

ANNUAL FINANCIAL REPORT

Town of Northlake, Texas

Year ended September 30, 2011

Town of Northlake, Texas
 Annual Financial Report
 Year ended September 30, 2011

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Report of Independent Auditors

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities and the aggregate remaining fund information of the Town of Northlake, Texas, as of and for the year ended September 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Northlake, Texas' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Northlake, Texas, as of September 30, 2011, and the respective changes in financial position, cash flows, and the respective budgetary comparison for the Governmental Funds, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2012, on our consideration of the Town of Northlake's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 42 through 45 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Northlake, Texas' financial statements as a whole. The introductory section, combining and individual non-major fund financial statements and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 them.

Vail + Knauth, LLP

Dallas, Texas
January 25, 2011

Town of Northlake, Texas

Management's Discussion and Analysis

September 30, 2011

Our discussion and analysis of Town of Northlake's financial performance provides an overview of the Town's financial activities for the fiscal year ended September 30, 2011. Please read it in conjunction with the Town's financial statements, which begin on page 11.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$6,250,088 (net assets). Of this amount, \$926,480 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors (page 30).
- The government's total net assets increased by \$106,030.
- As of the close of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$1,638,100, which is an increase of \$104,562 (page 13) in comparison with the prior year. The increase is due primarily to the rebuilding of reserves in the General Fund offset by the spending down of the Capital Projects Fund.
- At the end of the current fiscal year, unassigned fund balance for the general fund was a surplus of \$277,660 or 14.9% of total general fund expenditures.
- The Town's total long-term debt increased by \$162,901 from \$2,057,494 to \$2,220,395.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the Town of Northlake's basic financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net assets presents information on all of the Town of Northlake's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Northlake is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Town of Northlake that are principally supported by taxes and inter-governmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their

Town of Northlake, Texas

Management's Discussion and Analysis

costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, municipal court, police, public works, economic development and promotional. The business-type activities of the Town include water and sewer activities.

The government-wide financial statements can be found on pages 11 through 12 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities of objectives. The Town of Northlake, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related 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 resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of 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, the reader 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 five individual major governmental funds as well as other non-major 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, Capital Projects, Economic and Community Development and Hotel/Motel Tax funds.

The Town adopts an annual appropriated budget for all of its governmental funds. A budgetary comparison statement has been provided for all governmental funds to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found on pages 13 through 16 of the report.

Proprietary Funds. The Town maintains one type of proprietary fund. An enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its water and sewer activities. Proprietary funds provide the same type of information as the government-wide financial statements. The basic proprietary fund financial statements can be found on pages 17 through 19 of this report.

Town of Northlake, Texas

Management’s Discussion and Analysis

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 20 through 39 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town’s progress in funding its obligation to provide pension benefits to its employees and budgetary comparison schedules for certain Governmental Funds. Required supplementary information can be found on pages 41 through 46 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. As of September, 30 2011, the Town of Northlake’s assets exceeded liabilities by \$6,250,088.

The largest portion of the Town’s net assets (63%) reflects its investment in capital assets (e.g., land, buildings, automobiles, equipment, construction in progress, water and sewer system and infrastructure), less any debt used to acquire those assets that is still outstanding. The Town used 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 capital assets themselves cannot be used to liquidate these liabilities.

Town of Northlake’s Net Assets:

	Governmental Activities		Business-type Activities		Total	
	FY 2010-11	FY 2009-10	FY 2010-11	FY 2009-10	FY 2010-11	FY 2009-10
Current and Other Assets	\$ 2,131,885	\$ 1,868,313	\$ 598,471	\$ 574,915	\$ 2,730,356	\$ 2,443,228
Capital Assets	5,093,060	5,056,962	980,989	1,019,285	6,074,049	6,076,247
Total Assets	7,224,945	6,925,275	1,579,460	1,594,200	8,804,405	8,519,475
Long-term Liabilities Outstanding	2,219,299	2,046,637	1,096	10,857	2,220,395	2,057,494
Other Liabilities	201,969	243,396	131,953	74,527	333,922	317,923
Total Liabilities	2,421,268	2,290,033	133,049	85,384	2,554,317	2,375,417
Net Assets:						
Invested in Capital Assets, Net of Related Debt	2,976,561	3,155,980	980,989	1,019,285	3,957,550	4,175,265
Restricted for Debt Service	11,158	30,794	-	-	11,158	30,794
Restricted for Capital Projects	51,582	36,283	-	-	51,582	36,283
Restricted for Court Technology and Security	141,549	98,156	-	-	141,549	98,156
Restricted for Economic Development	591,740	570,189	-	-	591,740	570,189
Restricted for Promotional Activities	570,029	498,798	-	-	570,029	498,798
Unrestricted	461,058	245,042	465,421	489,531	926,479	734,573
Total Net Assets	\$ 4,803,677	\$ 4,635,242	\$ 1,446,410	\$ 1,508,816	\$ 6,250,087	\$ 6,144,058

Management's Discussion and Analysis

The unrestricted net assets of \$926,480 may be used to meet the Town's ongoing obligations to citizens and creditors.

As of September 30, 2011, the Town is able to report a positive balance in all categories of net assets, for the government as a whole, as well as all categories for its separate governmental and business-type activities.

- Overall, there is an increase of \$106,030 in total net assets during the fiscal year as mentioned above. This is driven by an increase in governmental activities net assets of \$168,435, offset by a decrease in business-type activities net assets of \$62,405.

Governmental Activities. Governmental activities increased the Town's net assets by \$168,435. Total revenues increased by \$303,751. The increase was due to an increase in municipal court revenues and an increase in sales tax revenues. This increase was offset by a decrease in property tax revenue of \$25,269. Total expenses increased by \$204,674. The increase was due to an increase of \$171,420 in police department expenses and an increase of \$58,192 in public works expenses, which was offset by a decrease of \$63,367 in general government expenses.

Business-Type Activities. Business-type activities decreased the Town's net assets by \$62,405. Total operating revenue increased by \$166,014. The increase was due to relatively low rainfall for the fiscal year, which increased demand for water. This increase in revenue was offset by an increase in total operating expenses by \$160,050.

