



Town of Trophy Club, TX

Comprehensive Annual Financial Report

For the fiscal year ending September 30, 2011

TOWN OF TROPHY CLUB, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2011

As Prepared By The
FINANCE DEPARTMENT

**TOWN OF TROPHY CLUB, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTORY SECTION	
Letter of Transmittal	i
Certificate of Achievement	iv
Organization Structure	v
Elected Officials, Appointed Officials and Key Staff	vi
II. FINANCIAL SECTION	
Independent Auditor's Report	1
A. MANAGEMENT'S DISCUSSION AND ANALYSIS	3
B. BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Assets	12
Statement of Activities	13
Fund Financial Statements	
Governmental Funds Financial Statements	
Balance Sheet	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	17
Statement of Revenues, Expenditures, and Changes in Fund Balance	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	21
Proprietary Funds Financial Statements	
Statement of Net Assets	22
Statement of Revenues, Expenses, and Changes in Net Assets	23
Statement of Cash Flows	24
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets - Agency Fund	25
Discretely Presented Component Units	
Combining Statement of Net Assets	26
Combining Statement of Activities	27
Notes to the Basic Financial Statements	28
C. REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	47
Notes to Required Supplementary Information	48
D. COMBINING AND BUDGETARY SCHEDULES	
Major Governmental Funds	
Debt Service Fund	51
Nonmajor Governmental Funds	52
Combining Balance Sheet	53
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	55

	<u>Table</u>	<u>Page</u>
Budgetary Comparison Schedules:		
Discretely Presented Component Units		57
4A Economic Development Fund		58
4B Economic Development Fund		59
III. STATISTICAL SECTION		
Table of Contents		61
Net Assets By Component	1	62
Changes in Net Assets	2	63
Fund Balances, Governmental Funds	3	65
Changes in Fund Balances, Governmental Funds	4	67
Assessed Value and Estimated Actual Value of Taxable Property	5	69
Direct and Overlapping Property Tax Rates	6	71
Principal Property Tax Payers	7	73
Ad Valorem Property Tax Levies and Collections	8	74
Ratios of Outstanding Debt by Type	9	75
Ratios of General Bonded Debt Outstanding	10	76
Direct and Overlapping Debt	11	77
Demographic and Economic Statistics	12	78
Principal Employers	13	79
Full-Time City Government Employees by Function/Program	14	80
Operating Indicators by Function/Program	15	81



**Town of Trophy Club
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Trophy Club, TX 76262
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March 30, 2012

Honorable Mayor, Members of the Town Council,
And the Citizens of the
Town of Trophy Club, Texas

The Town's Finance Department has prepared a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) which were audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. The Comprehensive Annual Financial Report (CAFR) for the Town of Trophy Club, Texas for the fiscal year ended September 30, 2011, is hereby issued.

This report consists of management's representations concerning the finances of the Town. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making the representations, management of the Town has established a comprehensive internal control 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 GAAP. Internal controls should not outweigh their benefits; therefore, the Town's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance, that the financial statements are free from material misstatement. 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 Town's financial records have been audited by Weaver LLP, Certified Public Accountants, as required by the Town Charter. This CAFR has been prepared based upon those audited records. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town for the fiscal year ended September 30, 2011, are free of material misstatement. This independent 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 statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town's financial statements for the fiscal year ended September 30, 2011, are fairly presented in conformity with GAAP. The independent 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 Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town's MD&A can be found immediately following the report of the independent auditor.

Profile of the Town

The Town of Trophy Club, Texas was incorporated in 1985 as Texas' first premiere master planned community, and is located in the North Central portion of Texas. This area of the State has proven to be one of the top growth areas in Texas and the United States. The Town current occupies a land area of just over 4 square miles and serves a growing population of approximately 8,500. The Town is empowered to levy a property tax on real property located within its boundaries. Trophy Club is also empowered by State statute, to extend its corporate limits by annexation, which has occurred periodically when deemed appropriate by the governing council of the Town.

