

NEW ISSUE - Book-Entry-Only

Interest on the Certificates (defined below) is not excludable from gross income for federal tax purposes under existing law see “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

\$15,160,000
TOWN OF NORTHLAKE, TEXAS
(Denton County)
COMBINATION TAX AND LIMITED SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, TAXABLE SERIES 2024

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 \$15,160,000 Town of Northlake, Texas, Combination Tax and Limited Surplus Revenue Certificates of Obligation, Taxable Series 2024 (the “Certificates”) will accrue from the date of their delivery to the initial purchaser of the Certificates (the “Date of Delivery”), and will be payable February 15, 2025, 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, N.A., Amegy Bank Division, 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 June 13, 2024 (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, establishing, developing, constructing and equipping a new multipurpose sports facility, including parking, road, street, water, sewer or park facilities or other infrastructure related thereto; and (ii) the payment of professional services incurred with items (i) and (ii) paying the costs of issuance of 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 initial purchaser (the “Initial Purchaser”) and subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell LLP, Bond Counsel, Dallas, Texas (see Appendix C, “Form of Bond Counsel’s Opinion”).

DELIVERY . . . It is expected that the Certificates will be available for delivery through DTC on or about July 11, 2024 (the “Date of Delivery”).

MATURITY SCHEDULE

<u>15-Feb Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>CUSIP Suffix⁽¹⁾</u>
2025	\$ 355,000	6.000%	5.200%	HW9
2026	455,000	6.000%	5.000%	HX7
2027	485,000	6.000%	4.800%	HY5
2028	515,000	6.000%	4.750%	HZ2
2029	545,000	6.000%	4.700%	JA5
2030	580,000	6.000%	4.700%	JB3
2031	615,000	6.000%	4.750%	JC1
2032	650,000	5.000%	4.800%	JD9
2033	680,000	4.850%	4.850%	JE7
2034	715,000	4.900%	4.900%	JF4

\$1,545,000 5.000% Term Certificates Maturing February 15, 2036, Priced to Yield 5.000%, CUSIP Suffix: JH0
\$1,705,000 5.100% Term Certificates Maturing February 15, 2038, Priced to Yield 5.100%, CUSIP Suffix: JK3
\$1,890,000 5.150% Term Certificates Maturing February 15, 2040, Priced to Yield 5.150%, CUSIP Suffix: JM9
\$2,095,000 5.200% Term Certificates Maturing February 15, 2042, Priced to Yield 5.200%, CUSIP Suffix: JP2
\$2,330,000 5.250% Term Certificates Maturing February 15, 2044, Priced to Yield 5.250%, CUSIP Suffix: JR8

(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.

OPTIONAL REDEMPTION . . . The Town reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2034, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “The Certificates - Optional Redemption”).

MANDATORY SINKING FUND REDEMPTION . . . The Certificates maturing on February 15 in the years 2036, 2038, 2040, 2042 and 2044 (the “Term Certificates”) are subject to mandatory sinking fund redemption as described herein (see “The Certificates – Mandatory Sinking Fund Redemption”).

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

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 \$15,160,000 Town of Northlake, Texas Combination Tax and Limited Surplus Revenue Certificates of Obligation, Taxable Series 2024 (the “Certificates”), are issued as serial certificates maturing on February 15 in each of the years 2025 through 2034, inclusive, and term certificates maturing on February 15 in the years 2036, 2038, 2040, 2042 and 2044 (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, 2025, 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 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 "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, 2034 in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2033, 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 on the dates and in the amounts shown under “The Certificates – Mandatory Sinking Fund Redemption.”

- TAX EXEMPTION**..... Interest to be paid on the Certificates is not excludable from gross income for federal income tax purposes. See “Tax Matters” herein.

- USE OF PROCEEDS** Proceeds from the sale of the Certificates will be used for (i) acquiring, establishing, developing, constructing and equipping a new multipurpose sports facility, including parking, road, street, water, sewer or park facilities or other infrastructure related thereto; and (ii) the payment of professional services incurred with items (i) and (ii) paying the costs of issuance of 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”) and “AA” by Fitch Ratings, 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
2020	5,201	\$ 860,583,844	\$165,465	\$ 21,285,000	\$ 4,092	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%	101.21%
2023	10,560	2,060,452,111	195,119	42,170,000	3,993	2.05%	98.31%
2024	11,810	2,781,864,503	235,552	77,445,000 ⁽³⁾	6,558 ⁽³⁾	2.78% ⁽³⁾	98.29% ⁽⁴⁾

(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 February 29, 2024.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	For Fiscal Year Ended September 30,				
	2023	2022	2021	2020	2019
Beginning Balance	\$ 5,363,596	\$ 4,374,040	\$ 3,601,826	\$ 3,075,444	\$ 1,847,823 ⁽³⁾
Total Revenue	10,279,881	8,879,503	7,874,683	5,663,052	5,739,114
Total Expenditures	9,793,266	8,465,354	7,371,119	5,387,551	4,801,493
Total Other Financing Sources	(115,994)	324,404	268,650	250,881	290,000
Net Funds Available	486,615	414,149	503,564	275,501	937,621
Prior Period Adjustment	-	251,003 ⁽²⁾	-	-	-
Ending Balance	<u>\$ 5,734,217</u>	<u>\$ 5,363,596</u>	<u>\$ 4,374,040</u>	<u>\$ 3,601,826</u>	<u>\$ 3,075,444</u>

(1) Restated.

(2) Restatement of beginning fund balance due to a correction to cash balances and sales taxes.

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
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TOWN OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>Town Council</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Brian Montini Mayor	6 years	May, 2026	Engineer
Alex Holmes Councilmember	Newly Elected	May, 2026	Marketing Consultant
Michael Ganz Councilmember	4 years	May, 2026	Electrical Engineer
Aaron Fowler Councilmember	1 year	May, 2026	School Athletic Trainer
Roger Sessions Councilmember	13 years	May, 2025	Owner, Ferris Manufacturing
Maryl Lorenz Councilmember	1 year	May, 2025	Teacher
Everett Cummings Councilmember	Newly Elected	May, 2026	Entrepreneur

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	17 Years	31 Years
Zolaina Parker	Town Secretary	2 Year	24 Years
John Thomson	Finance Director	4 Years	5 Years

CONSULTANTS, ADVISORS AND INDEPENDENT AUDITORS

Independent Auditors	Brooks Watson & Co. Houston, Texas
Bond Counsel	Bracewell LLP Dallas, Texas
Financial Advisor.....	Hilltop Securities Inc. Dallas, Texas

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OFFICIAL STATEMENT

RELATING TO

\$15,160,000
TOWN OF NORTHLAKE, TEXAS
COMBINATION TAX AND LIMITED SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, TAXABLE SERIES 2024

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 \$15,160,000 Combination Tax and Limited Surplus Revenue Certificates of Obligation, Taxable Series 2024 (the "Certificates"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in 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.

All financial and other information presented in this Official Statement has been provided by the Town from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the Town. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future (see "Other Information – Forward-Looking Statements Disclaimer").

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 2024 population is 11,810. The Town covers approximately 17 square miles.

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, 2025, 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 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").

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), and from a limited pledge of \$1,000 of the surplus net revenues of the Town's Waterworks and Sewer System.

TAX RATE LIMITATION . . . All taxable property within the Town is subject to the assessment, levy and collection by the Town of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 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, 2034, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2033, 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.

The Town reserves the right to give notice of its election or direction to redeem Certificates conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the Town retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the Town delivers a certificate of the Town to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Certificates subject to conditional redemption and such redemption has been rescinded shall remain Outstanding, and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the Town to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

MANDATORY SINKING FUND REDEMPTION . . . The Certificates maturing on February 15 in the years 2036, 2038, 2040, 2042 and 2044 (the "Term Certificates") are subject to mandatory sinking fund redemption in amounts and at the price of par plus accrued interest to the redemption date of February 15 in the following years:

Term Certificates February 15, 2036		Term Certificates February 15, 2038		Term Certificates February 15, 2040																	
Year	Amount	Year	Amount	Year	Amount																
2035	\$ 755,000	2037	\$ 830,000	2039	\$ 920,000																
2036 *	790,000	2038 *	875,000	2040 *	970,000																
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: center; border-bottom: 1px solid black;">Term Certificates February 15, 2042</th> <th colspan="2" style="text-align: center; border-bottom: 1px solid black;">Term Certificates February 15, 2044</th> </tr> <tr> <th style="text-align: center; border-bottom: 1px solid black;">Year</th> <th style="text-align: center; border-bottom: 1px solid black;">Amount</th> <th style="text-align: center; border-bottom: 1px solid black;">Year</th> <th style="text-align: center; border-bottom: 1px solid black;">Amount</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">2041</td> <td style="text-align: right;">\$ 1,020,000</td> <td style="text-align: center;">2043</td> <td style="text-align: right;">\$ 1,135,000</td> </tr> <tr> <td style="text-align: center;">2042 *</td> <td style="text-align: right;">1,075,000</td> <td style="text-align: center;">2044 *</td> <td style="text-align: right;">1,195,000</td> </tr> </tbody> </table>						Term Certificates February 15, 2042		Term Certificates February 15, 2044		Year	Amount	Year	Amount	2041	\$ 1,020,000	2043	\$ 1,135,000	2042 *	1,075,000	2044 *	1,195,000
Term Certificates February 15, 2042		Term Certificates February 15, 2044																			
Year	Amount	Year	Amount																		
2041	\$ 1,020,000	2043	\$ 1,135,000																		
2042 *	1,075,000	2044 *	1,195,000																		

* Maturity.

The particular Term Certificates to be redeemed shall be chosen by the Paying Agent/Registrar at random by lot or other customary method of random selection; provided, however, the principal amount of the Term Certificates which, at least forty-five (45) days prior to the mandatory redemption date, (1) shall have been acquired by the City and delivered to the Paying Agent/Registrar for cancellation or (2) shall have been redeemed pursuant to the optional redemption provisions set forth above 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 Ordinance 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 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 that the City may discharge its obligations to the registered owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished by either (i) depositing with the Comptroller of Public Accounts of the State a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Certificates to maturity or prior redemption or (ii) by depositing with a paying agent, or other authorized escrow agent, amounts sufficient to provide for the payment and/or redemption of the Certificates; provided that such deposits may be invested and reinvested in (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United State 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 of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that 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 on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding bonds to refund the obligations, that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The Authorized Officer may limit these eligible securities as deemed necessary in connection with the sale of the Certificates. In the event the City restricts such eligible securities, the final Official Statement will reflect the new authorized eligible securities. The foregoing obligations may be in book-entry-only form and shall mature and/or bear interest in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Certificates. If any such Certificates are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Ordinance.

Under current law 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.

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 bond 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 Initial Purchaser.

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 Zions Bank, National Association, dba Amegy Bank Division, 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.

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

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 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 . . . The Town may amend the Ordinance without the consent of or notice to any registered owner in any manner not detrimental to the interest of the registered owners, including the curing of any ambiguity, inconsistency, formal defect, or omission therein. In addition, the Town may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding and affected thereby, amend, add to, or rescind any of the provisions of Ordinance; except that, without the consent of the registered owners of all of the Certificates then outstanding, no such amendment, addition, or rescission may (i) extend the time or times of payment of the principal of and interest on the Certificates, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Certificates, (ii) give any preference to any Certificate over any other Certificate, or (iii) reduce the aggregate principal amount of Certificates required to be held by Owners for consent to any such amendment, addition, or rescission.

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 provide 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 CERTIFICATES PROCEEDS . . . Proceeds from the sale of the Certificates are expected to be expended as follows:

Principal Amount	\$ 15,160,000.00
Cash Premium	706.20
TOTAL SOURCES	<u>\$ 15,160,706.20</u>
Deposit to Project Construction Fund	\$ 15,000,000.00
Costs of Issuance	160,706.20
TOTAL USES	<u>\$ 15,160,706.20</u>

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.

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER . . . The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing

unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Tax Code. Section 11.35 of the Tax Code was enacted during the 2019 legislative session, and there is no historical judicial precedent for how the statute will be applied. Texas Attorney General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

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.

Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. 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 the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. At any time after taxes on property become delinquent, the City 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 City 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, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. 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.

PENALTIES AND INTEREST . . . Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

<u>Month</u>	<u>Cumulative Penalty</u>	<u>Cumulative Interest</u>	<u>Total</u>
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, penalty remains at 12%, and interest increases at the rate of one-percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to incur interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney’s collection fee of up to 20% may be added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City’s lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action 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. Assessments have been levied on properties within the Highlands PID for the financing of public improvements within the Highlands PID.

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.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2023/2024 Market Valuation Established by Denton Central Appraisal District (excluding totally exempt property)		\$ 4,341,492,474
Less Exemptions/Reductions at 100% Market Value:		
Loss to 10% Home Cap	\$ 194,877,548	
Productivity Loss	238,774,119	
Homestead	270,168,249	
Disabled Persons	1,100,000	
Disabled Veterans	49,135,610	
Over 65	33,422,277	
Abatements	112,965,074	
Pollution Control	78,308	
Freeport Property	<u>659,106,786</u>	<u>1,559,627,971</u>
2023/2024 Taxable Assessed Valuation		\$ 2,781,864,503
Outstanding General Obligation Debt as of 5/15/2024	\$ 63,180,000	
The Certificates	<u>15,160,000</u>	
Total General Obligation Debt		\$ 93,500,000
Less: Self-Supporting Debt ⁽¹⁾		\$ 65,280,000
Net General Obligation Debt Payable from Ad Valorem Taxes		\$ 28,220,000
Ratio Net General Obligation Tax Debt to Taxable Assessed Valuation		1.01%

2024 Estimated Population - 11,810
 Per Capita Taxable Assessed Valuation - \$235,552
 Per Capita General Obligation Debt Payable from Ad Valorem Taxes - \$7,917
 Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - \$2,390

