment Financing Funds. Overall, budgeted revenue for the General Fund increased by \$2,349,639 to a total of \$8,751,643. Budgeted expenditures increased by \$976,234 over the original 2019-2020 budget to a total of \$6,658,814.

Budgeted revenue in the Utility Fund was estimated using rates adopted in August 2020, following a utility rate study. The adopted rates included a 30% increase to water and sewer base charges and an increase volumetric charge. Utility rates will be reviewed annually during the budget process. Budgeted revenues increased \$2,811,908 to \$10,217,208, and expenditures increased by \$1,383,236 to \$7,592,817.

The Town's capital budget includes \$9,300,000 in new funding for utility related projects. Unlike the operating budget, funding for budgeted capital projects does not expire at the end of the fiscal year but continues until the project is complete. Projects include a ground storage tank (\$2 Million), Catherine Branch sewer trunk line phase 2 (\$7 Million), oversizing participation (\$200,000), and Denton Creek sewer trunk line phase 1 study (\$100,000).

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Town's finances. If you have questions about this report or need any additional information, contact the Town Secretary: Attn: Town Secretary at 1500 Commons Circle, Ste. 300, Northlake, Texas 76226, phone: (940) 648-3290 or email townsecretary@town.northlake.tx.us.

FINANCIAL STATEMENTS

Town of Northlake, Texas

STATEMENT OF NET POSITION

September 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 17,565,439	\$ 14,660,530	\$ 32,225,969
Receivables, net	695,153	1,183,662	1,878,815
Special assessment receivable - current	185,000	-	185,000
Prepays	14,984	143,249	158,233
Total Current Assets	18,460,576	15,987,441	34,448,017
Noncurrent assets:			
Special assessment receivable - noncurrent	1,777,635	-	1,777,635
Capital assets:			
Non-depreciable	5,545,428	9,835,428	15,380,856
Net depreciable capital assets	27,221,935	27,958,862	55,180,797
Noncurrent Assets	34,544,998	37,794,290	72,339,288
Total Assets	53,005,574	53,781,731	106,787,305
<u>Deferred Outflows of Resources</u>			
Pension contributions	210,340	31,430	241,770
Pension changes in assumptions	17,032	2,545	19,577
Pension differences in experience	76,025	11,360	87,385
OPEB changes in assumptions	13,390	2,001	15,391
OPEB contributions	642	96	738
Total Deferred Outflows of Resources	\$ 317,429	\$ 47,432	\$ 364,861

Component Units

	Northlake EDC		Northlake CDC
\$	1,158,625	\$	1,140,232
	174,356		174,356
	-		-
	-		-
	1,332,981		1,314,588
	-		-
	-		-
	-		-
	1,332,981		1,314,588
	-		-
	-		-
	-		-
	-		-
\$	-	\$	-

Town of Northlake, Texas
STATEMENT OF NET POSITION (Continued)
September 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 2,594,937	\$ 2,009,224	\$ 4,604,161
Accrued interest payable	33,406	49,006	82,412
Customer deposits	-	994,804	994,804
Compensated absences, current	78,975	10,757	89,732
Long term debt due within one year	1,187,500	552,500	1,740,000
Current Liabilities	3,894,818	3,616,291	7,511,109
Noncurrent liabilities:			
Compensated absences, noncurrent	102,195	6,882	109,077
Long-term debt due in more than one year	11,338,183	14,321,750	25,659,933
OPEB liability	53,935	8,059	61,994
Net pension liability	400,662	59,868	460,530
Noncurrent Liabilities	11,894,975	14,396,559	26,291,534
Total Liabilities	15,789,793	18,012,850	33,802,643
Deferred Inflows of Resources			
Pension investment returns	89,720	13,406	103,126
OPEB difference in experience	7,285	1,088	8,373
Total Deferred Inflows of Resources	97,005	14,494	111,499
Net Position			
Net investment in capital assets	23,544,461	29,335,512	52,879,973
Restricted for:			
Debt service	571,486	-	571,486
Capital improvements	3,604,890	-	3,604,890
Municipal court	98,343	-	98,343
Street maintenance	112,523	-	112,523
Economic development	-	-	-
Municipal development	-	-	-
Unrestricted	9,504,502	6,466,307	15,970,809
Total Net Position	\$ 37,436,205	\$ 35,801,819	\$ 73,238,024

See Notes to Financial Statements.

<u>Component Units</u>	
<u>Northlake</u>	<u>Northlake</u>
<u>EDC</u>	<u>CDC</u>
\$ 37,561	37,562
-	-
-	-
-	-
<u>37,561</u>	<u>37,562</u>
-	-
-	-
-	-
<u>-</u>	<u>-</u>
<u>37,561</u>	<u>37,562</u>
-	-
-	-
-	-
-	-
1,295,420	-
-	1,277,026
-	-
<u>\$ 1,295,420</u>	<u>\$ 1,277,026</u>

Town of Northlake, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 1,516,599	\$ -	\$ 70,400	\$ -
Public safety	2,993,487	630,630	-	-
Public works	2,656,449	-	-	3,391,447
PID special assessments	1,219,270	6,033	-	-
TIRZ	265,447	-	-	-
Promotional	48,029	-	-	-
Development services	3,890,392	3,536,250	-	-
Interest and fiscal charges	286,868	-	-	-
Total Governmental Activities	12,876,541	4,172,913	70,400	3,391,447
Business-Type Activities				
Water and sewer	7,442,167	8,422,392	-	-
Water capital projects	51,023	-	-	1,374,963
Utility impact fees	868,523	-	-	2,716,133
Nonmajor funds	-	140,350	-	-
Total Business-Type Activities	8,361,713	8,562,742	-	4,091,096
Total Primary Government	\$ 21,238,254	\$ 12,735,655	\$ 70,400	7,482,543
Component Unit				
Northlake Economic				
Development Corporation	\$ 172,264	\$ -	\$ -	\$ -
Northlake Community				
Development Corporation	171,695	-	-	-
Total Component Units	\$ 343,959	-	\$ -	\$ -

General Revenues:

- Taxes
 - Property taxes
 - Sales taxes
 - Franchise and local taxes
 - Hotel occupancy taxes
- Investment income
- Other revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Northlake EDC	Northlake CDC
\$ (1,446,199)	\$ -	\$ (1,446,199)	\$ -	\$ -
(2,362,857)	-	(2,362,857)	-	-
734,998	-	734,998	-	-
(1,213,237)	-	(1,213,237)	-	-
(265,447)	-	(265,447)	-	-
(48,029)	-	(48,029)	-	-
(354,142)	-	(354,142)	-	-
(286,868)	-	(286,868)	-	-
<u>(5,241,781)</u>	<u>-</u>	<u>(5,241,781)</u>	<u>-</u>	<u>-</u>
-	980,225	980,225	-	-
-	1,323,940	1,323,940	-	-
-	1,847,610	1,847,610	-	-
-	140,350	140,350	-	-
<u>-</u>	<u>4,292,125</u>	<u>4,292,125</u>	<u>-</u>	<u>-</u>
<u>(5,241,781)</u>	<u>4,292,125</u>	<u>(949,656)</u>	<u>-</u>	<u>-</u>
			(172,264)	-
			-	(171,695)
			<u>(172,264)</u>	<u>(171,695)</u>
4,667,918	-	4,667,918	-	-
1,489,157	-	1,489,157	740,309	740,309
568,056	-	568,056	-	-
598,771	-	598,771	-	-
20,829	59,415	80,244	3,189	3,053
35,172	-	35,172	11,870	11,870
(301,881)	301,881	-	-	-
<u>7,078,022</u>	<u>361,296</u>	<u>7,439,318</u>	<u>755,368</u>	<u>755,232</u>
1,836,241	4,653,421	6,489,662	583,104	583,537
35,599,964	31,148,398	66,748,362	712,316	693,489
<u>\$ 37,436,205</u>	<u>\$ 35,801,819</u>	<u>\$ 73,238,024</u>	<u>\$ 1,295,420</u>	<u>\$ 1,277,026</u>