Town of Northlake, Texas

Management's Discussion and Analysis

Town of Northlake's Changes in Net Assets:

	Governmental Activities		Business-type Activities		Total	
	FY 2010-11	FY 2009-10	FY 2010-11	FY 2009-10	FY 2010-11	FY 2009-10
Revenues						
Program Revenues						
Fees, Fines and Charges for Services	\$ 852,065	\$ 675,898	\$ 756,536	\$ 573,456	\$ 1,608,601	\$ 1,249,354
General Revenues						
Property Taxes	796,926	822,195	-	-	796,926	822,195
Sales Taxes	290,432	215,718	-	-	290,432	215,718
Franchise Taxes	159,100	152,348	-	-	159,100	152,348
Hotel/Motel Taxes	106,392	97,539	-	-	106,392	97,539
Interest on Investments	3,491	2,984	752	1,405	4,243	4,389
Miscellaneous	143,206	81,179	3,707	20,120	146,913	101,299
Total Revenues	2,351,612	2,047,861	760,995	594,981	3,112,607	2,642,842
Expenses						
General Government	832,568	895,935	-	-	832,568	895,935
Municipal Court	229,453	225,192	-	-	229,453	225,192
Police	846,637	675,217	-	-	846,637	675,217
Public Works	261,477	203,285	-	-	261,477	203,285
Economic Development	92,559	77,024	-	-	92,559	77,024
Promotional	40,155	28,426	-	-	40,155	28,426
Interest on Long-Term Debt	103,596	96,693	-	-	103,596	96,693
Water and Sewer	-	-	692,502	532,452	692,502	532,452
Total Expenses	2,406,446	2,201,772	692,502	532,452	3,098,948	2,734,224
Change in Net Assets Before Transfers	(54,834)	(153,911)	68,493	62,529	13,659	(91,382)
Transfers	137,000	169,000	(137,000)	(169,000)	-	-
Change in Net Assets	82,166	15,089	(68,507)	(106,471)	13,659	(91,382)
Net Assets 9/30 Prior Year	4,635,242	4,620,153	1,508,816	1,615,287	6,144,058	6,235,440
Prior Period Adjustment	86,268	-	6,102	-	-	-
Net Assets 9/30 Current Year	\$ 4,803,676	\$ 4,635,242	\$ 1,446,411	\$ 1,508,816	\$ 6,250,087	\$ 6,144,058

Financial Analysis of the Government's Funds

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

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

Town of Northlake, Texas

Management's Discussion and Analysis

At the end of the current fiscal year, the Town of Northlake's governmental funds reported combined ending fund balances of \$1,638,100, an increase of \$104,562 in comparison with the prior year. The unassigned fund balance at year end is a surplus of \$277,660. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed as follows:

- to pay for road projects (\$51,582),
- to pay for court technology and security (\$138,039),
- to pay for economic development (\$284,027),
- to pay for community development (\$267,714),
- to pay for promotional activities (\$570,029), and
- to service future debt obligations (\$23,049)
- To pay for encumbrances (\$39,999).

The general fund is the chief operating fund of the Town. The Town of Northlake budgeted and planned for an increase in fund balance for fiscal year 2010-2011 of \$34,782 for the general fund.

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

Unrestricted net assets of the proprietary funds are \$465,422. The water and sewer fund had a decrease in net assets of \$62,405.

General Fund Budgetary Highlights

The Town of Northlake ended the fiscal year 2010-2011 with a positive revenue budget variance of \$8,136, which was primarily due to higher than anticipated municipal court fines. The Town had a negative expenditure budget variance of \$68,697 that was caused primarily due to higher than anticipated costs for police department expenses.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of September 30, 2011, amounts to \$6,074,049 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, automobiles, equipment, infrastructure, water and sewer system and construction in progress. The total decrease in the Town's investment in capital assets for the current fiscal year was \$2,198. This was comprised of an increase in capital assets for governmental activities of \$36,098 and offset by a decrease in capital assets for business-type activities of \$38,296 (i.e., water and sewer services).

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

- Purchase of a road grader
- Purchase of two new police vehicles
- Retirement of two police vehicles

Town of Northlake, Texas

Management’s Discussion and Analysis

Town of Northlake’s Capital Assets (Net of Accumulated Depreciation):

	Governmental Activities		Business-type Activities		Total	
	FY 2010-11	FY 2009-10	FY 2010-11	FY 2009-10	FY 2010-11	FY 2009-10
Land	\$ 2,754,654	\$ 2,754,654	\$ 15,986	\$ 15,986	\$ 2,770,640	\$ 2,770,640
Buildings and Improvements	204,759	218,285	33,290	34,464	238,049	252,749
Automobiles	355,575	37,630	4,674	10,579	360,249	48,209
Equipment	8,281	19,347	1,431	3,881	9,712	23,228
Infrastructure	1,769,791	2,027,046	-	-	1,769,791	2,027,046
Water and Sewer System	-	-	925,608	954,375	925,608	954,375
Construction in Progress	-	-	-	-	-	-
Total	\$ 5,093,060	\$ 5,056,962	\$ 980,989	\$ 1,019,285	\$ 6,074,049	\$ 6,076,247

Additional information on the Town’s capital assets can be found in Note 4 of this report.

Long-term Debt. At the end of the current fiscal year, the Town had total bonded debt outstanding of \$2,020,000. The debt is backed by the full faith and credit of the Town.

Town of Northlake’s Outstanding Debt:

	Governmental Activities		Business-type Activities		Total	
	FY 2010-11	FY 2009-10	FY 2010-11	FY 2009-10	FY 2010-11	FY 2009-10
Capital Leases	\$ 52,808	\$ 34,699	\$ -	\$ -	\$ 52,808	\$ 34,699
Note Payable	52,101	-	-	-	-	-
Certificates of Obligation	2,020,000	1,830,000	-	-	2,020,000	1,830,000
Total	\$ 2,124,909	\$ 1,864,699	\$ -	\$ -	\$ 2,072,808	\$ 1,864,699

During the fiscal year, the Town’s total debt increased by \$208,109. Regularly scheduled annual principal and interest payments were made in a timely manner.

Additional information on the Town’s long-term debt can be found in Note 5 of this report.

Economic Factors and Next Year’s Budgets and Rates

The Town of Northlake does not plan on increasing any property tax rates during the fiscal year 2011-2012. Overall, general fund revenues are expected to be higher in the fiscal year 2011-2012. Sales tax revenue and permit fees are expected to increase slightly over fiscal year 2010-2011. Expenses for the general fund are expected to increase. This is due to the Town’s increasing number of positions and converting part-time positions to full-time. Water and sewer fund revenues are expected to be higher than fiscal year 2011-2012 due to additional customers.

Request for Information

The financial report is designed to provide out citizens, customers, investors and creditors with a general overview of the Town’s finances. If you have questions about this report or need additional information, contact the Town Secretary: Attn: Town Secretary at 1400 FM 407, Northlake, Texas 76247, phone: (940) 648-3290 or email townsecretary@town.northlake.tx.us.

BASIC FINANCIAL STATEMENTS

Town of Northlake, Texas

Statement of Net Assets

September 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,792,868	\$ 205,257	\$ 1,998,125
Receivables (net of allowance for uncollectibles)	315,186	105,214	420,400
Deferred charges	23,831	-	23,831
Other assets	-	288,000	288,000
Capital Assets (net of accumulated depreciation):			
Land	2,754,654	15,986	2,770,640
Buildings and improvements	204,759	33,290	238,049
Automobiles	355,575	4,674	360,249
Equipment	8,281	1,431	9,712
Infrastructure	1,769,791	-	1,769,791
Water and sewer system	-	925,608	925,608
Total assets	7,224,945	1,579,460	8,804,405
Liabilities			
Accounts payable	140,687	103,239	243,926
Accrued liabilities	61,282	28,714	89,996
Unearned revenue	-	-	-
Noncurrent liabilities			
Due within one year	174,880	712	175,592
Due in more than one year	2,044,419	384	2,044,803
Total liabilities	2,421,268	133,049	2,554,317
Net Assets			
Invested in capital assets, net of related debt	2,976,561	980,989	3,957,550
Restricted for:			
Debt service	11,158	-	11,158
Capital projects	51,582	-	
Court technology and security	141,549	-	141,549
Economic development	591,740	-	591,740
Promotional activities	570,029	-	570,029
Unrestricted	461,058	465,422	926,480
Total net assets	\$ 4,803,677	\$ 1,446,411	\$ 6,250,088

The accompanying notes are an integral part of these financial statements.