(1) Certain outstanding general obligation debt of the Town which is anticipated to be paid from lease revenues, PID revenues, and utility revenues and is treated as "self-supporting" debt. If such revenues are not available or are insufficient to pay such amount in the future, the City will be required to assess an ad valorem tax for the payment of such amounts.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2024		2023		2022	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 1,861,886,772	42.89%	\$ 1,256,903,094	39.12%	\$ 766,160,986	31.81%
Real, Residential, Multi-Family	194,256,000	4.47%	180,034,060	5.60%	158,539,083	6.58%
Real, Vacant Lots/Tracts	41,191,594	0.95%	72,227,399	2.25%	50,657,514	2.10%
Real, Acreage (Land Only)	240,433,288	5.54%	189,638,039	5.90%	106,873,499	4.44%
Real, Farm and Ranch Improvements	128,634,940	2.96%	56,763,407	1.77%	30,365,999	1.26%
Real, Commercial	740,168,363	17.05%	421,744,961	13.13%	364,181,933	15.12%
Real, Industrial	10,573,486	0.24%	10,117,047	0.31%	7,971,198	0.33%
Gas and Oil	46,673,526	1.08%	27,961,714	0.87%	17,172,072	0.71%
Real and Tangible Personal, Utilities	13,319,846	0.31%	12,083,291	0.38%	11,481,831	0.48%
Tangible Personal, Commercial	408,813,525	9.42%	338,550,245	10.54%	213,738,953	8.87%
Tangible Personal, Industrial	574,425,030	13.23%	576,474,471	17.94%	615,452,270	25.55%
Tangible Personal, Mobile Homes	8,930	0.00%	6,698	0.00%	5,805	0.00%
Real Property, Inventory	80,225,865	1.85%	69,721,333	2.17%	66,261,510	2.75%
Special Inventory	881,309	0.02%	606,727	0.02%	64,051	0.00%
Total Appraised Value Before Exemptions	\$ 4,341,492,474	100.00%	\$ 3,212,832,486	100.00%	\$ 2,408,926,704	100.00%
Less: Total Exemptions/Reductions	1,559,627,971		1,152,380,375	%	902,828,894	
Taxable Assessed Value	<u>\$ 2,781,864,503</u>		<u>\$ 2,060,452,111</u>		<u>\$ 1,506,097,810</u>	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2021		2020	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 451,999,470	24.29%	\$ 311,696,390	28.24%
Real, Residential, Multi-Family	150,065,925	8.06%	107,401,417	9.73%
Real, Vacant Lots/Tracts	94,029,941	5.05%	41,922,014	3.80%
Real, Acreage (Land Only)	105,114,895	5.65%	108,350,794	9.82%
Real, Farm and Ranch Improvements	35,674,365	1.92%	30,845,167	2.80%
Real, Commercial	307,518,527	16.53%	246,253,427	22.31%
Real, Industrial	14,554,285	0.78%	7,453,876	0.68%
Gas and Oil	12,622,123	0.68%	24,363,712	2.21%
Real and Tangible Personal, Utilities	10,120,171	0.54%	7,125,501	0.65%
Tangible Personal, Commercial	87,325,135	4.69%	25,818,780	2.34%
Tangible Personal, Industrial	535,953,705	28.80%	159,623,374	14.46%
Tangible Personal, Mobile Homes	14,174	0.00%	14,174	0.00%
Real Property, Inventory	55,302,554	2.97%	32,081,310	2.91%
Special Inventory	419,631	0.02%	601,720	0.05%
Total Appraised Value Before Exemptions	\$ 1,860,714,901	100.00%	\$ 1,103,551,656	100.00%
Less: Total Exemptions/Reductions	617,288,190		242,967,812	
Taxable Assessed Value	<u>\$ 1,243,426,711</u>		<u>\$ 860,583,844</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
2020	5,201	\$ 860,583,844	\$ 165,465	\$ 21,285,000	\$ 4,092	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	3,993	2.05%
2024	11,810	2,781,864,503	235,552	77,445,000 ⁽⁴⁾	6,558 ⁽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 ⁽¹⁾	% Total Collections ⁽¹⁾
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	4,368,293	99.91%	101.21%
2023	0.1776	0.1174	0.2950	5,758,763	98.98%	98.31%
2024	0.1776	0.1174	0.2950	8,079,828	98.19% ⁽²⁾	98.29% ⁽²⁾

(1) Tax bills are mailed in October of each year and become delinquent on February 1 of the following year.

(2) Collections as of February 29, 2024.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2023/2024 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Northlake 35 Logistics Park LLC	Distribution Center	\$ 109,568,795	3.94%
Lex Northlake LP	Distribution Center	93,724,400	3.37%
Walgreen Co	Distribution Center	77,978,226	2.80%
Northport Owner. LLC	Warehouse	75,675,139	2.72%
Northport 35 Investors. LLC	Warehouse	75,402,533	2.71%
BCI IV Northlake Logistics Crossing LP	Warehouse	74,718,778	2.69%
Dry Creek Apartments, LTD	Residential	64,943,000	2.33%
Black & Decker Inc	Industrial Manufacturing	54,272,215	1.95%
Chadwick Apartments Phase II LTD	Residential	48,668,000	1.75%
Tides on Chadwick Owner LLC	Residential	46,645,000	1.68%
		<u>\$ 721,596,086</u>	<u>25.94%</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 2024	\$ 2,144,343
\$0.0779 I&S Tax Rate Required at 99% Collection Rate Produces	\$ 2,145,402
Average Net General Obligation Debt Service Requirements, FY 2024-2054	\$ 610,890
\$0.0222 I&S Tax Rate Required at 99% Collection Rate Produces	\$ 611,398
Maximum Net General Obligation Debt Service Requirements, FY 2024	\$ 2,144,343
\$0.0779 I&S Tax Rate Required at 99% Collection Rate Produces	\$ 2,145,402

(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.

<u>Taxing Jurisdiction</u>	<u>2023/24 Taxable Assessed Valuation</u>	<u>2023/24 Tax Rate</u>	<u>Total GO Tax Debt 3/1/2024</u>	<u>Estimated % Applicable</u>	<u>Town's Overlapping GO Tax Debt 3/1/2024</u>
Town of Northlake	\$ 2,781,864,503	\$ 0.29500	\$ 28,220,000 ⁽¹⁾	100.00%	\$ 28,220,000 ⁽¹⁾
Argyle ISD	683,670,144	1.21220	408,721,443	6.62%	27,057,360
Belmont FWSD #1	1,171,849,023	0.73000	94,670,000	0.22%	208,274
Canyon Falls WC & ID #2	498,992,945	0.66000	44,410,000	98.92%	43,930,372
Denton County	177,207,954,441	0.18949	624,655,000	1.78%	11,118,859
Northlake Municipal Management District #1	683,229,859	0.70500	77,610,000	100.00%	77,610,000
Northlake Municipal Management District #2	218,507,529	0.70500	26,655,000	99.36%	26,484,408
Northwest ISD	35,583,578,983	1.09020	1,979,300,334	7.30%	144,488,924
Ponder ISD	1,411,434,228	1.24230	70,305,000	0.62%	435,891
					<u>\$ 359,554,088</u>
Ratio of Direct and Overlapping GO Debt to Taxable Assessed Valuation					12.92%
Per Capita Overlapping GO Debt					\$ 30,445

(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:	Net	% of
	Principal	Interest	Total	Principal	Interest	Total	Self-Supported Debt Service ⁽³⁾	General Obligation Debt Service	Principal Retired
2024	\$ 2,595,000	\$ 1,455,543	\$ 4,050,543	\$ -	\$ -	\$ -	\$ 1,906,200	\$ 2,144,343	
2025	2,715,000	3,016,821	5,731,821	355,000	871,822	1,226,822	4,883,600	2,075,043	
2026	3,110,000	2,619,953	5,729,953	455,000	771,370	1,226,370	5,218,890	1,737,433	
2027	3,240,000	2,524,958	5,764,958	485,000	743,170	1,228,170	5,305,890	1,687,238	
2028	2,335,000	2,418,758	4,753,758	515,000	713,170	1,228,170	5,387,190	594,738	19.75%
2029	2,490,000	2,310,883	4,800,883	545,000	681,370	1,226,370	5,477,540	549,713	
2030	2,640,000	2,195,470	4,835,470	580,000	647,620	1,227,620	5,556,716	506,374	
2031	2,790,000	2,071,945	4,861,945	615,000	611,770	1,226,770	5,603,616	485,099	
2032	2,920,000	1,939,170	4,859,170	650,000	577,070	1,227,070	5,596,716	489,524	
2033	3,070,000	1,799,158	4,869,158	680,000	544,330	1,224,330	5,604,600	488,888	40.96%
2034	3,200,000	1,659,220	4,859,220	715,000	510,323	1,225,323	5,599,792	484,750	
2035	3,020,000	1,514,539	4,534,539	755,000	473,930	1,228,930	4,958,813	804,656	
2036	3,145,000	1,388,670	4,533,670	790,000	435,305	1,225,305	4,952,225	806,750	
2037	2,825,000	1,265,365	4,090,365	830,000	394,390	1,224,390	4,952,655	362,100	
2038	2,935,000	1,152,658	4,087,658	875,000	350,913	1,225,913	4,956,120	357,450	64.81%
2039	1,970,000	1,035,013	3,005,013	920,000	304,910	1,224,910	2,792,498	1,437,425	
2040	2,055,000	951,920	3,006,920	970,000	256,243	1,226,243	2,792,213	1,440,950	
2041	2,140,000	866,830	3,006,830	1,020,000	204,745	1,224,745	2,791,975	1,439,600	
2042	1,830,000	781,709	2,611,709	1,075,000	150,275	1,225,275	2,791,484	1,045,500	
2043	845,000	717,896	1,562,896	1,135,000	92,531	1,227,531	2,790,428	-	82.25%
2044	895,000	671,998	1,566,998	1,195,000	31,369	1,226,369	2,793,366	-	
2045	940,000	623,370	1,563,370	-	-	-	1,563,370	-	
2046	995,000	572,093	1,567,093	-	-	-	1,567,093	-	
2047	1,045,000	518,033	1,563,033	-	-	-	1,563,033	-	
2048	1,105,000	461,058	1,566,058	-	-	-	1,566,058	-	89.97%
2049	1,165,000	400,611	1,565,611	-	-	-	1,565,611	-	
2050	1,230,000	336,545	1,566,545	-	-	-	1,566,545	-	
2051	1,295,000	269,001	1,564,001	-	-	-	1,564,001	-	
2052	1,370,000	197,370	1,567,370	-	-	-	1,567,370	-	
2053	1,445,000	121,365	1,566,365	-	-	-	1,566,365	-	98.09%
2054	1,525,000	41,175	1,566,175	-	-	-	1,566,175	-	100.00%
	<u>\$ 64,880,000</u>	<u>\$ 37,899,092</u>	<u>\$ 102,779,092</u>	<u>\$ 15,160,000</u>	<u>\$ 9,366,625</u>	<u>\$ 24,526,625</u>	<u>\$ 108,368,141</u>	<u>\$ 18,937,576</u>	

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

(2) Average life of the Certificates – 11.868 years.

(3) Certain outstanding general obligation debt of the Town which is anticipated to be paid from lease revenues, PID revenues, and utility revenues and is treated as "self-supporting" debt. If such revenues are not available or are insufficient to pay such amount in the future, the City will be required to assess an ad valorem tax for the payment of such amounts

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Interest and Sinking Fund Balance, as of 9/30/2023	\$ 509,412
Budgeted Interest and Sinking Fund Tax Levy	3,135,500
Other Revenue	10,000
Total Available	<u>\$ 3,654,912</u>
Less: Net Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/2024	\$ 2,144,343
Projected Interest and Sinking Fund Balance as of September 30, 2024	\$ 1,510,569

TABLE 10 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Unissued Balance
Sports Complex	11/7/2023	\$ 45,000,000	\$ 22,710,000	\$ 22,290,000

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . After the issuance of the Certificates, the Town anticipates the issuance of additional ad valorem tax debt in the approximate amount of \$22.5 million in the next 12 months.

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

The Town entered into leases to finance the use of buildings and equipment. The leased property is classified as a right to use asset with a total carrying value as of year end for governmental activities of \$600,652. The Town’s lease obligations are as follows:

Year Ending September 30	Lease Liabilities	
	Principal	Interest
2024	\$ 341,983	\$ 26,978
2025	165,779	11,311
2026	87,078	5,077
2027	38,600	579
Total	<u>\$ 633,440</u>	<u>\$ 43,945</u>

PENSION FUND

Plan Description – The Town participates as one of 919 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

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

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

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

Plan provisions for the Town were as follows:

	Plan Year 2021	Plan Year 2022
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, 2022 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	37
Active employees	66
Total	107

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 9.85% and 9.51% in calendar years 2022 and 2023, respectively. The Town’s contributions to TMRS for the year ended September 30, 2023, was \$467,771.

Net Pension Liability – The Town’s Net Pension Liability (NPL) was measured as of December 31, 2022 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, 2022 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 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.70%
Core Fixed Income	6.0%	4.90%
Non-Core Fixed Income	20.0%	8.70%
Real Return	12.0%	8.10%
Real Estate	12.0%	5.80%
Absolute Return	5.0%	6.90%
Private Equity	10.0%	11.80%
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	\$ 2,121,411	\$ 942,936	\$ (2,495)

Changes in the Net Pension Liability

	Changes in the Net Pension Liability		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/21	\$ 5,503,518	\$ 5,370,013	\$ 133,505
Changes for the year:			
Service Cost	662,990	-	662,990
Interest	391,034	-	391,034
Difference between expected and actual experience	83,434	-	83,434
Changes of assumptions	-	-	
Contributions-employer	-	421,863	(421,863)
Contributions-employee	-	299,802	(299,802)
Net investment income	-	(394,294)	394,294
Benefit payments, including refunds of emp. Contributions	(83,842)	(83,842)	-
Administrative expense	-	(3,392)	3,392
Other changes	-	4,048	(4,048)
Net changes	1,053,616	244,185	809,431
Balance at 12/31/22	\$ 6,557,134	\$ 5,614,198	\$ 942,936

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, 2023, the Town recognized pension expense of \$505,806.

At September 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual economic experience	\$ 86,284
Changes in actuarial assumptions	7,676
Difference between projected and actual investment earnings	377,636
Contributions subsequent to the measurement date	354,889
Total	<u>\$ 826,485</u>

The Town reported \$354,889 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, 2024. 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:	
2023	\$ 66,330
2024	117,296
2025	113,767
2026	161,842
2027	12,361
Thereafter	-
	<u>\$ 471,596</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 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.

<u>The City offers supplemental death to:</u>	<u>Plan Year 2021</u>	<u>Plan Year 2022</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 2023, 2022 and 2021 were \$1,090, \$1,250 and \$821, 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
2021	0.03%	0.03%	100.0%
2022	0.03%	0.03%	100.0%
2023	0.02%	0.02%	100.0%

At the December 31, 2022 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	9
Active employees	66
Total	<u>77</u>

Total OPEB Liability

The Town's OPEB was measured as of December 31, 2022, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.5%, including inflation per year
Discount rate	4.05%
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 1.84%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

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 4.05%, 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 (3.05%) or 1-percentage-point higher (5.05%) than the current rate:

1% Decrease	Current Single Rate Assumption	1% Increase
3.05%	4.05%	5.05%
<u>\$ 60,629</u>	<u>\$ 47,731</u>	<u>\$ 38,340</u>

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/21	\$ 70,047
Changes for the year:	
Service Cost	11,564
Interest	1,383
Difference between expected and actual experience	1,185
Changes of assumptions	(35,163)
Benefit payments	(1,285)
Net changes	<u>(22,316)</u>
Balance at 12/31/22	<u>\$ 47,731</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended September 30, 2023, the Town recognized OPEB expense of \$9,809. At September 30, 2023, 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	\$ -	\$ (18,320)
Changes in actuarial assumptions	-	(7,751)
Contributions subsequent to the measurement date	746	-
Total	<u>\$ 746</u>	<u>\$ (26,071)</u>

The Town reported \$746 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, 2024.