Town of Northlake, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Capital Improvement</u>	<u>Roadway Impact Fees</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 4,666,498	\$ 572,536	\$ 5,218,315	\$ 2,322,126
Receivables, net	575,784	4,063	18,800	-
Special assessments receivable	-	-	-	-
Due from other funds	40,907	-	-	-
Prepays	1,864	-	-	-
Total Assets	\$ 5,285,053	\$ 576,599	\$ 5,237,115	\$ 2,322,126
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 893,824	\$ 1,050	\$ 101,433	\$ 626,786
Due to other funds	-	-	-	-
Total Liabilities	893,824	1,050	101,433	626,786
<u>Deferred Inflows of Resources</u>				
Unavailable revenue -				
Property taxes	17,189	4,063	-	-
Property special assessments	-	-	-	-
Intergovernmental revenue	-	-	3,000	-
Total Deferred Inflows	17,189	4,063	3,000	-
<u>Fund Balances</u>				
Nonspendable for:				
Prepays	1,864	-	-	-
Restricted for:				
Debt service	-	571,486	-	-
Promotional activities	-	-	-	-
Capital improvements	-	-	5,132,682	1,695,340
Municipal court	-	-	-	-
Public safety	-	-	-	-
Utility cost participation	-	-	-	-
Public improvement districts	-	-	-	-
Unassigned	4,372,176	-	-	-
Total Fund Balances	4,374,040	571,486	5,132,682	1,695,340
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,285,053	\$ 576,599	\$ 5,237,115	\$ 2,322,126

See Notes to Financial Statements.

Northlake PID	Nonmajor Governmental Funds	Total Governmental Funds
\$ 348,906	\$ 3,453,497	\$ 16,581,878
5,944	90,562	695,153
1,962,635	-	1,962,635
-	-	40,907
-	3,133	4,997
<u>\$ 2,317,485</u>	<u>\$ 3,547,192</u>	<u>\$ 19,285,570</u>
\$ 22,749	\$ 585,995	\$ 2,231,837
-	40,907	40,907
<u>22,749</u>	<u>626,902</u>	<u>2,272,744</u>
5,902	-	27,154
1,962,635	-	1,962,635
-	20,000	23,000
<u>1,968,537</u>	<u>20,000</u>	<u>2,012,789</u>
-	3,133	4,997
-	-	571,486
-	1,180,442	1,180,442
-	1,492,310	8,320,332
-	98,343	98,343
-	112,523	112,523
-	54,446	54,446
326,199	-	326,199
-	(40,907)	4,331,269
<u>326,199</u>	<u>2,900,290</u>	<u>15,000,037</u>
<u>\$ 2,317,485</u>	<u>\$ 3,547,192</u>	<u>\$ 19,285,570</u>



Town of Northlake, Texas

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

September 30, 2021

Fund Balances - Total Governmental Funds	\$	15,000,037
 Adjustments for the Statement of Net Position:		
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.		
Capital assets - non-depreciable		5,545,428
Capital assets - net depreciable		25,192,791
 Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		
Property tax receivable		27,154
Property special assessments		1,962,635
Other receivables		23,000
 Deferred outflows (inflows) of resources represent a consumption (acquisition) of net position that applies to a future period(s) and is not recognized as an outflow (inflows) of resources (expense/expenditure)/(revenue) until then.		
Pension contributions		210,340
Pension investment returns		(89,720)
Pension changes in assumptions		17,032
Pension difference in experience		76,025
OPEB contributions		642
OPEB changes in assumptions		13,390
OPEB difference in experience		(7,285)
 Internal service funds are used by management to charge the cost of equipment to individual departments and funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		
		2,659,592
 Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.		
Accrued interest		(33,406)
Bond premium		(140,683)
Compensated absences		(181,170)
Non-current liabilities due in one year		(1,187,500)
Non-current liabilities due in more than one year		(11,197,500)
Net pension liability		(400,662)
OPEB liability		(53,935)
Net Position of Governmental Activities	\$	37,436,205

See Notes to Financial Statements.

Town of Northlake, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended September 30, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Capital Improvement</u>	<u>Roadway Impact Fees</u>
Revenues				
Property tax	\$ 1,607,400	\$ 1,617,013	\$ -	\$ -
Sales tax	1,489,157	-	-	-
Franchise and local taxes	568,056	-	-	-
Hotel occupancy taxes	-	-	-	-
Special assessments	-	-	-	-
License, permits and fees	3,536,250	-	-	-
Intergovernmental	60,000	-	360,710	-
Fines and forfeitures	413,414	-	-	-
Contracted police services	168,813	-	-	-
Impact and development fees	-	-	-	3,105,263
Credit card convenience fees	7,969	-	-	-
Investment income	6,446	25	2,350	7,303
Other revenue	17,178	10,025	-	-
Total Revenues	<u>7,874,683</u>	<u>1,627,063</u>	<u>363,060</u>	<u>3,112,566</u>
Expenditures				
Current:				
General government	1,738,314	11,374	2,307	-
Development services	1,634,331	-	-	-
Public works	1,020,281	-	-	-
Municipal court	298,228	-	-	-
Police	2,655,447	-	-	-
Promotional	24,518	-	-	-
TIRZ activity	-	-	-	-
Developer impact fee	-	-	-	2,156,319
Debt Service:				
Principal	-	940,000	-	-
Interest and fiscal charges	-	178,036	-	-
Bond issuance costs	-	23,376	-	-
Capital outlay	-	-	1,450,509	-
Total Expenditures	<u>7,371,119</u>	<u>1,152,786</u>	<u>1,452,816</u>	<u>2,156,319</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	503,564	474,277	(1,089,756)	956,247
Other Financing Sources (Uses)				
Transfers in	268,650	-	5,300,000	-
Transfers (out)	-	(3,991,881)	-	(1,800,000)
Issuance of debt	-	3,535,000	-	-
Total Other Sources (Uses)	<u>268,650</u>	<u>(456,881)</u>	<u>5,300,000</u>	<u>(1,800,000)</u>
Net Change in Fund Balances	772,214	17,396	4,210,244	(843,753)
Beginning fund balances	3,601,826	554,090	922,438	2,539,093
Ending Fund Balances	<u>\$ 4,374,040</u>	<u>\$ 571,486</u>	<u>\$ 5,132,682</u>	<u>\$ 1,695,340</u>

See Notes to Financial Statements.

Northlake PID	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,204,040	\$ 237,204	\$ 4,665,657
-	-	1,489,157
-	-	568,056
-	598,771	598,771
325,163	-	325,163
-	-	3,536,250
-	-	420,710
-	48,403	461,817
-	-	168,813
-	286,184	3,391,447
-	-	7,969
-	4,705	20,829
-	-	27,203
<u>1,529,203</u>	<u>1,175,267</u>	<u>15,681,842</u>
-	42,998	1,794,993
-	101,560	1,735,891
-	-	1,020,281
-	25,299	323,527
-	26,086	2,681,533
-	23,511	48,029
-	265,447	265,447
-	-	2,156,319
185,000	-	1,125,000
98,025	-	276,061
-	-	23,376
1,219,270	224,428	2,894,207
<u>1,502,295</u>	<u>709,329</u>	<u>14,344,664</u>
26,908	465,938	1,337,178
-	-	5,568,650
-	(78,650)	(5,870,531)
-	-	3,535,000
-	(78,650)	3,233,119
26,908	387,288	4,570,297
299,291	2,513,002	10,429,740
<u>\$ 326,199</u>	<u>\$ 2,900,290</u>	<u>\$ 15,000,037</u>



Town of Northlake, Texas

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

For the Year Ended September 30, 2021

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

Net changes in fund balances - total governmental funds	\$	4,570,297
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay		1,669,494
Depreciation expense		(1,642,243)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(667,179)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences		(26,593)
Accrued interest		(390)
Pension expense		28,467
OPEB expense		(6,825)

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Amortization of debt premium		12,959
Principal payments on long-term debt		1,125,000
Bond issuance		(3,535,000)

Internal service funds are used by management to charge the cost of health insurance to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.

