



TOWN OF NORTHLAKE

FISCAL YEAR 2019 ANNUAL FINANCIAL REPORT

ANNUAL FINANCIAL REPORT
Town of Northlake, Texas
Fiscal year ended September 30, 2019

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Town of Northlake, Texas
 Annual Financial Report
 Year ended September 30, 2019

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Town of Northlake, Texas

Annual Financial Report

Year ended September 30, 2019

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INTRODUCTORY SECTION

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April 15, 2020

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

The Comprehensive Annual Financial Report (CAFR) of the Town of Northlake, Texas for the fiscal year ended September 30, 2019 is submitted to you. Local Government Code Chapter 103 prescribes that a municipality shall have an annual audit by a licensed certified public accountant. The annual certified financial statements, including the auditor's opinion on the statement, must be filed with the Town's Secretary after the Town's fiscal year end.

This report consists of management's representations concerning the finances of the Town; therefore, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, the management of the Town has established an internal controls framework that is designed both to protect the Town's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town's financial statements in conformity with General Accepted Accounting Principals (GAAP). Because the cost of internal controls should not outweigh their benefits, the Town's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatements. As management, we assert that to the best of our knowledge and belief this financial report is complete and reliable in all material respects.

The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town for the fiscal year ending on September 30, 2019 are free of material misstatements. The Town's financial statements have been audited by Vail & Park, P.C. Their audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statements. Upon completion of the audit, the independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the Town's financial statements for the fiscal year ended September 30, 2019 are fairly presented in conformity with GAAP. The auditors' report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Town Profile

The Town of Northlake is located in Denton County, Texas and town limits are approximately 17 square miles with an additional 15 square miles of extraterritorial jurisdiction. The Town is bisected by the Interstate 35W highway corridor and from this corridor begins at Fort Worth, Texas extends eastward towards Argyle, Texas, westward towards Justin, Texas and ends at Denton, Texas to the north.

Town Profile (continued)

The Town was incorporated on December 28, 1960 and per Texas Local Government Code is deemed a “General Law Type A” municipality. The Town operates under a “Mayor-Council” structure whereby policy making authority rests solely with the Mayor and Council and they must annually adopt a property tax rate and an operating budget, approve Town ordinances and resolutions and employ a Town Attorney, Municipal Judge, Town Administrator, and a Town Secretary. The five Council members and Mayor serve two-year staggered terms and are elected at large.

The Town Administrator is responsible for implementing the policies, ordinances and resolutions enacted by the governing body, managing day-to-day operations of the Town, and appointing the department directors. The Town Secretary is the official record keeper of the Town.

The Town Council has created a Type A Economic Development Corporation and a Type B Community Development Corporation. Each of these corporations are operated by a board of directors that are appointed by the Mayor and Council members.

To better serve the residents of Northlake and to manage development, the Mayor and Council members have adopted a Comprehensive Future Land Use Plan, Parks, Recreation and Open Space Master Plan, Master Thoroughfare Plan, Water & Wastewater System Master Plan, and Unified Development Code.

Services Provided

The Town of Northlake provides police services, municipal court services, water and wastewater utility services, utility billing services, public works services, and developmental services.

Other Services Provided

Solid waste rubbish and collection services for the Town are contracted through Waste Connections. Fire and EMS services is provided by Denton County Emergency Services Number 1 and is funded through a district-wide property tax levy. The Town contracts with the Upper Trinity Regional Water District and with City of Fort Worth for the purchase of wholesale water. Wastewater treatment and collection services are contracted with the Trinity River Authority.

Economic Conditions and Outlook

Due to the strength of the regions’ economic conditions, the proximity of the Town to major job centers within the Dallas-Fort Worth (DFW) and Denton Metroplexes, and the exemplary school districts within the Town has caused increased development within the Town.

During fiscal year 2019 welcomed the opening of several commercial businesses including a Wing Stop, BurgerIM, Northlake Pet Hospital, Argyle Med spa and Amano’s Bistro. During fiscal year 2019 Stanley Black and Decker Distribution Center opened.

Residential growth continued during fiscal year 2019 with a large growth population, new estimated over 4,000 residents.

Fiscal Year 2019 Budget

The general themes of the 2019 fiscal year adopted budget was to maintain one of the lowest tax rates in Denton County, protect the Town's future, improve existing infrastructure, continue funding of maintenance and operational activities, and maintain the fiscal health of the Town's net position.

In order to achieve the goals mentioned above, the Town Council kept the same property tax rate as in prior years, \$0.295 per \$100.00 of valuation. In addition, the Town approved the following expenditures:

- Capital projects for FY 2019 Included:
 - Pave Cleveland-Gibbs from FM 407 to FM 1171 and pave Sam Lee Lane from Ashmore to 1,850 feet east.
 - Complete design of phase 3 of the northern pressure plain and phase 2 of the southern pressure plain including ground storage, pumps, and elevated tanks.
 - Evaluate and repair existing sewer system at SH 114 and IH-35W which was built in 1997.
- The increased staffing included:
 - The addition of a Sergeant position in Police to provide 24-hour supervision and backup.
 - One additional Maintenance Worker position in Public Works for water system monitoring and maintenance.
 - Creation of a Planner position which reports to Development Director and assists with development related reviews.
 - Creation of an accountant position to report to Finance Director and performs various accounting, auditing, and budget functions for the Town.
- Employment benefits were enhanced by the implementation of a tiered salary increase from 2% - 5%.
- Equipment purchases for Police Officer safety, traffic enforcement, criminal investigations, and the purchase of vehicles for the Police Department, Public Works Department, and the Code Compliance Officer.
- Issue certificates of obligation to fund the construction of water system improvements

Accounting and Budgetary Controls

In developing and maintaining the Town's accounting system, consideration is given to the adequacy of the internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the evaluation of costs and benefits requires estimates and judgements by management.

Accounting and Budgetary Controls (continued)

All of the Town's internal control evaluations occur within the above framework. We believe the Town's internal controls both adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The annually adopted budget serves as the foundation of the Town Council's financial and planning control. State law requires the budget to be adopted by the Town Council, on an annual basis, before the start of the new fiscal year. In addition, state law requires that the Town Council hold public hearings so that citizens may have the opportunity to review and provide comment on the proposed budget.

To assist the Mayor and Town Council with the annual budget, The Town Administrator and Departmental Directors prepare program expenditure and revenue estimates for the remainder of the current fiscal year as well as for the upcoming fiscal year. These estimates are submitted to the Town Council for consideration for revisions to the current year fiscal budget and for the adoption into the upcoming fiscal year budget.

A budgetary comparison to actual activities is provided later in this report for the General Fund, Hotel/Motel Fund, Capital Projects Fund, Economic Development Corporation, and the Community Development Corporation.

Acknowledgements

We would like to express our appreciation to the Mayor and Town Council for their leadership and support in planning and conducting the financial operations of the Town. In addition, we would like to thank the entire staff of the Town as this report could not be accomplished without their dedicated service to the Town.

Respectfully Submitted,

Drew Corn, Town Administrator



John Zagurski, Finance Director, CGFO

Key Officials

Town Council



Mayor
David Rettig



Mayor Pro Tem
Brian Montini
Place 3



Council Member
Rena Harderman
Place 1



Council Member
Jimmy Lambert
Place 2



Council Member
Roger Sessions
Place 4



Council Member
Danny Simpson
Place 5

Appointed Officials

Town Administrator	Drew Corn
Town Secretary	Shirley Rogers
Municipal Judge	Honorable Thomas Hobbs

Management Team

Court Administrator	LeAnn Oliver
Development Services Director	Nathan Reddin
Finance Director	John Zagurski
Police Chief	Robert Crawford
Public Works Director	Eric Tamayo

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FINANCIAL SECTION

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Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2019, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor judgment, including the assessment of the risks of the material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 as of September 30, 2019, 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.

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 contributions – pension, notes to required supplementary information, and budgetary comparison information, are 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 introductory section and combining nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements are the responsibility of management and were 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 combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2020 on our consideration of the Town’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* in considering the Town’s internal control over financial reporting and compliance.



Richardson, Texas
April 15, 2020

Town of Northlake, Texas
September 30, 2019
Management's Discussion and Analysis

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, 2019. Please read it in conjunction with the Town's financial statements, which begin on page 11.

Financial Highlights

- At the close of the most recent fiscal year, the total net position of the Town was \$22,442,178. Of this amount, \$2,748,417 is unrestricted and may be used to meet any of the Town's ongoing obligations to citizens and creditors, \$22,436,074 is restricted for specific activities and there was a reduction of net investment in capital assets of \$2,742,313.
- When compared with the prior fiscal year, the Town's total net position increased by \$3,200,773 or 16.63%. Governmental activities increased their net position by 60.64% or \$6,948,047 while business-type activities decreased their net position by 48.15% or \$3,747,274. There was a \$3,050,461 change of fund classification from Proprietary funds to Governmental funds.
- At the end of the fiscal year, government-wide revenues exceeded expenses by \$3,998,065. Governmental revenues exceeded expenses by \$4,694,878 while business-type expenses exceeded revenue by \$696,813.
- The Town's proprietary funds experienced a \$696,813 loss in net position due to an extremely wet summer causing a decrease in operating revenue relative to operating expenses. The Town is conducting a rate study in 2020 to ensure that future substantive rainfall years will not impact Utility reserves as adversely.

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
- 3) Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves. The basic financial statements present two different views of the Town through the use of government-wide statements, (pages 27 and 28), and fund financial statements, (pages 29 through 35). The Government-wide financial statements provide both short and long-term information about the Town while the fund financial statements focus on the activities of the individual components.

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

Town of Northlake, Texas
September 30, 2019
Management's Discussion and Analysis

Government-wide Financial Statements (continued)

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 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. Component units consist of two public improvement districts.

The government-wide financial statements can be found on pages 27 through 28 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of 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, Cost Recovery Fees, Hotel/Motel Tax funds, Capital Projects, Debt Service, and Non-Major Governmental funds.

The Town adopts an annual appropriated budget for all of its governmental funds, except for some non-major funds. A budgetary comparison statement has been provided for all budgeted governmental funds to demonstrate compliance with its budget. This comparison can be found on pages 77 through 85 in the Required Supplementary Information section of this report.

Town of Northlake, Texas
September 30, 2019
Management's Discussion and Analysis

Fund Financial Statements (continued)

The basic governmental fund financial statements can be found on pages 29 through 35 of the report.

Proprietary Funds. The Town maintains two types of proprietary funds; enterprise fund and internal service funds. 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. The Town uses three internal service funds; one to account for its equipment purchases and equipment maintenance; the second internal service fund is utilized for maintenance of Town facilities; and the third is for technology resources. 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 33 through 35 of this report.

Blended Component Units. The component units of the Town consist of two public improvement districts; The Highlands Public Improvement District No. 1 and The Town of Northlake Public Improvement District No. 1 for which the Town's elected officials are financially accountable for. Both of these districts derive their revenues through property assessments that are utilized exclusively for each district.

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 37 through 61 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 65 through 67 of this report.

Government-wide Financial Analysis

Government-wide Net Position. In order for the Town to provide services to its citizens, the Town operates both governmental and business -type activities. Governmental activities provide services for public works, police, municipal courts, developmental, promotional services, and general governmental activities. The Town provides water and sewer utilities to its residents and these activities are known as business-type activities.