Trophy Club has operated as a Home Rule municipality utilizing the Council-Manager form of government since 2004. Policy-making and legislative authority are vested in the Town Council consisting of the Mayor and five other council members. The Town Council is responsible for, among other things, passing ordinances, adopting the budget, appointing boards and committees, and hiring the Town Manager, Town Secretary, Municipal Judge, and Town Attorney. The Town Council is elected on a non-partisan basis. With the Charter Amendments passed at the May 9, 2009 election, Council members are elected from the Town at-large-by-place in the manner, for a term of three (3) years or until their successors have been elected and take office. Each Council member shall be elected to and occupy a place on the Council, such Places being numbered (e.g., Place 1, Place 2, Place 3, etc.). The Mayor and five (5) Council members shall be elected and serve in the following manner: The Mayor shall have a three-year term beginning with the May 2011 election. Council members elected at the May 2009 election shall draw lots to determine Places 1 and 2. Places 1 and 2 shall receive a two-year term at the May 2009 election; thereafter, Places 1 and 2 shall have three year terms. The Town Manager is responsible for carrying out the policies and ordinances of the Town Council, overseeing the day-to-day operations of the government and for appointing the heads of the various Town departments.

The Town of Trophy Club provides a full range of municipal services including general government, public safety (police and EMS), streets, parks and recreation, planning and zoning, code enforcement, and drainage utilities. Water/wastewater and Fire protection are provided through the Municipal Utility District.

Local Economy

Fast paced growth has, in recent years, been one of the identifying characteristics of the Town. Trophy Club's location is ideal for both businesses and residents, many of whom commute to Dallas, Denton, Las Colinas, and Fort Worth. Trophy Club maintains a small-town feel while having the advantages of nearby metro areas and offers an outstanding quality of life, with great educational and recreational amenities. Two 18-hole premier golf courses are available, including the only course designed by Ben Hogan.

The region possesses a varied manufacturing and industrial base that has added to the relative stability of the unemployment rate with approximately half of the local workforce employed in management, professional, and related occupations. Figures from the Texas Workforce Commission indicate a North Central Texas unemployment rate of 8.0 percent while the national unemployment rate is 8.3 percent.

Trophy Club is positioned for a bright future with new families and businesses joining existing residents and companies and building on the Town's foundation of pleasant residential neighborhoods, excellent educational institutions, and numerous recreational activities to truly establish itself as a "a great place to call home."

Long-Term Financial Planning

The Town Council called for an election in November 2009 to allow citizens to vote on a Park Capital Improvement Bond Program. The park improvements included a spray pad at a community park, pool facility upgrades, a nature trail, sports fields, and a dog park. The citizens of Trophy Club authorized the Town to issue \$5,000,000 in General Obligation Bonds to fund the program and the associated General Obligation bonds were issued in late March of 2010.

Phase I of a storm drainage study and master plan is complete and has identified approximately \$12 - \$14 million in storm drainage improvements. The Capital Improvement Program also identifies street projects scheduled over the next five years.

Relevant Financial Policies

During Fiscal Year 2010, the Town established a Cash Management Program and Policy for the purpose of ensuring adequate internal controls to account for the handling of Town cash and to maintain public trust.

Staff also created the Town's Investment Policy. The purpose of the investment policy was to comply with Chapter 2256 of the Government Code ("Public Funds Investment Act"), which requires the Town of Trophy Club to adopt a written investment policy regarding the investment of its funds and funds under its control. The Investment Policy addresses the methods, procedures, and practices that must be exercised to ensure effective and judicious fiscal management of Trophy Club's funds. The investment policy received the Government Treasurers' of Texas Certificate of Distinction for Investment Policy in June 2011.

Major Initiatives

The Town Council has initiated a strategic planning process to identify goals and objectives for long range planning. The Town's Management Team will use this plan to create their respective departmental business plans.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Trophy Club for its comprehensive annual financial report for the fiscal year ended September 30, 2010. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not be accomplished without the dedicated services of the entire staff of the Finance Department. We would also like to express our appreciation to all staff members who assisted and contributed to the preparation of this report. Acknowledgement is also given to representatives of Weaver, LLP, Certified Public Accountants for their dedicated assistance in producing this report.