308,254

Change in Net Position of Governmental Activities	\$	1,836,241
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See Notes to Financial Statements.

Town of Northlake, Texas

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2021

<u>Assets</u>	Business-type Activities			
	Water & Sewer	Water Capital Projects	Utility Impact Fees	Nonmajor Proprietary Funds
<u>Current Assets</u>				
Cash and cash equivalents	\$ 1,625,835	\$ 9,751,180	\$ 3,063,228	\$ 220,287
Receivables, net	1,133,549	-	-	50,113
Prepaid items	143,249	-	-	-
Total Current Assets	2,902,633	9,751,180	3,063,228	270,400
<u>Noncurrent Assets</u>				
Capital assets:				
Non-depreciable	21,986	9,715,524	97,918	-
Net depreciable capital assets	25,832,768	2,126,094	-	-
Total Noncurrent Assets	25,854,754	11,841,618	97,918	-
Total Assets	28,757,387	21,592,798	3,161,146	270,400
<u>Deferred Outflows of Resources</u>				
Pension contributions	31,430	-	-	-
Pension changes in assumptions	2,545	-	-	-
Pension differences in experience	11,360	-	-	-
OPEB contributions	96	-	-	-
OPEB assumption changes	2,001	-	-	-
Total Deferred Outflows	\$ 47,432	\$ -	\$ -	\$ -

Business-type Activities		Governmental Activities	
Total Proprietary Funds		Internal Service Funds	
\$	14,660,530	\$	983,561
	1,183,662		-
	143,249		9,987
	<u>15,987,441</u>		<u>993,548</u>
	9,835,428		-
	<u>27,958,862</u>		<u>2,029,144</u>
	<u>37,794,290</u>		<u>2,029,144</u>
	<u>53,781,731</u>		<u>3,022,692</u>
	31,430		-
	2,545		-
	11,360		-
	96		-
	2,001		-
\$	<u>47,432</u>	\$	<u>-</u>

Town of Northlake, Texas
STATEMENT OF NET POSITION (Continued)
PROPRIETARY FUNDS
September 30, 2021

	Business-type Activities			
	Water & Sewer	Water Capital Projects	Utility Impact Fees	Nonmajor Proprietary Funds
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 343,270	\$ 1,389,399	\$ 276,555	\$ -
Accrued interest	49,006	-	-	-
Customer deposits	917,743	-	-	77,061
Compensated absences - current	10,757	-	-	-
Bonds payable - current	552,500	-	-	-
Total Current Liabilities	1,873,276	1,389,399	276,555	77,061
Noncurrent Liabilities				
Compensated absences, noncurrent	6,882	-	-	-
Bonds payable - noncurrent	14,321,750	-	-	-
OPEB liability	8,059	-	-	-
Net pension liability	59,868	-	-	-
Total Liabilities	16,269,835	1,389,399	276,555	77,061
Deferred Inflows of Resources				
OPEB changes in assumptions	13,406	-	-	-
OPEB difference in experience	1,088	-	-	-
Total Deferred Inflows	14,494	-	-	-
Net Position				
Net investment in capital assets	17,395,976	11,841,618	97,918	-
Unrestricted	(4,875,486)	8,361,781	2,786,673	193,339
Total Net Position	\$ 12,520,490	\$ 20,203,399	\$ 2,884,591	\$ 193,339

See Notes to Financial Statements.

Business-type Activities	Governmental Activities
Total Proprietary Funds	Internal Service Funds
\$ 2,009,224	\$ 363,100
49,006	-
994,804	-
10,757	-
552,500	-
<u>3,616,291</u>	<u>363,100</u>
6,882	-
14,321,750	-
8,059	-
59,868	-
<u>18,012,850</u>	<u>363,100</u>
13,406	-
1,088	-
<u>14,494</u>	<u>-</u>
29,335,512	2,029,144
6,466,307	630,448
<u>\$ 35,801,819</u>	<u>\$ 2,659,592</u>

Town of Northlake, Texas

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

For the Year Ended September 30, 2021

	Business-type Activities			
	Water & Sewer	Water Capital Projects	Utility Impact Fees	Nonmajor Proprietary Funds
<u>Operating Revenues</u>				
Charges for services	\$ 8,422,392	\$ -	\$ -	\$ 140,350
Total Operating Revenues	8,422,392	-	-	140,350
<u>Operating Expenses</u>				
Operating expenses	5,354,097	26,219	868,523	-
Personnel	853,422	-	-	-
Depreciation	743,636	24,804	-	-
Total Operating Expenses	6,951,155	51,023	868,523	-
Operating Income (Loss)	1,471,237	(51,023)	(868,523)	140,350
<u>Nonoperating Revenues (Expenses)</u>				
Investment income	187	7,924	51,304	-
Bond issuance expense	(35,000)	-	-	-
Interest expense	(456,012)	-	-	-
Total Nonoperating Revenues	(490,825)	7,924	51,304	-
Income (Loss) Before Capital Contributions and Transfers	980,412	(43,099)	(817,219)	140,350
<u>Capital Contributions and Transfers</u>				
Contributed capital	-	1,374,963	-	-
Capital contributions - impact fees	-	-	2,716,133	-
Transfers in	491,881	5,410,000	-	-
Transfers (out)	(3,750,000)	-	(1,850,000)	-
Change in Net Position	(2,277,707)	6,741,864	48,914	140,350
Beginning net position	14,798,197	13,461,535	2,835,677	52,989
Ending Net Position	\$ 12,520,490	\$ 20,203,399	\$ 2,884,591	\$ 193,339

See Notes to Financial Statements.

Business-type Activities	Governmental Activities
Total Proprietary Funds	Internal Service Funds
\$ 8,562,742	\$ 1,791,128
<u>8,562,742</u>	<u>1,791,128</u>
6,248,839	970,363
853,422	-
768,440	512,511
<u>7,870,701</u>	<u>1,482,874</u>
<u>692,041</u>	<u>308,254</u>
59,415	-
(35,000)	-
(456,012)	-
<u>(431,597)</u>	<u>-</u>
260,444	308,254
1,374,963	-
2,716,133	-
5,901,881	-
<u>(5,600,000)</u>	<u>-</u>
4,653,421	308,254
<u>31,148,398</u>	<u>2,351,338</u>
<u>\$ 35,801,819</u>	<u>\$ 2,659,592</u>

Town of Northlake, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 1 of 2) For the Year Ended September 30, 2021

	Business-type Activities		
	Water & Sewer	Water Capital Projects	Utility Impact Fees
<u>Cash Flows from Operating Activities</u>			
Receipts from customers	\$ 8,367,103	\$ -	\$ -
Receipts from interfund charges for benefit management	-	-	-
Payments to suppliers	(5,461,284)	325,701	(444,487)
Payments to employees	(854,098)	-	-
Net Cash Provided (Used) by Operating Activities	2,051,721	325,701	(444,487)
<u>Cash Flows from Noncapital Financing Activities</u>			
Transfers in	491,881	5,410,000	-
Transfers (out)	(3,750,000)	-	(1,850,000)
Net Cash (Used for) Noncapital Financing Activities	(3,258,119)	5,410,000	(1,850,000)
<u>Cash Flows from Capital and Related Financing Activities</u>			
Capital purchases	-	(6,036,576)	(97,918)
Proceeds from bond issuance	3,535,000	-	-
Impact fees	-	-	2,716,133
Principal paid on debt	(485,000)	-	-
Interest paid on debt	(521,265)	-	-
Net Cash Provided by Capital and Related Financing Activities	2,528,735	(6,036,576)	2,618,215
<u>Cash Flows from Investing Activities</u>			
Interest on investments	187	7,924	51,304
Net Cash Provided (Used) by Investing Activities	187	7,924	51,304
Net increase in Cash and Cash Equivalents	1,322,524	(292,951)	375,032
Beginning cash and cash equivalents	303,311	10,044,131	2,688,196
Ending Cash and Cash Equivalents	\$ 1,625,835	\$ 9,751,180	\$ 3,063,228

See Notes to Financial Statements.