Town of Northlake, Texas
September 30, 2019
Management's Discussion and Analysis

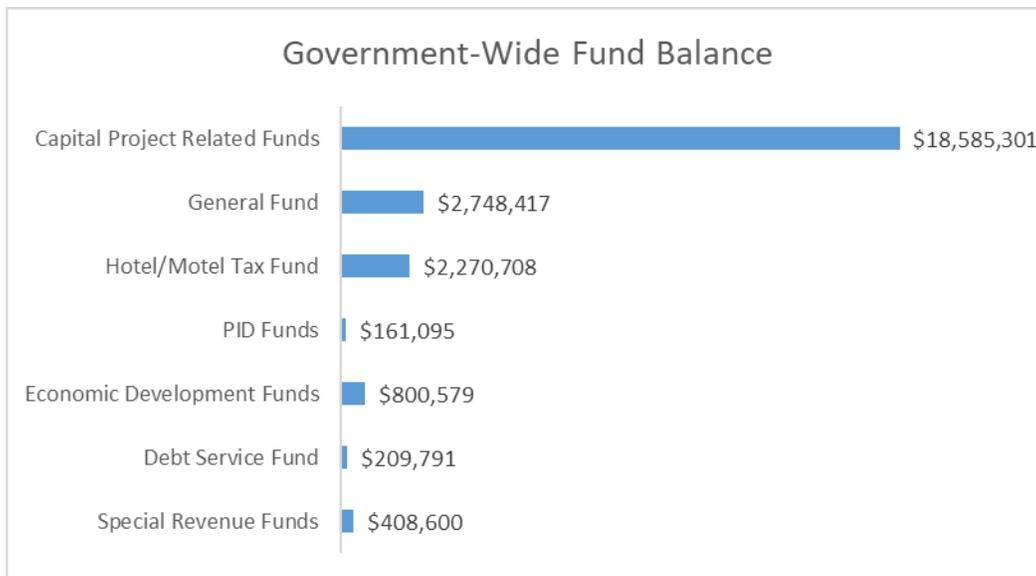
Government-wide Financial Analysis (continued)

The following chart compares the Town's current net position to the prior fiscal years net position for both governmental and business-type activities:

	Governmental Activities		Business-type Activities		Total	
	2018-19	FY 2017-18	2018-19	FY 2017-18	2018-19	FY 2017-18
Assets:						
Current and Other Assets	\$ 27,112,380	\$ 11,661,707	\$ 1,032,205	\$ 3,399,217	\$ 28,144,585	\$ 15,060,924
Capital Assets	16,366,329	14,327,684	3,690,838	6,060,818	20,057,167	20,388,502
Total Assets	43,478,709	25,989,391	4,723,043	9,460,035	48,201,752	35,449,426
Deferred outflows of resources	293,580	181,947	45,030	9,613	338,610	191,560
	293,580	181,947	45,030	9,613	338,610	191,560
Liabilities:						
Long-term Liabilities Outstanding	23,894,915	12,422,961	88,017	419,550	23,982,932	12,842,511
Other Liabilities	1,467,452	2,001,112	644,239	1,267,470	2,111,691	3,268,582
Total Liabilities	25,362,367	14,424,073	732,256	1,687,020	26,094,623	16,111,093
Deferred inflows of resources	3,098	288,488	463	-	3,561	288,488
Net Position:						
Invested in Capital Assets, Net of	(6,425,789)	2,902,033	3,683,476	5,697,160	(2,742,313)	8,599,193
Restricted	22,084,196	7,501,532	351,878	-	22,436,074	7,501,532
Unrestricted	2,748,417	1,055,212	-	2,085,468	2,748,417	3,140,680
Total Net Position	\$ 18,406,824	\$ 11,458,777	\$ 4,035,354	\$ 7,782,628	\$ 22,442,178	\$ 19,241,405

As noted earlier, net position may serve over time as a useful indicator of the Town's financial position. As of September 30, 2019, the Town of Northlake's assets exceeded liabilities by \$22,442,178. When compared to the prior year, the overall net position of the Town increased 16.63% or \$3,200,773 with governmental activities increasing \$6,948,047 or 60.64% and business-type activities decreased their net position by \$3,747,274 or 48.15%. There was a \$3,050,461 change of fund classification from Proprietary funds to Governmental funds.

The Town's net position is comprised of three components: net investment in capital assets, restricted, and unrestricted. The following table reflects the designated purpose of the Town's total net position.



Town of Northlake, Texas
September 30, 2019
Management's Discussion and Analysis

Government-wide Financial Analysis (continued)

Currently the Town has a negative \$2,742,313 net investment in capital assets (e.g., land, buildings, automobiles, equipment, construction in progress, water and sewer system, and infrastructure) due to the recent issuance of \$11,395,000 in bonds for new capital projects. The debt for these bonds is counted against capital assets, but the asset of the unused cash from the bond funds are not a part of net capital assets. Net investment in capital assets will increase as the funds are spent to create new assets.

These capital assets are used 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.

\$22,436,074 of the Town's net position is restricted, either by the Town Council or by statutory regulations, and can only be expended for these designated purposes.

The Town's unrestricted total net position of \$2,748,417 or 12.25% of total net assets may be used by the Town Council to meet any ongoing or future obligations to citizens and creditors.

The Town has two public improvement districts that are presented as blended components units in the financial statements and are combined with governmental activities. Each district collects annual assessments from each property owner that are utilized exclusively for benefit of their district. The assessments pay for the districts infrastructure, maintenance of parks and open spaces, and the debt related to the infrastructure of the districts.

As of September 30, 2019, the Town is able to report a positive balance in all categories of net position, for the government as a whole, as well as all categories for its separate governmental and business-type activities.

Government-wide Changes in Net Position. The Statement of Activities presents information showing how the Town's net assets changed during the fiscal year. In order for the user of these financial statements to gain clarity about the changes in activities, it is useful to compare the activities with the prior year. The following table provides a comparison between fiscal year 2019 and fiscal year 2018:

Town of Northlake's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	FY 2018-19	FY 2017-18	FY 2018-19	FY 2017-18	FY 2018-19	FY 2017-18
Total Revenues	\$ 12,516,965	\$ 8,756,584	\$ 3,975,114	\$ 5,887,844	\$ 16,492,079	\$ 14,644,428
Total Expenditures	8,052,087	6,098,448	4,441,927	3,314,386	12,494,014	9,412,834
Change Before Transfers	4,464,878	2,658,136	(466,813)	2,573,458	3,998,065	5,231,594
Transfers	230,000	200,000	(230,000)	(200,000)	-	-
Change In Net Position	4,694,878	2,858,136	(696,813)	2,373,458	3,998,065	5,231,594
Net Position - Beginning Balance	11,448,880	8,600,641	7,782,628	5,409,170	19,231,508	14,009,811
Conversion of PIDs*	9,897	-	-	-	9,897	-
Reclassification of Funds**	3,050,461	-	(3,050,461)	-	-	-
Prior Period Adjustment	(797,292)	-	-	-	(797,292)	-
Net Position - Ending Balance	18,406,824	11,458,777	4,035,354	7,782,628	22,442,178	19,241,405

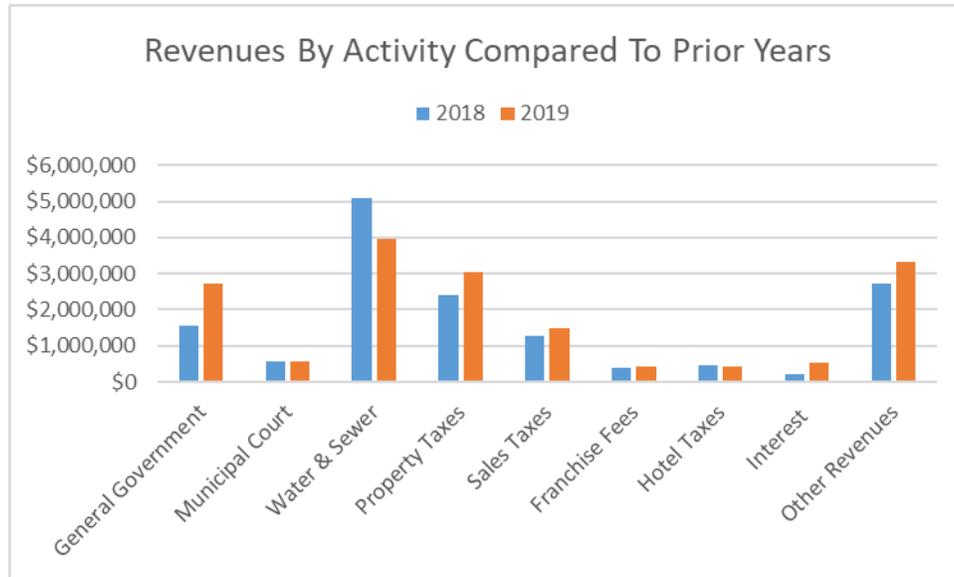
* From discretely presented to blended component unit method

** Proprietary Funds to Special Revenue Funds

Town of Northlake, Texas
September 30, 2019
Management's Discussion and Analysis

Government-wide Financial Analysis (continued)

The following chart depicts the current years' government wide revenues with prior years' revenues:



Below are the highlights of the changes in revenues:

- Total property tax revenue for the Town and its Public Improvement Districts increased by \$662,803 or 27.67% of which approximately \$395,029 was due to new construction.
- Sales Taxes increased \$200,848 or 15.63%, which can be attributed to new restaurants and sales tax from construction.
- Due to the increase in the number of residential homes and commercial buildings, Franchise Fees rose \$67,294 or 17.89% when compared to the prior year.
- Water & Sewer sales actually increased from last year by \$188,649 or 4.99%, but due to no outside contribution of \$1,300,406 as in FY 2018 total revenue decreased \$1,111,757 or 21.87%

When compared to the prior year, government-wide expenditures increased \$3,081,180 or 32.73%. The following chart depicts the government-wide expenditures of the Town:

	2019	2018	% Increase/Decrease	Variance
General government	\$ 1,745,172	\$ 928,400	87.98%	\$ 816,772
Municipal court	\$ 262,449	\$ 263,078	-0.24%	\$ (629)
Development services	\$ 1,693,550	\$ 1,274,815	32.85%	\$ 418,735
Police	\$ 1,538,975	\$ 1,574,463	-2.25%	\$ (35,488)
Public works	\$ 854,028	\$ 952,983	-10.38%	\$ (98,955)
Promotional	\$ 104,689	\$ 67,431	55.25%	\$ 37,258
Water & Sewer	\$ 4,442,897	\$ 3,294,171	34.87%	\$ 1,148,726
Public Improvement Districts	\$ 1,130,321	\$ 887,058	27.42%	\$ 243,263
Interest & Fiscal Charges	\$ 721,933	\$ 170,435	323.58%	\$ 551,498
	\$ 12,494,014	\$ 9,412,834	32.73%	\$ 3,081,180

Town of Northlake, Texas
September 30, 2019
Management's Discussion and Analysis

Government-wide Financial Analysis (continued)

Increases in the Town's expenditures can be attributed to the following activities:

- Development Services experienced a 32.85% or \$418,735 in expenditures for property tax reimbursements, pioneer grants, and jobs grants from the prior year.
- Expansion of the Town's workforce to maintain services levels from year to year increased expenditures. During fiscal year 2019 new personnel of a planner, public works maintenance worker, and a police department sergeant, and an accountant were added.
- Water & Sewer saw an increase in expenditures of \$1,148,726 or 34.87% due to an increase in the number of utility accounts, increased maintenance, and an increase in the subscription level of wholesale costs.
- Investment in infrastructure totaled \$1,980,918 for four major projects. These expenditures were spread across several of the above categories and are detailed below.

<u>Project Description</u>	<u>Amount</u>	<u>Project Status</u>
Cleveland-Gibbs Project	\$ 398,104	Completed FY 2019
Sam Lee Road Extension	1,235,322	Completed FY 2019
North Elevated Storage Tank	123,184	Estimated completion in FY 2021
South Elevated Storage Tank & Pump Station	224,309	Estimated completion in FY 2023
Total	\$ 1,980,918	

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.

At the end of the current fiscal year, the Town of Northlake's governmental funds reported combined ending fund balances of \$25,159,640. When compared to the prior fiscal year end, the combined fund balances experienced an increase of \$14,037,641 and is mainly due the receipt of \$12,000,000 in bond funds.

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

Total net position for business-type activities is \$4,035,354 and is comprised of \$351,878 or 8.72% in restricted assets while \$3,683,476 or 91.28% 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.

Town of Northlake, Texas
September 30, 2019
Management's Discussion and Analysis

Financial Analysis of the Government's Funds (continued)

Net position invested in capital assets is used to provide services to water and sewer customers; 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.

Unrestricted net position of the proprietary funds for business-type activities decreased by \$2,085,468 or 100% from the prior year. This decrease is mainly attributable to a change in classification of funds from proprietary funds to Governmental funds, and an operating loss caused by an extremely wet summer with low consumption. To improve the water & sewer funding structure the town is conducting a rate study in FY 2020.

Changes in net position of the proprietary funds is depicted in the following table:

Town of Northlake's Changes in Net Position - Proprietary Funds

	FY 2018-19	FY 2017-18	Variance	% Increase/ Decrease
Total Revenues	\$ 3,975,114	\$ 5,867,629	\$ (1,892,515)	-32%
Total Expenditures	4,441,927	3,294,171	1,147,756	35%
Change Before Transfers	(466,813)	2,573,458	(744,759)	-29%
Transfers	(230,000)	(200,000)	(30,000)	15%
Change In Net Position	(696,813)	2,373,458	(774,759)	-33%
Net Position - Beginning Balance	7,782,628	5,409,170	2,373,458	44%
Reclassification of Funds	(3,050,461)	-	(3,050,461)	NA
Net Position - Ending Balance	4,035,354	7,782,628	(1,451,762)	-19%

Revenue decreased from the prior year due to the reclassification of funds and the extremely wet summer that decreased Water consumption. Expenditures grew due to the growth in utility customer accounts and an increase in the price of the wholesale provider.

Internal Service Funds. The Town has three internal service funds that are utilized to provide equipment and services to the departments of the Town. These funds are comprised of the Technology Internal Service Fund, Equipment Internal Service Fund and Building Service Fund. These internal service funds are maintained by budgeted quarterly transfers from the departments within the Town and by Town Council's approved funding for specific large purchases.

The Internal Service Funds of the Town are presented as a component of the Proprietary Funds. Similar to business-type activities, internal service fund's net investment in capital assets are used to provide services to the departments of the Town and are not available for future spending. As of September 30, 2019, the internal service funds total unrestricted net position of the internal service funds is \$743,893.