Special acknowledgement is given to the Mayor and the members of the Town Council for their support for maintaining the highest standards of professionalism in the management of the Town of Trophy Club finances.

Respectively submitted,



Mike Slye
Town Manager



Eric Cannon
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Trophy Club
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davidson

President

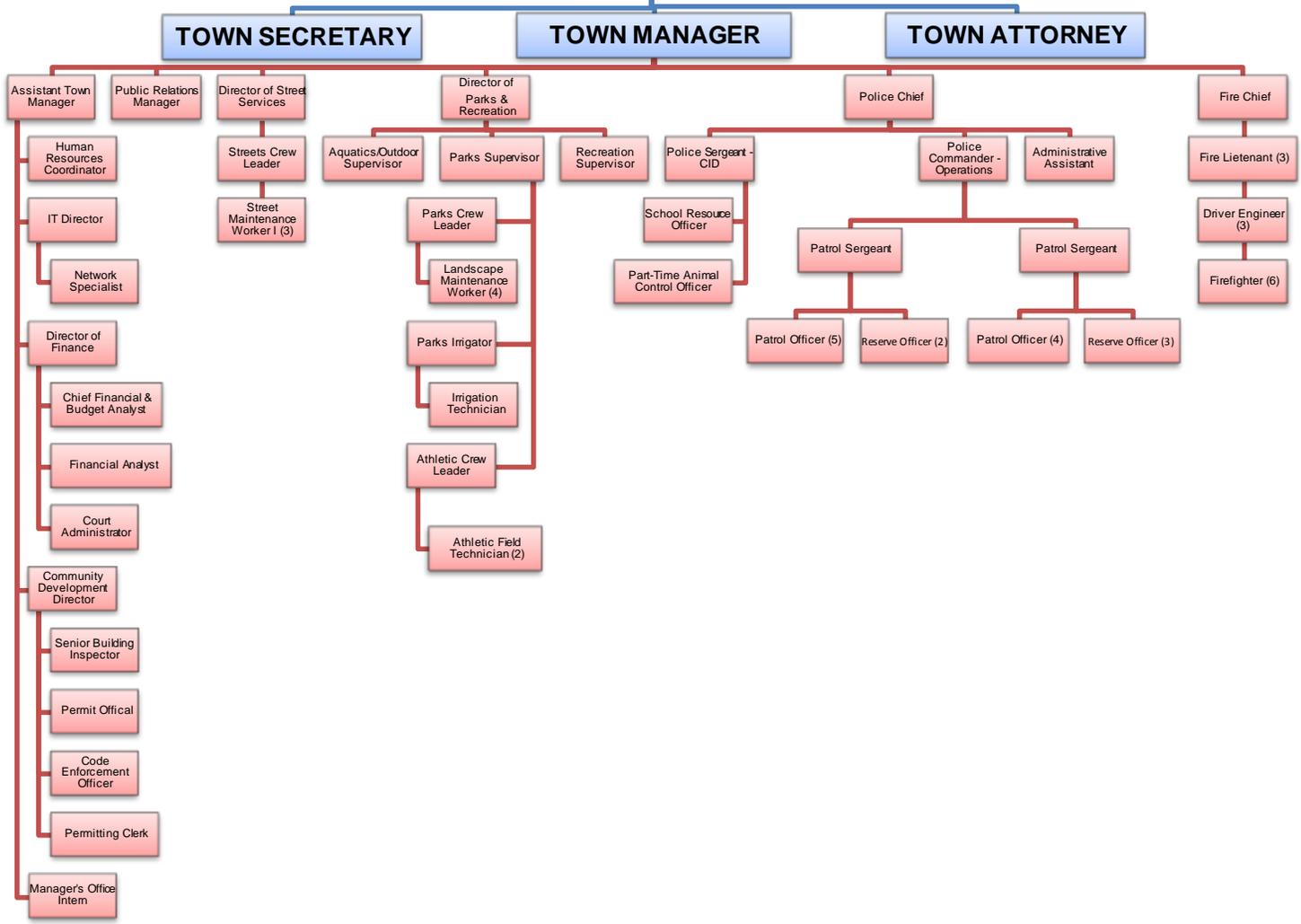
Jeffrey R. Emmer

Executive Director

**TOWN OF TROPHY CLUB
ORGANIZATION STRUCTURE**

CITIZENS OF TROPHY CLUB

MAYOR & COUNCIL MEMBERS



ELECTED OFFICIALS

Mayor	Connie White
Mayor Pro Tem	Larry Hoover
Council Member	Margi Cantrell
Council Member	Bill Rose
Council Member	Jeannette Tiffany
Council Member	Glenn Strother