Business-type Activities		Governmental Activities
Nonmajor Proprietary Funds	Total Proprietary Funds	Internal Service Fund
\$ 163,047	\$ 8,530,150	\$ -
-	-	1,791,128
57,240	(5,522,830)	(856,155)
-	(854,098)	-
<u>220,287</u>	<u>2,153,222</u>	<u>934,973</u>
-	5,901,881	-
-	(5,600,000)	-
-	<u>301,881</u>	-
-	(6,134,494)	(275,382)
-	3,535,000	-
-	2,716,133	-
-	(485,000)	-
-	(521,265)	-
-	<u>(889,626)</u>	<u>(275,382)</u>
-	<u>59,415</u>	-
-	<u>59,415</u>	-
220,287	1,624,892	659,591
-	<u>13,035,638</u>	<u>323,970</u>
<u>\$ 220,287</u>	<u>\$ 14,660,530</u>	<u>\$ 983,561</u>

Town of Northlake, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 2 of 2) For the Year Ended September 30, 2021

	Business-type Activities		
	Water & Sewer	Water Capital Projects	Utility Impact Fees
<u>Reconciliation of Operating Income (Loss)</u>			
<u>to Net Cash Provided (Used) by Operating Activities</u>			
Operating Income	\$ 1,471,237	\$ (51,023)	\$ (868,523)
Adjustments to reconcile operating income to net cash provided:			
Depreciation	743,636	24,804	-
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in:			
Accounts receivable	(252,537)	-	-
Prepaid expenses	(143,249)	-	-
Due from other funds	-	-	177,576
Increase (Decrease) in:			
Accounts payable and accrued liabilities	36,062	1,105,030	254,157
Due to other funds	-	(753,110)	(7,697)
Compensated absences	2,558	-	-
Customer deposits	197,248	-	-
Deferred inflows/outflows - Pension	(14,976)	-	-
Deferred inflows/outflows - OPEB	(2,049)	-	-
OPEB liability	1,443	-	-
Net pension liability	12,348	-	-
Net Cash Provided (Used) by Operating Activities	\$ 2,051,721	\$ 325,701	\$ (444,487)
 <u>Schedule of Noncash Capital and Financing Activities:</u>			
Contributions of capital assets	\$ -	\$ 1,374,963	\$ -
	\$ -	\$ 1,374,963	\$ -

See Notes to Financial Statements.

Business-type Activities		Governmental Activities
Nonmajor Proprietary Funds	Total Proprietary Funds	Internal Service Fund
\$ 140,350	\$ 692,041	\$ 308,254
-	768,440	512,511
(41,978)	(294,515)	-
-	(143,249)	(9,987)
57,240	234,816	-
-	1,395,249	358,734
-	(760,807)	(234,539)
-	2,558	-
64,675	261,923	-
-	(14,976)	-
-	(2,049)	-
-	1,443	-
-	12,348	-
<u>\$ 220,287</u>	<u>\$ 2,153,222</u>	<u>\$ 934,973</u>
<u>\$ -</u>	<u>\$ 1,374,963</u>	<u>\$ -</u>
<u><u>\$ -</u></u>	<u><u>\$ 1,374,963</u></u>	<u><u>\$ -</u></u>



Town of Northlake, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Northlake, Texas (the "Town") is a municipal corporation governed by an elected mayor and a five-member council. The Town provides the following services: public safety (police), community development, public works, municipal court, general administration, and water and sewer.

A. Description of Government-Wide 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 and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Financial Reporting Entity

The Town of Northlake is a municipal corporation governed by an elected mayor and a five-member council. The accompanying financial statements present the government and its component units, entities for which the government is considered financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the government.

As required by accounting principles generally accepted in the United States of America, these financial statements include the primary government and organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the primary government.

Blended Component Units

Harvest Public Improvement District No. 1 & Highlands Public Improvement District No. 2

The Harvest Public Improvement District No. 1 and The Highlands Public Improvement District No. 2 (the "PIDs") for which the Town's elected officials are financially accountable for. Both PIDs derive their revenues through property assessments that are utilized exclusively for each district. The PIDs are treated as blended component units and are presented as one fund, Northlake PID, within the fund level statements. The combining schedules for the PIDs can be found on page 122.

The PID's Board of Directors acts primarily in an advisory role to the Town Council, who exercise the ultimate financial control over the recommendations of the PID board, including its budget and expenditures. The financial information of the PID's is blended as a governmental fund into the primary government. Separate financial statements are not prepared.

Tax Increment Reinvestment Zone ("TIRZ")

The Northlake TIRZ (Tax Increment Reinvestment Zone) Fund was created to encourage and accelerate planned development and maintenance of the trail system and dog park. The fund accounts for all tax and expenditure activity associated with the fund's primary purpose. The TIRZ is governed by the Town Council, and accordingly has been reported as a blended component unit.

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NOTES TO FINANCIAL STATEMENTS, Continued
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Discretely Presented Component Units

Northlake Economic Development Corporation

The Northlake Economic Development Corporation (the “EDC”) was formed to promote the public welfare and economic development for the areas within the Town of Northlake as authorized by the State under the Texas Development Corporation Act of 1979 and is governed by Section 4A of the act. The 4A Corporation receives funding from a one-half cent sales tax. The EDC serves all citizens of the Town and is governed by a board appointed by the Town’s elected council. The Town can impose its will on the EDC and affect the day-to-day operations of the EDC by removing appointed board members at will. The scope of public service of the EDC benefits the Town and its citizens and is operated within the geographic boundaries of the Town. Since the EDC's governing body is not substantively the same as the governing body of the primary government, does not provide services entirely, or almost entirely to the primary government, nor does it maintain debt of any type that are repaid using Town resources, it has been reported as a discretely presented component unit.

Separate financial statements are not prepared. However, additional financial information for the EDC may be obtained from the Town's Finance Director.

Northlake Community Development Corporation

The Northlake Community Development Corporation (the “CDC”) was formed to promote economic development with the Town and the State of Texas in order to eliminate unemployment and the public welfare of, for and on behalf of the Town by undertaking, developing, implanting, providing and financing projects under the Development Corporation Act of 1979 as defined in Section 4B of the Act. The 4B Corporation receives funding from a one-half cent sales tax. The CDC serves all citizens of the Town and is governed by a board appointed by the Town’s elected council. The Town can impose its will on the CDC and affect the day-to-day operations of the CDC by removing appointed board members at will. The scope of public service of the CDC benefits the Town and its citizens and is operated within the geographic boundaries of the Town. Since the CDC's governing body is not substantively the same as the governing body of the primary government, does not provide services entirely, or almost entirely to the primary government, nor does it maintain debt of any type that are repaid using Town resources, it has been reported as a discretely presented component unit.

Separate financial statements are not prepared. However, additional financial information for the EDC may be obtained from the Town's Finance Director.

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NOTES TO FINANCIAL STATEMENTS, Continued
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C. Basis of Presentation - Government-Wide and Fund Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

As discussed earlier, the government has one discretely presented component unit and is shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions 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.

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category; governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds (excluding special revenue funds):

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, development services, public works, municipal court, and police. This fund is considered to be a major fund.

Debt Service Fund

The debt service fund is used to account for the payment of interest and principal on all certificates of obligation, general obligation bonds, and other long-term debt of governmental funds. The primary source of revenue for debt service is local property taxes. This fund is considered to be a major fund.

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NOTES TO FINANCIAL STATEMENTS, Continued
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Capital Improvement

This fund accounts for funds intended to be used for all road and fire protection projects. The fund is considered a major fund for reporting purposes.

Roadway Impact Fees

The Roadway Impact Fees Fund is used to account for a one-time charge or assessment imposed by the Town against new developments in order to generate revenue for funding the cost of street capital improvements related to the new development.