Town of Northlake, Texas
September 30, 2019
Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital Assets. As of September 30, 2019, the Town has \$20,057,167 in capital assets. When compared to the prior year end, government-wide capital assets decreased by \$331,335 or 1.63%. The following table illustrates the Town's capital assets:

<i>Town of Northlake's Capital Assets (Net of Accumulated Depreciation)</i>						
	Governmental Activities		Business-type Activities		Total	
	FY 2018-19	FY 2017-18	FY 2018-19	FY 2017-18	FY 2018-19	FY 2017-18
Land	\$ 2,961,318	\$ 2,770,951	\$ 21,986	\$ 97,567	\$ 2,983,304	\$ 2,868,518
Construction in Progress	347,493	3,686,821	-	-	347,493	3,686,821
Buildings and Improvements	746,441	202,318	23,900	25,074	770,341	227,392
Furniture and Fixtures	194,314	3,868	-	-	194,314	3,868
Automobiles	750,995	738,457	-	-	750,995	738,457
Equipment	84,280	117,394	15,814	19,834	100,094	137,228
Infrastructure	9,924,086	6,005,504	-	-	9,924,086	6,005,504
Leased Building (Intangible Asset)	661,041	802,371	-	-	661,041	802,371
Water and Sewer System	696,361	-	3,629,138	5,918,343	4,325,499	5,918,343
Total	\$ 16,366,329	\$ 14,327,684	\$ 3,690,838	\$ 6,060,818	\$ 20,057,167	\$ 20,388,502

Major capital asset expenditures for fiscal year 2019 included the following:

- \$1,740,313 in roadway improvements for Sam Lee Lane, Cleveland-Gibbs Road, and right of way acquisition for Old Justin Road Dale Earnhardt Parkway.
- \$347,493 in the construction of a north elevated storage tank, a south elevated storage tank and a south side pump station.
- \$231,806 in vehicles; a dump truck for public works and two vehicles for the police.
- \$26,362 for a trailer for public works.

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 debt of \$21,905,000. When compared to the prior fiscal year, the Town's debt principal increased by \$10,435,000 due to an issuance of the 2018 CO. All of the debt obligations of the Town were paid on time and in accordance with their agreed upon terms.

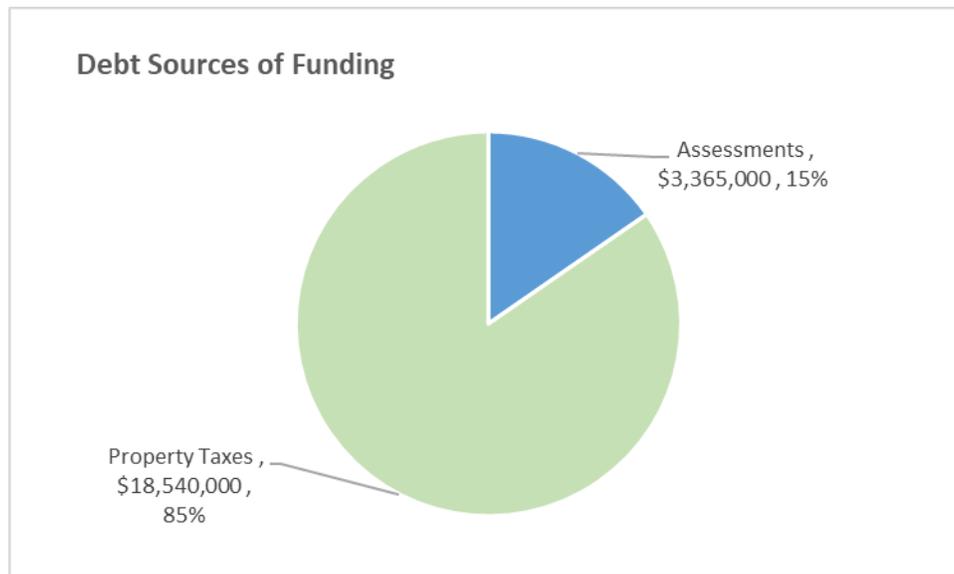
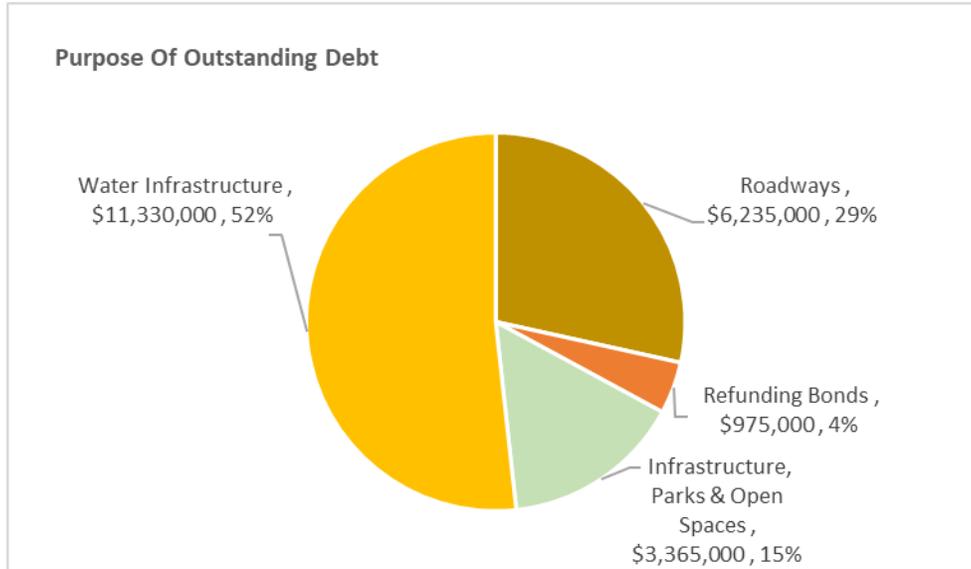
The following table illustrates the type of outstanding debt:

<i>Town of Northlake's Outstanding Debt</i>						
	Governmental Activities		Business-type Activities		Total	
	FY 2018-19	FY 2017-18	FY 2018-19	FY 2017-18	FY 2018-19	FY 2017-18
Capital Leases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Note Payable	-	-	-	-	-	-
Certificates of Obligation	21,905,000	11,115,000	-	355,000	21,905,000	11,470,000
Total	\$ 21,905,000	\$ 11,115,000	\$ -	\$ 355,000	\$ 21,905,000	\$ 11,470,000

Town of Northlake, Texas
September 30, 2019
Management's Discussion and Analysis

Capital Asset and Debt Administration (continued)

The following charts depict the purpose and the sources of funding for the Town's outstanding debt:



Additional information on the Town's long-term debt can be found in Note 5 of this report on pages 47 and 48.

Town of Northlake, Texas
September 30, 2019
Management's Discussion and Analysis

Governmental Funds Budgetary Highlights

The Town anticipated the general fund balance to increase \$529,388 by the end of fiscal year 2019; from \$1,847,823 to \$2,377,211. When comparing the actual results of the 2019 fiscal year activity to the revised budget, there was an increase of \$1,227,621 or 66.44% in fund balance for an ending fund balance of \$3,075,444. Actual revenues slightly exceed budget by 10.10% or \$526,704 while general fund expenditures were (\$152,410) or (3.08%) less than budget expectations. The decrease in anticipated expenditures is mainly attributable to capital expenditures for the community development and public works that were not purchased until the first quarter of fiscal year 2020.

Budget expectations for the Hotel/Motel Tax Fund anticipated a net increase in fund balance of \$300,337 by the end of the fiscal year, but by the end of the fiscal year the net change in fund balance was \$385,734 representing an increase over budget expectations of \$85,395. The contributing factors of this unexpected increase was due to an increase in the collection of occupancy taxes and the utilization of staff instead of third party contractors to reduce police costs for events.

When comparing budget expectations to actual activity in the Capital Projects Fund, expenditures exceeded budget expectations by \$14,031 or 0.86%. Developer participation and Interest income was higher than anticipated by \$49,307 completely offsetting the overage.

The Debt Service Fund's balance decreased due to the over budgeting of a bond premium, which resulted in a decrease in fund balance. The debt service fund ended the year with a fund balance \$209,791.

Both Type A Economic Development Corp. and the Type B Community Development Corp. experienced less of a decrease in fund balance than was budgeted. This was primarily due to sales tax revenues being 5.11% or \$18,396 higher than anticipated.

Details regarding budgetary variances can be found beginning on pages 77 through 86.

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 2019-2020. Overall, general fund revenues are expected to be higher during the next fiscal year. Due to the continued residential and commercial development, property tax revenue and development fees are expected to increase during fiscal year 2020. Expenses for the general fund are expected to slightly increase due to the Town's staffing of new positions, maintaining of service levels and the increase development related expenditures. The Town anticipates the maintaining of a surplus fund balance at the end of fiscal year 2020.

Water and sewer fund revenues are expected to be higher than fiscal year 2019-2020 due to additional customers and a rate change as a result of the rate study. In order to maintain service levels with the increase in new customers, expenditures are expected to rise during the fiscal year. The increases will occur from an increase in staff levels, maintenance costs and the purchase of wholesale water. The water and sewer fund projects a surplus in fund balance at the end of fiscal year 2020.

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 1500 Commons Circle, Ste. 300, Northlake, Texas 76226, phone: (940) 648-3290 or email townsecretary@town.northlake.tx.us.

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Town of Northlake, Texas
Statement of Net Position
September 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Cash and cash equivalents	\$ 26,238,666	\$ 509,106	\$ 26,747,772
Receivables (net of allowance for uncollectibles)	840,789	517,451	1,358,240
Prepaid expenses and other assets	32,925	5,648	38,573
Capital assets (net of accumulated depreciation):			
Land	2,961,318	21,986	2,983,304
Construction in progress	347,493	-	347,493
Buildings and improvements	746,441	23,900	770,341
Furniture and fixtures	194,314	-	194,314
Automobiles	750,995	-	750,995
Equipment	84,280	15,814	100,094
Infrastructure	9,924,086	-	9,924,086
Water and sewer system	696,361	3,629,138	4,325,499
Leased building (intangible asset)	661,041	-	661,041
Total capital assets	<u>16,366,329</u>	<u>3,690,838</u>	<u>20,057,167</u>
Total assets	<u>43,478,709</u>	<u>4,723,043</u>	<u>48,201,752</u>
Deferred outflows of resources	<u>293,580</u>	<u>45,030</u>	<u>338,610</u>
Total Assets and Deferred Outflows of Resources	<u><u>43,772,289</u></u>	<u><u>4,768,073</u></u>	<u><u>48,540,362</u></u>
Liabilities and Deferred Inflows of Resources			
Liabilities			
Accounts payable	482,636	65,611	548,247
Accrued liabilities	306,667	23,454	330,121
Deferred revenue	430,086	-	430,086
Customer deposits and other liabilities	150,045	555,174	705,219
Lease liabilities - current	98,018	-	98,018
Noncurrent liabilities:			
Net pension liabilities	539,774	80,655	620,429
Lease liabilities - noncurrent	563,023	-	563,023
Due within one year	657,850	4,273	662,123
Due in more than one year (net of unamortized bond premium)	22,134,268	3,089	22,137,357
Total liabilities	<u>25,362,367</u>	<u>732,256</u>	<u>26,094,623</u>
Deferred inflows of resources	<u>3,098</u>	<u>463</u>	<u>3,561</u>
Total Liabilities and Deferred Inflows of Resources	<u><u>25,365,465</u></u>	<u><u>732,719</u></u>	<u><u>26,098,184</u></u>
Net Position			
Net investment in capital assets	(6,425,789)	3,683,476	(2,742,313)
Restricted for:			
Promotional activities	2,270,708	-	2,270,708
Debt service	209,791	-	209,791
Capital projects	18,233,423	351,878	18,585,301
Economic development	409,669	-	409,669
Community development	390,910	-	390,910
Public Improvement Districts (PID)	161,095	-	161,095
Donations	23,682	-	23,682
Municipal court	80,235	-	80,235
Utility cost participation	23,553	-	23,553
Public safety	111,948	-	111,948
Tax Increment Reinvestment Zone (TIRZ)	169,182	-	169,182
Unrestricted	2,748,417	-	2,748,417
Total Net Position	<u><u>\$ 18,406,824</u></u>	<u><u>\$ 4,035,354</u></u>	<u><u>\$ 22,442,178</u></u>

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

Town of Northlake, Texas
Statement of Activities
Year Ended September 30, 2019

Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 1,740,431	\$ 2,718,599	\$ -	\$ -	\$ 978,168	\$ -	\$ 978,168
Municipal court	262,449	553,167	-	-	290,718	-	290,718
Development services	1,693,550	2,603,003	-	-	909,453	-	909,453
Police	1,538,975	173,622	-	-	(1,365,353)	-	(1,365,353)
Public works	854,028	-	-	-	(854,028)	-	(854,028)
Promotional	104,689	-	-	-	(104,689)	-	(104,689)
Public Improvement Districts (PID)	1,130,320	-	-	-	(1,130,320)	-	(1,130,320)
Tax Increment Reinvestment Zone (TIRZ)	4,741	-	-	-	(4,741)	-	(4,741)
Utility cost participation	970	-	-	421,929	420,959	-	420,959
Interest and fiscal charges	721,933	-	-	-	(721,933)	-	(721,933)
Total governmental activities	8,052,086	6,048,391	-	421,929	(1,581,766)	-	(1,581,766)
Business-type activities:							
Water and sewer	4,441,927	3,972,507	-	-	-	(469,420)	(469,420)
Total business-type activities	4,441,927	3,972,507	-	-	-	(469,420)	(469,420)
Total primary government	\$ 12,494,013	\$ 10,020,898	\$ -	\$ 421,929	\$ (1,581,766)	\$ (469,420)	\$ (2,051,186)