APPOINTED OFFICIALS

Town Manager	Mike Slye
Town Attorney	Patricia Adams
Town Secretary	Shannon DePrater
Municipal Judge	Honorable Mark Chambers

KEY STAFF

Assistant Town Manager	Stephen Seidel
Community Development Director	Carolyn Huggins
Emergency Medical Services & Fire Chief	Danny Thomas
Finance Director	Eric Cannon
Information Systems Director	Mike Pastor
Parks & Recreation Director	Adam Adams
Police Chief	Scott Kniffen
Streets Director	Ed Helton



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
TOWN OF TROPHY CLUB, TEXAS

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, the discretely presented component units, and the aggregate remaining fund information of the Town of Trophy Club, Texas, (the Town), as of and for the year ended September 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

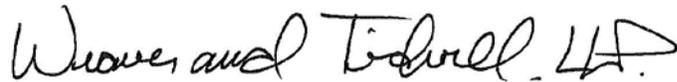
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the discretely presented component units, and the aggregate remaining fund information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

As discussed in Note 1(J) to the basic financial statements, the Town implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions."

The management's discussion and analysis, and general fund budgetary comparison information on pages 3 through 9 and 47 through 48, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have issued a report dated March 30, 2012 on our consideration of the Town's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Town of Trophy Club's basic financial statements. The accompanying combining financial statements and budgetary comparison schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying combining financial statements and budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink that reads "Weaver and Tidwell, L.L.P." with a stylized flourish at the end.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
March 30, 2012

TOWN OF TROPHY CLUB, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2011

As management of the Town of Trophy Club, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Trophy Club for the fiscal year ended September 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i through iii of this report.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the fiscal year ended September 30, 2011, by \$41,644,968 (net assets). Of this amount, \$3,159,773 (unrestricted net assets) may be used to meet the government's ongoing obligations to its citizens and creditors.
- The Town's total net assets increased by \$545,600 as a result of operations and contributions from the Public Improvement District #1.
- The Town's governmental funds reported combined ending fund balances of \$4,353,233.
- The unassigned portion of the General Fund balance at the end of the year was \$2,412,034 or 39.9% of total General Fund expenditures and transfers out.
- The governmental long-term debt obligations of the Town decreased by \$757,655. This decrease was comprised of debt service and capital lease payments totaling \$865,854, an increase in compensated absences of \$43,199 during the fiscal year; and the addition of \$2,790,000 in general obligation refunding bonds issued to retire \$2,725,000 of old debt.

Overview of the Financial Statements

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

Government-wide financial statements--The government-wide financial statements are designed to provide readers with a broad overview of the Town of Trophy Club's finances. This is done in a manner similar to a private-sector business. Two statements, the Statement of Net Assets and the Statement of Activities, are utilized to provide this financial overview.

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

The Statement of Activities presents information showing how the Town's net assets changed during the most recent 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 and earned but unused vacation leave).

TOWN OF TROPHY CLUB, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2011

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 and earned but unused vacation leave).

Both of the government-wide statements distinguish between governmental activities and business-type activities. Governmental activities basically account for those activities supported by taxes and intergovernmental revenues. On the other hand, business-type activities are basically supported by user fees and charges. Most Town services are reported in governmental activities while business-type activities are reported in the Proprietary Funds.

In the above statements, the Town's operations are presented as Governmental Activities - where most of the Town's basic activities are reported, including police, fire, public works, court, council and administration. Normally, these operations are financed by property taxes, sales taxes, and franchise fees.