Northlake PID

This fund accounts for bond proceeds, assessments and related debt associated with the issuance of bonds issued by the Town for the Public Improvement Districts, The Harvest Public Improvement District No. 1 and The Highlands Public Improvement District No. 2.

The government reports the following major enterprise funds:

Water & Sewer Fund

The Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the Town and others. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted, if necessary to ensure integrity of the funds.

Water Capital Projects Fund

The Water Capital Projects Fund is used to account for funds received and expended for acquisition and construction of water and sewer infrastructure and other water and sewer capital assets.

Utility Impact Fees

The Utility Impact Fees Fund is used to account for a one-time charge or assessment imposed by the Town against new developments in order to generate revenue for funding the cost of water and sewer capital improvements related to the new development.

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NOTES TO FINANCIAL STATEMENTS, Continued
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The government reports the following fund types:

Internal Service Funds

Internal service funds are used to account for the financing of goods or service provided by one department to other departments of the Town on a cost reimbursement basis. The equipment fund accounts for the accumulation and allocation of costs associated with major equipment purchases and maintenance of the equipment. The internal service funds are presented as a proprietary fund in the funds financial statements. Since transactions of the internal service fund predominately involves providing services to the General Fund and other funds that comprise governmental activities of the Town, the financial balances are included in the government activities column of the government-wide statements. The Town reports three internal service funds: Technology ISF, Equipment ISF, and Building Services ISF.

Special Revenue Funds

The Town accounts for resources restricted to, or designated for, specific purposes in a special revenue fund. The Town maintains five major special revenue funds: Hotel/Motel Tax Fund, Roadway Impact Fee Funds, Public Improvement Districts, and fourteen other individual non-major special revenue funds.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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D. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary, pension and other postemployment benefit trust, and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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E. Assets, Liabilities, and Fund Equity or Net Position

1. Deposits and Investments

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

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the Town reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

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

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

2. Fair Value Measurement

The Town has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

3. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds are offset by a nonspendable fund balance account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

4. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories of supplies are reported at cost using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized (the consumption method).

5. 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 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

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

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NOTES TO FINANCIAL STATEMENTS, Continued
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Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Vehicles	3 years
Furniture and fixtures	10 years
Machinery and equipment	3 to 10 years
Water and sewer system	30 – 50 years
Infrastructure	5 to 40 years
Buildings and improvements	30 years

6. Net Position Flow Assumption

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

7. Fund Balance Flow Assumptions

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

The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in the fund.

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NOTES TO FINANCIAL STATEMENTS, Continued
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8. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The government has adopted a policy to maintain a minimum reserve of an amount equal to or greater than 25% of operating expenditures. The utility fund working capital should be maintained at a minimum of 20-25% of the total operating expenditures or the equivalent of 75 days. The debt service fund reserve is maintained at a level to support interest and principal payments in the event of a delay in property tax collections.

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and unamortized premiums.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

10. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

11. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. In general, the Town uses the general and water and sewer funds to liquidate governmental and business-type activities pension liabilities, respectively.

12. Other Postemployment Benefits ("OPEB")

The Town has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary, calculated based on the employee's actual earnings on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. In general, the Town uses the general and water and sewer funds to liquidate governmental and business-type activities OPEB liabilities, respectively.

13. Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the Statement of Financial Position and/or Balance Sheet will sometimes report a separate section for deferred outflows and deferred inflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The Town has the following items that qualify for reporting as deferred outflows:

Pensions/OPEB – these deferred outflows result from pension/OPEB contributions after the measurement date (deferred and recognized in the following fiscal year) and/or the differences between expected and actual economic experience and assumption changes.

The Town has the following items that qualify for reporting as deferred inflows:

Pensions – at the government-wide level these deferred inflows result from differences due to pension assumption changes.

Unavailable Revenues – at the fund level these deferred inflows result from property tax, special assessments, and other revenues that have not been received in the current period and are unavailable until collected.

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

F. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. 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.

3. Compensated Absences

Town employees are granted vacation days in varying amounts. The maximum vacation allowed to be carried over is 320 hours per calendar year (January through December) for all employees. Any hours over 320 at the end of a year shall be deleted from the employee's accruals. Pay in lieu of taking vacation is not permitted except upon termination. Accrued vacation is paid upon termination after working for the town for at least 12-months. Sick leave is accrued at the rate of eight (8) hours per month for regular full-time employees and on a pro rata basis for regular part-time employees for each month of continuous service. Sick leave may be accumulated up to a maximum of 90 days (720 hours). No cash payment is made for unused sick days. Compensated absences are paid out of the General Fund and various funds based upon the employees' positions.

It is the Town's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the Town's governmental funds recognize accrued compensated absences when it is paid.

4. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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.

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

The principal operating revenues of the water and sewer fund are charges to customers for sales and services. The water and sewer 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 fund includes 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.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the General Fund, Roadway Impact Fees, Northlake PID, Court Security, Court Technology, Police Asset Forfeiture, Police Special Training, Child Safety, Court Online Access Fees, Grants, Cost Recovery, TIRZ, Hotel/Motel Fund, Capital Improvement Fund, and Debt Service fund. The original budget is adopted by the Town Council prior to the beginning of the year. The legal level of control as defined by the Town Charter is the fund level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year. Supplemental budget appropriations were made during the year.

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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A. Expenditures Over Appropriations

For the year ended, expenditures exceeded appropriations at the legal level of control in the General Fund, Roadway Impact Fees, Northlake PID, the Police Asset Forfeiture Fund, and TIRZ by \$99,205, \$541,319, \$28, \$3,956, and \$56,882 respectively.

B. Deficit Fund Equity

At September 30, 2021, the Canyon Falls WICD, Highlands, and Northport 35 Business Center funds had a deficit fund balance of \$15,148, \$16,201, and \$9,558, respectively. The deficit will be eliminated in the future with revenue earned and transfers from other funds.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As stated in I.D.1., the Town’s cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The Town’s investments in 2a7-like pools such as LOGIC are included in this category. Although the Town’s investments in LOGIC are available for immediate withdrawal, disclosure of the pool’s weighted average maturity and bond rating are required. As of September 30, 2021, the primary government had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity</u>	<u>Credit Rating</u>
External investment pools			
LOGIC	\$ 6,320,432	59 days	AAA
Total fair value	<u>\$ 6,320,432</u>		

Interest rate risk In accordance with its investment policy, the Town manages its exposure to declines in fair values by limiting the weighted average of maturity to an average of 90 days or less; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk The Town’s investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than “A” or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service. As of September 30, 2021, the Town's investment in LOGIC was rated AAA by Standard & Poor's.

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2021, the market values of pledged securities and FDIC exceeded bank balances.

Custodial credit risk – investments For an investment, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the Town's safekeeping account prior to the release of funds.

LOGIC

Local Government Investment Cooperative (LOGIC) (the "Pool") was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code, and operates as a public funds investment pool under the Public Funds Investment Act. LOGIC is organized and existing as a business trust under the laws of the State of Texas with all Participant funds and all investment assets held and managed in trust by a Board of Trustees for the benefit of the Participants. The Board of Trustees is LOGIC's governing body and is comprised of employees, officers or elected officials of Participant Government Entities or individuals who do not have a business relationship with the Pool and are qualified to advise it. A maximum of two advisory board members represent the Co-Administrators of the Pool. There were no limitations or restrictions on withdrawals.