Change in Net Position

General revenues:

Taxes:		
Property taxes		3,058,040
Sales and beverage taxes		1,485,578
Hotel/Motel taxes		417,116
Franchise fees		443,387
Interest income	298	531,322
Billboard and other revenue	2,309	111,201
Transfers in (out)	(230,000)	230,000
Total general revenues and transfers	(227,393)	6,276,644
Change in net position	(696,813)	4,694,878
Net position - beginning	7,782,628	11,448,880
Conversion of PIDs from discretely presented to blended component unit method	-	9,897
Reclassification of certain Proprietary Funds to Special Revenue Funds	(3,050,461)	3,050,461
Prior period adjustment - correction of beginning capital asset balance	-	(797,292)
Net position - ending	\$ 4,035,354	\$ 18,406,824

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

Town of Northlake, Texas
Balance Sheet - Governmental Funds
September 30, 2019

	General Fund	Hotel/Motel Tax Fund	Debt Service Fund	Cost Recovery Fee Fund	Water Impact Fee Funds	Water Capital Projects Fund	Capital Improvement Fund	Roadway Impact Fee Funds	Blended Component Units			Non-major Governmental Funds	Total Governmental Funds
									Economic Development Corporation 4A	Community Development Corporation 4B	Public Improvement Districts (PIDs)		
Assets													
Cash and cash equivalents	\$ 3,054,294	\$ 2,198,891	\$ 276,287	\$ 863,886	\$ 2,158,881	\$ 12,200,550	\$ 1,319,670	\$ 1,785,103	\$ 344,791	\$ 326,032	\$ 175,942	\$ 788,622	\$ 25,492,949
Receivables:													
Property taxes, net	21,681	-	16,313	-	-	-	-	-	-	-	1,571	-	39,565
Sales taxes	132,955	-	-	-	-	-	-	-	66,478	66,478	-	-	265,911
Franchise taxes	145,396	-	-	-	-	-	-	-	-	-	-	-	145,396
Hotel/Motel taxes	-	73,417	-	-	-	-	-	-	-	-	-	-	73,417
Municipal court receivable, net	22,005	-	-	-	-	-	-	-	-	-	-	-	22,005
Other receivables	7,710	-	-	-	-	-	266,785	-	-	-	-	20,000	294,495
Prepaid expenses and other assets	29,662	421	-	-	-	-	-	-	421	421	-	2,000	32,925
Total assets	3,413,703	2,272,729	292,600	863,886	2,158,881	12,200,550	1,586,455	1,785,103	411,690	392,931	177,513	810,622	26,366,663
Liabilities and Fund Balances													
Liabilities:													
Accounts payable	164,614	331	-	-	23,665	-	69,735	-	331	331	-	221,805	480,812
Accrued liabilities	130,597	1,690	65,915	-	-	1,267	-	-	1,690	1,690	14,843	8,217	225,909
Deferred revenue	43,003	-	16,894	-	-	-	266,785	-	-	-	1,575	22,000	350,257
Developer deposits and other liabilities	45	-	-	-	-	-	-	-	-	-	-	150,000	150,045
Total liabilities	338,259	2,021	82,809	-	23,665	1,267	336,520	-	2,021	2,021	16,418	402,022	1,207,023
Fund balances:													
Restricted for													
Promotional activities	-	2,270,708	-	-	-	-	-	-	-	-	-	-	2,270,708
Debt service	-	-	209,791	-	-	-	-	-	-	-	-	-	209,791
Capital improvement	-	-	-	863,886	2,135,216	12,199,283	1,249,935	1,785,103	-	-	-	-	18,233,423
Economic development	-	-	-	-	-	-	-	-	409,669	-	-	-	409,669
Community development	-	-	-	-	-	-	-	-	-	390,910	-	-	390,910
Public Improvement Districts (PID)	-	-	-	-	-	-	-	-	-	-	161,095	-	161,095
Donations	-	-	-	-	-	-	-	-	-	-	-	23,682	23,682
Municipal court	-	-	-	-	-	-	-	-	-	-	-	80,235	80,235
Utility cost participation	-	-	-	-	-	-	-	-	-	-	-	23,553	23,553
Public safety	-	-	-	-	-	-	-	-	-	-	-	111,948	111,948
Tax Increment Reinvestment Zone (TIRZ)	-	-	-	-	-	-	-	-	-	-	-	169,182	169,182
Unrestricted	3,075,444	-	-	-	-	-	-	-	-	-	-	-	3,075,444
Total fund balance	3,075,444	2,270,708	209,791	863,886	2,135,216	12,199,283	1,249,935	1,785,103	409,669	390,910	161,095	408,600	25,159,640
Total liabilities and fund balance	\$ 3,413,703	\$ 2,272,729	\$ 292,600	\$ 863,886	\$ 2,158,881	\$ 12,200,550	\$ 1,586,455	\$ 1,785,103	\$ 411,690	\$ 392,931	\$ 177,513	\$ 810,622	\$ 26,366,663

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 Position
 September 30, 2019

Total fund balances - governmental funds	\$ 25,159,640
Amounts reported for governmental activities in the statement of net position 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.	14,082,042
Revenues earned but not available within sixty days of the year end are not recognized as revenue in the fund financial statements.	(79,829)
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.	(80,758)
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.	(23,041,410)
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 position.	2,367,139
Net position of governmental activities	\$ 18,406,824

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, 2019

	General Fund	Hotel/Motel Tax Fund	Debt Service Fund	Cost Recovery Fee Fund	Water Impact Fee Funds	Water Capital Projects Fund	Capital Improvement Fund	Roadway Impact Fee Funds	Blended Component Units			Non-major Governmental Funds	Total Governmental Funds
									Economic Development Corporation 4A	Community Development Corporation 4B	Public Improvement Districts (PIDs)		
Revenues													
Taxes:													
Property	\$ 1,014,024	\$ -	\$ 827,474	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,103,802	\$ 127,027	\$ 3,072,327
Sales and beverage	757,432	-	-	-	-	-	-	-	378,396	378,396	-	-	1,514,224
Hotel/Motel	-	457,149	-	-	-	-	-	-	-	-	-	-	457,149
Franchise fees	454,537	-	-	-	-	-	-	-	-	-	-	-	454,537
Fees, licenses and permits	2,579,477	-	-	-	-	-	-	-	-	-	-	-	2,579,477
Municipal court fines	512,290	-	-	-	-	-	-	-	-	-	-	-	512,290
Contracted police services	161,813	-	-	-	-	-	-	-	-	-	-	-	161,813
Credit card convenience fees	10,927	-	-	-	-	-	-	-	-	-	-	-	10,927
Cost recovery fees	-	-	-	433,149	-	-	-	-	-	-	-	-	433,149
Water and sewer impact fees	-	-	-	-	1,166,118	-	-	-	-	-	-	-	1,166,118
Developer participation	-	-	-	-	-	-	421,929	-	-	-	-	-	421,929
Roadway impact fees	-	-	-	-	-	-	-	1,003,736	-	-	-	-	1,003,736
Court security, technology and online access fees	-	-	-	-	-	-	-	-	-	-	-	40,877	40,877
Seized monies, training, seatbelt and child safety	-	-	-	-	-	-	-	-	-	-	-	11,809	11,809
Interest income	186,563	1,184	59	399	170	293,976	47,378	-	351	308	-	508	530,896
Billboard and other revenue	62,051	5,785	-	-	-	12,058	-	-	14,862	14,862	-	8	109,626
Total revenues	5,739,114	464,118	827,533	433,548	1,166,288	306,034	469,307	1,003,736	393,609	393,566	1,103,802	180,229	12,480,884
Expenditures													
Current:													
General government	927,873	-	30,379	810	1,077	10,362	4,117	-	-	-	-	716	975,334
Municipal court	279,621	-	-	-	-	-	-	-	-	-	-	94,658	374,279
Development services	645,618	-	-	-	-	-	-	-	515,293	512,766	-	-	1,673,677
Police	2,383,963	17,972	-	-	-	-	-	-	-	-	-	8,635	2,410,570
Public works	564,418	-	-	-	-	-	1,489	-	-	-	-	-	565,907
Promotional	-	60,412	-	-	-	-	-	-	22,952	22,825	-	-	106,189
Public Improvement Districts (PID)	-	-	-	-	-	-	-	-	-	-	793,278	-	793,278
Tax Increment Reinvestment Zone (TIRZ)	-	-	-	-	-	-	-	-	-	-	-	4,741	4,741
Utility cost participation	-	-	-	-	-	-	-	-	-	-	-	970	970
Capital outlay	-	-	-	-	347,493	106,887	1,633,425	-	-	-	-	-	2,087,805
Debt service:													
Principal	-	-	765,000	-	-	20,000	-	-	-	-	175,000	-	960,000
Interest and fiscal charges	-	-	606,111	-	-	10,030	-	-	-	-	104,352	-	720,493
Total expenditures	4,801,493	78,384	1,401,490	810	348,570	147,279	1,639,031	-	538,245	535,591	1,072,630	109,720	10,673,243
Excess (deficiency) of revenues over expenditures	937,621	385,734	(573,957)	432,738	817,718	158,755	(1,169,724)	1,003,736	(144,636)	(142,025)	31,172	70,509	1,807,641
Other financing sources (uses)													
Proceeds of long-term debt	-	-	11,395,000	-	-	-	-	-	-	-	-	-	11,395,000
Premium on bond	-	-	605,000	-	-	-	-	-	-	-	-	-	605,000
Transfers in	290,000	-	-	-	-	12,000,000	-	-	-	-	-	-	12,290,000
Transfers out	-	-	(12,000,000)	-	-	-	-	-	(30,000)	(30,000)	-	-	(12,060,000)
Total other financing sources (uses)	290,000	-	-	-	-	12,000,000	-	-	(30,000)	(30,000)	-	-	12,230,000
Net change in fund balances	1,227,621	385,734	(573,957)	432,738	817,718	12,158,755	(1,169,724)	1,003,736	(174,636)	(172,025)	31,172	70,509	14,037,641
Fund balances - beginning	1,847,823	1,884,974	783,748	431,148	1,317,498	40,528	2,419,659	781,367	584,305	562,935	129,923	338,091	11,121,999
Fund balances - ending	\$ 3,075,444	\$ 2,270,708	\$ 209,791	\$ 863,886	\$ 2,135,216	\$ 12,199,283	\$ 1,249,935	\$ 1,785,103	\$ 409,669	\$ 390,910	\$ 161,095	\$ 408,600	\$ 25,159,640

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, 2019

Net changes in fund balances - total governmental funds	\$ 14,037,641
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.	2,087,805
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.	(742,408)
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.	(10,995,390)
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.	(16,077)
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.	(46,050)
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.	(94,116)
Certain expenses in the government-wide statement of activities that do not require current financial resources are not reported as expenditures in the governmental funds.	(110,143)
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>573,616</u>
Change in net position of governmental activities	<u><u>\$ 4,694,878</u></u>

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

Town of Northlake, Texas
Statement of Net Position - Proprietary Funds
September 30, 2019

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Non-major Enterprise Funds	Total Proprietary Funds	Internal Service Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 499,847	\$ 9,259	\$ 509,106	\$ 745,717
Accounts receivable, net	512,951	3,631	516,582	-
Prepaid expenses	5,648	-	5,648	-
Other receivables	869	-	869	-
Total current assets	<u>1,019,315</u>	<u>12,890</u>	<u>1,032,205</u>	<u>745,717</u>
Non-current assets:				
Property, plant and equipment:				
Land	21,986	-	21,986	-
Buildings and improvements	35,211	-	35,211	648,368
Furniture and fixtures	-	-	-	194,314
Automobiles	42,214	-	42,214	1,308,906
Equipment	20,098	-	20,098	140,635
Water and sewer system	4,291,686	-	4,291,686	-
Leased building (intangible asset)	-	-	-	661,041
	<u>4,411,195</u>	<u>-</u>	<u>4,411,195</u>	<u>2,953,264</u>
Accumulated depreciation	(720,357)	-	(720,357)	(668,977)
Net property, plant and equipment	<u>3,690,838</u>	<u>-</u>	<u>3,690,838</u>	<u>2,284,287</u>
Total Assets	<u>4,710,153</u>	<u>12,890</u>	<u>4,723,043</u>	<u>3,030,004</u>
Deferred outflows of resources	<u>45,030</u>	<u>-</u>	<u>45,030</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>4,755,183</u>	<u>12,890</u>	<u>4,768,073</u>	<u>3,030,004</u>
Liabilities				
Current liabilities:				
Accounts payable	65,611	-	65,611	1,824
Accrued liabilities	23,454	-	23,454	-
Customer deposits	550,353	4,821	555,174	-
Compensated absences - current	4,273	-	4,273	-
Lease liability - current	-	-	-	98,018
Total current liabilities	<u>643,691</u>	<u>4,821</u>	<u>648,512</u>	<u>99,842</u>
Non-current liabilities:				
Net pension liabilities	75,739	-	75,739	-
Net OPEB liabilities	4,916	-	4,916	-
Compensated absences - noncurrent	3,089	-	3,089	-
Lease liability - noncurrent	-	-	-	563,023
Total Liabilities	<u>727,435</u>	<u>4,821</u>	<u>732,256</u>	<u>662,865</u>
Deferred inflows of resources	<u>463</u>	<u>-</u>	<u>463</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>727,898</u>	<u>4,821</u>	<u>732,719</u>	<u>662,865</u>
Net position				
Net investment in capital assets	3,683,476	-	3,683,476	1,623,246
Restricted for capital projects	343,809	8,069	351,878	-
Unrestricted	-	-	-	743,893
Total Net Position	<u>\$ 4,027,285</u>	<u>\$ 8,069</u>	<u>\$ 4,035,354</u>	<u>\$ 2,367,139</u>