Town of Northlake, Texas
Statement of Activities
Year Ended September 30, 2011

Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental activities:							
General government	\$ 832,568	\$ 214,229	\$ -	\$ -	\$ (618,339)	\$ -	\$ (618,339)
Municipal court	229,453	637,836	-	-	408,383	-	408,383
Police	846,637	-	-	-	(846,637)	-	(846,637)
Public works	261,477	-	-	-	(261,477)	-	(261,477)
Economic development	92,559	-	-	-	(92,559)	-	(92,559)
Promotional	40,155	-	-	-	(40,155)	-	(40,155)
Interest on long-term debt	103,596	-	-	-	(103,596)	-	(103,596)
Total governmental activities	2,406,446	852,065	-	-	(1,554,381)	-	(1,554,381)
Business-type activities:							
Water and sewer	692,502	756,536	-	-	-	64,034	64,034
Total business-type activities	692,502	756,536	-	-	-	64,034	64,034
Total primary government	\$ 3,098,948	\$ 1,608,601	\$ -	\$ -	(1,554,381)	64,034	(1,490,347)
General revenues:							
Taxes							
Property taxes					796,926	-	796,926
Sales taxes					290,432	-	290,432
Franchise taxes					159,100	-	159,100
Hotel/Motel taxes					106,392	-	106,392
Interest					3,491	752	4,243
Miscellaneous					143,206	3,707	146,913
Transfers					137,000	(137,000)	-
Total general revenues and transfers					1,636,547	(132,541)	1,504,006
Change in net assets					82,166	(68,507)	13,659
Net assets - beginning					4,635,242	1,508,816	6,144,058
Prior period adjustment					86,268	6,102	92,370
Net assets - ending					\$ 4,803,677	\$ 1,446,411	\$ 6,250,087

The accompanying notes are an integral part of these financial statements.

Town of Northlake, Texas
Balance Sheet - Governmental Funds
September 30, 2011

	General Fund	Capital Projects Fund	Economic Development Corporation 4A	Community Development Corporation 4B	Hotel/Motel Tax Fund	Non Major Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 490,379	\$ 37,583	\$ 289,536	\$ 273,226	\$ 561,565	126,581	\$ 1,778,870
Receivables:							
Property taxes, net of allowance	25,362	-	-	-	-	5,492	30,854
Sales taxes	29,523	-	14,762	14,760	-	-	59,045
Franchise taxes	96,509	-	-	-	-	-	96,509
Hotel/Motel taxes	-	-	-	-	8,798	-	8,798
Municipal court receivable, net	56,771	-	-	-	-	-	56,771
Other accounts receivable	63,202	-	-	-	-	7	63,209
Due from other funds	-	-	-	-	-	-	-
Total assets	<u>\$ 761,746</u>	<u>\$ 37,583</u>	<u>\$ 304,298</u>	<u>\$ 287,986</u>	<u>\$ 570,363</u>	<u>\$ 132,080</u>	<u>\$ 2,094,056</u>
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	175,187	-	-	-	-	(34,500)	140,687
Accrued liabilities	16,713	-	272	272	334	-	17,591
Deferred revenue	292,186	-	-	-	-	5,492	297,678
Due to other funds	-	-	-	-	-	-	-
Total liabilities	<u>484,086</u>	<u>-</u>	<u>272</u>	<u>272</u>	<u>334</u>	<u>(29,008)</u>	<u>455,956</u>
Fund balances:							
Nonspendable	-	-	-	-	-	-	-
Restricted for							
Encumbrances	-	-	19,999	20,000	-	-	39,999
Debt service	-	-	-	-	-	23,049	23,049
Court technology and security	-	-	-	-	-	138,039	138,039
Economic development	-	-	284,027	-	-	-	284,027
Community development	-	-	-	267,714	-	-	267,714
Promotional activities	-	-	-	-	570,029	-	570,029
Equipment	-	-	-	-	-	-	-
Committed to	-	-	-	-	-	-	-
Assigned for capital projects	-	37,583	-	-	-	-	37,583
Unassigned	<u>277,660</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>277,660</u>
Total fund balances	<u>277,660</u>	<u>37,583</u>	<u>304,026</u>	<u>287,714</u>	<u>570,029</u>	<u>161,088</u>	<u>1,638,100</u>
Total liabilities and fund balances	<u>\$ 761,746</u>	<u>\$ 37,583</u>	<u>\$ 304,298</u>	<u>\$ 287,986</u>	<u>\$ 570,363</u>	<u>\$ 132,080</u>	<u>\$ 2,094,056</u>

The accompanying notes are an integral part of these financial statements.

Town of Northlake, Texas
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Assets
 September 30, 2011

Total fund balances - governmental funds	\$ 1,638,100
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	5,093,060
Revenues earned but not available within sixty days of the year end are not recognized as revenue in the fund financial statements.	297,677
Costs associated with the issuance of governmental long-term debt are expensed when incurred in the fund statements and capitalized and amortized over the life of the debt in the government-wide financial statements.	23,830
Interest payable on long term debt does not require current financial resources; therefore interest payable is not reported as a liability in the governmental funds balance sheet.	(43,691)
Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and therefore are not reported in the fund financial statements.	(2,219,299)
Internal service funds are used by management to charge the costs of equipment to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	<u>14,000</u>
Net assets of governmental activities	<u>\$ 4,803,677</u>

The accompanying notes are an integral part of these financial statements.

Town of Northlake, Texas

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

Year ended September 30, 2011

	General Fund	Capital Projects Fund	Economic Development Corporation 4A	Community Development Corporation 4B	Hotel/Motel Tax Fund	Non Major Governmental Funds	Total Governmental Funds
Revenues							
Taxes:							
Property	\$ 649,357	\$ -	\$ -	\$ -	\$ -	\$ 143,197	\$ 792,554
Sales and beverage	145,216	-	72,608	72,608	-	-	290,432
Franchise	159,100	-	-	-	-	-	159,100
Hotel/Motel	-	-	-	-	106,392	-	106,392
Building permits, plant and other fees	39,133	-	-	-	-	-	39,133
Municipal court	629,140	-	-	-	-	-	629,140
Interest income	1,482	295	488	452	696	78	3,491
Miscellaneous	49,208	260,302	2,148	2,148	-	72,289	386,095
Total revenues	1,672,636	260,597	75,244	75,208	107,088	215,564	2,406,337
Expenditures							
Current:							
General government	575,539	-	-	640	-	3,812	579,991
Municipal court	214,929	-	-	-	-	13,589	228,518
Police	853,932	-	-	-	-	14,392	868,324
Public works	149,215	-	-	-	-	-	149,215
Economic development	-	-	43,345	44,916	-	-	88,261
Promotional	-	-	-	-	35,857	-	35,857
Capital outlay	-	256,446	-	-	-	-	256,446
Debt service							
Principal	64,109	-	-	-	-	55,000	119,109
Interest and fiscal charges	3,691	2,851	-	-	-	92,512	99,054
Total expenditures	1,861,415	259,297	43,345	45,556	35,857	179,305	2,424,775
Excess (deficiency) of revenues over expenditures	(188,779)	1,300	31,899	29,652	71,231	36,259	(18,438)
Other financing sources (uses)							
Transfers in	177,000	-	-	-	-	0.00	177,000
Transfers out	(14,000)	-	(20,000)	(20,000)	-	-	(54,000)
Total other financing sources (uses)	163,000	-	(20,000)	(20,000)	-	-	123,000
Net change in fund balances	(25,779)	1,300	11,899	9,652	71,231	36,259	104,562
Fund balances - beginning	303,439	36,283	292,127	278,062	498,798	124,829	1,533,538
Fund balances - ending	\$ 277,660	\$ 37,583	\$ 304,026	\$ 287,714	\$ 570,029	\$ 161,088	\$ 1,638,100