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

B. Receivables

The following comprise receivable balances of the primary government at year end:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Improvement</u>	<u>Northlake PID</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Property taxes	\$ 9,962	\$ 4,063	\$ -	\$ 5,944	\$ -	\$ 19,969
Sales tax	348,713	-	-	-	-	348,713
Franchise taxes	170,089	-	-	-	-	170,089
Occupancy taxes	-	-	18,800	-	62,568	81,368
Special assessments	-	-	-	1,962,635	-	1,962,635
Fines	25,289	-	-	-	-	25,289
Accounts	39,433	-	-	-	27,994	67,427
Allowance	(17,702)	-	-	-	-	(17,702)
	<u>\$ 575,784</u>	<u>\$ 4,063</u>	<u>\$ 18,800</u>	<u>\$ 1,968,579</u>	<u>\$ 90,562</u>	<u>\$ 2,657,788</u>

	<u>Water & Sewer</u>	<u>Nonmajor Proprietary</u>	<u>Total Proprietary</u>
Accounts	\$ 1,190,558	\$ 50,113	\$ 1,240,671
Allowance	(57,009)	-	(57,009)
	<u>\$ 1,133,549</u>	<u>\$ 50,113</u>	<u>\$ 1,183,662</u>

The following comprise receivable balances of the component units at year end:

	<u>Northlake EDC</u>	<u>Northlake CDC</u>	<u>Total</u>
Sales tax	\$ 174,356	\$ 174,356	\$ 348,712
	<u>\$ 174,356</u>	<u>\$ 174,356</u>	<u>\$ 348,712</u>

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

C. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 4,676,819	\$ -	\$ -	\$ 4,676,819
Construction in progress	52,633	1,379,748	(563,772)	868,609
Total capital assets not being depreciated	<u>4,729,452</u>	<u>1,379,748</u>	<u>(563,772)</u>	<u>5,545,428</u>
Capital assets, being depreciated:				
Buildings and improvements	1,674,730	24,840	-	1,699,570
Furniture and fixtures	258,456	7,544	-	266,000
Vehicles and equipment	2,096,157	250,542	-	2,346,699
Infrastructure	31,438,455	282,202	563,772	32,284,429
Total capital assets being depreciated	<u>35,467,798</u>	<u>565,128</u>	<u>563,772</u>	<u>36,596,698</u>
Less accumulated depreciation				
Buildings and improvements	406,323	274,916	-	681,239
Furniture and fixtures	22,104	26,348	-	48,452
Vehicles and equipment	1,261,197	230,569	-	1,491,766
Infrastructure	5,530,385	1,622,921	-	7,153,306
Total accumulated depreciation	<u>7,220,009</u>	<u>2,154,754</u>	<u>-</u>	<u>9,374,763</u>
Net capital assets being depreciated	28,247,789	(1,589,626)	563,772	27,221,935
Total Capital Assets	<u>\$ 32,977,241</u>	<u>\$ (209,878)</u>	<u>\$ -</u>	<u>\$ 32,767,363</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 162,163
Public safety	264,002
Public works	1,476,900
Development services	7,356
PID	244,333
Total Governmental Activities Depreciation Expense	<u>\$ 2,154,754</u>

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

A summary of changes in business-type activities capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 746,010	\$ -	\$ -	\$ 746,010
Construction in progress	3,059,301	6,030,117	-	9,089,418
Total capital assets not being depreciated	<u>3,805,311</u>	<u>6,030,117</u>	<u>-</u>	<u>9,835,428</u>
Capital assets, being depreciated:				
Buildings and improvements	35,211	-	-	35,211
Vehicles and equipment	96,654	-	-	96,654
Infrastructure	28,675,670	1,479,340	-	30,155,010
Total capital assets being depreciated	<u>28,807,535</u>	<u>1,479,340</u>	<u>-</u>	<u>30,286,875</u>
Less accumulated depreciation				
Buildings and improvements	12,484	1,174	-	13,658
Vehicles and equipment	53,557	12,347	-	65,904
Infrastructure	1,493,532	754,919	-	2,248,451
Total accumulated depreciation	<u>1,559,573</u>	<u>768,440</u>	<u>-</u>	<u>2,328,013</u>
Net capital assets being depreciated	<u>27,247,962</u>	<u>710,900</u>	<u>-</u>	<u>27,958,862</u>
Total Capital Assets	<u><u>\$ 31,053,273</u></u>	<u><u>\$ 6,741,017</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 37,794,290</u></u>

Depreciation was charged to business-type activities as follows:

Water and sewer	\$ 743,636
Water capital projects	24,804
Total Business-Type Activities Depreciation Expense	<u><u>\$ 768,440</u></u>

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

D. Other Long-term Liabilities

The following summarizes the changes in other long-term liabilities of the primary government during the year. In general, the Town uses the general and enterprise funds to liquidate compensated absences.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Compensated Absences	\$ 154,577	\$ 176,473	\$ (149,880)	\$ 181,170	\$ 78,975
Total Governmental Activities	<u>\$ 154,577</u>	<u>\$ 176,473</u>	<u>\$ (149,880)</u>	<u>\$ 181,170</u>	<u>\$ 78,975</u>
Other Long-term Liabilities Due in More than One Year				<u>\$ 102,195</u>	
Business-Type Activities:					
Compensated Absences	\$ 15,081	\$ 26,674	\$ (24,116)	\$ 17,639	\$ 10,757
Total Business-Type Activities	<u>\$ 15,081</u>	<u>\$ 26,674</u>	<u>\$ (24,116)</u>	<u>\$ 17,639</u>	<u>\$ 10,757</u>
Other Long-term Liabilities Due in More than One Year				<u>\$ 6,882</u>	

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

E. Long-term Debt

The Town periodically issues general obligation bonds and contractual obligations to provide funds for general government purposes. The Town also periodically utilizes notes and capital leases to provide financing for general government purposes. In general, the Town uses the debt service fund and utility fund to liquidate long-term liabilities, with the exception of special assessment bonds which are fully covered by assessment receivables from the PID fund. The following is a summary of changes in the Town's total long-term liabilities for the year ended September 30, 2021.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities:					
Certificates of Obligation	\$ 5,965,000	\$ -	\$ (320,000)	\$ 5,645,000	\$ 345,000
General Obligation Bonds	825,000	-	(155,000)	670,000	160,000
Tax notes	-	3,535,000	(465,000)	3,070,000	497,500
Special Revenue Assessment Bonds - PID	3,185,000	-	(185,000)	3,000,000	185,000
Premium	153,642	-	(12,959)	140,683	-
Total Governmental Activities	<u>\$ 10,128,642</u>	<u>\$ 3,535,000</u>	<u>\$ (1,137,959)</u>	<u>\$ 12,525,683</u>	<u>\$ 1,187,500</u>
Long-term liabilities due in more than one year				<u>\$ 11,338,183</u>	
Business-Type Activities:					
Certificates of Obligation	\$ 11,310,000	\$ -	\$ (20,000)	\$ 11,290,000	\$ 55,000
Tax notes	-	3,535,000	(465,000)	3,070,000	497,500
Premium	544,500	-	(30,250)	514,250	-
Total Business-Type Activities	<u>\$ 11,854,500</u>	<u>\$ 3,535,000</u>	<u>\$ (515,250)</u>	<u>\$ 14,874,250</u>	<u>\$ 552,500</u>
Long-term liabilities due in more than one year				<u>\$ 14,321,750</u>	

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. The Town intends to retire all of its general long-term liabilities, plus accrued interest, from property taxes and other current revenues from the debt service fund as has been done in prior years. The special assessment bonds are fully offset by assessment receivables. The proprietary fund type long-term debt will be repaid, plus accrued interest, from operating revenues of the respective fund.