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

Town of Northlake, Texas
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds
Year ended September 30, 2019

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Non-major Enterprise Funds	Total Proprietary Funds	Internal Service Funds
Operating revenues:				
Charges for services	\$ 3,961,274	\$ 11,233	\$ 3,972,507	\$ 1,326,500
Total operating revenues	<u>3,961,274</u>	<u>11,233</u>	<u>3,972,507</u>	<u>1,326,500</u>
Operating expenses:				
Operating expenses	4,328,723	718	4,329,441	526,902
Depreciation	<u>112,486</u>	<u>-</u>	<u>112,486</u>	<u>227,983</u>
Total operating expenses	<u>4,441,209</u>	<u>718</u>	<u>4,441,927</u>	<u>754,885</u>
Operating income (loss)	(479,935)	10,515	(469,420)	571,615
Nonoperating revenues (expenses):				
Interest income	298	-	298	426
Other income (expense)	<u>2,309</u>	<u>-</u>	<u>2,309</u>	<u>1,576</u>
Total nonoperating revenues	<u>2,607</u>	<u>-</u>	<u>2,607</u>	<u>2,002</u>
Income (loss) before transfers	(477,328)	10,515	(466,813)	573,617
Transfers out	<u>(230,000)</u>	<u>-</u>	<u>(230,000)</u>	<u>-</u>
Change in net position	(707,328)	10,515	(696,813)	573,617
Net position - beginning	<u>4,734,613</u>	<u>(2,446)</u>	<u>4,732,167</u>	<u>1,793,522</u>
Net position - ending	<u>\$ 4,027,285</u>	<u>\$ 8,069</u>	<u>\$ 4,035,354</u>	<u>\$ 2,367,139</u>

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

Town of Northlake, Texas
Statement of Cash Flows - Proprietary Funds
Year ended September 30, 2019

	Business-Type Activities Water and Sewer Fund	Governmental Activities Internal Service Funds
Operating Activities		
Cash received from customers	\$ 3,880,670	\$ 1,326,500
Cash payments to suppliers for goods and services	(4,805,147)	(830,853)
Net cash provided by operating activities	(924,477)	495,647
Noncapital Financing Activities		
Transfers to other funds	(230,000)	-
Net cash used in noncapital financing activities	(230,000)	-
Capital and Related Financing Activities		
Proceed from insurance	2,309	1,576
Net cash used in capital and related financing activities	2,309	1,576
Investing Activities		
Capital expenditures	641,206	(102,236)
Interest received	298	426
Net cash provided by investing activities	641,504	(101,810)
Net increase in cash and cash equivalents	(510,664)	395,413
Cash and cash equivalents - beginning	1,010,511	350,304
Cash and cash equivalents - ending	499,847	745,717
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	(479,935)	571,615
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	112,486	227,983
Change in assets and liabilities:		
Accounts receivable	(80,604)	-
Prepaid and other assets	(3,017)	7,322
Deferred outflow of resources	(35,417)	-
Accounts payable and accrued liabilities	(565,832)	(130,482)
Lease liability	-	(141,330)
Customer deposits	103,677	(39,461)
Net pension liability	24,763	-
Deferred inflow of resources	463	-
Compensated absences	(1,061)	-
Net cash provided by operating activities	\$ (924,477)	\$ 495,647

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

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Town of Northlake, Texas
Notes to Basic Financial Statements
September 30, 2019

1. 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. 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 more significant policies of the Town are described below.

A. Financial Reporting Entity

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 financial 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 financials 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. 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

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

Town of Northlake, Texas
Notes to Basic Financial Statements
September 30, 2019

1. Summary of Significant Accounting Policies (continued)

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.

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.

The Town consist of two public improvement districts (PIDs); The Town of Northlake Public Improvement District No. 1 and The Highlands Public Improvement District (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.

In fiscal year 2019, the Town converted the PIDs from discretely presented to blended component unit method as the Town exercises substantial control over the PID activities, which include approval and appointment of the bank trustee that helps facilitate the PID spending and repayment of debt.

B. Fund Accounting

The accounts of the Town are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts, which are comprised of funds’ assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and from individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statement section of this report into two broad categories as follows:

Governmental Fund Types

The primary government of the Town maintains eight major governmental funds and twelve non-major special revenue funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the eight major governmental finds. Data from the other non-major special revenue funds are combined into a single aggregated presentation. Individual funds data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. Funds with no balances in assets, liabilities, revenue or expenditures are excluded from reporting.

Town of Northlake, Texas
Notes to Basic Financial Statements
September 30, 2019

1. Summary of Significant Accounting Policies (continued)

General Fund

The general fund is the general operating fund of the Town. It is used to account for all financial resources except amounts required to be accounted for in another fund.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, general-long term debt, principal, interest, and related costs. The resources of this fund are provided primarily by taxes levied by the Town (General Fund).

Capital Improvement Fund

The capital improvement fund is used to account for all financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds).

Special Revenue Funds

Special revenue funds account for revenues that are raised for a specific purpose. The Town maintains five major special revenue funds, Hotel/Motel Tax Fund, Cost Recovery Fund, Water Impact Fee Funds, Water Capital Projects Fund, and Roadway Impact Fee Funds, and twelve individual non-major special revenue funds. These funds are Donations Fund, Court Security Fund, Court Technology Fund, Court Online Access Fees Fund, Belmont FWSD Fund, Canyon Falls FWSD Fund, Highlands Fund, Northport 35 Business Center Fund, Police Asset Forfeiture Fund, Police Training Fund, Child Safety Fund, and Tax Increment Reinvestment Zone (TIRZ).

Proprietary Funds

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 position. The Town has presented the following major proprietary funds.

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.

Town of Northlake, Texas
Notes to Basic Financial Statements
September 30, 2019

1. Summary of Significant Accounting Policies (continued)

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 fund accounts for the accumulation and allocation of costs associated with major equipment purchases and maintenance of the equipment. The internal service fund is 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.

C. Basis of Accounting

The government-wide financial statements (the statement of net position 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.

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 position and the operating statements present increases (revenues) and decreases (expenses) in total net position. 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.

Town of Northlake, Texas
Notes to Basic Financial Statements
September 30, 2019

1. Summary of Significant Accounting Policies (continued)

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.

Cash and Cash Equivalents

Cash and investments are considered to be cash on hand and demand and time deposits, as well as short-term investments in State investment pools.

For purposes of the statement of cash flows (proprietary fund types), the Town considers cash deposits and highly liquid investments (including restricted assets) maturing in three months or less when purchased, to be cash equivalents. All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

Inventories and Prepaid Items

Cash Inventories are valued at cost. Cost is determined using the first-in, first-out method. Inventory consists of expendable supplies held for consumption. Inventories are capitalized under the consumption method, whereby expenditures are capitalized as inventory until used.

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
Furniture and fixtures	10 Years
Automobiles	3 Years
Equipment	3 - 10 Years
Infrastructure	5 - 40 Years
Leased building (intangible asset)	5 Years
Water and sewer system	30 - 50 years

Town of Northlake, Texas
Notes to Basic Financial Statements
September 30, 2019

1. Summary of Significant Accounting Policies (continued)

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.

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.

Net Position

Net position represents the difference between assets and liabilities. Net investments in capital assets 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 position is 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.

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

Revenue Recognition - 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.

Town of Northlake, Texas
Notes to Basic Financial Statements
September 30, 2019

1. Summary of Significant Accounting Policies (continued)

Interfund Transfers

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

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 short-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, 2019, the Town had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>
Logic	\$ 21,864,690	35 days
Wells Fargo	\$ 2,141,757	0 days

As of September 30, 2019, the Town did not invest in any securities that are highly sensitive to interest rate fluctuations.

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, 2019</u>
Logic	\$ 21,864,690	AAA	AAA
Wells Fargo	\$ 2,141,757	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, 2019, other than external investment pools, the Town did not have 5% or more of its investments with one issuer.

Town of Northlake, Texas
Notes to Basic Financial Statements
September 30, 2019

2. Deposits and Investments (continued)

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, 2019, the carrying amount of the Town's cash on hand and deposits were \$2,739,095 and the bank balance was \$3,610,224. The bank balance was fully covered by federal depository insurance and collateral pledged. 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.

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, 2019, including the applicable allowances for uncollectible accounts, are presented below:

	General Fund		Debt Service Fund	Blended Component Units	
	Property Tax Receivable	Municipal Court Receivable		Public Improvement Districts (PID) Assessment Receivable	Enterprise Fund Water and Sewer Accounts Receivable
gross receivables	\$ 26,942	\$ 57,315	\$ 17,178	\$ 1,575	\$ 528,346
less: allowance for uncollectibles	(5,261)	(35,310)	(865)	(4)	(15,395)
Net receivables	<u>\$ 21,681</u>	<u>\$ 22,005</u>	<u>\$ 16,313</u>	<u>\$ 1,571</u>	<u>\$ 512,951</u>

Town of Northlake, Texas
Notes to Basic Financial Statements
September 30, 2019

4. Capital Assets

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

	Balance September 30, 2018	Reclassifications	Additions	Retirements	Balance September 30, 2019
Governmental activities					
Capital assets not being depreciated					
Land	\$ 2,770,951	\$ 75,581	\$ 114,786	\$ -	\$ 2,961,318
Construction in progress	3,686,821	-	347,493	(3,686,821)	347,493
Total capital assets not being depreciated	6,457,772	75,581	462,279	(3,686,821)	3,308,811
Capital assets being depreciated					
Buildings and improvements	400,688	-	560,830	-	961,518
Furniture and fixtures	9,372	-	194,314	(9,372)	194,314
Automobiles	1,670,799	-	231,806	(238,579)	1,664,026
Equipment	392,403	-	26,362	(104,667)	314,098
Infrastructure	5,501,833	3,015,000	4,565,196	-	13,082,029
Water and sewer system	-	764,052	890,000	-	1,654,052
Leased building (intangible asset)	802,371	-	-	(141,330)	661,041
Total capital assets being depreciated	8,777,466	3,779,052	6,468,508	(493,948)	18,531,078
Less: accumulated depreciation					
Buildings and improvements	198,370	-	16,707	-	215,077
Furniture and fixtures	5,504	-	-	(5,504)	-
Automobiles	932,342	-	218,013	(237,324)	913,031
Equipment	275,009	-	30,649	(75,840)	229,818
Infrastructure	2,916,302	485,027	646,614	-	4,047,943
Water and sewer system	-	20,638	47,053	-	67,691
Total accumulated depreciation	4,327,527	505,665	959,036	(318,668)	5,473,560
Total capital assets being depreciated, net	4,449,939	3,273,387	5,509,472	(175,280)	13,057,518
Governmental activities capital assets, net	<u>\$ 10,907,711</u>	<u>\$ 3,348,968</u>	<u>\$ 5,971,751</u>	<u>\$ (3,862,101)</u>	<u>\$ 16,366,329</u>
Business-type activities					
Capital assets not being depreciated					
Land	\$ 97,567	\$ (75,581)	\$ -	\$ -	\$ 21,986
Total capital assets not being depreciated	97,567	(75,581)	-	-	21,986
Capital assets being depreciated					
Buildings and improvements	35,211	-	-	-	35,211
Automobiles	42,214	-	-	-	42,214
Equipment	25,023	-	-	(4,925)	20,098
Water and sewer system	6,625,913	(764,052)	-	(1,570,175)	4,291,686
Total capital assets being depreciated	6,728,361	(764,052)	-	(1,575,100)	4,389,209
Less: accumulated depreciation					
Buildings and improvements	10,137	-	1,174	-	11,311
Automobiles	42,214	-	-	-	42,214
Equipment	5,189	-	4,020	(4,925)	4,284
Water and sewer system	707,570	(20,638)	107,292	(131,676)	662,548
Total accumulated depreciation	765,110	(20,638)	112,486	(136,601)	720,357
Total capital assets being depreciated, net	5,963,251	(743,414)	(112,486)	(1,438,499)	3,668,852
Business-type capital assets, net	<u>\$ 6,060,818</u>	<u>\$ (818,995)</u>	<u>\$ (112,486)</u>	<u>\$ (1,438,499)</u>	<u>\$ 3,690,838</u>