The accompanying notes are an integral part of these financial statements.

Town of Northlake, Texas

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Funds to the Statement of Activities

Year ended September 30, 2011

Net changes in fund balances - total governmental funds	\$ 104,562
Amounts reported for governmental activities in the statement of activities are different because:	
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. This is the amount of capital assets recorded in the current period.	308,668
Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.	(340,992)
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. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas the 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.	(175,149)
Current year changes in long-term liability for compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.	(17,192)
Current year changes in accrued interest payable do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(2,005)
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.	190,274
Internal service funds are used by management to charge the costs of equipment to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>14,000</u>
Change in net assets of governmental activities	<u>\$ 82,166</u>

The accompanying notes are an integral part of these financial statements.

Town of Northlake, Texas
Statement of Net Assets
Proprietary Fund
September 30, 2011

	Business Type Activities - Enterprise Fund <u>Water and Sewer</u>	Governmental Activities - Internal Service Funds <u>Equipment</u>
Assets		
Current assets:		
Deposits and investments	\$ 205,256	\$ 14,000
Accounts receivable, net	105,214	-
Prepaid expense	-	-
Total current assets	310,470	14,000
Non-current assets:		
Other assets	288,000	-
Property, plant and equipment:		
Land	15,986	-
Buildings and improvements	35,211	-
Automobiles	17,714	-
Water and sewer system	1,150,697	-
Equipment	24,500	-
	1,244,108	-
Less accumulated depreciation	263,119	-
Net property, plant and equipment	980,989	-
Total Assets	1,579,459	14,000
Liabilities		
Current liabilities:		
Accounts payable	103,239	-
Accrued liabilities	28,714	-
Total current liabilities	131,953	
Noncurrent liabilities:		
Compensated absences	1,096	-
Total Liabilities	133,049	-
Net assets		
Invested in capital assets, net of related debt	980,989	-
Equipment	-	14,000
Unrestricted	465,421	-
Total Net Assets	\$ 1,446,410	\$ 14,000

The accompanying notes are an integral part of these financial statements.

Town of Northlake, Texas
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
Year ended September 30, 2011

	Business Type Activities - Enterprise Fund <u>Water and Sewer</u>	Governmental Activities - Internal Service Funds <u>Equipment</u>
Operating revenues:		
Water and sewer service	\$ 756,537	\$ -
Total operating revenues	<u>756,537</u>	<u>-</u>
Operating expenses:		
Operating expenses	654,206	-
Depreciation	38,296	-
Total operating expenses	<u>692,502</u>	<u>-</u>
Operating income (loss)	64,035	-
Nonoperating revenues (expenses):		
Interest income	752	-
Miscellaneous revenue	3,707	-
Total nonoperating revenues	<u>4,459</u>	<u>-</u>
Income (loss) before transfers	68,494	
Transfers in	-	14,000
Transfers out	<u>(137,000)</u>	<u>-</u>
Change in net assets	(68,506)	14,000
Net assets - beginning	1,508,816	-
Prior period adjustment	6,100	-
Net assets - ending	<u>\$ 1,446,410</u>	<u>\$ 14,000</u>

The accompanying notes are an integral part of these financial statements.

Town of Northlake, Texas
Statement of Cash Flows
Proprietary Fund
Year ended September 30, 2011

	Business Type Activities - Enterprise Fund Water and Sewer	Governmental Activities - Internal Service Funds Equipment
Operating Activities		
Cash received from customers	\$ 736,257	\$ -
Cash payments to suppliers for goods and services	(1,001,280)	-
Payments received from other funds	-	-
Net cash provided by operating activities	(265,024)	-
Noncapital Financing Activities		
Transfers (to) from other funds	(137,000)	14,000
Cost recovery fees	3,707	-
Net cash used in noncapital financing activities	(133,293)	14,000
Capital and Related Financing Activities		
Capital expenditures	-	-
Net cash used in capital and related financing activities	-	-
Investing Activities		
Interest received	752	-
Net cash provided by investing activities	752	-
Net decrease in cash and cash equivalents	(397,565)	14,000
Cash and cash equivalents - beginning	602,821	-
Cash and cash equivalents - ending	\$ 205,256	\$ 14,000
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 64,035	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	38,296	-
Change in assets and liabilities:		
Accounts receivable	(20,280)	-
Prepaid expenses	59,769	-
Other assets	(288,000)	-
Accounts payable and accrued liabilities	(118,844)	-
Net cash provided by (used in) operating activities	\$ (265,024)	\$ -

The accompanying notes are an integral part of these financial statements.

Town of Northlake, Texas

Notes to Basic Financial Statements

September 30, 2011

1. Summary of Significant Accounting Policies

The accounting and reporting policies of the Town relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the Town has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the Town are described below.

A. Financial Reporting Entity

The basic financial statements of the Town include the primary government 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 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.

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.

The Northlake Economic Development Corporation 4A (the 4A Corporation) and the Northlake Community Development Corporation 4B (the 4B Corporation) were found to be component units of the Town and are included in the basic financial statements as major special revenue funds using a blended presentation.

The 4A Corporation 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.

Town of Northlake, Texas

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity – Continued

The 4B Corporation 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.

B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the Town. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements

The Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements

General Fund

The General Fund is the main operating fund of the Town. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition and construction of governmental capital assets including but not limited to right-of-way, roads, road drainage, and traffic lights.

Town of Northlake, Texas

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Economic Development Corporation 4A Fund

The Economic Development Corporation 4A is used to account for the funds received from a one-half cent sales tax to be used for economic development.

Community Development Corporation 4A Fund

The Community Development Corporation 4A is used to account for the funds received from a one-half cent sales tax to be used for community development.

Hotel/Motel Tax Fund

The Hotel/Motel Tax Fund is used to account for Hotel/Motel tax receipts to be used for promotional purposes.

Other Non Major Funds

The Other Non Major Funds are used to account for debt service, equipment and special revenue funds created by the Town, which do not meet the requirements to be presented as a major fund of the Town.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The Town has presented the following major proprietary fund:

Water and 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Internal Service Fund

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 internal service fund accounts for the accumulation and allocation of costs associated with equipment.