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:	
2023	\$ (3,138)
2024	(3,138)
2025	(3,430)
2026	(2,983)
2027	(3,836)
Thereafter	<u>(9,546)</u>
	<u>\$ (26,071)</u>

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FINANCIAL INFORMATION

TABLE 12 - SCHEDULE OF CHANGES IN NET ASSETS

	Fiscal Year Ended September 30,				
	2023	2022	2021	2020	2019
Revenues:					
Program Revenues:					
Fees, Fines and Charges for Services	\$ 5,553,147	\$ 4,851,379	\$ 4,172,913	\$ 2,980,065	\$ 6,048,391
Operating Grants and Contributions	77,000	495,613	70,400	287,700	-
Capital Grants and Contributions	4,477,572	2,967,356	3,391,447	8,046,222	421,929
General Revenue:					
Property Tax	5,766,731	4,429,860	4,667,918	3,710,077	3,058,040
PID Assessment	-	-	-	-	-
Sales Tax	1,700,234	1,768,699	1,489,157	854,553	1,485,578
Franchise Tax	1,015,633	936,774	568,056	477,795	443,387
Hotel/Motel Taxes	751,320	736,301	598,771	393,540	417,116
Investment Earnings	447,913	58,846	20,829	149,848	531,322
Miscellaneous	200,351	104,056	35,172	396,402	111,201
Total Revenues	<u>\$ 19,989,901</u>	<u>\$ 16,348,884</u>	<u>\$ 15,014,663</u>	<u>\$ 17,296,202</u>	<u>\$ 12,516,964</u>
Expenditures:					
General Government	\$ 2,655,583	\$ 1,377,451	\$ 1,516,599	\$ 1,598,011	\$ 1,740,431
Municipal Court	-	-	-	-	262,449
Public Safety	4,277,207	3,865,325	2,993,487	2,617,563	1,538,975
Public Works	3,064,584	2,596,523	2,656,449	1,928,485	854,028
Economic Development	2,756,053	2,349,333	3,890,392	2,325,958	1,693,550
Promotional	117,047	57,876	48,029	59,350	104,689
Public Improvement Districts (PID)	1,856,793	1,439,434	1,219,270	962,745	1,130,320
Tax Increment Reinvestment Zone (TIRZ)	297,717	288,063	265,447	539,727	4,741
Utility Cost Participation	-	-	-	-	970
Interest on Long-Term Debt	264,526	218,897	286,868	641,799	721,933
Total Expenditures	<u>\$ 15,289,510</u>	<u>\$ 12,192,902</u>	<u>\$ 12,876,541</u>	<u>\$ 10,673,638</u>	<u>\$ 8,052,086</u>
Change in Net Position Before Transfers	\$ 4,700,391	\$ 4,155,982	\$ 2,138,122	\$ 6,622,564	\$ 4,464,878
Transfers	(784,814)	(2,446,612)	(301,881)	10,174,118	230,000
Change in Net Position	<u>\$ 3,915,577</u>	<u>\$ 1,709,370</u>	<u>\$ 1,836,241</u>	<u>\$ 16,796,682</u>	<u>\$ 4,694,878</u>
Net Asset 9/30 Prior Year	\$ 41,181,687	\$ 37,436,205	\$ 35,599,964	\$ 18,406,824	\$ 11,448,880
Prior Period Adjustment	-	2,036,112 ⁽²⁾	-	396,458	2,263,066
Net Position - 9/30 Current Year	<u>\$ 45,097,264</u>	<u>\$ 41,181,687</u>	<u>\$ 37,436,205</u>	<u>\$ 35,599,964</u>	<u>\$ 18,406,824</u>

(1) Restatement of beginning net position due to a correction to cash balances and sales taxes, and the implementation of GASB Statement No. 87, Leases, to restate capital assets and long-term liabilities for governmental activities.

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

	Fiscal Year Ended September 30,				
	2023	2022	2021	2020	2019
<u>Revenues</u>					
Taxes:					
Property	\$ 3,029,753	\$ 2,324,792	\$ 1,607,400	\$ 1,247,253	\$ 1,014,024
Sales and Beverage	1,700,234	1,768,699	1,489,157	854,553	757,432
Franchise	1,015,633	936,774	568,056	477,795	454,537
License, Permits and Fees	3,146,728	2,567,962	3,536,250	2,247,231	2,579,477
Intergovernmental	100,000	495,613	60,000	60,000	-
Fines and Forfeitures	496,860	599,684	413,414	455,228	512,290
Interest Income	89,720	12,259	6,446	35,180	186,563
Miscellaneous	700,953	173,720	193,960	285,812	234,791
Total Revenues	<u>\$ 10,279,881</u>	<u>\$ 8,879,503</u>	<u>\$ 7,874,683</u>	<u>\$ 5,663,052</u>	<u>\$ 5,739,114</u>
<u>Expenditures</u>					
Current:					
General Government	\$ 2,582,918	\$ 1,637,671	\$ 1,738,314	\$ 1,195,113	\$ 927,873
Municipal Court	355,689	340,054	298,228	304,302	279,621
Police	3,834,860	3,553,197	2,655,447	2,136,445	2,383,963
Public Works	1,231,088	1,422,902	1,020,281	811,192	564,418
Development Services	1,758,077	1,483,742	1,658,849	940,499	645,618
Promotional	30,634	27,788	-	-	-
Capital Outlay	-	-	-	-	-
Total Expenditures	<u>\$ 9,793,266</u>	<u>\$ 8,465,354</u>	<u>\$ 7,371,119</u>	<u>\$ 5,387,551</u>	<u>\$ 4,801,493</u>
Excess of Revenues Over (Under) Expenditures	486,615	414,149	503,564	275,501	937,621
Other Financing Sources (Uses)					
Bond Proceeds	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers In	424,913	324,404	268,650	250,881	290,000
Transfers (Out)	(540,907)	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ (115,994)</u>	<u>\$ 324,404</u>	<u>\$ 268,650</u>	<u>\$ 250,881</u>	<u>\$ 290,000</u>
Net Change in Fund Balances	370,621	738,553	772,214	526,382	1,227,621
Fund Balances - Beginning	5,363,596	4,374,040	3,601,826	3,075,444	1,847,823
Prior Period Adjustment	-	251,003	-	-	-
Fund Balances - Ending	<u>\$ 5,734,217</u>	<u>\$ 5,363,596</u>	<u>\$ 4,374,040</u>	<u>\$ 3,601,826</u>	<u>\$ 3,075,444</u>

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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.

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⁾
2020	\$ 1,620,773	\$ 810,387	31.14%	\$ 0.0942	\$ 155.81
2021	2,617,347	1,308,674	37.93%	0.1052	180.76
2022	3,479,838	1,739,919	39.83%	0.1155	183.15
2023	3,397,795	1,698,898	27.95%	0.0825	160.88
2024	2,948,165 ⁽⁴⁾	1,474,082	17.96%	0.0530	124.82

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

(2) Represents the Town’s sales and use taxes; excludes Northlake Economic Development Corporation and Northlake Community Development Corporation collections.

(3) Percentage of 1% Sales Tax Collected

(4) Collections through May 2024.

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

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 March 31, 2024, the Town’s investable funds were invested in the following categories:

Type of Investment	Fair Value
LOGIC ⁽¹⁾	\$ 6,866,960
Wells Fargo Investment Account	683,410
Lamar ICS Account	41,260,475
Great Plains	1,860,947
Total	<u>\$ 50,671,792</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		Multifamily		Commercial	
Meter Size	Effective 10/27/2023	Meter Size	Effective 10/27/2023	Meter Size	Effective 10/27/2023
3/4"	\$28.00	3/4"	\$28.00	3/4"	\$56.00
1"	43.00	1"	28.00	1"	85.00
1.5"	57.00	1.5"	28.00	1.5"	115.00
2"	86.00	2"	28.00	2"	172.00
3"	122.00	3"	28.00	3"	244.00
4"	179.00	4"	28.00	4"	360.00
6"	360.00	6"	28.00	6"	718.00
*Volume Charge		*Volume Charge		*Volume Charge	
<u>(per gallons)</u>		<u>(per gallons)</u>		<u>(per gallons)</u>	
0 - 5,000	\$4.60	0 - 5,000	\$4.60	0 - 15,000	\$6.90
5,001 - 15,000	5.80	5,001 - 15,000	5.80	15,001 - 30,000	8.10
15,001 +	8.10	15,001 +	8.10	Over 30,001	9.30

Sewer

Residential		Multifamily		Commercial	
Meter Size	Effective 10/27/2023	Meter Size	Effective 10/27/2023	Meter Size	Effective 10/27/2023
3/4"	\$46.00	3/4"	\$46.00	3/4"	\$92.00
1"	70.00	1"	46.00	1"	140.00
1.5"	94.00	1.5"	46.00	1.5"	190.00
2"	142.00	2"	46.00	2"	283.00
3"	201.00	3"	46.00	3"	401.00
4"	294.00	4"	46.00	4"	591.00
6"	591.00	6"	46.00	6"	1,179.00
*Volume Charge		*Volume Charge		*Volume Charge	
<u>(per gallons)</u>		<u>(per gallons)</u>		<u>(per gallons)</u>	
Over 3,001	\$7.30	Over 3,001	\$7.30	Over 3,001	\$11.00

TABLE 16 – WATER AND SEWER OPERATING REVENUES

	Fiscal Year Ended September 30,				
	2023	2022	2021	2020	2019
Revenues:					
<i>Operating Revenues:</i>					
Water and Sewer Service	\$ 15,000,282	\$ 10,955,278	\$ 8,422,392	\$ 5,414,952	\$ 3,961,274
Total Revenues	\$ 15,000,282	\$ 10,955,278	\$ 8,422,392	\$ 5,414,952	\$ 2,584,170
Expenditures:					
<i>Operating Expenditures:</i>					
Operating Expenses	\$ 11,771,935	\$ 8,413,559	\$ 6,207,519	\$ 5,170,338	\$ 4,328,723
Total Expenditures	\$ 11,771,935	\$ 8,413,559	\$ 6,207,519	\$ 5,170,338	\$ 1,511,773
Non-operating Revenues (Expenses):					
Miscellaneous Revenue	\$ (1,111,979)	\$ (734,138)	\$ (491,012)	\$ 3,835	\$ 2,309
Interest Income	369,527	1,675	187	(27,273)	298
Total Revenues	\$ (742,452)	\$ (732,463)	\$ (490,825)	\$ (23,438)	\$ 2,607
Net Revenue Available for Debt Service	\$ 2,485,895	\$ 1,809,256	\$ 1,724,048	\$ 221,176	\$ 1,075,004
Debt Service Requirements	\$ -	\$ -	\$ -	\$ -	\$ -
Coverage Ratio	n/a	n/a	n/a	n/a	n/a

TAX MATTERS

The following discussion is a summary of the material U.S. federal income tax considerations relevant to the purchase, ownership and disposition of the Certificates offered in this offering. This summary is based upon current provisions of the Internal Revenue Code of 1986, as amended (the “Code”), existing and proposed Treasury Regulations promulgated thereunder, Internal Revenue Service (“IRS”) rulings and pronouncements, and judicial decisions, all as in effect on the date hereof, and all of which are subject to change, possibly on a retroactive basis, at any time by legislative, judicial or administrative action. The Town cannot assure you that the IRS will not challenge the conclusions stated below, and no ruling from the IRS or an opinion of counsel has been or will be sought on any of the matters discussed below.

This discussion is limited to holders who are the initial purchasers of the Certificates for cash at their original purchase price, which will equal the first price to the public (not including bondhouses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the Certificates is sold for cash (the “Issue Price”) and who hold the Certificates as capital assets within the meaning of Section 1221 of the Code (generally, property held for investment). This summary does not address all U.S. federal income tax consequences relative to a holder’s particular circumstances, including the impact of the Medicare contribution tax on net investment income. In addition, it does not address consequences relevant to holders subject to special rules, including, without limitation: U.S. expatriates and former citizens or long-term residents of the United States; persons subject to the alternative minimum tax; U.S. Holders (as defined below) whose functional currency is not the U.S. dollar; persons holding the Certificates as part of a hedge, straddle, or other risk reduction strategy or as part of a conversion transaction, or other integrated investment; banks, insurance companies or other financial institutions; real estate investment trusts or regulated investment companies; brokers, dealers or traders in securities or currencies; “controlled foreign corporations”, “passive foreign investment companies” and corporations that accumulate earnings to avoid U.S. federal income tax; S corporations, partnerships and other entities or arrangements treated as partnerships for U.S. federal income tax purposes (and investors therein); persons subject to special accounting rules as a result of any items of gross income with respect to the Certificates being taken into account in an applicable financial statement; tax-exempt organizations or governmental organizations; persons who elect to use a mark-to-market method of accounting for security holdings; and individual retirement accounts or qualified pension plans. This summary does not address all U.S. federal income tax consequences relevant to a holder’s particular circumstances and does not discuss the effect of any U.S. state, local income or other tax laws, any U.S. federal estate and gift tax laws, or any non-U.S. tax laws.

If a partnership (including an entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the Certificates, the tax treatment of such partnership or a partner of such partnership generally will depend upon the tax status of the partner and the tax treatment of the partnership. **Partnerships acquiring Certificates and partners of partnerships acquiring the Certificates should consult their own tax advisors about the U.S. federal income tax consequences to them of the purchase, ownership and disposing of the Certificates.**

This discussion of material U.S. federal income tax considerations is provided for general information only and is not intended as tax advice to any particular investor. Persons considering the purchase of Certificates are urged to consult their tax advisors with regard to the application of U.S. federal income or other tax laws (including estate and gift tax laws) to their particular situations as well as any tax consequences arising under the laws of any state, local, or foreign taxing jurisdiction or under any applicable tax treaty.

Consequences to U.S. Holders

The following discussion summarizes certain material U.S. federal income tax consequences to U.S. holders of the purchase, ownership, and disposition of the Certificates. As used herein “U.S. holder” means a beneficial owner of a Certificate who or that is for U.S. federal income tax purposes: (i) an individual who is a citizen of the United States or resident alien of the United States; (ii) a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof including the Town of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust, or if a valid election is in effect under U.S. Treasury Regulations to be treated as a United States person.

Interest on the Certificates -- A U.S. Holder will be required to recognize as ordinary income all interest paid or accrued on the Certificates in accordance with such U.S. Holder’s method of accounting for U.S. federal income tax purposes.

Original Issue Discount -- If the Issue Price of the Certificates of any stated maturity is less than their face amount by more than one quarter of one percent times the number of complete years to maturity, the Certificates of such maturity will be treated as being issued with “original issue discount.” The amount of the original issue discount will equal the excess of the principal amount payable on such Certificates at maturity over the Issue Price, and such amount will be amortized over the life of the Certificates using the “constant yield method” provided in the U.S. Treasury Regulations. The original issue discount accrues under the constant yield method and the beneficial owners of the Certificates, regardless of their regular method of accounting, must include such accrued amount in their gross income as interest. This can result in taxable income to the beneficial owners of such Certificates that exceeds actual cash interest payments to the beneficial owners in a taxable year.

The amount of the original issue discount that accrues on such Certificates each taxable year will be reported annually to the IRS and to the beneficial owners. The portion of the original issue discount included in each beneficial owner’s gross income while the beneficial owner holds such Certificates will increase such beneficial owner’s adjusted tax basis of such Certificates.

Premium -- If the Issue Price of the Certificates of any stated maturity is greater than its stated redemption price at maturity, such beneficial owner will be considered to have purchased such Certificate with “amortizable bond premium” equal in amount to such excess. A beneficial owner may elect to amortize such premium using a constant yield method over the remaining term of such Certificate and may offset interest otherwise required to be included in respect of such Certificate during any taxable year by the amortized amount of such excess for the taxable year. Certificate premium on such Certificate held by a beneficial owner that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of such Certificate. However, if such Certificate may be optionally redeemed after the beneficial owner acquires it at a price in excess of its stated redemption price at maturity, special rules would apply under the U.S. Treasury Regulations which could result in a deferral of the amortization of some Certificate premium until later in the term of such Certificate. Any election to amortize Certificate premium applies to all taxable debt instruments held by the beneficial owner on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

Sale, Exchange, Redemption, Retirement or Other Taxable Disposition of a Certificate -- A U.S. Holder generally will recognize gain or loss on the sale, exchange, redemption, retirement or other taxable disposition of a Certificate measured by the difference, if any, between (i) the amount of cash and the fair market value of any property received (except to the extent that the cash or other property received in respect of a Certificate is attributable to accrued and unpaid interest on the Certificate, which amount will be taxable as ordinary interest income to the extent not previously included in gross income) and (ii) the U.S. Holder’s adjusted tax basis in the Certificate.