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

Long-term debt at year end was comprised of the following debt issues:

	Governmental Activities	Business-type Activities
<u>Special Revenue Assessment Bonds</u>		
\$4,170,000 Series 2014A Combination Tax and Revenue Certificates of Obligation, due in annual installments of \$160,000 to \$285,000 through August 15, 2034, with interest at 2%	\$ 3,000,000	\$ -
Total Special Revenue Assessment Bonds	\$ 3,000,000	\$ -
 <u>Tax Notes</u>		
\$7,070,000 Series 2020 Tax Notes, due in annual installments of \$930,000 to \$1,050,000 through August 15, 2027, with interest at 1.10%	3,070,000	3,070,000
Total Tax Notes	\$ 3,070,000	\$ 3,070,000
 <u>Certificates of Obligation</u>		
\$420,000 Series 2014B Combination Tax and Revenue Certificates of Obligation, due in annual installments of \$15,000 to 25,000 through August 15, 2034, with interest at 3%	-	295,000
\$6,990,000 Series 2016 Combination Tax and Revenue certificates of Obligation, due in annual installments of \$220,000 to \$440,000 through April 15, 2036, with interest at 2.00%	5,645,000	-
\$11,395,000 Series 2018 Combination Tax and Limited Surplus Revenue Certificates of Obligation, due in annual installments of \$400,000 to \$1,045,000 through August 15, 2038, with interest at 3.45%	-	10,995,000
Total Certificate of Obligation Bonds	\$ 5,645,000	\$ 11,290,000
 <u>General Obligation Bonds</u>		
\$1,390,000 Series 2016 General Obligation Refunding Bonds, due in annual installments of \$135,000 to \$175,000 through April 15, 2025, with interest at 2.00%	670,000	-
Total General Obligation Bonds	\$ 670,000	\$ -
Total Bonds	\$ 12,385,000	\$ 14,360,000

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

The annual requirements to amortize governmental activities debt issues outstanding at year ending were as follows:

Year ending September 30,	General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest
2022	\$ 160,000	\$ 13,400	\$ 55,000	\$ 458,175
2023	165,000	10,200	150,000	456,675
2024	170,000	6,900	215,000	452,325
2025	175,000	3,500	285,000	445,975
2026	-	-	490,000	437,425
2027 - 2031	-	-	3,430,000	1,809,913
2032 - 2036	-	-	4,610,000	883,838
2037 - 2040	-	-	2,055,000	108,500
Total	\$ 670,000	\$ 34,000	\$ 11,290,000	\$ 5,052,825

Year ending September 30,	Special Revenue Assessment Bonds		Tax Notes	
	Principal	Interest	Principal	Interest
2022	\$ 185,000	\$ 94,325	\$ 497,500	\$ 31,034
2023	195,000	90,163	502,500	25,534
2024	200,000	85,775	510,000	19,965
2025	205,000	80,775	515,000	14,328
2026	210,000	74,625	520,000	8,635
2027 - 2031	1,180,000	263,963	525,000	2,888
2032 - 2036	825,000	58,119	-	-
Total	\$ 3,000,000	\$ 747,744	\$ 3,070,000	\$ 102,383

The annual requirements to amortize business-type activities debt issues outstanding at year ending were as follows:

Year ending September 30,	Certificates of Obligation		Tax Notes	
	Principal	Interest	Principal	Interest
2022	\$ 55,000	\$ 458,175	\$ 497,500	\$ 31,034
2023	150,000	456,675	502,500	25,534
2024	215,000	452,325	510,000	19,965
2025	285,000	445,975	515,000	14,328
2026	490,000	437,425	520,000	8,635
2027 - 2031	3,430,000	1,809,913	525,000	2,888
2032 - 2036	4,610,000	883,838	-	-
2037 - 2041	2,055,000	108,500	-	-
Total	\$ 11,290,000	\$ 5,052,825	\$ 3,070,000	\$ 102,383

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

F. Interfund Transactions

Transfers between the primary government funds during the 2021 year were as follows:

Transfer Out	Transfer In				Total
	General	Capital Improvement Prog	Water and Sewer	Water Capital Projects	
Water and Sewer	\$ 250,000	\$ -	\$ -	\$ 3,500,000	\$ 3,750,000
Water/Sewer Impact Fees	-	-	-	1,850,000	1,850,000
Debt Service	-	3,500,000	491,881	-	3,991,881
Roadway Impact Fees	-	1,800,000	-	-	1,800,000
Nonmajor Governmental	18,650	-	-	60,000	78,650
Total	\$ 268,650	\$ 5,300,000	\$ 491,881	\$ 5,410,000	\$ 11,470,531

Transfers from the water and sewer fund were made for operations support costs borne by the general fund. Transfers from the water and sewer fund to the debt service fund were made for debt service.

The compositions of interfund balances as of year end were as follows:

Due from other funds (Receiving Fund):	Due to other funds (Payable Fund):	
	Nonmajor Governmental	Total
General Fund	40,907	40,907
Total	\$ 40,907	\$ 40,907

The purpose of interfund receivables and payables is to loan cash between funds. All balances are expected to be settled with transfers or the collection of property taxes.

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

H. Restricted Net Position

The Town records restricted net position to indicate that a portion is legally restricted for a specific future use.

The following is a list of restricted net position of the Town:

	<u>Governmental Activities</u>	<u>Northlake EDC</u>	<u>Northlake CDC</u>
Restricted for:			
Debt service	\$ 571,486	\$ -	\$ -
Capital improvements	3,604,890	-	-
* Municipal court	98,343	-	-
* Street maintenance	112,523	-	-
Economic development	-	1,295,420	-
Community development	-	-	1,277,026
Total	<u>\$ 4,387,242</u>	<u>\$ 1,295,420</u>	<u>\$ 1,277,026</u>

* Restricted by enabling legislation

I. Leases

The Town's operating lease obligation is for the rental of office space to house the Town Hall and Police Department building. On February 1, 2019, the Town renewed an office lease for the Town Hall building with a 5-year term with an option to renew the lease by the Town for an additional 5 year term. On March 1, 2020, the Town commenced an office lease for the Town Police Department building. The lease agreement has a 5-year term with an option to renew the lease by the town for an additional 5 year term. The Town paid \$339,112 in rental expense during the year. The Town's lease obligations are as follows:

Period ending:	<u>Operating Leases</u>
September 30, 2022	\$ 390,694
September 30, 2023	402,415
September 30, 2024	263,977
September 30, 2025	80,859
Total Minimum Lease Payments	<u>\$ 1,137,945</u>

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

V. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the Town participates along with over 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The Town has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The Town has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

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

GASB 62 defines probability of loss contingencies as the following:

Probable. The future event or events are likely to occur.

Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.

Remote. The chance of the future event or events occurring is slight.

Liabilities are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

The Town is involved in lawsuits with other parties from time to time. While the ultimate result of these matters cannot be predicted with certainty, the Town does not expect them to have a materially adverse effect on its Basic Financial Statements.

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

C. Construction Commitments

The government has active construction projects as of September 30, 2020. The projects include street and elevated storage tank improvements and the construction of additional water lines and repairs.

At year end the government's commitments with contractors are as follows:

Business-Type Activities:

<u>Project Description</u>	<u>Contract Amount</u>	<u>Expended to Date</u>	<u>Remaining Commitment</u>
North Elevated Storage Tank	\$ 3,228,307	\$ 3,050,767	\$ 177,540
South Elevated Storage Tank	3,096,991	2,811,961	285,030
Pump station, ground storage tank, and transmission line	5,648,396	1,453,278	-
	<u>\$ 11,973,694</u>	<u>\$ 7,316,006</u>	<u>\$ 4,657,688</u>

Governmental-Type Activities:

<u>Project Description</u>	<u>Contract Amount</u>	<u>Expended to Date</u>	<u>Remaining Commitment</u>
Old Justin Road Reconstruction	\$ 518,112	\$ 510,652	\$ 7,460
Engineering & Accquisition - Florance Road	\$ 353,740	\$ 157,889	
Engineering & Accquisition - Faught Road	\$ 182,440	\$ 142,860	
Pavement Repairs - Cleavland Gibbs & Canyon Falls	601,687	325,523	276,164
	<u>\$ 1,655,979</u>	<u>\$ 1,136,924</u>	<u>\$ 283,624</u>

D. Pension Plans

1. Texas Municipal Retirement Systems

Plan Description

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

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

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

2. Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the Town-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the Town, within the options available in the state statutes governing TMRS.