Town of Northlake, Texas

Notes to Basic Financial Statements

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, interest income and municipal court revenues. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Town’s policy is to apply restricted net assets first.

Taxes

Property taxes are levied for appropriation for the fiscal year beginning on October 1, are due October 1, attached as an enforceable lien on property as of January 1, and become delinquent on February 1. Property taxes are accrued based on the period for which they are levied and available. Delinquent taxes estimated not to be available are treated as deferred revenue in the governmental fund financial statements. Property taxes for towns, including those applicable to debt service, are limited by the Texas Constitution to \$2.50 per \$100 of assessed valuation. The Town’s current tax rate is \$0.295 per \$100 of assessed valuation and assessed valuation is approximately 100% of estimated value.

Interfund Receivables and Payables

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

Town of Northlake, Texas

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus/Basis of Accounting (continued)

Transactions between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment, in accordance with standards prescribed by GASB.

Assets capitalized, not including infrastructure assets, have an original cost of \$5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and improvements	30 Years
Automobiles	3 Years
Equipment	3 - 10 Years
Infrastructure	5 - 40 Years
Water and sewer system	30 - 50 years

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.

Town of Northlake, Texas

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus/Basis of Accounting (continued)

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling of legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

2. Deposits and Investments

A. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Town manages its exposure to interest rate risk is by investing mainly in investment pools that purchase a combination of shorter term investments with an average maturity of less than 90 days, thus reducing the interest rate risk. The Town monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The Town has no specific limitations with respect to this metric.

As of September 30, 2011, the Town had the following investments:

<u>Investment Type</u>	<u>Weighted Average Amount</u>	<u>Maturity</u>
Logic	\$ 1,332,372	46 days
Wells Fargo	\$ 627,136	0 days

As of September 30, 2011, the Town did not invest in any securities that are highly sensitive to interest rate fluctuations.

Town of Northlake, Texas

Notes to Basic Financial Statements

2. Deposits and Investments (continued)

B. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the Town's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of September 30, 2011</u>
Logic	\$ 1,332,372	AAA	AAA
Wells Fargo	\$ 627,136	AAA	AAA

C. Concentration of Credit Risk

The investment policy of the Town contains no limitation on the amount that can be invested in any one issuer. As of September 30, 2011, other than external investment pools, the Town did not have 5% or more of its investments with one issuer.

D. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover collateral securities that are in the possessions of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

At September 30, 2011, the carrying amount of the Town's cash on hand and deposits were \$38,615 and the bank balance was \$245,014. The bank balance was fully covered by federal depository insurance.

For purposes of the statement of cash flows, the Town considers all highly liquid investments with maturities at the date of purchase of three months or less to be cash equivalents.

Town of Northlake, Texas

Notes to Basic Financial Statements

2. Deposits and Investments (continued)

E. Investment in State Investment Pools

The Town is a voluntary participant in an investment pool, specifically LOGIC.

LOGIC is a public funds investment pool managed by First Southwest Asset Management, Inc. and JPMorgan Chase. LOGIC investments are not categorized in accordance with GASB Statement No. 3 disclosure requirements since the Town is not issued securities, but rather it owns an individual beneficial interest in the assets of the related investment pools. LOGIC operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. LOGIC uses amortized cost rather than market value to report new assets to compute share prices. Accordingly, the fair value of the position in LOGIC is the same as the value of LOGIC shares.

3. Accounts Receivable

Receivable balances have been disaggregated by type and presented separately in the financial statements. Only receivables with allowances for uncollectible amounts as of September 30, 2011, including the applicable allowances for uncollectible accounts, are presented below.

	General Fund		Debt Service Fund	Enterprise Fund Water and Sewer
	Property Tax Receivable	Municipal Court Receivable	Property Tax Receivable	Accounts Receivable
Gross receivables	\$ 28,540	\$ 186,199	\$ 6,294	\$ 78,034
Less allowance for uncollectibles	3,178	129,428	802	(27,180)
Net receivables	<u>\$ 25,362</u>	<u>\$ 56,771</u>	<u>\$ 5,492</u>	<u>\$ 105,214</u>

Town of Northlake, Texas

Notes to Basic Financial Statements

4. Capital Assets

Capital asset activity for the year ended September 30, 2011, was as follows:

	Balance September 30, 2010	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2011
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,754,654	\$ -	\$ -	2,754,654
Construction in progress	-	-	-	-
Total capital assets not being depreciated	2,754,654	-	-	2,754,654
Capital assets being depreciated				
Buildings and improvements	290,726	-	-	290,726
Automobiles	247,624	359,916	(53,217)	554,323
Equipment	111,905	-	-	111,905
Infrastructure	3,180,996	25,151	-	3,206,147
Total capital assets being depreciated	3,831,251	385,067	(53,217)	4,163,101
Less accumulated depreciation				
Buildings and improvements	72,441	13,526	-	85,967
Automobiles	209,994	33,994	(45,240)	198,748
Equipment	92,558	11,066	-	103,624
Infrastructure	1,153,950	282,406	-	1,436,356
Total accumulated depreciation	1,528,943	340,992	(45,240)	1,824,695
Total capital assets being depreciated, net	2,302,308	44,075	(7,977)	2,338,406
Governmental activities capital assets, net	\$ 5,056,962	\$ 44,075	\$ (7,977)	\$ 5,093,060

Town of Northlake, Texas

Notes to Basic Financial Statements

4. Capital Assets (continued)

	Balance September 30, 2010	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2011
Business-type activities				
Capital assets not being depreciated				
Land	\$ 15,986	\$ -	\$ -	\$ 15,986
Construction in progress	-	-	-	-
Total capital assets not being depreciated	15,986	-	-	15,986
Capital assets being depreciated				
Buildings and improvements	35,211	-	-	35,211
Equipment	24,500	-	-	24,500
Automobiles	17,714	-	-	17,714
Water and sewer system	1,150,697	-	-	1,150,697
Total capital assets being depreciated	1,228,122	-	-	1,228,122
Less accumulated depreciation				
Buildings and improvements	747	1,174	-	1,921
Equipment	20,619	2,450	-	23,069
Automobiles	7,135	5,905	-	13,040
Water and sewer system	196,322	28,767	-	225,089
Total accumulated depreciation	224,823	38,296	-	263,119
Total capital assets being depreciated, net	1,003,299	(38,296)	-	965,003
Business-type capital assets, net	<u>\$ 1,019,285</u>	<u>\$ (38,296)</u>	<u>\$ -</u>	<u>\$ 980,989</u>

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

Governmental activities	
General government	\$ 23,657
Municipal court	935
Police	33,994
Public works	282,406
Total depreciation expense - Governmental activities	<u>\$ 340,992</u>
Business-type activities	
Water and sewer	\$ 38,296
Total depreciation expense - Business-type activities	<u>\$ 38,296</u>