Town of Northlake, Texas
Notes to Basic Financial Statements
September 30, 2019

4. Capital Assets (continued)

	Balance September 30, 2018 (as restated)	Reclassifications	Additions	Retirements	Balance September 30, 2019
Public Improvement Districts					
Capital assets being depreciated					
Infrastructure	\$ 3,015,000	\$ (3,015,000)	\$ -	\$ -	\$ -
Total capital assets being depreciated	3,015,000	(3,015,000)	-	-	-
Less: accumulated depreciation					
Infrastructure	485,027	(485,027)	-	-	-
Total accumulated depreciation	485,027	(485,027)	-	-	-
Total capital assets being depreciated, net	2,529,973	(2,529,973)	-	-	-
PID capital assets, net	<u>\$ 2,529,973</u>	<u>\$ (2,529,973)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Governmental activities:

General government	\$ 63,488
Development	54,409
Police	86,423
Public works	417,674
Public Improvement Districts	337,042
Total governmental depreciation expense	<u>\$ 959,036</u>

Business-type activities:

Water and sewer	\$ 112,486
Total business-type depreciation expense	<u>\$ 112,486</u>

Town of Northlake, Texas
Notes to Basic Financial Statements
September 30, 2019

5. Long-term Debt

Debts payable at September 30, 2019 are comprised of the following individual issues:

	Governmental Activities
Certificates of Obligation \$4,170,000 Series 2014A Combination Tax and Revenue Certificates of Obligation, due in annual installments of \$160,000 to \$285,000 through August 15, 2034, with interest at 2%	\$ 3,365,000
Certificates of Obligation \$420,000 Series 2014B Combination Tax and Revenue Certificates of Obligation, due in annual installments of \$15,000 to \$25,000 through August 15, 2034, with interest at 3%	335,000
Certificates of Obligation \$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%	6,235,000
Certificates of Obligation \$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%	975,000
Certificates of Obligation \$11,395,000 Series 2018 Combination Tax and Limited Surplus Revenue Certificates of Obligation, due in annual installments of \$400,000 to \$1,045,000 through August 15, 2038, with interest at 3.45%	10,995,000
	\$ 21,905,000

The following is a summary of long-term debt activities for the year ended September 30, 2019:

	September 30, 2018	Reclassifications	Increases	Decreases	September 30, 2019	Due Within One Year
Governmental Activities						
Certificates of obligation	\$ 7,575,000	\$ 3,895,000	\$ 11,395,000	\$ (960,000)	\$ 21,905,000	\$ 620,000
Compensated absences	124,083	-	119,646	(103,569)	140,160	37,850
Unamortized bond premium	186,568	-	605,000	(44,610)	746,958	-
Total governmental activities	7,885,651	3,895,000	12,119,646	(1,108,179)	22,792,118	657,850
Business-type Activities						
Certificates of obligation	\$ 355,000	\$ (355,000)	\$ -	\$ -	\$ -	\$ -
Compensated absences	8,423	-	5,278	(6,339)	7,362	4,273
Total business-type activities	\$ 363,423	\$ (355,000)	\$ 5,278	\$ (6,339)	\$ 7,362	\$ 4,273
Public Improvement Districts						
Certificates of obligation	\$ 3,540,000	\$ (3,540,000)	\$ -	\$ -	\$ -	\$ -
Total PID activities	\$ 3,540,000	\$ (3,540,000)	\$ -	\$ -	\$ -	\$ -

Town of Northlake, Texas
Notes to Basic Financial Statements
September 30, 2019

5. Long-term Debt (continued)

The annual aggregate maturities for the fiscal years after September 30, 2019 are as follows:

Certificates of Obligations	Governmental Activities		
	Principal	Interest	Total
2020	\$ 620,000	\$ 715,312	\$ 1,335,312
2021	680,000	702,912	1,382,912
2022	745,000	689,312	1,434,312
2023	855,000	673,550	1,528,550
2024	895,000	654,612	1,549,612
2025-2029	5,670,000	2,856,987	8,526,987
2030-2034	7,595,000	1,661,013	9,256,013
2035-2039	4,845,000	386,344	5,231,344
	<u>\$ 21,905,000</u>	<u>\$ 8,340,042</u>	<u>\$ 30,245,042</u>

6. Upper Trinity Regional Water District (the “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. 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 several fees and charges associated with the water contract such as equity fee, subscription fee, and volume charges. In addition, the Town financed the payment of a \$60,000 equity fee over 60 months. As of September 30, 2019, this note payable was paid off.

Town of Northlake, Texas
Notes to Basic Financial Statements
September 30, 2019

7. Fund Balances

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

- Non-spendable 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.

8. Interfund Balances and Transfers

Interfund transfers are reported in the governmental funds and proprietary fund financial statements. In the government-wide statements, inter-fund transfers are eliminated within the governmental activities column and business-type column, as appropriate.

Transfers are used to (1) move revenues collected in the special revenue funds to finance various programs in accordance with budgetary authorizations, (2) move receipts restricted for debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due, (3) reimburse one fund for services provided to another fund, and (4) move unrestricted General Fund revenues to Capital Improvements Fund as determined by the Council for capital projects.

Town of Northlake, Texas
Notes to Basic Financial Statements
September 30, 2019

8. Interfund Balances and Transfers (continued)

Interfund transfers between the primary government's funds consisted of:

<u>Primary Government</u>	<u>Transfers To</u>	<u>Transfers From</u>
General Fund		
Water and Sewer Fund	\$ -	\$ 230,000
Economic Development Corporation 4A Fund	-	30,000
Community Development Corporation 4B Fund	-	30,000
Economic Development Corporation 4A Fund		
General Fund	30,000	-
Community Development Corporation 4B Fund		
General Fund	30,000	-
Debt Service Fund		
Water Capital Projects Fund	12,000,000	-
Water and Sewer Fund		
General Fund	230,000	-
Water Capital Projects Fund		
Debt Service Fund	-	12,000,000
	<u>\$ 12,290,000</u>	<u>\$ 12,290,000</u>

There were no Interfund receivables or payables at September 30, 2019.

9. Defined Benefit Pension Plan

Plan Description

The Town participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

Town of Northlake, Texas
Notes to Basic Financial Statements
September 30, 2019

9. Defined Benefit Pension Plan (continued)

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 payment 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.

Plan provisions for the Town were as follows:

	<u>Plan Year 2018</u>
Employee deposit rate	7%
Matching ratio (Town to Employee)	2 to 1
Years required for vesting	5
Retirement Eligibility (Age/Service)	60/5, 0/20
Updated Service Credit	100% Repeating Transfers
Annuity to Increase (to retirees)	0% of CPI
Supplemental Death Benefit to Active Employees	Yes
Supplemental Death Benefit to Retirees	Yes

Employees covered by benefit terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	<u>2018</u> 4
Inactive employees entitled to but not yet receiving benefits	27
Active employees	<u>33</u>
Total	<u><u>64</u></u>

Town of Northlake, Texas
Notes to Basic Financial Statements
September 30, 2019

9. Defined Benefit Pension Plan (continued)

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 were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Town were 10.60% and 10.22% in calendar years 2019 and 2018, respectively. The town's contributions to TMRS for the year ended September 30, 2019, were \$241,077, and were equal to the required contributions.

Net Pension Liability

The Town's Net Pension Liability (NPL) was measured as of December 31, 2018 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, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% 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, 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 Basic Financial Statements
September 30, 2019

9. Defined Benefit Pension Plan (continued)

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 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. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. 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 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
Total	<u>100.0%</u>	

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 Basic Financial Statements
September 30, 2019

9. Defined Benefit Pension Plan (continued)

Changes in the Net Pension Liability

Changes in the net pension liability for the Town are summarized in the following table:

	Changes in the Net Pension Liability		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2017	\$ 2,910,542	\$ 2,545,114	\$ 365,428
Changes for the year:			
Service cost	341,387	-	341,387
Interest	207,574	-	207,574
Changes in current period benefits	-	-	-
Difference between expected and actual experience	(35,261)	-	(35,261)
Changes in assumptions	-	-	-
Contributions - employer	-	224,811	(224,811)
Contributions - employee	-	149,731	(149,731)
Net investment income	-	(76,473)	76,473
Benefit payments, including refunds of employee contributions	(12,137)	(12,137)	-
Administrative expense	-	(1,473)	1,473
Other changes	-	(78)	78
Net changes	501,563	284,381	217,182
Balance at 12/31/2018	<u>\$ 3,412,105</u>	<u>\$ 2,829,495</u>	<u>\$ 582,610</u>

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:

	Sensitivity of the Net Pension Liability to Changes in the Discount Rate		
	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	(5.75%)	(6.75%)	(7.75%)
Town's net pension liability	\$ 1,195,539	\$ 582,610	\$ 89,386

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.tmrs.com.

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

For the fiscal year ended September 30, 2019, the Town recognized pension expense of \$301,415 and the calculation of the expense is summarized in the following table:

Town of Northlake, Texas
Notes to Basic Financial Statements
September 30, 2019

9. Defined Benefit Pension Plan (continued)

Schedule of Pension Expense	
Total service cost	\$ 341,387
Interest on the total pension liability	207,574
Changes in current period benefits	-
Employee contributions (reduction of expense)	(149,731)
Projected earnings on plan investments (reduction of expense)	(171,795)
Administrative expense	1,473
Other changes in fiduciary net position	77
Recognition of current year outflow (inflow) of resources - liabilities	(6,197)
Recognition of current year outflow (inflow) of resources - assets	49,654
Amortization of prior year outflows (inflows) of resources - liabilities	35,007
Amortization of prior year outflows (inflows) of resources - assets	(6,034)
Total pension expense	\$ 301,415

At September 30, 2019 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Schedule of Deferred Outflows and Inflows of Resources	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 10,744	\$ -
Changes in actuarial assumptions	16,502	-
Difference between projected and actual investment earnings	132,787	-
Contributions subsequent to the measurement date	178,381	-
Total	\$ 338,414	\$ -

\$178,381 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. 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	Amount
2019	\$ 66,827
2020	30,690
2021	22,683
2022	44,109
2023	(4,276)
Thereafter	-
Total	\$ 160,033

Town of Northlake, Texas
Notes to Basic Financial Statements
September 30, 2019

10. Other Post-Employment Benefit (OPEB) Obligations

Plan Description

Texas Municipal Retirement System (“TMRS”) administers a defined benefit group-term life insurance plan 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 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). The death benefit for retirees is considered another postemployment benefit (“OPEB”) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

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 contribution rate for the Supplemental Death Benefit (SDB) is equal to the expected benefit payments during the upcoming year divided by the annualized pay of current active members and is calculated separately for actives and retirees. Due to the significant reserve in the Supplemental Death Fund, the SDB rate for retiree coverage is currently only one-third of the total term cost.

Employees covered by benefit terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

	2018
Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	6
Active employees	33
Total	42

Town of Northlake, Texas
Notes to Basic Financial Statements
September 30, 2019

10. Other Post-Employment Benefit (OPEB) Obligations (continued)

Actuarial assumptions

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary increases	3.50% to 10.5% including inflation
Discount rate*	6.75%
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.
Mortality rates – service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates – disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31,

Note: The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Changes in the OPEB Liability

Changes in the OPEB liability for the Town are summarized in the following table:

	Changes in the OPEB Liability
	Total OPEB Liability (a)
Balance at 12/31/2017	\$ 40,179
Changes for the year:	
Service cost	3,636
Interest on Total OPEB Liability	1,387
Changes of benefit terms	-
Difference between expected and actual experience	(3,925)
Changes in assumptions or other inputs	(3,244)
Benefit payments	(214)
Net changes	(2,360)
Balance at 12/31/2018	\$ 37,819

Town of Northlake, Texas
Notes to Basic Financial Statements
September 30, 2019

10. Other Post-Employment Benefit (OPEB) Obligations (continued)

Sensitivity of the OPEB liability to changes in the discount rate:

The following presents the OPEB liability of the Town, calculated using the discount rate of 3.31%, as well as what the Town's OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

Sensitivity of the OPEB Liability to Changes in the Discount Rate			
	1% Decrease in Discount Rate (2.71%)	Discount Rate (3.71%)	1% Increase in Discount Rate (4.71%)
Town's net pension liability	\$ 46,955	\$ 37,819	\$ 30,996

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

For the fiscal year ended September 30, 2019, the Town recognized OPEB expense of \$4,269 and the calculation of the expense is summarized in the following table:

Schedule of OPEB Expense	
Service cost	\$ 3,636
Interest on total OPEB liability	1,387
Changes in benefit terms	-
Employer administrative costs	-
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience *	(472)
Changes in assumptions or other inputs **	44
Total pension expense	\$ 4,595

*In the year of implementation, the beginning of year liability is rolled back from the measurement date, so there will be no experience loss / (gain).