Plan provisions for the Town were as follows:

	<u>Plan Year 2020</u>	<u>Plan Year 2019</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (Town to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	0% of CPI	0% of CPI

Employees covered by benefit terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	31
Active employees	49
Total	84

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

3. Contributions

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

Employees for the Town of Northlake were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Town of Northlake were 10.50% and 9.97% in calendar years 2020 and 2021, respectively. The Town's contributions to TMRS for the year ended September 30, 2021, were \$281,503, and were equal to the required contributions.

4. Net Pension Liability

The Town's Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75 per year, including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum 16 mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

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

Discount Rate:

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

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability of the Town, calculated using the discount rate of 6.75%, as well as what the Town's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 1,303,999	\$ 460,530	\$ (220,844)

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/2019	\$ 3,959,368	\$ 3,593,825	\$ 365,543
Changes for the year:			
Service Cost	451,301	-	451,301
Interest	282,136	-	282,136
Difference between expected and actual experience	123,686	-	123,686
Changes of assumptions	-	-	-
Contributions – employer	-	287,874	(287,874)
Contributions – employee	-	202,118	(202,118)
Net investment income	-	273,978	(273,978)
Benefit payments, including refunds of emp. contributions	(10,447)	(10,447)	-
Administrative expense	-	(1,765)	1,765
Other changes	-	(69)	69
Net changes	846,676	751,689	94,987
Balance at 12/31/2020	\$ 4,806,044	\$ 4,345,514	\$ 460,530

Pension Plan Fiduciary Net Position:

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

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

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

For the year ended September 30, 2021, the Town recognized pension expense of \$291,555.

At September 30, 2020, the Town reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred (Inflows) of Resources
Differences between expected and actual economic experience	\$ 87,385	\$	-
Changes in actuarial assumptions	19,577		-
Difference between projected and investment earnings	-		(103,126)
Contributions subsequent to the measurement date	241,770		-
Total	\$ 348,732	\$	(103,126)

The Town reported \$241,769 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2021	\$ (7,022)
2022	14,404
2023	(33,982)
2024	16,984
2025	13,452
Thereafter	-
Total	3,836

Other Postemployment Benefits

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

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

insurance coverage to both current and retired employees. The Town may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB. The SDBF covers both active and retiree benefits with no segregation of assets and, therefore, doesn't meet the definition of a trust under GASB No. 75, paragraph 4b, (i.e., no assets are accumulated for OPEB). As such, the SDBF is considered to be a single-employer unfunded OPEB plan (and not a cost sharing plan) with benefit payments treated as being equal to the employer's yearly contributions for retirees.

The City offers supplemental death to:	Plan Year 2019	Plan Year 2020
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

The Town contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The Town's contributions to the TMRS SDBF for the years ended 2021, 2020, and 2019 were \$821, \$279 and \$214, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates
 (RETIREE-only portion of the rate)

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2019	0.01%	0.01%	100.0%
2020	0.01%	0.01%	100.0%
2021	0.03%	0.03%	100.0%

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

Employees covered by benefit terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	7
Active employees	49
Total	58

Total OPEB Liability

The Town's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2020, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.5%, including inflation per year
Discount rate	2.00%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 2.00%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Town, calculated using the discount rate of 2.00%, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

1% Decrease 1.00%	Current Single Rate Assumption 2.00%	1% Increase 3.00%
\$ 79,430	\$ 61,994	\$ 49,101

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/2019	\$ 50,898
Changes for the year:	
Service Cost	6,064
Interest	1,479
Difference between expected and actual experience	(6,003)
Changes of assumptions	9,845
Benefit payments	(289)
Net changes	11,096
Balance at 12/31/2020	\$ 61,994

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

For the year ended September 30, 2021, the Town recognized OPEB expense of \$8,665.

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

At September 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Changes in actuarial assumption changes	\$ 15,391	-
Difference between expected and actual experience	-	(8,373)
Contributions subsequent to measurement date	738	-
Total	\$ 16,129	\$ (8,373)

The Town reported \$738 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2022.

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

Year ended December 31:	
2021	\$ 1,122
2022	1,122
2023	1,122
2024	1,122
2025	830
Thereafter	1,700
	\$ 7,018

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

E. Tax Abatement Disclosures

The Town negotiates tax abatement agreements on an individual basis. The Town has four property tax abatement agreements with three separate entities as of the end of September 30, 2020:

<u>Purpose</u>	<u>Abatement Type</u>	<u>Percentage of Taxes Abated during the Fiscal Year</u>	<u>Amount of Taxes Abated during the Fiscal Year</u>
Hempel USA Inc., a paint manufacture and distributor, receives tax abatements equal to the amount of taxes assessed on seventy-five percent (75.0%) of the value of business personal property located on the property as a result of making improvements to the warehouse and distribution facility. Value of improvements is \$8,190,479.	Property Tax	18%	\$ 1,862
Farmer Brothers, a food processing and distribution company, receives tax abatements equal to the amount of taxes assessed on eighty-five percent (85.0%) of the value of business personal property located on the property as a result of making improvements to the warehouse and distribution facility. Value of improvements is approximately \$61,419,574.	Property Tax	55%	\$ 98,897
Farmer Brothers, a food processing and distribution company, receives tax abatements equal to the amount of taxes assessed on seventy-five percent (75.0%) of the the increased value of the property improvements required by the tax abatement agreement. Value of improvements is approximately \$26,647,420.	Property Tax	75%	\$ 58,957
Wesco Aircraft Parts, an aircraft parts manufacture and distributor, receives tax abatements equal to the amount of taxes assessed on seventy-five percent (75.0%) of the value of business personal property located on the property as a result of making improvements to the warehouse and distribution facility. Value of improvements is more than \$488,442,481.	Property Tax	5%	\$ 11,715
	Total		\$ 171,431

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
 September 30, 2021

F. Restatement

The Town has restated beginning net position within the internal service funds due to the reallocation of governmental type capital assets as reported in the prior year. The restatement of beginning net position is as follows:

	Internal Service Fund
Prior year ending net position, as reported	\$ 2,308,858
Correct capital asset balances	42,480
Restated beginning net position	\$ 2,351,338

G. Subsequent Events

In January 2021, the Town issued a Combination Tax and Limited Surplus Revenue Certificate of Obligation of \$7,500,000.

There were no other material subsequent events through April 13, 2022, the date the financial statements were issued.

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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Proposed Form of Opinion of Bond Counsel

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

**TOWN OF NORTHLAKE, TEXAS
COMBINATION TAX AND LIMITED SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2022**

IN THE AGGREGATE PRINCIPAL AMOUNT OF \$14,300,000

AS BOND COUNSEL for the Town of Northlake, Texas (the “Issuer”), the issuer of the above-described Certificates (the “Certificates”), we have examined into the legality and validity of the Certificates, which bear interest from the date specified in the text of the Certificates, at the rates and payable on the dates as stated in the text of the Certificates, maturing all in accordance with the terms and conditions stated in the text of the Certificates.

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

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been authorized and issued and the Certificates delivered concurrently with this opinion have been duly delivered and that, assuming due authentication, Certificates issued in exchange therefore will have been duly delivered, in accordance with law, and that the Certificates, except as may be limited by laws applicable to the Issuer relating to governmental immunity and bankruptcy, reorganization and other similar matters affecting creditors’ rights generally, and by general principles of equity which permit the exercise of judicial discretion, constitute valid and legally binding special obligations of the Issuer, and that ad valorem taxes sufficient to provide for the payment of the interest, if any, on and principal of the Certificates have been levied and pledged for such purpose, within the limits prescribed by law, and that the Certificates are additionally secured by and payable from a limited pledge of the revenues of the Issuer’s combined Waterworks and Sewer System remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the Issuer’s revenue obligations (now or hereafter outstanding), which are payable from all or part of said revenues, all as provided in the ordinance adopted by the Town Council of the Issuer, pursuant to which the Certificates have been issued.

IT IS FURTHER OUR OPINION that, except as discussed below, the interest on the Certificates is excludable from the gross income of the owners for federal income tax



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

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

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

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

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



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

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

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Financial Advisory Services
Provided By