Town of Northlake, Texas

Notes to Basic Financial Statements

5. Long-term Debt

Amounts payable at September 30, 2011 are comprised of the following individual issues:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Capital leases Various lease agreements for various types of equipment, with terms of 36 months with effective interest rates ranging from 6.5 to 12.0%	<u>\$ 52,808</u>	<u>-</u>
Certificates of Obligation \$1,900,000 Series 2005 Combination Tax and Revenue Certificates of Obligation, due in annual installments of \$10,000 to \$190,000 through April 15, 2025, with interest at 4.97%	<u>\$ 1,805,000</u>	
Certificates of Obligation \$245,000 Series 2010 Limited Tax Note due in annual installments of \$34,000 to \$41,000 through February 15, 2017, with interest at 4.97%	<u>\$ 215,000</u>	
Note Payable \$60,000 note payable due in 60 monthly installments of \$1,160 through January 2016 with interest at 5.985%	<u>\$ 53,261</u>	

The following is a summary of long-term debt transactions of the Town for the year ended September 30, 2011:

	<u>Beginning of Year</u>	<u>Increase</u>	<u>Decrease</u>	<u>End of Year</u>	<u>Within One Year</u>
Governmental Activities					
Capital Leases	\$ 53,170	\$ 68,422	\$ 68,784	\$ 52,808	\$ 27,367
Certificates of Obligation	1,830,000	245,000	55,000	2,020,000	110,000
Note payable	-	60,000	7,899	52,101	13,915
Compensated Absences	<u>77,198</u>	<u>17,192</u>	<u>-</u>	<u>94,390</u>	<u>23,598</u>
Total governmental activities	<u>\$ 1,960,368</u>	<u>\$ 390,614</u>	<u>\$ 131,683</u>	<u>\$ 2,219,299</u>	<u>\$ 174,880</u>
Business-type Activities					
Compensated Absences	<u>\$ 4,756</u>	<u>\$ -</u>	<u>\$ 3,661</u>	<u>\$ 1,095</u>	<u>\$ 712</u>
Total business-type activities	<u>\$ 4,756</u>	<u>\$ -</u>	<u>\$ 3,661</u>	<u>\$ 1,095</u>	<u>\$ 712</u>

Town of Northlake, Texas

Notes to Basic Financial Statements

5. Long-term Debt (continued)

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for each bond type for the fiscal years subsequent to September 30, 2011, are as follows:

Certificates of Obligation:

	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2012	\$ 110,000	\$ 95,079	\$ -	\$ -	\$ 205,079
2013	120,000	90,625	-	-	210,625
2014	125,000	85,587	-	-	210,587
2015	135,000	80,213	-	-	215,213
2016	140,000	74,228	-	-	214,228
2017-2021	690,000	276,525	-	-	966,525
2022-2025	700,000	89,460	-	-	789,460
	<u>\$ 2,020,000</u>	<u>\$ 791,715</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,811,715</u>

Note Payable:

	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2012	\$ 9,937	\$ 3,978	\$ -	\$ -	\$ 13,915
2013	11,780	2,135	-	-	13,915
2014	12,505	1,410	-	-	13,915
2015	13,275	640	-	-	13,915
2016	4,604	34	-	-	4,638
	<u>\$ 52,101</u>	<u>\$ 8,197</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,298</u>

Capital Leases:

	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2012	\$ 27,367	\$ 1,333	\$ -	\$ -	\$ 28,700
2013	23,451	500	-	-	23,951
2014	1,990	6	-	-	1,996
	<u>\$ 52,808</u>	<u>\$ 1,839</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,647</u>

Town of Northlake, Texas

Notes to Basic Financial Statements

5. Long-term Debt (continued)

Annual Requirements to Retire Debt Obligations

Operating Leases

The Town is committed under various noncancelable operating leases, primarily for office buildings and equipment (principally in the General Fund). Future minimum operating lease commitments are as follows for fiscal years ending September 30:

	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2012	\$ 27,367	\$ 1,333	\$ -	\$ -	\$ 28,700
2013	23,451	500	-	-	23,951
2014	1,990	6	-	-	1,996
	\$ 52,808	\$ 1,839	\$ -	\$ -	\$ 54,647

Rent expenditures were \$30,983 for the year ended September 30, 2011.

6. Upper Trinity Regional Water District (District) Treated Water System Additional Participating Customer Contract

On December 2, 2010, the Town entered into a regional treated water supply contract (as an additional participating customer) in order to provide treated water service to the Town residents in the future. The Town entered into a long term contractual obligation with the Upper Trinity Regional Water District for the purpose of providing funds for the construction and maintenance of a transmission water pipeline that will provide water to participating towns and cities (participating customers). The Town is required to pay the cost of any extension from the water system to the mutually agreed point of delivery for service. The Town will own and operate water pumping, storage and distribution and render retail service within the Town's service area.

Each participating customer is required to make payments to Upper Trinity Regional Water District equivalent to their portion of the regional treated water system project (currently projected at 30% of the total obligation for Northlake) to cover the Town's portion of the cost of the obligation. The Town will be responsible to pay an annual payment for its share of the total amount of money required for the District to pay all operation and maintenance expenses of the System (the project or regional treated water system), and to pay the capital (bond service) component of the annual requirement including debt service on its bonds. Initially, payment for demand shall be based on the minimum demand under a take or pay for the initial demand, plus any future increases in demand requested or experienced by the Town.

The agreement requires the use of a water year of June 1 of each calendar year through May 31 of the next following calendar year and requires that approximately sixty days after the end of each annual payment period, the Town shall furnish in writing to the District service information for the water year.

Town of Northlake, Texas

Notes to Basic Financial Statements

6. Upper Trinity Regional Water District (District) Treated Water System Additional Participating Customer Contract (continued)

The Town paid a \$288,000 security deposit to the Upper Trinity Regional Water District upon execution of the agreement. The payment represents an estimate of two years of the Town's portion of the annual debt service requirements. The security deposit can be returned to the Town as early as three years from the start of the agreement if certain conditions are met. There are a number of fees and charges (equity fee, subscription fee, volume charges, etc.) associated with the water contract.

In addition, the Town financed the payment of a \$60,000 equity fee, an initial fee required by the contract, over 60 months (see Footnote 5).

7. Fund Balances

In accordance with GASBS No. 54, the Town classifies its fund equity into five categories:

- Nonspendable fund balance includes amounts that are not in a spendable form or are required to be maintained intact.
- Restricted fund balance includes amounts that are constrained to specific purposes by their providers or by enabling legislations.
- Committed fund balance includes amounts which are constrained to specific purposes by the government itself, using its highest level of decision-making. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- Assigned fund balance includes amounts a government intends to use for a specific purpose. Intent can be expressed by the governing body or by an official or body to which the governing body delegates.
- Unassigned fund balance includes amounts that are available for any purpose. Unassigned fund balances are only reported in the general fund.

The Town's highest level of decision-making authority is governed by the Town Council.

Passage of a resolution would be required to establish, modify, or rescind a fund balance commitment. The Town Council has the authority to assign amounts to specific purposes. The Town considers restricted amounts spent when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. Expenditures incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used are classified using the highest level of spending constraint available at the time of the expenditure.

Town of Northlake, Texas

Notes to Basic Financial Statements

8. Interfund Transfers and Balances

All interfund transfers between the various funds are approved supplements to the operations of those funds.