A U.S. Holder’s adjusted tax basis in the Certificates generally will equal the amount the U.S. Holder paid for the Certificates, increased by any original issue discount previously included in the holder’s income and decreased by the amount of the Certificate premium that has been previously amortized. Any gain or loss will be capital gain or loss and will be treated as long-term capital gain or loss if, at the time of the sale, exchange, redemption, retirement or other taxable disposition, the Certificates have been held by the U.S. Holder for more than one year. Long-term capital gains recognized by non-corporate U.S. Holders, including individuals, generally will be subject to a reduced rate of tax. The deductibility of capital losses is subject to certain limitations. U.S. Holders of the Certificates should consult their tax advisors regarding the treatment of capital gains and losses.

Information Reporting and Backup Withholding -- Information reporting generally will apply to payments of interest on, and the proceeds of the sale, exchange, redemption, retirement or other disposition of, the Certificates held by U.S. Holders, and backup withholding may apply unless the U.S. Holder provides the applicable withholding agent with a taxpayer identification number, certified under penalties of perjury, as well as certain other information or otherwise establishes an exemption from backup withholding. Any amount withheld under the backup withholding rules is allowable as a credit against the U.S. Holder's U.S. federal income tax liability, if any, and a refund may be obtained if the amounts withheld exceed the U.S. Bondholder's actual U.S. federal income tax liability and the U.S. Holder timely provides the required information or appropriate claim to the IRS.

Tax Consequences to Non-U.S. Holders

The following discussion summarizes certain material U.S. federal income tax consequences to Non-U.S. Holders of the purchase, ownership and disposition of the Certificates. For purposes of this discussion, a "Non-U.S. Holder" is a beneficial owner of Certificates that is neither classified for U.S. federal income tax purposes as a partnership nor is a U.S. Holder (as defined above).

Interest on the Certificates -- Subject to the discussions below regarding backup withholding and FATCA withholding, payments of interest on a Certificate to a Non-U.S. Holder that are not effectively connected with such Non-U.S. Holder's U.S. trade or business generally will not be subject to U.S. federal income tax and will be exempt from U.S. federal withholding tax under the portfolio interest exemption provided that:

- the Non-U.S. Holder is not an actual or constructive owner of 10% or more of the total combined voting power of all classes of the Town's voting stock;
- the Non-U.S. Holder is not a controlled foreign corporation for U.S. federal income tax purposes that is related, directly or indirectly, to the Town through stock ownership); and
- the Non-U.S. Holder is not a bank that acquired the Certificates in consideration for the extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business.
- (i) the Non-U.S. Holder provides its name and address and certifies, under penalties of perjury, that it is not a United States person as defined under the Code (which certification may be made on an IRS Form W-8BEN or W-8BEN-E (or other applicable form)); (ii) the non-U.S. Bondholder holds its Certificates through certain foreign intermediaries and it satisfies the certification requirements of applicable Treasury Regulations; or (iii) a securities clearing organization, bank, or other financial institution that holds customers' securities in the ordinary course of its trade or business holds the Certificates on behalf of the Non-U.S. Holder and such securities clearing organization, bank, or other financial institution satisfies the certification requirements of applicable Treasury Regulations.

If the payments of interest on a Certificate are effectively connected with the conduct by a Non-U.S. Holder of a trade or business in the United States (and, in the event that an income tax treaty is applicable, if the payments of interest are attributable to a U.S. permanent establishment maintained by the Non-U.S. Holder), such payments will not be subject to withholding of U.S. federal income tax so long as the Non-U.S. Holder provides the applicable withholding agent with a properly completed IRS Form W-8ECI (or other applicable form), signed under penalties of perjury. However, such payments will be subject to U.S. federal income tax on a net income basis at regular graduated income tax rates generally in the same manner as if it were a U.S. Holder (as defined above), subject to any modifications provided under an applicable income tax treaty. In addition, if the non-U.S. Holder is a foreign corporation for federal income tax purposes, such payments of interest may also be subject to a branch profits tax at the rate of 30% (or lower applicable treaty rate) of such holder's earnings and profits for the taxable year, subject to certain adjustments, including earnings and profits from an investment in the Certificates, that are effectively connected with its conduct of a trade or business in the United States.

A non-U.S. Holder that does not qualify for the exemption from U.S. federal withholding tax under the preceding paragraphs generally will be subject to U.S. federal withholding tax at the rate of 30% on payments of interest on the Certificates, unless such non-U.S. Holder provides the applicable withholding agent with a properly executed IRS Form W-8BEN or W-8BEN-E (or other applicable form) claiming exemption from or a reduction of withholding under the benefit of an applicable tax treaty. Income tax treaties may provide for a lower rate of withholding tax, exemption from or reduction of branch profits tax, or other rules different from those described above. Non-U.S. Bondholders should consult with their advisors regarding any applicable income tax treaties.

Sale, Exchange, Redemption, Retirement or Other Taxable Disposition of a Certificates -- Subject to the discussions below on backup withholding and FATCA withholding, any gain realized by a Non-U.S. Holder on the sale, exchange, redemption, retirement or other taxable disposition of a Certificate generally will not be subject to U.S. federal income tax or withholding tax, unless:

- Such gain is effectively connected with the conduct by such Non-U.S. Holder of a U.S. trade or business in the United States (and, in the event that an income tax treaty is applicable, such gain is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States),

- the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of disposition and certain other conditions are satisfied.

If a Non-U.S. Holder is engaged in a trade or business in the United States and gain on a Certificate is effectively connected with the conduct of such trade or business (and, if an income tax treaty applies, such gain is attributable to a permanent establishment maintained by the Non-U.S. Holder within the United States), the Non-U.S. Holder will be subject to U.S. federal income tax at regular graduated income tax rates in the same manner as if it were a U.S. Holder, subject to any modification provided under an applicable income tax treaty. If the Non-U.S. Holder is a foreign corporation for U.S. federal income tax purposes, such gain may also be subject to a branch profits tax at the rate of 30%, or lower applicable treaty rate, of its earnings and profits for the taxable year, subject to adjustments, that are effectively connected with its conduct of a trade or business in the United States.

If a Non-U.S. Holder is an individual who is present or deemed to be present in the United States for 183 days or more during the taxable year of the disposition of a Certificate and certain other requirements are met, such Non-U.S. Holder generally will be subject to U.S. federal income tax at a flat rate of 30% (unless a lower applicable income tax treaty rate applies), on any such gain.

Information Reporting and Backup Withholding -- Payments to Non-U.S. Holders of interest on a Certificate, and amounts withheld from such payments, if any, generally will be required to be reported to the IRS and to the Non-U.S. Holder. Copies of these information returns also may be made available to the tax authorities of the country in which the Non-U.S. Holder resides or is established under the provisions of a specific treaty or agreement. These reporting requirements apply regardless of whether withholding was reduced or eliminated by an applicable income tax treaty. Backup withholding generally will not apply to payments of principal and interest on Certificates if the Non-U.S. Holder furnishes a certification as to its Non-U.S. status or the Non-U.S. Holder otherwise establishes an exemption, provided that the applicable withholding agent does not have actual knowledge or reason to know that the Non-U.S. Holder is a United States person.

Payment of the proceeds of a disposition of a Certificate effected by the U.S. office of a United States or foreign broker will be subject to information reporting and backup withholding unless the Non-U.S. Holder properly certifies under penalties of perjury as to its foreign status and certain other conditions are met or the Non-U.S. Holder otherwise establishes an exemption. Information reporting requirements and backup withholding generally will not apply to any payment of the proceeds of the disposition of a Certificate effected outside the United States by a foreign office of a broker. However, unless such a broker has documentary evidence in its records of the Non-U.S. Holder's foreign status and certain other conditions are met, or the Non-U.S. Holder otherwise establishes an exemption, information reporting will apply to a payment of the proceeds of the sale of a Certificate effected outside the United States by such a broker if it has certain relationships with the United States.

U.S. backup withholding tax is not an additional tax. Any amount withheld under the backup withholding rules is allowable as a credit against the U.S. Holder's U.S. federal income tax liability, if any, and a refund may be obtained if the amounts withheld exceed the U.S. Bondholder's actual U.S. federal income tax liability and the U.S. Holder timely provides the required information or appropriate claim to the IRS.

FATCA Withholding

The Foreign Account Tax Compliance Act, or "FATCA," imposes a 30% withholding tax on certain types of payments made to foreign financial institutions, or "FFIs," and certain other non-U.S. entities, unless certain due diligence, reporting, withholding, and certification requirements are satisfied. As a general matter, FATCA imposes a 30% withholding tax on interest payments on a Certificate, and (subject to the proposed United States Treasury regulations discussed below) payments of gross proceeds from the sale or other disposition of a Certificate, that are made to an FFI or non-financial foreign entity unless (i) the foreign entity is an FFI that undertakes certain due diligence, reporting, withholding, and certification obligations, or in the case of an FFI that is a resident in a jurisdiction that has entered into an intergovernmental agreement to implement FATCA, the entity complies with the diligence, reporting, and other requirements of such an agreement, (ii) the foreign entity is not an FFI and either certifies that it does not have any "substantial" U.S. owners or furnishes identifying information regarding each substantial U.S. owner, or (iii) the foreign entity qualifies for an exemption from these rules. In certain cases, a "substantial" U.S. owner can mean an owner of any interest in the foreign entity.

As noted above, withholding under FATCA can apply to payments of gross proceeds from the sale or other disposition of a Certificate, in addition to interest payments. However, United States Treasury regulations have been proposed that would entirely eliminate FATCA withholding on payments of gross proceeds. Taxpayers generally may rely on these proposed United States Treasury regulations until the promulgation of final United States Treasury regulations.

Prospective investors are encouraged to consult with their tax advisors regarding the possible implications of FATCA on their investment in the Certificates.

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 2024. 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 2024. 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 financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB’s Internet Web site or filed with the United States Securities and Exchange Commission (the “SEC”), as permitted by SEC Rule 15c2-12 (the “Rule”).

The Town’s current fiscal year end is September 30. Accordingly, 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.)

For these purposes, (A) any event described in the immediately preceding clause (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to 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 of business of the City, and (B) the City intends the words used in clauses (15) and (16) in the immediately preceding paragraph and in the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018. The Ordinance defines “Financial Obligation” as a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as a security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) 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 and “AA” By Fitch, 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 Initial Purchaser a complete transcript of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial Certificates and to the effect that the Certificates are valid and legally binding obligations of the Town, and based upon examination of such transcripts of proceedings, the approving legal opinion of Bond Counsel. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Certificates will also be furnished. In its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Notice of Sale and Bidding Instructions, the Official Bid Form and this Official Statement to verify that such information conforms to the provisions of the Ordinance. In connection with the transactions described in the Official Statement, Bond Counsel represents only the Town. 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 various legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise from the transaction.

FINANCIAL ADVISOR

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.

INITIAL PURCHASER

After requesting competitive bids for the Certificates, the Town accepted the bid of SAMCO Capital Markets (previously defined herein as the "Initial Purchaser") to purchase the Certificates at the interest rates shown on page 2 of this Official Statement at a price of \$15,160,706.20. The Initial Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the Town to the Initial Purchaser. The initial yields shown on page 4 of this Official Statement will be established by and are the sole responsibility of the Initial Purchaser and may subsequently be changed at the sole discretion of the Initial Purchaser. The Town has no control over the determination of the initial yields and has no control over the prices at which the Certificates are sold in the secondary market.

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.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

CERTIFICATION OF THE OFFICIAL STATEMENT

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

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 also 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.

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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 2024 population is 11,810. 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 (DENTON COUNTY)

	Average Annual				
	2024 ⁽¹⁾	2023	2022	2021	2020
Civilian Labor Force	573,096	574,550	551,484	529,962	511,748
Total Employed	551,582	554,037	533,815	506,554	478,783
Total Unemployed	21,514	20,513	17,669	23,408	32,965
Unemployment Rate	3.8%	3.6%	3.2%	4.4%	6.4%

(1) As of March 2024.

Source: Texas Workforce Commission, Austin, Texas.

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APPENDIX B

EXCERPTS FROM THE
TOWN OF NORTHLAKE, TEXAS
ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2023

The information contained in this Appendix consists of excerpts from the Town of Northlake, Texas Annual Financial Report for the Year Ended September 30, 2023, 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 Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, 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, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Northlake, Texas, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Emphasis of Matter

As discussed in Note V.G and V.H. to the financial statements, due to the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, the Town restated capital assets and long-term liabilities for governmental activities. The Town restated beginning net position within the governmental activities and internal service funds. Our opinion is not modified with respect to these matters.

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, schedules 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 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.



BrooksWatson & Co.
Certified Public Accountants
Houston, Texas
April 9, 2024



*MANAGEMENT'S DISCUSSION
AND ANALYSIS*



Town of Northlake, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2023

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, 2023. 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, 2023 by \$96,903,658. Of this amount, \$22,125,216 (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 \$13,019,214. 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 \$16,799,419 at September 30, 2023, an increase of \$1,436,991 from the prior fiscal year; this includes a decrease of \$149,728 in the debt service fund, an increase of \$370,621 in the general fund, a decrease of \$1,251,824 in the capital improvements fund, a decrease of \$1,504,045 in the roadway impact fees fund, and an increase of \$59,422 in the Northlake PID funds.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$5,726,371 or 58% of total general fund expenditures.
- The Town's total debt showed a net increase of \$11,593,970, including bond premiums. The total governmental bonds payable at the close of the fiscal year was \$11,889,399. Self-supporting debt of the proprietary fund was \$33,072,402.

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, 2023

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 two categories: governmental funds and proprietary 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, 2023

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 nineteen 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 Northlake PID funds, which are considered to be major funds. The Town's fourteen 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 with an adopted budget 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, 2023

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 \$96,903,658 as of September 30, 2023 in the primary government.

The largest portion of the Town's net position, \$65,385,289, 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, 2023

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2023			2022		
	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activities	Activities		Activities	Activities	
Current and						
other assets	\$ 19,989,381	\$ 35,015,911	\$ 55,005,292	\$ 18,385,813	\$ 22,186,629	\$ 40,572,442
Long-term receivables	2,425,000	-	2,425,000	3,284,452	-	3,284,452
Capital assets, net	37,231,143	53,405,546	90,636,689	34,727,020	44,012,298	78,739,318
Total Assets	59,645,524	88,421,457	148,066,981	56,397,285	66,198,927	122,596,212
Total Deferred						
Outflows	719,695	107,536	827,231	313,901	46,897	360,798
Other liabilities	3,957,365	4,882,507	8,839,872	3,936,471	3,681,831	7,618,302
Long-term liabilities	11,287,909	31,836,702	43,124,611	11,332,077	19,822,244	31,154,321
Total Liabilities	15,245,274	36,719,209	51,964,483	15,268,548	23,504,075	38,772,623
Total Deferred						
Inflows	22,681	3,390	26,071	260,951	38,992	299,943
Net Position:						
Net investment						
in capital assets	27,438,904	37,946,385	65,385,289	25,511,980	32,910,802	58,422,782
Restricted	4,665,268	4,727,885	9,393,153	4,543,830	2,137,078	6,680,908
Unrestricted	12,993,092	9,132,124	22,125,216	11,125,877	7,654,877	18,780,754
Total Net Position	\$ 45,097,264	\$ 51,806,394	\$ 96,903,658	\$ 41,181,687	\$ 42,702,757	\$ 83,884,444

Current assets for business-type activities increased primarily due to greater cash on hand, resulting from the issuance of new debt proceeds 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, in addition to capital improvements and the purchase of other capital equipment made by the town. Long-term liabilities for governmental activities decreased primarily due to principal payments made in the current year. Long-term liabilities increased for business-type due to new debt issuances outweighing principal payments.