**Generally, this will only be the annual change in the municipal bond index rate.

Town of Northlake, Texas
Notes to Basic Financial Statements
September 30, 2019

10. Other Post-Employment Benefit (OPEB) Obligations (continued)

At September 30, 2019 the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Schedule of Deferred Outflows and Inflows of Resources	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 3,453
Changes in actuarial assumptions	-	108
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	196	-
Total	\$ 196	\$ 3,561

\$196 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31	Amount
2019	\$ (428)
2020	(428)
2021	(428)
2022	(428)
2023	(428)
Thereafter	(1,421)
Total	\$ (3,561)

11. 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, 2019. Settlement amounts have not exceeded insurance coverage for the year ended September 30, 2019 or any of the three preceding years.

Town of Northlake, Texas
Notes to Basic Financial Statements
September 30, 2019

12. Contingent Liabilities

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.

13. Tax Abatements

Tax Increment Reinvestment Zone Number Two

On April 23, 2015, the Town designated a certain area as a reinvestment zone for commercial/industrial tax abatement in the Town, to be known as Reinvestment Zone No. 2, Town of Northlake Texas.

Reinvestment zone with Farmer Bros. Co.

Abatement is equal to the taxes assess on 85% of the value of Farmer Bros. Co's tangible business personal property, as defined by the Denton Central Appraisal District. The abatement period is from January 1, 2017 to December 31, 2026. The total amount of taxes abated during the year ended September 30, 2019 was \$115,451.

Reinvestment zone with SH114/IH35W Ventures, Ltd.

Abatement is equal to the taxes assess on 75% of increased value of the property and improvements. The improvements are estimated to be \$25,000,000. The abatement period is from January 1, 2017 to December 31, 2026. On September 14, 2016 the Real Property Tax Abatement Agreement was assigned to Farmer Bros. Co., a Delaware corporation qualified to do business in Texas. Farmer Bros. Co. is the sole party to the assigned contract. The total amount of taxes abated during the year ended September 30, 2019 was \$83,038.

Tax Increment Reinvestment Zone Number Three

On January 14, 2016, the Town designated a certain area as a reinvestment zone for commercial/industrial tax abatement in the Town, to be known as Reinvestment Zone No. 3, Town of Northlake Texas

Reinvestment zone with Westco Aircraft Hardware Corp.

Abatement is equal to the taxes assess on 75% of the value of Westco Aircraft Hardware Corp's tangible business personal property, as defined by the Denton Central Appraisal District. The abatement period is from January 1, 2017 to December 31, 2026. The total amount of taxes abated during the year ended September 30, 2019 was \$8,910.

Reinvestment zone with Hempel USA, Inc.

Abatement is equal to the taxes assess on 75% of the value of Hempel's tangible business personal property, as defined by the Denton Central Appraisal District. The abatement period is from January 1, 2017 to December 31, 2026. The total amount of taxes abated during the year ended September 30, 2019 was \$574.

Town of Northlake, Texas
Notes to Basic Financial Statements
September 30, 2019

14. Leases

On December 4, 2018, the Town commenced an office lease for the Town Hall building. The lease agreement has a 5-year term with an option to renew the lease by the Town for two additional 5-year terms. The Town agreed to pay the following charges for the lease:

1. "Initial Common Area Maintenance (CAM) Charge" of \$1,250 per month;
2. "Initial Insurance Payment" of \$208 per month;
3. "Initial Tax Payment" payable monthly;
4. "Minimum Guaranteed Rental/Base Rent" of \$23.00 per square foot (SF) for 5,000 square feet of rentable area or \$9,792; and
5. "NNN" or all associated expenses such as taxes, CAM, and insurance, adjusted yearly to inflation indexed to inflation each year.

The Town received three months of free base rent and monthly expenses to be applied at the commencement of the lease.

Future minimum lease payments for operating leases with an initial or remaining lease term of twelve months or more at September 30, 2019 are as follows:

	<u>Amount</u>
2020	\$ 165,106
2021	168,438
2022	171,838
2023	155,659
2024	-
Thereafter	-
Total	<u>\$ 661,041</u>

15. Subsequent Events

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through April 15, 2020, the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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Town of Northlake, Texas
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
September 30, 2019

	2014	2015	2016	2017	2018
Total pension liability					
Service cost	\$ 169,257	\$ 218,403	\$ 256,814	\$ 281,176	\$ 341,387
Interest	94,776	114,859	140,867	175,548	207,574
Change of benefit terms	-	-	-	58,612	-
Difference between expected and actual experience	14,773	33,719	62,182	4,129	(35,261)
Changes of assumptions	-	71,966	-	-	-
Benefit payments, including refunds of employee contributions	(21,688)	(11,286)	(12,871)	(20,855)	(12,137)
Net Change in Total Pension Liability	257,118	427,661	446,992	498,610	501,563
Total Pension Liability - Beginning	1,280,161	1,537,279	1,964,940	2,411,932	2,910,542
Total Pension Liability - Ending (a)	<u>1,537,279</u>	<u>1,964,940</u>	<u>2,411,932</u>	<u>2,910,542</u>	<u>3,412,105</u>
Plan Fiduciary Net Position					
Contributions-employer	75,574	128,506	147,406	180,185	224,811
Contributions-employee	83,179	100,846	114,649	127,147	149,731
Net investment income	68,838	2,078	110,118	275,603	(76,473)
Benefit payments, including refunds of employee contributions	(21,688)	(11,286)	(12,871)	(20,855)	(12,137)
Administrative expense	(718)	(1,265)	(1,241)	(1,425)	(1,473)
Other changes	(59)	(62)	(67)	(74)	(77)
Net Change in Plan Fiduciary Net Position	205,126	218,817	357,994	560,581	284,381
Plan Fiduciary Net Position - Beginning	1,202,597	1,407,723	1,626,539	1,984,533	2,545,114
Plan Fiduciary Net Position - Ending (b)	<u>\$ 1,407,723</u>	<u>\$ 1,626,540</u>	<u>\$ 1,984,533</u>	<u>\$ 2,545,114</u>	<u>\$ 2,829,495</u>
Net Pension Liability - Ending (a) - (b)	129,556	338,400	427,399	365,428	582,610
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	91.57%	82.78%	82.28%	87.44%	82.93%
Covered Employee Payroll	1,188,275	1,440,652	1,637,847	1,816,383	2,139,016
Net Pension Liability as a Percentage of Covered Employee Payroll	10.90%	23.49%	26.10%	20.12%	27.24%

Town of Northlake, Texas
Required Supplementary Information
Schedule of Contributions
September 30, 2019

	2014	2015	2016	2017	2018
Actuarially determined contribution	\$ 112,401	\$ 140,000	\$ 171,635	\$ 213,078	\$ 238,779
Contributions in relation to the actuarially determined contribution	100,291	141,715	173,585	214,948	241,077
Contribution deficiency (excess)	12,111	(1,715)	(1,950)	(1,870)	(2,298)
Covered employee payroll	1,341,854	1,558,966	1,773,085	2,055,781	2,273,752
Contributions as a percentage of covered employee payroll	7.00%	9.09%	9.79%	10.46%	10.60%

Town of Northlake, Texas
Required Supplementary Information
Notes to Schedule of Contributions
September 30, 2019

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later

Methods and Assumptions Used to Determin Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of reates that are specific to the Town's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year.

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COMBINING NON-MAJOR FUND FINANCIAL STATEMENTS

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Town of Northlake, Texas
Combining Balance Sheet - Non-major Governmental Funds
September 30, 2019

	Special Revenue Funds											Total Non-major Governmental Funds	
	Donations Fund	Court Security Fund	Court Technology Fund	Court Online Access Fees Fund	Belmont FWSD Fund	Canyon Falls FWSD Fund	Highlands Fund	Northport 35 Business Center Fund	Police Asset Forfeiture Fund	Police Training Fund	Child Safty Fund		Tax Increment Reinvestment Zone (TIRZ)
Assets													
Cash and cash equivalents	\$ 23,682	\$ (9,363)	\$ 28,667	\$ 60,931	\$ 436,264	\$ (15,147)	\$ (16,201)	\$ (9,558)	\$ 19,676	\$ 3,628	\$ 96,861	\$ 169,182	\$ 788,622
Accounts receivable	-	-	-	-	-	20,000	-	-	-	-	-	-	20,000
Goods available for sale	-	-	-	-	-	-	-	-	2,000	-	-	-	2,000
Total assets	<u>23,682</u>	<u>(9,363)</u>	<u>28,667</u>	<u>60,931</u>	<u>436,264</u>	<u>4,853</u>	<u>(16,201)</u>	<u>(9,558)</u>	<u>21,676</u>	<u>3,628</u>	<u>96,861</u>	<u>169,182</u>	<u>810,622</u>
Liabilities and Fund Balances													
Liabilities:													
Accounts payable	-	-	-	-	221,805	-	-	-	-	-	-	-	221,805
Accrued liabilities	-	-	-	-	-	-	-	-	8,217	-	-	-	8,217
Deferred revenue	-	-	-	-	-	20,000	-	-	2,000	-	-	-	22,000
Developer deposits	-	-	-	-	150,000	-	-	-	-	-	-	-	150,000
Total liabilities	-	-	-	-	371,805	20,000	-	-	10,217	-	-	-	402,022
Fund balances:													
Restricted for													
Donations	23,682	-	-	-	-	-	-	-	-	-	-	-	23,682
Municipal court	-	(9,363)	28,667	60,931	-	-	-	-	-	-	-	-	80,235
Utility cost participation	-	-	-	-	64,459	(15,147)	(16,201)	(9,558)	-	-	-	-	23,553
Public safty	-	-	-	-	-	-	-	-	11,459	3,628	96,861	-	111,948
TIRZ activities	-	-	-	-	-	-	-	-	-	-	-	169,182	169,182
Total fund balances	<u>23,682</u>	<u>(9,363)</u>	<u>28,667</u>	<u>60,931</u>	<u>64,459</u>	<u>(15,147)</u>	<u>(16,201)</u>	<u>(9,558)</u>	<u>11,459</u>	<u>3,628</u>	<u>96,861</u>	<u>169,182</u>	<u>408,600</u>
Total liabilities and fund balances	<u>\$ 23,682</u>	<u>\$ (9,363)</u>	<u>\$ 28,667</u>	<u>\$ 60,931</u>	<u>\$ 436,264</u>	<u>\$ 4,853</u>	<u>\$ (16,201)</u>	<u>\$ (9,558)</u>	<u>\$ 21,676</u>	<u>\$ 3,628</u>	<u>\$ 96,861</u>	<u>\$ 169,182</u>	<u>\$ 810,622</u>

Town of Northlake, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-major Governmental Funds
September 30, 2019

	Special Revenue Funds											Total Non-major Governmental Funds	
	Donations Fund	Court Security Fund	Court Technology Fund	Court Online Access Fees Fund	Belmont FWSD Fund	Canyon Falls FWSD Fund	Highlands Fund	Northport 35 Business Center Fund	Police Asset Forfeiture Fund	Police Training Fund	Child Safty Fund		Tax Increment Reinvestment Zone (TIRZ)
Revenues													
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 127,027	\$ 127,027
Court security	-	9,856	-	-	-	-	-	-	-	-	-	-	9,856
Court technology	-	-	13,137	-	-	-	-	-	-	-	-	-	13,137
Court online access fees	-	-	-	17,884	-	-	-	-	-	-	-	-	17,884
Seized monies	-	-	-	-	-	-	-	-	2,751	-	-	-	2,751
State training fund	-	-	-	-	-	-	-	-	-	3,155	-	-	3,155
Seatbelt fees and child safety fund	-	-	-	-	-	-	-	-	-	-	5,903	-	5,903
Interest income	21	205	-	-	119	-	-	-	15	-	148	-	508
Miscellaneous	-	8	-	-	-	-	-	-	-	-	-	-	8
Total revenues	21	10,069	13,137	17,884	119	-	-	-	2,766	3,155	6,051	127,027	180,229
Expenditures													
Current													
General government	716	-	-	-	-	-	-	-	-	-	-	-	716
Municipal court	-	79,756	-	14,902	-	-	-	-	-	-	-	-	94,658
Utility cost participation	-	-	-	-	970	-	-	-	-	-	-	-	970
Police	-	-	-	-	-	-	-	-	1,391	-	7,244	-	8,635
TIRZ activities	-	-	-	-	-	-	-	-	-	-	-	4,741	4,741
Total expenditures	716	79,756	-	14,902	970	-	-	-	1,391	-	7,244	4,741	109,720
Net change in fund balances	(695)	(69,687)	13,137	2,982	(851)	-	-	-	1,375	3,155	(1,193)	122,286	70,509
Fund balances - beginning	24,377	60,324	15,530	57,949	65,310	(15,147)	(16,201)	(9,558)	10,084	473	98,054	46,896	338,091
Fund balances - ending	\$ 23,682	\$ (9,363)	\$ 28,667	\$ 60,931	\$ 64,459	\$ (15,147)	\$ (16,201)	\$ (9,558)	\$ 11,459	\$ 3,628	\$ 96,861	\$ 169,182	\$ 408,600