Transfer to	Transfer from	Amount
General Fund	Water and Sewer Fund	137,000
General Fund	4A Fund	20,000
General Fund	4B Fund	20,000
General Fund	Capital Projects Fund	14,000
		191,000

Due to/from are primarily related to short term loans to cover temporary cash shortages.

9. Employee Retirement System

Plan Description

The Town provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the Town are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, PO Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on the TMRS website at www.TMRS.com.

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 2011	Plan Year 2010
Deposit rate:	7%	6%
Matching ratio (Town to Employee):	2-1	2-1
A member is vested after	5 yrs	5 yrs
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25	60/5, 0/25
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity to increase (to retirees)	0% of CPI	0% of CPI

Town of Northlake, Texas

Notes to Basic Financial Statements

9. Employee Retirement System (continued)

Contributions

Under the state law governing TMRS, the contribution rate for each town is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that town. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The Town contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the Town make contributions monthly. Since the Town needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

The annual pension cost and net pension obligation are as follows:

	Plan Year		
	2009	2010	2011
Annual required contribution (ARC)	\$ 58,990	\$ 52,796	\$ 74,520
Interest on net pension obligation	-	-	
Adjustment to the ARC	-	-	
	58,990	52,796	74,520
Annual pension cost (APC)	58,990	52,796	74,520
Contributions made (100% contributed)	(58,990)	(52,796)	(74,520)
	-	-	-
Increase (decrease) in net pension obligation	-	-	-
Net pension obligation (asset), beginning of year	-	-	-
	-	-	-
Net pension obligation (asset), end of year	\$ -	\$ -	\$ -

Town of Northlake, Texas

Notes to Basic Financial Statements

9. Employee Retirement System (continued)

Contributions (continued)

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

Valuation Date	12/31/2007	12/31/2008	12/31/2009
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	25 years; closed period	24 years; closed period	24 years; closed period
Amortization Period for New Gains/Losses	25 years	25 years	25 years
Asset Valuation Method	Amortized Cost	Amortized Cost	10-year Smoothed Market
Actuarial Assumptions			
Investment Rate of Return*	7.00%	7.50%	7.50%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
*Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	0.00%	0.00%	0.00%

The funded status as of December 31, 2009, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/09	\$ 448,449	\$ 572,296	78.40%	\$ 123,847	\$ 873,371	14.20%

The schedule of funding progress, presented as Require Supplementary Information following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Supplemental Death Benefits

Plan Description

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

Town of Northlake, Texas

Notes to Basic Financial Statements

9. Employee Retirement System (continued)

Supplemental Death Benefits (continued)

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 month of death); retired employees are insured for \$7,500. This coverage is an "other postemployment benefit," or OPEB.

Contributions

The Town contributes to the SDBF at a contractually required rate as determined by the annual actuarial valuation. The rate is equal to the cost of providing one-year 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 contribution rates for the last three calendar/plan years are as follows:

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

Plan Year	Annual Required Contribution (Rate)	Annual Contribution Made (Rate)	% of ARC Contributed
2008	0.00%	0.00%	100.00%
2009	0.00%	0.00%	100.00%
2010	0.01%	0.00%	100.00%
2011	0.01%	0.00%	100.00%

10. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Town carries commercial insurance.

The Town had no significant changes in insurance coverage from the year ended September 30, 2010. Settlement amounts have not exceeded insurance coverage for the year ended September 30, 2011 or any of the three preceding years.

Town of Northlake, Texas

Notes to Basic Financial Statements

11. Prior Period Adjustments

Correction of errors in the prior year's government-wide and fund level statements are reported as prior period adjustments.

Summary of Prior Period Adjustments				
Increases (Decreases)				
	Government-wide Adjustments		Fund Level Adjustments	
	Governmental Net Assets	Business-type Net Assets	Fund Balance	Proprietary Net Assets
Reduce beginning compensated absences accrual	\$ 104,740	\$ -	\$ -	\$ -
Add capital lease obligation acquired in prior year	-	-	-	-
Sub-total general fund	104,740		-	
Reduce beginning compensated absences accrual	-	6,102	-	6,102
Add capital lease obligation acquired in prior year	(18,471)	-	-	-
Total prior period adjustments	\$ 86,269	\$ 6,102	\$ -	\$ 6,102

GASB No. 16 Accounting for Compensated Absences (Issued 11/92) provides guidance for the measurement of accrued compensated absences liabilities by state and local governmental entities. Compensated absences are absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. Vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if the leave is attributable to past service and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement. Sick leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees but only to the extent it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employees' termination or retirement ("termination payments"). The Town does not pay employees for accumulated sick leave upon separation, therefore, no accrual for sick leave is allowed. The prior period adjustment is a correction of an overstated accrued liability balance in prior year.

The capital lease obligation prior period adjustment records a capital lease obligation not recorded in prior year when the capital asset was acquired.

Town of Northlake, Texas

Notes to Basic Financial Statements

12. Contingent Liabilities

The Town is involved in a pending litigation matter. That litigation was filed on or about September 18, 2009 and was styled and numbered: Somchai Saramanee & Andrew Terrell Boggess v. Town of Northlake; Cause No. 2009-30299-211, pending in the 211~ District Court of Denton County, Texas. The suit concerned alleged personal injuries suffered by the Plaintiffs Saramanee and Boggess during a traffic stop effected by a Town Police Officer. The Town believed the claims of the Plaintiffs to be wholly without merit and vigorously contested the allegations of the Plaintiffs. On May 10, 2010, the trial court Judge granted the Town's Plea to the Jurisdiction and entered an Order disposing of all of the Plaintiffs' claims. The Plaintiffs appealed the determination of the trial court, and on March 17, 2011, the Court of Appeals reversed the ruling of the trial court. The Town sought review of the appellate court's decision and the Supreme Court of Texas granted the Town's writ of review. The matter is currently being briefed at the Texas Supreme Court and a ruling by that Court is expected sometime in 2012. The Town will continue to vigorously oppose the Plaintiffs' action and believes that the Plaintiffs have little likelihood of success on the merits of their claims. The Town is represented in that appeal by counsel engaged on behalf of the Town by the Texas Municipal League's Intergovernmental Risk Pool. An estimate of loss or possible loss cannot be made at this time.