Town of Northlake, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2023

Statement of Activities:

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

	<u>For the Year Ended September 30, 2023</u>			<u>For the Year Ended September 30, 2022</u>		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
			<u>Primary</u>			<u>Primary</u>
	<u>Activities</u>	<u>Activities</u>	<u>Government</u>	<u>Activities</u>	<u>Activities</u>	<u>Government</u>
Revenues						
Program revenues:						
Charges for services	\$ 5,553,147	\$ 15,563,561	\$ 21,116,708	\$ 4,851,379	\$ 11,286,372	\$ 16,137,751
Grants and contributions	4,554,572	6,546,445	11,101,017	3,462,969	3,910,528	7,373,497
General revenues:						
Property taxes	5,766,731	-	5,766,731	4,429,860	-	4,429,860
Sales taxes	1,700,234	-	1,700,234	1,768,699	-	1,768,699
Franchise and local taxes	1,015,633	-	1,015,633	936,774	-	936,774
Hotel occupancy taxes	751,320	-	751,320	736,301	-	736,301
Investment income	447,913	872,301	1,320,214	58,846	162,962	221,808
Other revenues	200,351	-	200,351	104,056	-	104,056
Total Revenues	<u>19,989,901</u>	<u>22,982,307</u>	<u>42,972,208</u>	<u>16,348,884</u>	<u>15,359,862</u>	<u>31,708,746</u>
Expenses						
General government	2,655,583	-	2,655,583	1,377,451	-	1,377,451
Public safety	4,277,207	-	4,277,207	3,865,325	-	3,865,325
Public works	3,064,584	-	3,064,584	2,596,523	-	2,596,523
PID special assessments	1,856,793	-	1,856,793	1,439,434	-	1,439,434
TIRZ	297,717	-	297,717	288,063	-	288,063
Promotional	117,047	-	117,047	57,876	-	57,876
Development services	2,756,053	-	2,756,053	2,349,333	-	2,349,333
Interest and fiscal charges	264,526	979,901	1,244,427	218,897	536,513	755,410
Water & Sewer	-	13,205,101	13,205,101	-	9,882,397	9,882,397
Utility Impact Fees	-	478,482	478,482	-	486,626	486,626
Total Expenses	<u>15,289,510</u>	<u>14,663,484</u>	<u>29,952,994</u>	<u>12,192,902</u>	<u>10,905,536</u>	<u>23,098,438</u>
Change in Net Position						
Before Transfers	4,700,391	8,318,823	13,019,214	4,155,982	4,454,326	8,610,308
Transfers	(784,814)	784,814	-	(2,446,612)	2,446,612	-
Total	<u>(784,814)</u>	<u>784,814</u>	<u>-</u>	<u>(2,446,612)</u>	<u>2,446,612</u>	<u>-</u>
Change in Net Position	3,915,577	9,103,637	13,019,214	1,709,370	6,900,938	8,610,308
Beginning Net Position	41,181,687	42,702,757	83,884,444	39,472,317	35,801,819	75,274,136
Ending Net Position	<u>\$ 45,097,264</u>	<u>\$ 51,806,394</u>	<u>\$ 96,903,658</u>	<u>\$ 41,181,687</u>	<u>\$ 42,702,757</u>	<u>\$ 83,884,444</u>

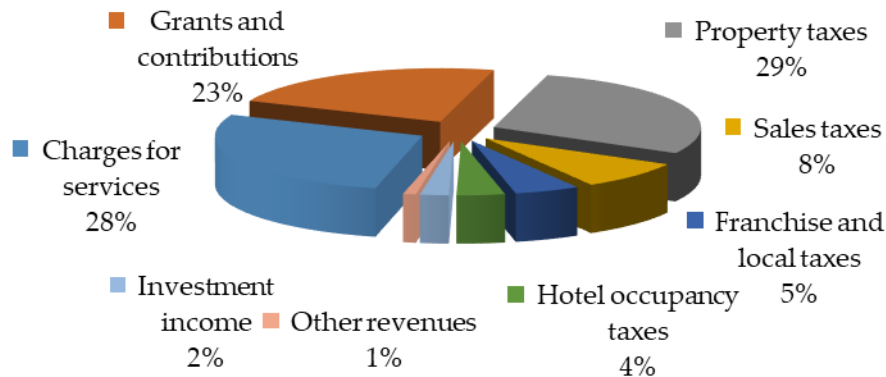
Town of Northlake, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2023

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

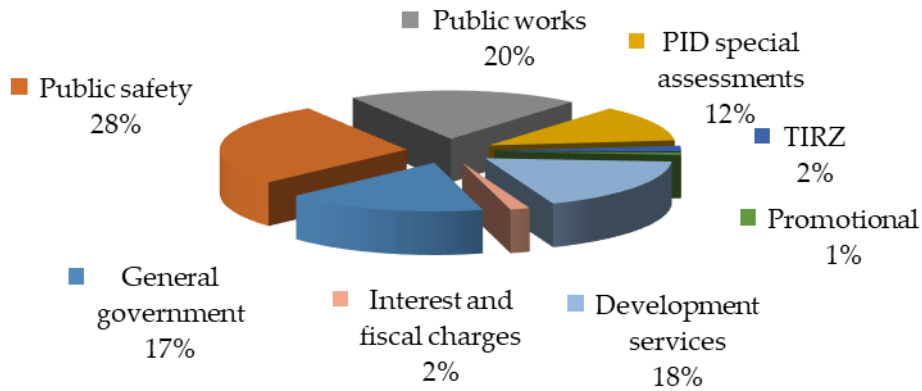


For the year ended September 30, 2023, revenues from governmental activities totaled \$19,989,901. Property tax, grants and contributions, and charges for services are the Town's largest general revenue sources. Overall revenue increased \$3,641,017. Charges for services increased by \$701,768 or 14% primarily due to a rise in contracted police services provided by the Town. Franchise and local taxes increased by \$78,859 or 8% due to continued economic growth within the Town. Investment income increased by \$389,067 or over 100% due primarily to the realization of greater interest rates in the current year. Other revenues increased by \$96,295 or over 100% primarily as a result of a rise in the nonrecurring seized monies and miscellaneous income received in the current 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, 2023

This graph shows the governmental function expenses of the Town:

Governmental Activities - Expenses

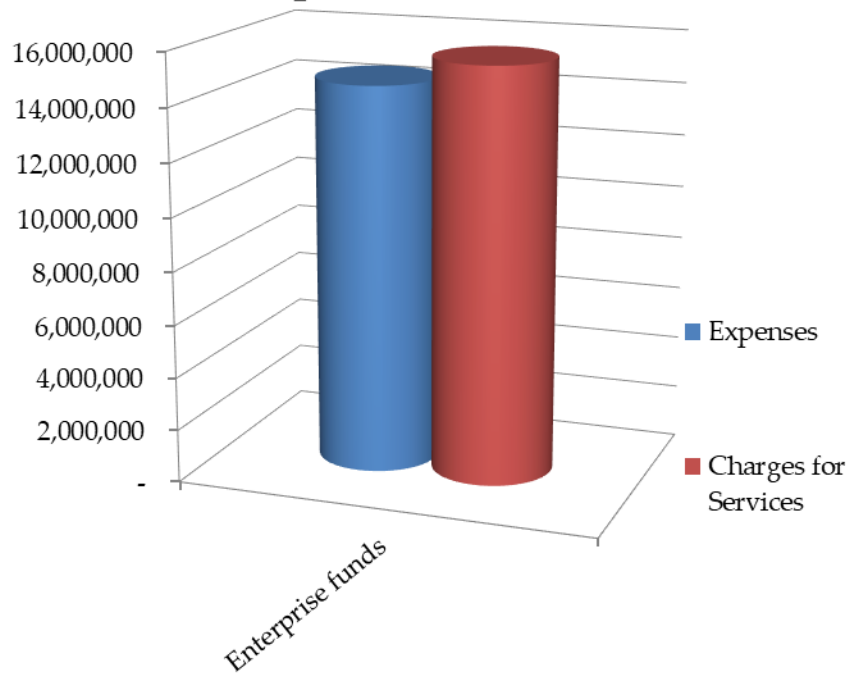


For the year ended September 30, 2023, expenses for governmental activities totaled \$15,289,510. This represents an increase of \$3,096,608 or 25% from the prior year. The Town's largest functional expenses are public safety of \$4,277,207 and development services of \$2,756,053. Public safety reflected an increase of \$411,882 or 11% from prior year. This increase is attributed primarily to higher personnel costs to keep up with the community growth and greater fuel costs, vehicle maintenance, and building services in the current year. Public works increased by \$468,061 or 18% due to the payments to developers of impact fees per development agreements, in addition to added personnel costs and repairs and maintenance. PID special assessment expenses increased by \$417,359 or 29% due to greater repairs and maintenance in the current year. Promotional expenses increased by \$59,171 or over 100% as a way to draw economic growth to the community. Development services expenses increased by \$406,720 or 17% due primarily to additional engineering costs. Interest and fiscal charges experienced an increase of \$45,629 or 21% due to current year bond issuance costs in addition to higher overall interest payments for new debt, consistent with debt service schedules. All other expenses were relatively consistent to the previous year.

Town of Northlake, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2023

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, 2023, charges for services by business-type activities totaled \$15,563,561. This represents an increase of \$4,277,189 or 38% from the previous year. This increase directly relates to the increased customer base within the Town limits, in addition to greater water and sewer rates compared to the previous year.

Total expenses increased \$3,757,948 to a total of \$14,663,484, due primarily to increased personnel costs, wholesale water purchases, wastewater service expenses, and greater asset depreciation in the current year.

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, 2023

At September 30, 2023, the Town's governmental funds reported combined fund balances of \$16,799,419, an increase of \$1,436,991 in comparison with the prior year. Approximately 33% of this amount, \$5,544,738, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is restricted for particular purposes, in the amount of \$11,238,990.

As of the end of the year the general fund reflected a total fund balance of \$5,734,217, of which \$7,846 is nonspendable and the remaining \$5,726,371 is unassigned. The increase in fund balance of \$370,621 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 \$5,734,217 is 59% of total general fund expenditures.

The debt service fund had an ending fund balance of \$509,412 at September 30, 2023, a decrease of \$149,728. The decrease was a result of transfers out and debt service expenditures exceeding property tax revenues and proceeds.

The capital improvements fund had an ending fund balance of \$3,471,918, a decrease of \$1,251,824. The decrease is primarily due to capital expenditures exceeding revenues.

The roadway impact fees fund had an ending fund balance of \$3,881,323, an increase of \$1,504,045. The increase is a result of impact and development revenues exceeding expenditures.

The Northlake PID fund had an ending fund balance of \$435,247, an increase of \$59,422. 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 \$3,449,313 consisting of water and sewer system infrastructure.
- Operational expenses excluding depreciation and amortization were \$12,436,083.
- Cash and cash equivalents in the enterprise funds were \$32,211,837 at fiscal yearend.

The Water & Sewer fund had an ending net position of \$490,008, a decrease of \$8,990,924. 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, 2023

The Water Capital Projects fund had an ending net position of \$45,857,535, an increase of \$15,119,278. 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 \$4,727,885, an increase of \$2,590,807. The increase is primarily due to impact fees received from developers during the year.

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 \$2,998,652 to be retained for future risk.

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a positive variance of \$720,570 over the final budgeted general fund revenues. The most significant differences between estimated revenues and actual revenues were for property tax, franchise and local taxes, license, permits and fees, and charges for services. Property tax revenue fell below budgeted by \$303,908. Franchise and local taxes exceeded expectations by \$323,633, as a result of continued growth and development within the town. This growth and development also attributed to the license, permits and fees revenues exceeding expectation by \$215,478. Charges for services exceeded the budgeted amount by \$243,755. This was primarily due to an unforeseen increase in the town contracting out police services. All other differences were not considered to be significant.

There was a total positive variance of \$8,403 in final budgeted expenditure appropriations. The significant departmental variances between the actual expenditures compared to the appropriations in the final budget were the general government in the amount of \$304,480, as a result of increased personnel costs, and development services in the amount of \$114,378, caused primarily by additional engineering costs. These were largely offset by the positive budget variance for police in the amount of \$393,915, which was primarily due to personnel costs coming under budget. No other budget variances were considered significant. In addition, as the legal level of budgetary control is at the fund level, the general fund budget did not have any appropriations exceeding the legal level of control.

The budgeted surplus of revenue over expenditures before transfers amounted to \$728,973, resulting in a net positive change in fund balance of \$370,621.

The original general fund budget surplus of \$174,015 was amended during the year to a final budgeted deficit of \$364,660. Significant amendments include an increase in property tax revenues of \$133,582, offset with increases in budgeted expenditures for general government and police in the amount of \$100,000 and \$31,350, respectively. In addition, transfer out was increased by \$540,907. No other reclassifications and amendments were made.

Town of Northlake, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2023

CAPITAL ASSETS

As of the end of the year, the Town's governmental activities funds had invested \$37,231,143 in a variety of capital assets and infrastructure, net of accumulated depreciation. The Town's business-type activities funds had invested \$53,405,546 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 \$11,897,371, net of depreciation.

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

- Additions of roadway projects totaled \$2,843,635.
- Eight police vehicles units were purchased, totaling \$368,533.
- Two public works pickup trucks were purchased, totaling \$132,713.
- Developmental costs to Northlake 35 Logistical Park totaled \$1,000,000.
- Contributions of infrastructure were made to the town for Creek Meadows West Phase 1, totaling \$952,786.
- Additional improvements to the south area water infrastructure totaled \$667,920.
- Additions to the Catherine Branch water and sewer infrastructure project totaled \$4,856,478.
- Ground storage tank additions totaled \$315,912.
- Water line additions totaled \$490,825.
- West elevated storage tank additions totaled \$119,366.
- Waterline upsizing totaled \$355,000. In addition, the town received capital contributions from developer projects totaling \$857,896 of waterline upsizing.
- Additional Developer capital contributions of water and sewer infrastructure received by the Town totaled \$2,591,417.

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 debt obligations of \$43,001,652 (excluding premiums). Of this amount, \$31,285,667 is self-supporting through revenues collected from the rates of the Town's utility fund. During the year, the Town made \$3,514,124 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.

Town of Northlake, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2023

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and Town Council are committed to maintaining and improving the overall wellbeing of the Town of Northlake and improving services provided to their public citizens.

The 2023-2024 Fiscal Year Budget was approved by the Town Council on August 24, 2023. 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 \$721.6 million (35.02%) from the previous year, resulting in an overall increase in budgeted ad valorem taxes of \$945,921 to be allocated across the General, Debt Service, and both Tax Increment Financing Funds. Overall, budgeted revenue for the General Fund increased by \$407,921 to a total of \$10,252,255. Budgeted expenditures increased by \$398,809 over the original 2022-2023 budget to a total of \$10,069,128.