Town of Northlake, Texas
Combining Statement of Net Position - Non-major Proprietary Funds
September 30, 2019

	Canyon Falls MUD 1 Fund	Argyle Sewer Billing Fund	Miscellaneous Fund	Total Non-major Proprietary Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 9,122	\$ 2,583	\$ (2,446)	\$ 9,259
Accounts receivable, net	2,569	1,062	-	3,631
Total current assets	<u>11,691</u>	<u>3,645</u>	<u>(2,446)</u>	<u>12,890</u>
Liabilities				
Current liabilities:				
Customer deposits	4,821	-	-	4,821
Total current liabilities	<u>4,821</u>	<u>-</u>	<u>-</u>	<u>4,821</u>
Net position				
Unrestricted	6,870	3,645	(2,446)	8,069
Total Net Position	<u>\$ 6,870</u>	<u>\$ 3,645</u>	<u>\$ (2,446)</u>	<u>\$ 8,069</u>

Town of Northlake, Texas
 Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Non-major Proprietary Funds
 Year ended September 30, 2019

	Canyon Falls MUD 1 Fund	Argyle Sewer Billing Fund	Miscellaneous Fund	Total Non-major Proprietary Funds
Operating revenues:				
Water and sewer service	\$ 6,943	\$ 4,290	\$ -	\$ 11,233
Total operating revenues	<u>6,943</u>	<u>4,290</u>	<u>-</u>	<u>11,233</u>
Operating expenses:				
Operating expenses	73	645	-	718
Total operating expenses	<u>73</u>	<u>645</u>	<u>-</u>	<u>718</u>
Change in net position	6,870	3,645	-	10,515
Net position - beginning	-	-	(2,446)	(2,446)
Net position - ending	<u>\$ 6,870</u>	<u>\$ 3,645</u>	<u>\$ (2,446)</u>	<u>\$ 8,069</u>

BUDGETARY COMPARISON INFORMATION

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Town of Northlake, Texas
 Budgetary Comparison Schedule - General Fund
 Year ended September 30, 2019

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
Property	\$ 1,013,350	\$ 1,013,350	\$ 1,014,024	\$ 674
Sales and beverage	750,000	750,000	757,432	7,432
Franchise fees	363,000	363,000	454,537	91,537
Fees, licenses and permits	2,370,300	2,370,300	2,579,477	209,177
Municipal court fines	500,000	500,000	512,290	12,290
Contracted police services	164,000	164,000	161,813	(2,187)
Credit card convenience fees	11,000	11,000	10,927	(73)
Interest income	10,000	10,000	186,563	176,563
Billboard and other revenue	30,760	30,760	62,051	31,291
Total revenues	<u>5,212,410</u>	<u>5,212,410</u>	<u>5,739,114</u>	<u>526,704</u>
Expenditures				
Current				
General government	967,613	967,613	927,873	39,740
Municipal court	279,775	279,775	279,621	154
Development services	723,210	723,210	645,618	77,592
Police	2,401,327	2,401,327	2,383,963	17,364
Public works	581,978	581,978	564,418	17,560
Total expenditures	<u>4,953,903</u>	<u>4,953,903</u>	<u>4,801,493</u>	<u>152,410</u>
Excess (deficiency) of revenues over expenditures	258,507	258,507	937,621	679,114
Other financing sources (uses):				
Transfers in	270,881	270,881	290,000	19,119
Total other financing sources (uses)	<u>270,881</u>	<u>270,881</u>	<u>290,000</u>	<u>19,119</u>
Net change in fund balances	529,388	529,388	1,227,621	698,233
Fund balance, beginning of year	1,847,823	1,847,823	1,847,823	-
Fund balance, end of year	<u>\$ 2,377,211</u>	<u>\$ 2,377,211</u>	<u>\$ 3,075,444</u>	<u>\$ 698,233</u>

Town of Northlake, Texas
 Budgetary Comparison Schedule - Hotel/Motel Tax Fund
 Year ended September 30, 2019

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Hotel/Motel tax	\$ 400,000	\$ 400,000	\$ 457,149	\$ 57,149
Interest income	10,805	10,805	1,184	(9,621)
Other revenue	-	-	5,785	5,785
Total revenues	<u>410,805</u>	<u>410,805</u>	<u>464,118</u>	<u>53,313</u>
Expenditures				
Police	35,650	35,650	17,972	17,678
Promotional	74,818	74,818	60,412	14,406
Total expenditures	<u>110,468</u>	<u>110,468</u>	<u>78,384</u>	<u>32,084</u>
Net change in fund balances	300,337	300,337	385,734	85,397
Fund balance, beginning of year	<u>1,884,974</u>	<u>1,884,974</u>	<u>1,884,974</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 2,185,311</u></u>	<u><u>\$ 2,185,311</u></u>	<u><u>\$ 2,270,708</u></u>	<u><u>\$ 85,397</u></u>

Town of Northlake, Texas
 Budgetary Comparison Schedule - Debt Service Fund
 Year ended September 30, 2019

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Assessment taxes	\$ 803,800	\$ 803,800	\$ 827,474	\$ 23,674
Interest income	6,000	6,000	59	(5,941)
Total revenues	<u>809,800</u>	<u>809,800</u>	<u>827,533</u>	<u>17,733</u>
Expenditures				
General government	-	-	30,379	(30,379)
Debt service				
Principal	765,000	765,000	765,000	-
Interest and fiscal charges	<u>566,034</u>	<u>566,034</u>	<u>606,111</u>	<u>(40,077)</u>
Total expenditures	<u>1,331,034</u>	<u>1,331,034</u>	<u>1,401,490</u>	<u>(70,456)</u>
Other financing sources (uses)				
Proceeds of long-term debt	12,218,908	12,218,908	11,395,000	823,908
Premium on bond	-	-	605,000	(605,000)
Transfers in	50,000	50,000	-	50,000
Transfers out	<u>(12,000,000)</u>	<u>(12,000,000)</u>	<u>(12,000,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>268,908</u>	<u>268,908</u>	<u>-</u>	<u>268,908</u>
Net change in fund balances	(252,326)	(252,326)	(573,957)	(321,631)
Fund balance, beginning of year	<u>783,748</u>	<u>783,748</u>	<u>783,748</u>	<u>-</u>
Fund balance, end of year	<u>\$ 531,422</u>	<u>\$ 531,422</u>	<u>\$ 209,791</u>	<u>\$ (321,631)</u>

Town of Northlake, Texas
 Budgetary Comparison Schedule - Capital Improvement Fund
 Year ended September 30, 2019

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Developer participation	\$ 420,000	\$ 420,000	\$ 421,929	\$ 1,929
Interest income	-	-	47,378	47,378
Total revenues	420,000	420,000	469,307	49,307
Expenditures				
General government	12,000	12,000	4,117	7,883
Public works	-	-	1,489	(1,489)
Capital outlay	1,613,000	1,613,000	1,633,425	(20,425)
Total expenditures	1,625,000	1,625,000	1,639,031	(14,031)
Net change in fund balances	(1,205,000)	(1,205,000)	(1,169,724)	35,276
Fund balance, beginning of year	2,419,659	2,419,659	2,419,659	-
Fund balance, end of year	<u>\$ 1,214,659</u>	<u>\$ 1,214,659</u>	<u>\$ 1,249,935</u>	<u>\$ 35,276</u>

Town of Northlake, Texas
 Budgetary Comparison Schedule - Economic Development Corporation 4A
 Year ended September 30, 2019

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Sales taxes	\$ 360,000	\$ 360,000	\$ 378,396	\$ 18,396
Interest income	650	650	351	(299)
Other income	22,000	22,000	14,862	(7,138)
Total revenues	<u>382,650</u>	<u>382,650</u>	<u>393,609</u>	<u>10,959</u>
Expenditures				
Development services	514,568	514,568	515,293	(725)
Promotional	29,750	29,750	22,952	6,798
Total expenditures	<u>544,318</u>	<u>544,318</u>	<u>538,245</u>	<u>6,073</u>
Other financing sources (uses)				
Transfers out	(30,000)	(30,000)	(30,000)	-
Total other financing sources (uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Net change in fund balances	(191,668)	(191,668)	(174,636)	17,032
Fund balance, beginning of year	584,305	584,305	584,305	-
Fund balance, end of year	<u>\$ 392,637</u>	<u>\$ 392,637</u>	<u>\$ 409,669</u>	<u>\$ 17,032</u>

Town of Northlake, Texas
 Budgetary Comparison Schedule - Community Development Corporation 4B
 Year ended September 30, 2019

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Sales taxes	\$ 360,000	\$ 360,000	\$ 378,396	\$ 18,396
Interest income	650	650	308	(342)
Miscellaneous	22,000	22,000	14,862	(7,138)
Total revenues	<u>382,650</u>	<u>382,650</u>	<u>393,566</u>	<u>10,916</u>
Expenditures				
Development services	514,568	514,568	512,766	1,802
Promotional	31,250	31,250	22,825	8,425
Total expenditures	<u>545,818</u>	<u>545,818</u>	<u>535,591</u>	<u>10,227</u>
Other financing sources (uses)				
Transfers out	(30,000)	(30,000)	(30,000)	-
Total other financing sources (uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Net change in fund balances	(193,168)	(193,168)	(172,025)	21,143
Fund balance, beginning of year	562,935	562,935	562,935	-
Fund balance, end of year	<u>\$ 369,767</u>	<u>\$ 369,767</u>	<u>\$ 390,910</u>	<u>\$ 21,143</u>

Town of Northlake, Texas
 Budgetary Comparison Schedule - Town of Northlake Public Improvement District No. 1
 Year ended September 30, 2019

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Assessment taxes	\$ 780,150	\$ 780,150	\$ 785,055	\$ 4,905
Total revenues	<u>780,150</u>	<u>780,150</u>	<u>785,055</u>	<u>4,905</u>
Expenditures				
PID activities	779,600	779,600	772,019	7,581
Total expenditures	<u>779,600</u>	<u>779,600</u>	<u>772,019</u>	<u>7,581</u>
Net change in fund balances	550	550	13,036	12,486
Fund balance, beginning of year	4,133	4,133	4,133	-
Fund balance, end of year	<u>\$ 4,683</u>	<u>\$ 4,683</u>	<u>\$ 17,169</u>	<u>\$ 12,486</u>

Town of Northlake, Texas
 Budgetary Comparison Schedule - Highlands Public Improvement District
 Year ended September 30, 2019

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Assessment taxes	\$ 317,902	\$ 317,902	\$ 318,747	\$ 845
Interest income	10,000	10,000	-	(10,000)
Total revenues	<u>327,902</u>	<u>327,902</u>	<u>318,747</u>	<u>(9,155)</u>
Expenditures				
PID activities	24,191	24,191	21,259	2,932
Debt service				
Principal	175,000	175,000	175,000	-
Interest and fiscal charges	<u>105,125</u>	<u>105,125</u>	<u>104,352</u>	<u>773</u>
Total expenditures	<u>304,316</u>	<u>304,316</u>	<u>300,611</u>	<u>3,705</u>
Net change in fund balances	23,586	23,586	18,136	(5,450)
Fund balance, beginning of year	<u>125,790</u>	<u>125,790</u>	<u>125,790</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 149,376</u></u>	<u><u>\$ 149,376</u></u>	<u><u>\$ 143,926</u></u>	<u><u>\$ (5,450)</u></u>

Town of Northlake, Texas
 Budgetary Comparison Schedule - Water and Sewer Fund
 Year ended September 30, 2019

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 4,065,250	\$ 4,065,250	\$ 3,961,274	\$ (103,976)
Total operating revenues	4,065,250	4,065,250	3,961,274	(103,976)
Operating expenses				
Operating expenses	3,763,367	3,763,367	4,328,723	(565,356)
Depreciation	-	-	112,486	(112,486)
Total operating expenses	3,763,367	3,763,367	4,441,209	(677,842)
Operating income (loss)	301,883	301,883	(479,935)	(781,818)
Nonoperating revenues (expenses)				
Interest income	-	-	298	298
Other income (expense)	-	-	2,309	2,309
Total nonoperating revenues	-	-	2,607	2,607
Income (loss) before transfers	301,883	301,883	(477,328)	(779,211)
Transfers out	(230,000)	(230,000)	(230,000)	-
Change in net position	71,883	71,883	(707,328)	(779,211)
Fund balance, beginning of year	4,734,613	4,734,613	4,734,613	-
Fund balance, end of year	\$ 4,806,496	\$ 4,806,496	\$ 4,027,285	\$ (779,211)

Town of Northlake, Texas
Notes to Required Supplementary Information
September 30, 2019

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.

COMPLIANCE AND INTERNAL CONTROL SECTION

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in accordance with Government Auditing Standards

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, 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, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated April 15, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Vail + Park, P.C." The signature is written in a cursive, slightly slanted style.

Richardson, Texas
April 15, 2020