13. Subsequent Events

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through January 25, 2012, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Northlake, Texas

Required Supplementary Information
 Schedule of Funding Progress for Participation in Texas Municipal Retirement System

September 30, 2011

Texas Municipal Retirement System
 Schedule of Funding Progress:

(unaudited)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Covered Payroll</u>	<u>Unfunded Actuarial Accrued Liability as a percentage of Covered Payroll</u>
12/31/07	\$ 229,692	\$ 282,329	81.40%	\$ 52,637	\$ 541,493	9.70%
12/31/08	323,426	400,527	80.80%	77,101	694,984	11.10%
12/31/09	448,449	572,296	78.40%	123,847	873,371	14.20%

Town of Northlake, Texas

Budgetary Comparison Schedule - General Fund

Year ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Property	\$ 616,894	\$ 650,000	\$ 649,357	\$ (643)
Sales and beverage	120,000	135,000	145,216	10,216
Franchise	177,000	170,500	159,100	(11,400)
Building permits, plat and other fees	151,500	44,000	39,133	(4,867)
Municipal court	645,000	625,000	629,140	4,140
Interest income	-	-	1,482	1,482
Miscellaneous	19,075	40,000	49,208	9,208
Total revenues	<u>1,729,469</u>	<u>1,664,500</u>	<u>1,672,636</u>	<u>8,136</u>
Expenditures				
Current				
General government	570,629	537,331	575,539	(38,208)
Municipal court	229,325	215,944	214,929	1,015
Police	807,456	760,339	853,932	(93,593)
Public works	170,440	160,494	149,215	11,279
Capital outlay	64,536	60,771	-	60,771
Debt service	-	-		
Principal	61,423	57,839	64,109	(6,270)
Interest and fiscal charges	-	-	3,691	(3,691)
Total expenditures	<u>1,903,810</u>	<u>1,792,718</u>	<u>1,861,415</u>	<u>(68,697)</u>
Excess (deficiency) of revenues over expenditures	(174,341)	(128,218)	(188,779)	(60,561)
Other financing sources (uses):				
Transfers in	177,000	177,000	177,000	-
Transfers out	-	(14,000)	(14,000)	-
Total other financing sources (uses)	<u>177,000</u>	<u>163,000</u>	<u>163,000</u>	<u>-</u>
Net change in fund balances	<u>2,659</u>	<u>34,782</u>	<u>(25,779)</u>	<u>(60,561)</u>
Fund balance, beginning of year	<u>303,439</u>	<u>303,439</u>	<u>303,439</u>	<u>-</u>
Fund balance, end of year	<u>\$ 306,098</u>	<u>\$ 338,221</u>	<u>\$ 277,660</u>	<u>\$ (60,561)</u>

Town of Northlake, Texas

Budgetary Comparison Schedule - Economic Development Corporation 4A

Year ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Sales taxes	\$ 60,000	\$ 60,000	\$ 72,608	\$ 12,608
Interest income	2,500	2,500	488	(2,012)
Miscellaneous	-	-	2,148	2,148
Total revenues	62,500	62,500	75,244	12,744
Expenditures				
Economic development	68,319	68,319	43,345	24,974
Total expenditures	68,319	68,319	43,345	24,974
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(20,000)	(20,000)	(20,000)	-
Total other financing sources (uses)	(20,000)	(20,000)	(20,000)	-
Net change in fund balances	(25,819)	(25,819)	11,899	37,718
Fund balance, beginning of year	292,127	292,127	292,127	-
Fund balance, end of year	<u>\$ 266,308</u>	<u>\$ 266,308</u>	<u>\$ 304,026</u>	<u>\$ 37,718</u>

Town of Northlake, Texas

Budgetary Comparison Schedule - Community Development Corporation 4B

Year ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Sales taxes	60,000	60,000	72,608	12,608
Interest income	2,500	2,500	452	(2,048)
Miscellaneous	-	-	2,148	2,148
Total revenues	62,500	62,500	75,208	12,708
Expenditures				
General Government	2,000	2,000	640	1,360
Economic development	66,319	66,319	44,916	21,403
Total expenditures	68,319	68,319	45,556	22,763
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(20,000)	(20,000)	(20,000)	-
Total other financing sources (uses)	(20,000)	(20,000)	(20,000)	-
Net change in fund balances	(25,819)	(25,819)	9,652	35,471
Fund balance, beginning of year	278,062	278,062	278,062	-
Fund balance, end of year	<u>\$ 252,243</u>	<u>\$ 252,243</u>	<u>\$ 287,714</u>	<u>\$ 35,471</u>

Town of Northlake, Texas

Budgetary Comparison Schedule - Hotel/Motel Tax Fund

Year ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Hotel/Motel tax	\$ 125,000	\$ 110,000	\$ 106,392	\$ (3,608)
Interest income	5,000	1,000	696	(304)
Total revenues	130,000	111,000	107,088	(3,912)
Expenditures				
Promotional	41,011	41,011	35,857	5,154
Total expenditures	41,011	41,011	35,857	5,154
Other financing sources (uses)				
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	88,989	69,989	71,231	1,242
Fund balance, beginning of year	498,798	498,798	498,798	-
Fund balance, end of year	\$ 587,787	\$ 568,787	\$ 570,029	\$ 1,242

Town of Northlake, Texas

Notes to Required Supplementary Information

September 30, 2011

1. Stewardship, Compliance and Accountability

Budgetary Information

The Town Council adopts an annual operating budget, which can be amended by the Council throughout the year. For each of the funds for which a formal budget is adopted, the same basis of accounting is used to reflect actual revenues and expenditures recognized on the basis of accounting principles generally accepted in the United States of America.

At the fund level, actual expenditures cannot exceed budgeted appropriations; however, with proper approval by the Town Council, budgetary transfers between departments can be made. The budget amounts on the budgetary comparison schedules reflect the final budget authorization.

COMBINING SCHEDULES

Town of Northlake, Texas

Combining Balance Sheet - Non Major Governmental Funds

September 30, 2011

	Debt Service Fund	Special Revenue Fund	Total Non Major Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ (21,669)	\$ 148,250	\$ 126,581
Receivables			
Property taxes, net of allowance	5,492	-	5,492
Other	-	7	7
Total assets and other debits	<u>\$ (16,177)</u>	<u>\$ 148,257</u>	<u>\$ 132,080</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ (44,718)	\$ 10,218	(34,500)
Deferred revenue	5,492	-	5,492
Due to other governmental funds	-	-	-
Total liabilities	<u>(39,226)</u>	<u>10,218</u>	<u>(29,008)</u>
Fund balances:			
Reserved for			
Debt service	23,049	-	23,049
Equipment	-	-	-
Court technology and security	-	138,039	138,039
Total fund balances	<u>23,049</u>	<u>138,039</u>	<u>161,088</u>
Total liabilities and fund balances	<u>\$ (16,177)</u>	<u>\$ 148,257</u>	<u>\$ 132,080</u>

Town of Northlake, Texas

Combining Schedule of Revenues, Expenditures and Changes
in Fund Balances - Non Major Governmental Funds

September 30,2011

	Debt Service Fund	Special Revenue Fund	Total Non Major Governmental Funds
Revenues			
Taxes			
Property	\$ 143,197	\$ -	\$ 143,197
Interest income	-	78	78
Miscellaneous	993	71,296	72,289
Total revenues	<u>144,190</u>	<u>71,374</u>	<u>215,564</u>
Expenditures			
Current			
General government	300	3,512	3,812
Municipal court	-	13,589	13,589
Police	-	14,392	14,392
Debt service			
Principal	55,000	-	55,000
Interest and fiscal charges	92,512	-	92,512
Total expenditures	<u>147,812</u>	<u>31,493</u>	<u>179,305</u>
Excess of revenues over expenditures	(3,622)	39,881	36,259
Other financing sources			
Transfers in	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(3,622)	39,881	36,259
Fund balances - beginning	26,671	98,158	124,829
Fund balances - ending	<u>\$ 23,049</u>	<u>\$ 138,039</u>	<u>\$ 161,088</u>