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, 2023

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Northlake EDC	Northlake CDC
Assets					
Current assets:					
Cash and cash equivalents	\$ 18,898,239	\$ 32,211,837	\$ 51,110,076	\$ 1,781,873	\$ 1,766,168
Receivables, net	1,015,781	2,401,861	3,417,642	150,224	150,224
Special assessment receivable - current	195,000	-	195,000	-	-
Prepays	62,756	219,818	282,574	6,275	6,275
Internal balances	(182,395)	182,395	-	-	-
Total Current Assets	19,989,381	35,015,911	55,005,292	1,938,372	1,922,667
Noncurrent assets:					
Special assessment receivable - noncurrent	2,425,000	-	2,425,000	-	-
Capital assets:					
Non-depreciable	8,430,622	17,730,831	26,161,453	-	-
Net depreciable capital assets	28,800,521	35,674,715	64,475,236	-	-
Noncurrent Assets	39,656,143	53,405,546	93,061,689	-	-
Total Assets	59,645,524	88,421,457	148,066,981	1,938,372	1,922,667
Deferred Outflows of Resources					
Deferred Outflows - Pension	719,046	107,439	826,485	-	-
Deferred Outflows - OPEB	649	97	746	-	-
Total Deferred Outflows of Resources	\$ 719,695	\$ 107,536	\$ 827,231	\$ -	\$ -

Town of Northlake, Texas
STATEMENT OF NET POSITION (Continued)
September 30, 2023

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Northlake EDC	Northlake CDC
Liabilities					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 2,211,913	\$ 2,054,647	\$ 4,266,560	\$ 8,507	10,059
Accrued interest payable	23,658	144,647	168,305	-	-
Customer deposits	-	1,281,449	1,281,449	-	-
Compensated absences, current	89,104	26,097	115,201	-	-
Long term debt due within one year	1,632,690	1,375,667	3,008,357	-	-
Current Liabilities	3,957,365	4,882,507	8,839,872	8,507	10,059
Noncurrent liabilities:					
Compensated absences, noncurrent	169,315	11,185	180,500	-	-
Long-term debt due in more than one year	10,256,709	31,696,735	41,953,444	-	-
Net pension liability	820,359	122,577	942,936	-	-
OPEB liability	41,526	6,205	47,731	-	-
Noncurrent Liabilities	11,287,909	31,836,702	43,124,611	-	-
Total Liabilities	15,245,274	36,719,209	51,964,483	8,507	10,059
Deferred Inflows of Resources					
Deferred Inflows - OPEB	22,681	3,390	26,071	-	-
Total Deferred Inflows of Resources	22,681	3,390	26,071	-	-
Net Position					
Net investment in capital assets	27,438,904	37,946,385	65,385,289	-	-
Restricted for:					
Debt service	509,412	-	509,412	-	-
Promotional activities	2,546,563	-	2,546,563	-	-
Capital improvements	1,295,041	4,727,885	6,022,926	-	-
Municipal court	122,463	-	122,463	-	-
Street maintenance	178,152	-	178,152	-	-
TIRZ	13,637	-	13,637	-	-
Economic development	-	-	-	1,929,865	-
Municipal development	-	-	-	-	1,912,608
Unrestricted	12,993,092	9,132,124	22,125,216	-	-
Total Net Position	\$ 45,097,264	\$ 51,806,394	\$ 96,903,658	\$ 1,929,865	\$ 1,912,608

See Notes to Financial Statements.



Town of Northlake, Texas
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2023

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units		
	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions	Governmental Activities	Primary Business-Type Activities	Total	Northlake EDC	Northlake CDC
		Expenses	Operating Grants and Contributions						
Primary Government									
Governmental Activities									
General government	\$ 2,655,583	\$ -	\$ 77,000	\$ 1,000,000	\$ (1,578,583)	\$ -	\$ (1,578,583)	\$ -	\$ -
Public safety	4,277,207	1,072,493	-	-	(3,204,714)	-	(3,204,714)	-	-
Public works	3,064,584	-	-	3,477,572	412,988	-	412,988	-	-
PID special assessments	1,856,793	1,333,926	-	-	(522,867)	-	(522,867)	-	-
TIRZ	297,717	-	-	-	(297,717)	-	(297,717)	-	-
Promotional	117,047	-	-	-	(117,047)	-	(117,047)	-	-
Development services	2,756,053	3,146,728	-	-	390,675	-	390,675	-	-
Interest and fiscal charges	264,526	-	-	-	(264,526)	-	(264,526)	-	-
Total Governmental Activities	15,289,510	5,553,147	77,000	4,477,572	(5,181,791)	-	(5,181,791)	-	-
Business-Type Activities									
Water and sewer	13,758,312	15,000,282	-	2,591,417	-	3,833,387	3,833,387	-	-
Water capital projects	241,024	-	-	857,896	-	616,872	616,872	-	-
Utility impact fees	478,482	-	-	3,097,132	-	2,618,650	2,618,650	-	-
Nonmajor funds	185,666	563,279	-	-	-	377,613	377,613	-	-
Total Business-Type Activities	14,663,484	15,563,561	-	6,546,445	-	7,446,522	7,446,522	-	-
Total Primary Government	\$ 29,952,994	\$ 21,116,708	\$ 77,000	\$ 11,024,017	\$ (5,181,791)	\$ 7,446,522	\$ 2,264,731	\$ -	\$ -
Component Unit									
Northlake Economic Development Corporation	\$ 805,902	\$ -	\$ -	\$ -	-	3,833,387	(805,902)	-	-
Northlake Community Development Corporation	806,153	-	-	-	-	616,872	-	-	(806,153)
Total Component Units	\$ 1,612,055	\$ -	\$ -	\$ -	\$ -	\$ 4,450,259	\$ (805,902)	\$ -	\$ (806,153)
General Revenues:									
Taxes									
Property taxes					5,766,731		5,766,731		
Sales taxes					1,700,234		1,700,234	821,396	821,396
Franchise and local taxes					1,015,633		1,015,633	-	-
Hotel occupancy taxes					751,320		751,320	-	-
Investment income					447,913	872,301	1,320,214	43,827	44,703
Other revenues					200,351		200,351	15,758	15,758
Transfers					(784,814)	784,814	-	-	-
Total General Revenues and Transfers					9,097,368	1,657,115	10,754,483	880,981	881,857
Change in Net Position					3,915,577	9,103,637	13,019,214	75,079	75,704
Beginning Net Position					41,181,687	42,702,757	83,884,444	1,854,786	1,836,904
Ending Net Position					\$ 45,097,264	\$ 51,806,394	\$ 96,903,658	\$ 1,929,865	\$ 1,912,608

See Notes to Financial Statements.

Town of Northlake, Texas
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2023

	General	Debt Service	Capital Improvement	Roadway Impact Fees	Northlake PID	Nonmajor Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 5,837,855	\$ 510,462	\$ 3,930,404	\$ 3,885,599	\$ 437,911	\$ 3,471,567	\$ 18,073,798
Receivables, net	817,798	40,633	35,933	-	9,322	105,117	1,008,803
Special assessments receivable	-	-	-	-	2,620,000	-	2,620,000
Prepays	7,846	-	-	-	-	7,845	15,691
Total Assets	\$ 6,663,499	\$ 551,095	\$ 3,966,337	\$ 3,885,599	\$ 3,067,233	\$ 3,584,529	\$ 21,718,292
Liabilities							
Accounts payable and accrued liabilities	\$ 858,181	\$ 1,050	\$ 494,419	\$ 4,276	\$ 2,664	\$ 634,832	\$ 1,995,422
Due to other funds	-	-	-	-	-	182,395	182,395
Total Liabilities	858,181	1,050	494,419	4,276	2,664	817,227	2,177,817
Deferred Inflows of Resources							
Unavailable revenue - Property taxes	71,101	40,633	-	-	-	-	111,734
Property special assessments	-	-	-	-	2,629,322	-	2,629,322
Total Deferred Inflows	71,101	40,633	-	-	2,629,322	-	2,741,056
Fund Balances							
Nonspendable for: Prepays	7,846	-	-	-	-	7,845	15,691
Restricted for: Debt service	-	509,412	-	-	-	-	509,412
Promotional activities	-	-	-	-	-	2,546,563	2,546,563
Capital improvements	-	-	3,471,918	3,881,323	-	23,363	7,376,604
Municipal court	-	-	-	-	-	122,463	122,463
Public safety	-	-	-	-	-	178,152	178,152
TIRZ	-	-	-	-	-	13,637	13,637
Utility cost participation	-	-	-	-	-	56,912	56,912
Public improvement districts	-	-	-	-	435,247	-	435,247
Unassigned	5,726,371	-	-	-	-	(181,633)	5,544,738
Total Fund Balances	5,734,217	509,412	3,471,918	3,881,323	435,247	2,767,302	16,799,419
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,663,499	\$ 551,095	\$ 3,966,337	\$ 3,885,599	\$ 3,067,233	\$ 3,584,529	\$ 21,718,292

Town of Northlake, Texas

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

September 30, 2023

Fund Balances - Total Governmental Funds	\$ 16,799,419
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	8,430,622
Capital assets - net depreciable	25,632,210
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Property tax receivable	111,734
Property special assessments	2,629,322
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.	
Deferred Outflows - Pension	719,046
Deferred Outflows - OPEB	649
Deferred Inflows - OPEB	(22,681)
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.	
	2,998,652
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Accrued interest	(23,658)
Bond premium	(173,414)
Non-current liabilities due in one year	(1,190,000)
Non-current liabilities due in more than one year	(9,694,333)
Net pension liability	(820,359)
OPEB liability	(41,526)
Net Position of Governmental Activities	<u>\$ 45,097,264</u>

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, 2023

	General	Debt Service	Capital Improvement	Roadway Impact Fees	Northlake PID	Nonmajor Governmental Funds	Total Governmental Funds
Revenues							
Property tax	\$ 3,029,753	\$ 2,258,856	\$ -	\$ -	\$ -	\$ 392,630	\$ 5,681,239
Sales tax	1,700,234	-	-	-	-	-	1,700,234
Franchise and local taxes	1,015,633	-	-	-	-	-	1,015,633
Hotel occupancy taxes	-	-	-	-	-	751,320	751,320
Special assessments	-	-	-	-	2,183,116	-	2,183,116
License, permits and fees	3,146,728	-	-	-	-	-	3,146,728
Intergovernmental	100,000	-	1,000,000	-	-	-	1,100,000
Charges for services	533,755	-	-	-	-	-	533,755
Fines and forfeitures	496,860	-	-	-	-	41,878	538,738
Impact and development fees	-	-	-	2,377,637	-	147,149	2,524,786
Investment income	89,720	38,255	141,794	73,882	18,262	86,000	447,913
Other revenue	167,198	-	-	-	-	33,153	200,351
Total Revenues	10,279,881	2,297,111	1,141,794	2,451,519	2,201,378	1,452,130	19,823,813
Expenditures							
Current:							
General government	2,582,918	12,650	-	-	-	-	2,595,568
Development services	1,758,077	-	-	-	-	46,107	1,804,184
Public works	1,231,088	-	-	-	-	-	1,231,088
Municipal court	355,689	-	-	-	-	37,716	393,405
Police	3,834,860	-	-	-	-	25,476	3,860,336
Promotional	30,634	-	-	-	-	86,413	117,047
Utility cost participation	-	-	-	-	-	240	240
TIRZ activity	-	-	-	-	-	367,717	367,717
Developer impact fee	-	-	-	947,474	-	-	947,474
Debt Service:							
Principal	-	1,071,500	-	-	195,000	-	1,266,500
Interest and fiscal charges	-	177,874	-	-	90,163	-	268,037
Bond issuance costs	-	15,070	-	-	-	-	15,070
Capital outlay	-	-	3,893,618	-	1,856,793	-	5,750,411
	9,793,266	1,277,094	3,893,618	947,474	2,141,956	563,669	18,617,077
Total Expenditures	9,793,266	1,277,094	3,893,618	947,474	2,141,956	563,669	18,617,077
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 486,615	\$ 1,020,017	\$ (2,751,824)	\$ 1,504,045	\$ 59,422	\$ 888,461	\$ 1,206,736
Other Financing Sources (Uses)							
Transfers in	\$ 424,913	\$ -	\$ 1,500,000	\$ -	\$ -	\$ 40,907	\$ 1,965,820
Transfers (out)	(540,907)	(2,184,814)	-	-	-	(24,913)	(2,750,634)
Premium on bonds issued	-	61,736	-	-	-	-	61,736
Issuance of bonds	-	953,333	-	-	-	-	953,333
Total Other Sources (Uses)	(115,994)	(1,169,745)	1,500,000	-	-	15,994	230,255
Net Change in Fund Balances	370,621	(149,728)	(1,251,824)	1,504,045	59,422	904,455	1,436,991
Beginning fund balances	5,363,596	659,140	4,723,742	2,377,278	375,825	1,862,847	15,362,428
Ending Fund Balances	\$ 5,734,217	\$ 509,412	\$ 3,471,918	\$ 3,881,323	\$ 435,247	\$ 2,767,302	\$ 16,799,419

See Notes to Financial Statements.

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, 2023

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

Net changes in fund balances - total governmental funds	\$	1,436,991
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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		3,893,618
Depreciation expense		(1,766,348)
Capital contributions		952,786

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(786,698)
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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		(40,717)
Accrued interest		2,535
Pension expense		(33,143)
OPEB expense		(7,587)

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		16,046
Principal payments on long-term debt		1,266,500
Premium from issuance		(61,736)
Proceeds from issuance		(953,333)

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.

(3,337)

Change in Net Position of Governmental Activities	\$	3,915,577
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See Notes to Financial Statements.

Town of Northlake, Texas

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2023

	Business-type Activities				Business-type Activities	Governmental Activities
	Water & Sewer	Water Capital Projects	Utility Impact Fees	Nonmajor Proprietary Funds	Total Proprietary Funds	Internal Service Funds
<u>Assets</u>						
<u>Current Assets</u>						
Cash and cash equivalents	\$ 4,487,213	\$ 22,052,172	\$ 4,756,566	\$ 915,886	\$ 32,211,837	\$ 824,441
Receivables, net	2,341,875	-	-	59,986	2,401,861	6,978
Due from other funds	-	182,395	-	-	182,395	-
Prepaid items	171,618	48,200	-	-	219,818	47,065
Total Current Assets	7,000,706	22,282,767	4,756,566	975,872	35,015,911	878,484
<u>Noncurrent Assets</u>						
Capital assets:						
Non-depreciable	21,986	17,708,845	-	-	17,730,831	-
Net depreciable capital assets	29,234,606	6,440,109	-	-	35,674,715	3,168,311
Total Noncurrent Assets	29,256,592	24,148,954	-	-	53,405,546	3,168,311
Total Assets	36,257,298	46,431,721	4,756,566	975,872	88,421,457	4,046,795
<u>Deferred Outflows of Resources</u>						
Deferred Outflows - Pension	107,439	-	-	-	107,439	-
Deferred Outflows - OPEB	97	-	-	-	97	-
Total Deferred Outflows	\$ 107,536	\$ -	\$ -	\$ -	\$ 107,536	\$ -

Town of Northlake, Texas
STATEMENT OF NET POSITION (Continued)
PROPRIETARY FUNDS
September 30, 2023

	Business-type Activities			Nonmajor Proprietary Funds	Business-type Activities	Governmental Activities
	Water & Sewer	Water Capital Projects	Utility Impact Fees		Total Proprietary Funds	Internal Service Funds
Liabilities						
Current Liabilities						
Accounts payable						
and accrued liabilities	\$ 1,266,114	\$ 574,186	\$ 28,681	\$ 185,666	\$ 2,054,647	\$ 216,491
Accrued interest	144,647	-	-	-	144,647	-
Customer deposits	1,222,209	-	-	59,240	1,281,449	-
Compensated absences - current	26,097	-	-	-	26,097	-
Long-term debt - current	1,375,667	-	-	-	1,375,667	413,357
Total Current Liabilities	4,034,734	574,186	28,681	244,906	4,882,507	629,848
Noncurrent Liabilities						
Compensated absences, noncurrent	11,185	-	-	-	11,185	-
Long-term debt - noncurrent	31,696,735	-	-	-	31,696,735	418,295
Net pension liability	122,577	-	-	-	122,577	-
OPEB liability	6,205	-	-	-	6,205	-
Total Noncurrent Liabilities	31,836,702	-	-	-	31,836,702	418,295
Total Liabilities	35,871,436	574,186	28,681	244,906	36,719,209	1,048,143
Deferred Inflows of Resources						
Deferred Inflows - OPEB	3,390	-	-	-	3,390	-
Total Deferred Inflows	3,390	-	-	-	3,390	-
Net Position						
Net investment in capital assets	13,797,431	24,148,954	-	-	37,946,385	2,140,155
Restricted for:						
Capital improvements	-	-	4,727,885	-	4,727,885	-
Unrestricted	(13,307,423)	21,708,581	-	730,966	9,132,124	858,497
Total Net Position	\$ 490,008	\$ 45,857,535	\$ 4,727,885	\$ 730,966	\$ 51,806,394	\$ 2,998,652

See Notes to Financial Statements.



Town of Northlake, Texas

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

For the Year Ended September 30, 2023

	Business-type Activities			Business-type Activities		Governmental Activities
	Water & Sewer	Water Capital Projects	Utility Impact Fees	Nonmajor Proprietary Funds	Total Proprietary Funds	Internal Service Funds
<u>Operating Revenues</u>						
Charges for services	\$ 14,999,564	\$ -	\$ -	\$ 563,279	\$ 15,562,843	\$ 1,984,550
Other revenue	718	-	-	-	718	5,814
Total Operating Revenues	15,000,282	-	-	563,279	15,563,561	1,990,364
<u>Operating Expenses</u>						
Operating expenses	10,335,497	-	478,482	185,666	10,999,645	802,689
Personnel	1,436,438	-	-	-	1,436,438	-
Depreciation	795,501	241,024	-	-	1,036,525	1,208,978
Total Operating Expenses	12,567,436	241,024	478,482	185,666	13,472,608	2,011,667
Operating Income (Loss)	2,432,846	(241,024)	(478,482)	377,613	2,090,953	(21,303)
<u>Nonoperating Revenues (Expenses)</u>						
Gain on Sale of Assets	-	-	-	-	-	20,304
Insurance Proceeds	-	-	-	-	-	60,094
Investment income	369,527	413,816	82,095	6,863	872,301	-
Bond issuance expense	(210,975)	-	-	-	(210,975)	-
Interest expense	(979,901)	-	-	-	(979,901)	(62,432)
Total Nonoperating	(821,349)	413,816	82,095	6,863	(318,575)	17,966
Income (Loss) Before Capital Contributions and Transfers	1,611,497	172,792	(396,387)	384,476	1,772,378	(3,337)
<u>Capital Contributions and Transfers</u>						
Developer contributions	2,591,417	857,896	-	-	3,449,313	-
Capital contributions - impact fees	-	-	3,097,132	-	3,097,132	-
Transfers in	1,206,162	14,109,938	-	-	15,316,100	-
Transfers (out)	(14,400,000)	(21,348)	(109,938)	-	(14,531,286)	-
Change in Net Position	(8,990,924)	15,119,278	2,590,807	384,476	9,103,637	(3,337)
Beginning net position	9,480,932	30,738,257	2,137,078	346,490	42,702,757	3,001,989
Ending Net Position	\$ 490,008	\$ 45,857,535	\$ 4,727,885	\$ 730,966	\$ 51,806,394	\$ 2,998,652

See Notes to Financial Statements.

Town of Northlake, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 1 of 2) For the Year Ended September 30, 2023

	Business-type Activities		
	Water & Sewer	Water Capital Projects	Utility Impact Fees
<u>Cash Flows from Operating Activities</u>			
Receipts from customers	\$ 14,214,382	\$ -	\$ -
Receipts from interfund charges for benefit management	-	-	-
Payments to suppliers	(9,818,526)	(188,483)	(663,447)
Payments from other funds	-	566,467	-
Payments to employees	(1,412,194)	-	-
Net Cash Provided (Used) by Operating Activities	2,983,662	377,984	(663,447)
<u>Cash Flows from Noncapital Financing Activities</u>			
Transfers in	1,206,162	14,109,938	-
Transfers (out)	(14,400,000)	(21,348)	(109,938)
Insurance proceeds	-	-	-
Net Cash (Used for) Noncapital Financing Activities	(13,193,838)	14,088,590	(109,938)
<u>Cash Flows from Capital and Related Financing Activities</u>			
Capital purchases	(21,348)	(7,102,708)	109,938
Disposal of capital assets	-	-	-
Proceeds from bond issuance	14,210,975	-	-
Impact fees	-	-	3,097,132
Principal paid on debt	(1,708,500)	-	-
Interest paid on debt	(1,215,997)	-	-
Net Cash Provided by Capital and Related Financing Activities	11,265,130	(7,102,708)	3,207,070
<u>Cash Flows from Investing Activities</u>			
Interest on investments	369,527	413,816	82,095
Net Cash Provided (Used) by Investing Activities	369,527	413,816	82,095
Net increase in Cash and Cash Equivalents	1,424,481	7,777,682	2,515,780
Beginning cash and cash equivalents	3,062,732	14,274,490	2,240,786
Ending Cash and Cash Equivalents	\$ 4,487,213	\$ 22,052,172	\$ 4,756,566

See Notes to Financial Statements.

Business-type Activities		Governmental Activities
Nonmajor Proprietary Funds	Total Proprietary Funds	Internal Service Fund
\$ 505,625	\$ 14,720,007	\$ -
-	-	1,983,386
-	(10,670,456)	(652,162)
-	566,467	-
-	(1,412,194)	-
<u>505,625</u>	<u>3,203,824</u>	<u>1,331,224</u>
-	15,316,100	-
-	(14,531,286)	-
-	-	60,094
<u>-</u>	<u>784,814</u>	<u>60,094</u>
-	(7,014,118)	(633,045)
-	-	20,304
-	14,210,975	-
-	3,097,132	-
-	(1,708,500)	(539,124)
-	(1,215,997)	(62,432)
<u>-</u>	<u>7,369,492</u>	<u>(1,214,297)</u>
<u>6,863</u>	<u>872,301</u>	<u>-</u>
<u>6,863</u>	<u>872,301</u>	<u>-</u>
512,488	12,230,431	177,021
403,398	19,981,406	647,420
<u>\$ 915,886</u>	<u>\$ 32,211,837</u>	<u>\$ 824,441</u>

Town of Northlake, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 2 of 2) For the Year Ended September 30, 2023

	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	\$ 2,432,846	\$ (241,024)	\$ (478,482)
Adjustments to reconcile operating income to net cash provided:			
Depreciation	795,501	241,024	-
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in:			
Accounts receivable	(924,974)	-	-
Prepaid expenses	(171,618)	(48,200)	-
Increase (Decrease) in:			
Accounts payable and accrued liabilities	688,589	(140,283)	(184,965)
Due to (from) other funds	-	566,467	-
Compensated absences	18,164	-	-
Customer deposits	139,074	-	-
Deferred inflows/outflows - Pension	(62,668)	-	-
Deferred inflows/outflows - OPEB	(33,573)	-	-
OPEB liability	105,222	-	-
Net pension liability	(2,901)	-	-
Net Cash Provided (Used) by Operating Activities	\$ 2,983,662	\$ 377,984	\$ (663,447)
 <u>Schedule of Noncash Capital and Financing Activities:</u>			
Contributions of capital assets	\$ 2,591,417	\$ 857,896	\$ -
Change in capital related accrued liabilities	-	33,658	-
	\$ 2,591,417	\$ 891,554	\$ -

See Notes to Financial Statements.

Business-type Activities		Governmental Activities
Nonmajor Proprietary Funds	Total Proprietary Funds	Internal Service Fund
\$ 377,613	\$ 2,090,953	\$ (21,303)
-	1,036,525	1,208,978
(20,526)	(945,500)	(6,978)
-	(219,818)	(47,065)
185,666	549,007	197,592
-	566,467	-
-	18,164	-
(37,128)	101,946	-
-	(62,668)	-
-	(33,573)	-
-	105,222	-
-	(2,901)	-
<u>\$ 505,625</u>	<u>\$ 3,203,824</u>	<u>\$ 1,331,224</u>
\$ -	\$ 3,449,313	\$ -
-	33,658	-
<u>\$ -</u>	<u>\$ 3,482,971</u>	<u>\$ -</u>



Town of Northlake, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

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 activities of the primary government and its component units. *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
September 30, 2023

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.

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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.

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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 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.

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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.

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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
September 30, 2023

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 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*. Custodial funds use the economic resources measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

E. Assets, Liabilities, and Fund Balance 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, 2023

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.

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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.

Asset Description	Estimated Useful Life
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.

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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, 2023

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 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, 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. Leases

Lessee: The Town is a lessee for noncancellable leases for use of buildings and copiers. The Town recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the full-accrual financial statements. The Town recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the Town initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The leased asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Town determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

12. Subscription Based Information Technology Arrangements

The Town implemented the provision of Governmental Accounting Standard Board (GASB) Statement No. 96, entitled Subscription-Based Information Technology Arrangements (“SBITA”). Upon implementation, the Town recorded right to use assets and subscription liabilities based on the present value of the payments for the related arrangements. The assets are included within capital assets, and amortized straight-line over the term of the arrangement. The liabilities accrue interest at the implied rate estimated by the Town and are relieved with payments over the term of the arrangements.

13. 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.

14. 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
September 30, 2023

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.

14. 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The Town has the following items that qualify for reporting 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, 2023

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, 2023

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, Child Safety, Court Online Access Fees, Cost Recovery Fee, 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
September 30, 2023

A. Expenditures Over Appropriations

For the year ended, expenditures exceeded appropriations at the legal level of control in the TIRZ and Capital Improvement funds in amounts totaling \$50,301 and \$815,056, respectively.

B. Deficit Fund Balance

At September 30, 2023, the Cost Recovery Fee fund has a deficit fund balance of \$181,633. 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, 2023, 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	\$ 6,680,009	42 days	AAA
Total fair value	<u>\$ 6,680,009</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, 2023

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, 2023, 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 fair value of not less than the principal amount of the deposits. As of September 30, 2023, the fair 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, 2023

B. Receivables

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

	General	Debt Service	Capital Improvement	Northlake PID	Internal Service	Nonmajor Govt.	Total Governmental
Property taxes	\$ 59,637	\$ 40,633	\$ -	\$ 9,322	\$ -	\$ -	\$ 109,592
Sales tax	305,429	-	-	-	-	-	305,429
Franchise taxes	278,775	-	-	-	-	-	278,775
Occupancy taxes	-	-	-	-	-	91,948	91,948
Special assessments	-	-	-	2,620,000	-	-	2,620,000
Fines	38,213	-	-	-	-	-	38,213
Accounts	162,503	-	35,933	-	6,978	13,169	218,583
Allowance	(26,759)	-	-	-	-	-	(26,759)
	<u>\$ 817,798</u>	<u>\$ 40,633</u>	<u>\$ 35,933</u>	<u>\$ 2,629,322</u>	<u>\$ 6,978</u>	<u>\$ 105,117</u>	<u>\$ 3,635,781</u>

	Water & Sewer	Nonmajor Proprietary	Total Proprietary
Accounts	\$ 2,478,075	\$ 59,986	\$ 2,538,061
Allowance	(136,200)	-	(136,200)
	<u>\$ 2,341,875</u>	<u>\$ 59,986</u>	<u>\$ 2,401,861</u>

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

	Northlake EDC	Northlake CDC	Total
Sales tax	\$ 150,224	\$ 150,224	\$ 300,448
	<u>\$ 150,224</u>	<u>\$ 150,224</u>	<u>\$ 300,448</u>

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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	\$ 4,896,819	\$ 49,983	\$ -	\$ 4,946,802
Construction in progress	1,283,381	2,843,635	(643,196)	3,483,820
Total capital assets not being depreciated	<u>6,180,200</u>	<u>2,893,618</u>	<u>(643,196)</u>	<u>8,430,622</u>
Capital assets, being depreciated:				
Buildings and improvements	2,016,584	18,984	-	2,035,568
Furniture and fixtures	328,168	22,815	-	350,983
Vehicles and equipment	2,773,303	591,246	(54,703)	3,309,846
Infrastructure	33,549,663	1,952,786	643,196	36,145,645
Right to use assets	1,871,694	-	-	1,871,694
Total capital assets being depreciated	<u>40,539,412</u>	<u>2,585,831</u>	<u>588,493</u>	<u>43,713,736</u>
Less accumulated depreciation				
Buildings and improvements	978,377	336,541	-	1,314,918
Furniture and fixtures	76,607	32,817	-	109,424
Vehicles and equipment	1,663,781	281,151	(54,703)	1,890,229
Infrastructure	8,840,158	1,758,570	-	10,598,728
Right to use assets	433,669	566,247	-	999,916
Total accumulated depreciation	<u>11,992,592</u>	<u>2,975,326</u>	<u>(54,703)</u>	<u>14,913,215</u>
Net capital assets being depreciated	28,546,820	(389,495)	643,196	28,800,521
Total Capital Assets	<u>\$ 34,727,020</u>	<u>\$ 2,504,123</u>	<u>\$ -</u>	<u>\$ 37,231,143</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 537,340
Public safety	481,943
Public works	1,634,037
Development services	77,673
PID	244,333
Total Governmental Activities Depreciation Expense	<u>\$ 2,975,326</u>

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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	10,359,361	6,625,460	-	16,984,821
Total capital assets not being depreciated	<u>11,105,371</u>	<u>6,625,460</u>	<u>-</u>	<u>17,730,831</u>
Capital assets, being depreciated:				
Buildings and improvements	35,211	-	-	35,211
Vehicles and equipment	96,654	-	-	96,654
Infrastructure	36,105,838	3,804,313	-	39,910,151
Total capital assets being depreciated	<u>36,237,703</u>	<u>3,804,313</u>	<u>-</u>	<u>40,042,016</u>
Less accumulated depreciation				
Buildings and improvements	14,832	1,175	-	16,007
Vehicles and equipment	78,250	12,082	-	90,332
Infrastructure	3,237,694	1,023,268	-	4,260,962
Total accumulated depreciation	<u>3,330,776</u>	<u>1,036,525</u>	<u>-</u>	<u>4,367,301</u>
Net capital assets being depreciated	<u>32,906,927</u>	<u>2,767,788</u>	<u>-</u>	<u>35,674,715</u>
Total Capital Assets	<u><u>\$ 44,012,298</u></u>	<u><u>\$ 9,393,248</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 53,405,546</u></u>

Depreciation was charged to business-type activities as follows:

Water and sewer	\$ 795,501
Water capital projects	241,024
Total Business-Type Activities Depreciation Expense	<u><u>\$ 1,036,525</u></u>

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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	\$ 217,702	\$ 222,313	\$ (181,596)	\$ 258,419	\$ 89,104
Total Governmental Activities	<u>\$ 217,702</u>	<u>\$ 222,313</u>	<u>\$ (181,596)</u>	<u>\$ 258,419</u>	<u>\$ 89,104</u>
Other Long-term Liabilities Due in More than One Year				<u>\$ 169,315</u>	
Business-Type Activities:					
Compensated Absences	\$ 19,118	\$ 56,308	\$ (38,144)	\$ 37,282	\$ 26,097
Total Business-Type Activities	<u>\$ 19,118</u>	<u>\$ 56,308</u>	<u>\$ (38,144)</u>	<u>\$ 37,282</u>	<u>\$ 26,097</u>
Other Long-term Liabilities Due in More than One Year				<u>\$ 11,185</u>	

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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 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, 2023.

	<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	\$ 5,300,000	\$ 953,333	\$ (404,000)	\$ 5,849,333	\$ 339,333
General Obligation Bonds	510,000	-	(165,000)	345,000	170,000
Tax notes	2,572,500	-	(502,500)	2,070,000	510,000
Special Rev. Assessment Bonds - PID	2,815,000	-	(195,000)	2,620,000	200,000
Premium	127,724	61,736	(16,046)	173,414	-
Other liabilities:					
Lease liabilities	1,095,509	-	(462,069)	633,440	341,983
Subscription liabilities (SBITAs)	275,267	-	(77,055)	198,212	71,374
Total Governmental Activities	<u>\$ 12,696,000</u>	<u>\$ 1,015,069</u>	<u>\$ (1,821,670)</u>	<u>\$ 11,889,399</u>	<u>\$ 1,632,690</u>
Long-term liabilities due in more than one year				<u>\$ 10,256,709</u>	
Business-Type Activities:					
Certificates of Obligation	\$ 17,075,000	\$ 13,346,667	\$ (1,206,000)	\$ 29,215,667	\$ 865,667
Tax notes	2,572,500	-	(502,500)	2,070,000	510,000
Premium	1,024,331	864,308	(101,904)	1,786,735	-
Total Business-Type Activities	<u>\$ 20,671,831</u>	<u>\$ 14,210,975</u>	<u>\$ (1,810,404)</u>	<u>\$ 33,072,402</u>	<u>\$ 1,375,667</u>
Long-term liabilities due in more than one year				<u>\$ 31,696,735</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, 2023

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 2.25%	\$ 2,620,000	\$ -
Total Special Revenue Assessment Bonds	\$ 2,620,000	\$ -
<u>Tax Notes</u>		
\$930,000 to \$1,050,000 through August 15, 2027, with interest at 1.10%	2,070,000	2,070,000
Total Tax Notes	\$ 2,070,000	\$ 2,070,000
<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 2.00%	-	255,000
\$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%	4,955,000	-
\$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 3.00%	-	10,830,000
\$7,500,000 Series 2021 Combination Tax and Limited Surplus Revenue Certificates of Obligation, due in annual installments of \$230,000 to \$1,270,000 through August 15, 2041, with interest at 3.00%		5,610,000
\$14,300,000 Series 2022 Combination Tax and Limited Surplus Revenue Certificates of Obligation, due in annual installments of \$440,000 to \$1,025,000 through February 15, 2041, with interest at 5.00%	894,333	12,520,667
Total Certificate of Obligation Bonds	\$ 5,849,333	\$ 29,215,667
<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%	345,000	-
Total General Obligation Bonds	\$ 345,000	\$ -
Total Bonds	\$ 10,884,333	\$ 31,285,667

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

<u>Lease Agreement</u>	<u>Term</u>	<u>Interest</u>		<u>Balance</u>
		<u>Rate</u>	<u>Maturity Date</u>	
Town Hall	60 month	6.00%	January 2024	\$ 72,060
Police Department	60 month	6.00%	February 2025	276,186
Development services	60 month	6.00%	February 2027	255,103
Copiers	60 month	6.00%	March 2027	30,091
Total Leases				\$ 633,440

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

<u>Year ending September 30,</u>	<u>General Obligation Bonds</u>		<u>Certificates of Obligation</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 170,000	\$ 6,900	\$ 339,333	\$ 149,883
2025	175,000	3,500	345,667	142,183
2026	-	-	387,333	134,308
2027	-	-	394,000	125,549
2028	-	-	405,667	116,608
2029 -2033	-	-	2,163,667	437,179
2034-2038	-	-	1,556,333	148,072
2039-2043	-	-	257,333	21,120
Total	\$ 345,000	\$ 10,400	\$ 5,849,333	\$ 1,274,902

<u>Year ending September 30,</u>	<u>Special Revenue Assessment Bonds</u>		<u>Tax Notes</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	220,000	68,325	525,000	2,888
2028	225,000	60,625	-	-
2029-2033	1,275,000	183,156	-	-
2034-2038	285,000	9,975	-	-
Total	\$ 2,620,000	\$ 563,256	\$ 2,070,000	\$ 45,815

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

Year ending September 30,	Lease Liabilities		Subscription Liabilities	
	Principal	Interest	Principal	Interest
2024	\$ 341,983	\$ 26,978	\$ 71,374	\$ 6,468
2025	165,779	11,311	70,674	4,141
2026	87,078	5,077	56,164	1,836
2027	38,600	579	-	-
	<u>\$ 633,440</u>	<u>\$ 43,945</u>	<u>\$ 198,212</u>	<u>\$ 12,445</u>

The Town entered into leases to finance the use of building and equipment. The property is classified as right to use asset with a total carrying value as of yearend for governmental activities of \$600,652. In addition, the Town entered into subscription based arrangements for software. The subscriptions are classified as right to use asset for governmental activities and have a total carrying value of \$271,127.

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
2024	\$ 865,667	\$ 1,173,055	\$ 510,000	\$ 19,965
2025	959,333	1,138,430	515,000	14,328
2026	1,197,667	1,100,330	520,000	8,635
2027	1,281,000	1,054,688	525,000	2,888
2028	1,384,333	995,505	-	-
2029-2033	8,426,333	3,912,390	-	-
2034-2038	10,348,667	1,933,097	-	-
2039-2043	4,752,667	332,355	-	-
Total	<u>\$ 29,215,667</u>	<u>\$ 11,639,850</u>	<u>\$ 2,070,000</u>	<u>\$ 45,815</u>

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

F. Interfund Transactions

Transfers between the primary government funds during the 2023 year were as follows:

Transfer Out	Transfer In					Total
	General	NonMajor Governmental	Capital Improvement	Water and Sewer	Water Capital Projects	
Water and Sewer	\$ 400,000	\$ -	\$ -	\$ -	\$ 14,000,000	\$ 14,400,000
General Fund	-	40,907	500,000	-	-	540,907
Debt Service	-	-	1,000,000	1,184,814	-	2,184,814
Utility Impact Fees	-	-	-	-	109,938	109,938
Water Capital Projects	-	-	-	21,348	-	21,348
Nonmajor Governmental	24,913	-	-	-	-	24,913
Total	\$ 424,913	\$ 40,907	\$ 1,500,000	\$ 1,206,162	\$ 14,109,938	\$ 17,281,920

Transfers from the water and sewer fund were made for operations support costs borne by the general fund as well as for capital projects to the water capital project fund. Transfers to the water and sewer fund and capital improvements fund from the debt service fund were made for debt service.

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

Due from (Receiving Fund):	Due to (Payable Fund):	
	Nonmajor Governmental	Total
Water Capital Projects	182,395	182,395
Total	\$ 182,395	\$ 182,395

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, 2023

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>Business-Type Activities</u>	<u>Northlake EDC</u>	<u>Northlake CDC</u>
Restricted for:				
Debt service	\$ 509,412	\$ -	\$ -	\$ -
Promotional activities	2,546,563	-	-	-
Capital improvements	1,295,041	4,727,885	-	-
* Municipal court	122,463	-	-	-
* Street maintenance	178,152	-	-	-
TIRZ	13,637	-	-	-
Economic development	-	-	1,929,865	-
Community development	-	-	-	1,912,608
Total	<u>\$ 4,665,268</u>	<u>\$ 4,727,885</u>	<u>\$ 1,929,865</u>	<u>\$ 1,912,608</u>

* Restricted by enabling legislation

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.

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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.

C. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the City could result. The City does anticipate that it will have an arbitrage liability and performs annual calculations to estimate this potential liability. The City will also engage an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations, if indicated.

D. Construction Commitments

The government has active construction projects as of September 30, 2023. The projects include street and elevated storage tank improvements and the construction of additional water lines and repairs.

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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>
Engineering - Fort Worth 24-inch Supply Line	\$ 1,216,150	\$ 326,303	\$ 889,847
Engineering -Treatment Plant Expansion	416,900	120,159	296,742
Engineering -North Ground Storage Tank	233,330	138,291	95,039
Engineering -Catherine Branch Sewer Trunkline	456,100	380,453	75,647
Engineering -Denton Creek Wastewater Trunkline	1,527,763	599,153	928,610
Engineering - South 0.5 MG Elevated Storage Tank	467,550	119,366	348,184
Construction - Wastewater Treatment Plant	3,556,484	2,743,438	813,046
	<u>\$ 7,874,277</u>	<u>\$ 4,427,163</u>	<u>\$ 3,447,114</u>

Governmental-Type Activities:

<u>Project Description</u>	<u>Contract Amount</u>	<u>Expended to Date</u>	<u>Remaining Commitment</u>
Engineering & Accuision - Florance Road	\$ 300,055	\$ 290,759	\$ 9,296
Engineering & Accuision - Faught Road	863,220	198,563	664,657
Engineering & Accuision - Cleaveland-Gibbs Road	25,000	7,200	17,800
Construction - Cleveland-Gibbs Road	5,649,214	2,077,345	3,571,870
	<u>\$ 6,837,489</u>	<u>\$ 2,573,866</u>	<u>\$ 4,263,623</u>

E. Pension Plans

1. Texas Municipal Retirement Systems

Plan Description

The Town of Northlake participates as one of 919 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com.

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

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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 2021</u>	<u>Plan Year 2022</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, 2022 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	37
Active employees	66
Total	107

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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 9.85% and 9.51% in calendar years 2022 and 2023, respectively. The Town's contributions to TMRS for the year ended September 30, 2023, were \$467,771.

4. Net Pension Liability

The Town's Net Pension Liability (NPL) was measured as of December 31, 2022, 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, 2022 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, 2023

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 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.0%	7.7%
Core Fixed Income	6.0%	4.9%
Non-Core Fixed Income	20.0%	8.7%
Other Public/Private Markets	12.0%	8.1%
Real Estate	12.0%	5.8%
Hedge Funds	5.0%	6.9%
Private Equity	10.0%	11.8%
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, 2023

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	Current Single Rate	1% Increase
5.75%	Assumption 6.75%	7.75%
\$ 2,121,411	\$ 942,936	\$ (2,495)

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/2021	\$ 5,503,518	\$ 5,370,013	\$ 133,505
Changes for the year:			
Service Cost	662,990	-	662,990
Interest	391,034	-	391,034
Difference between expected and actual experience	83,434	-	83,434
Changes of assumptions	-	-	-
Contributions – employer	-	421,863	(421,863)
Contributions – employee	-	299,802	(299,802)
Net investment income	-	(394,294)	394,294
Benefit payments, including refunds of emp. contributions	(83,842)	(83,842)	-
Administrative expense	-	(3,392)	3,392
Other changes	-	4,048	(4,048)
Net changes	1,053,616	244,185	809,431
Balance at 12/31/2021	\$ 6,557,134	\$ 5,614,198	\$ 942,936

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, 2023

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

For the year ended September 30, 2023, the Town recognized pension expense of \$505,806.

At September 30, 2022, the Town reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	
Differences between expected and actual economic experience	\$	86,284
Changes in actuarial assumptions		7,676
Difference between projected and investment earnings		377,636
Contributions subsequent to the measurement date		354,889
Total	\$	826,485

The Town reported \$354,889 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, 2024. 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:	
2023	\$ 66,330
2024	117,296
2025	113,767
2026	161,842
2027	12,361
Thereafter	-
Total	471,596

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, 2023

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 2021	Plan Year 2022
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 2023, 2022, and 2021 were \$1,090, \$1,250, and \$821, 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
2021	0.03%	0.03%	100.0%
2022	0.03%	0.03%	100.0%
2023	0.02%	0.02%	100.0%

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

Employees covered by benefit terms

At the December 31, 2022 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	9
Active employees	66
Total	77

Total OPEB Liability

The Town's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2022, 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, 2022 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	4.05%
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, 2023

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 1.84%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

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 4.05%, 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 (3.05%) or 1-percentage-point higher (5.05%) than the current rate:

1% Decrease 3.05%	Current Single Rate Assumption 4.05%	1% Increase 5.05%
\$ 60,629	\$ 47,731	\$ 38,340

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/2021	\$ 70,047
Changes for the year:	
Service Cost	11,564
Interest	1,383
Difference between expected and actual experience	1,185
Changes of assumptions	(35,163)
Benefit payments	(1,285)
Net changes	(22,316)
Balance at 12/31/2022	\$ 47,731

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

For the year ended September 30, 2023, the Town recognized OPEB expense of \$9,809.

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

At September 30, 2023, 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	\$	-	(18,320)
Difference between expected and actual experience		-	(7,751)
Contributions subsequent to measurement date		746	-
Total	\$	746	\$(26,071)

The Town reported \$746 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, 2024.

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:	
2023	\$ (3,138)
2024	(3,138)
2025	(3,430)
2026	(2,983)
2027	(3,836)
Thereafter	(9,546)
	\$ (26,071)

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

F. 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, 2023:

<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%	\$ 1,503
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%	\$ 102,032
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%	\$ 61,170
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%	\$ 163,236
	Total		\$ 327,941

Town of Northlake, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

G. Restatement

The Town restated beginning net position for governmental activities and the internal service fund to correct capital asset balances associated with the software subscriptions that meet the requirements under the implementation of new accounting pronouncements. The table below summarizes the changes to net position as a result of these corrections.

	Governmental Activities	Internal Service Fund
Prior year ending net position, as reported	\$ 41,089,187	2,909,489
To adjust beginning capital assets	92,500	92,500
Restated beginning net position	\$ 41,181,687	\$ 3,001,989

H. New Accounting Pronouncements

The Town has adopted the provision of Governmental Accounting Standard Board (GASB) Statement No. 96, entitled Subscription-Based Information Technology Arrangements (SBITAs). Due to the implementation of GASB 96 in the current year, the Town recorded right to use assets and subscription liabilities.

I. Subsequent Events

There were no subsequent events requiring disclosure through April 9, 2024, the date the financial statements were issued.

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APPENDIX C

FORMS OF BOND COUNSEL'S OPINIONS

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Form of Bond Counsel Opinion

[Date]

\$15,160,000
TOWN OF NORTHLAKE, TEXAS
COMBINATION TAX AND LIMITED
SURPLUS REVENUE CERTIFICATES OF OBLIGATION,
TAXABLE SERIES 2024

WE HAVE represented the Town of Northlake, Texas (the "Issuer"), as its bond counsel in connection with an issue of certificates of obligation (the "Certificates") described as follows:

TOWN OF NORTHLAKE, TEXAS, COMBINATION TAX AND LIMITED SURPLUS REVENUE CERTIFICATES OF OBLIGATION, TAXABLE SERIES 2024, dated [Date of Delivery], in the principal amount of \$15,160,000.

The Certificates mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Certificates and in the ordinance adopted by the City Council of the Issuer authorizing their issuance (the "Ordinance").

WE HAVE represented the Issuer as its bond counsel for the purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Certificates. 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.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Certificates, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Issuer; customary certificates of officers, agents and representatives of the Issuer and other public officials and other certified showings relating to the authorization and issuance of the Certificates. We also have analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. We have also examined executed Certificate No. 1 of this issue.

In providing the opinions set forth herein, we have relied on representations and certifications of the Issuer and other parties involved with the issuance of the Certificates with respect to matters solely within the knowledge of the Issuer and such parties, which we have not independently verified.

In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Ordinance.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

- (A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Certificates in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Certificates constitute valid and legally binding obligations of the Issuer;
- (B) A continuing ad valorem tax upon all taxable property within the Issuer necessary to pay the principal of and interest on the Certificates, has been levied and pledged irrevocably for such purposes, within the limit prescribed by law, and the total indebtedness of the Issuer, including the Certificates, does not exceed any constitutional, statutory or other limitations. In addition, the Certificates are further secured by a limited pledge of the surplus net revenues of the Issuer's waterworks and sewer system as provided in the Ordinance; and

We observe that interest on the Bonds is not excludable from gross income for federal income tax purposes under existing law. We express no opinion as to the amount or timing of interest on the Bonds or to any federal, state, or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of, the Bonds.

The rights of the owners of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

Our opinions are based on existing law and our knowledge of facts as of the date hereof and may be affected by certain actions that may be taken or omitted on a later date. We assume no duty to update or supplement our opinions, and this opinion letter may not be relied upon in connection with any changes to the law or facts, or actions taken or omitted, after the date hereof.

Municipal Advisory Services
Provided By