The 4A Economic Development Corporation and 4B Economic Development Corporation are considered (discretely presented) component units of the Town. Their balances and activities have been combined and reported separately from those of the Town in the above statements.

Fund financial statements--The Town, like other state and local governments, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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. 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, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains eight individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, the Debt Service Fund, the Capital Projects Fund, the Grant Fund and the Town Utility Fund, all of which are considered to be major funds. Data from the other three funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds--The Town maintains two proprietary funds: the Trophy Club Park Fund and the Town Storm Drainage Fund. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses proprietary funds to account for parks and recreation and storm water operations. Proprietary fund financial statements provide the same type of information as the government-wide financial statements only in more detail.

TOWN OF TROPHY CLUB, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2011

The 4A Economic Development Corporation and 4B Economic Development Corporation are reported as discretely presented component units. Information on these component units is presented in the Statement of Net Assets - Component Units and the Statement of Activities – Component Units.

The Town adopts annual appropriated budgets for the general fund, debt service fund and the Trophy Club Park Enterprise Fund. Budgets for capital projects funds are adopted on a project length basis. A budgetary comparison statement is provided for each budgeted fund to demonstrate compliance with its budget.

Notes to the financial statements--The notes provide additional information that is essential to gain a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-45.

Other information--In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found after the notes to the financial statements on pages 47-48.

Government-wide Financial Analysis

At the end of fiscal year 2011, the Town's net assets (assets exceeding liabilities) totaled \$41,644,968. This analysis focuses on the net assets (Table 1) and changes in net assets (Table 2).

Net Assets--The largest portion of the Town's net assets, \$38,427,724 or 92.3%, reflects its investment in capital assets (land, buildings, improvements other than buildings, machinery and equipment, construction in progress), less any related debt used to acquire those assets that is still outstanding. The Town uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town reports its capital assets net of related debt, 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. A portion of the Town's net assets, \$57,471 or 0.1% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$3,159,773 or 7.6%, may be used to meet the government's ongoing obligations to citizens and creditors.

Table 1
Net Assets

	Governmental Activities		Business Type Activities		Total	
	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010
Current and other assets	\$ 6,689,389	\$ 10,204,423	\$ 42,068	-	\$ 6,731,457	\$ 10,204,423
Capital assets	49,316,120	44,841,426	-	-	49,316,120	44,841,426
Total Assets	56,005,509	55,045,849	42,068	-	56,047,577	55,045,849
Long-term liabilities outstanding	12,574,323	13,316,980	-	-	12,574,323	13,316,980
Other liabilities	1,798,759	629,501	29,527	-	1,828,286	629,501
Total Liabilities	14,373,082	13,946,481	29,527	-	14,402,609	13,946,481
Net Assets						
Invested in capital assets (net of related debt)	38,427,724	36,491,021	-	-	38,427,724	36,491,021
Restricted	57,471	39,003	-	-	57,471	39,003
Unrestricted	3,147,232	4,569,344	12,541	-	3,159,773	4,569,344
Total Net Assets	\$ 41,632,427	\$ 41,099,368	\$ 12,541	\$ -	\$ 41,644,968	\$ 41,099,368

TOWN OF TROPHY CLUB, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2011

Changes in Net Assets--The net assets of the Town increased by \$545,600 for the fiscal year ended September 30, 2011.

Governmental Activities. Governmental activities increased the Town's net assets by \$623,703 from the prior year. This was primarily the result of increased capital grant revenue.

Business-type Activities. From the prior year, net assets from business-type activities decreased by \$78,103. This decrease is primarily due to a \$81,187 decrease in net assets in the Town Storm Drainage fund; the result of a \$64,204 transfer to other funds.

Table 2
Changes in Net Assets

	Governmental Activities		Business Type Activities		Total	
	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010
Revenues:						
Program revenues:						
Charges for services	\$ 2,074,614	\$ 1,708,054	\$ 253,034	\$ -	\$ 2,327,648	\$ 1,708,054
Operating grants and contributions	340,748	385,429	-	-	340,748	385,429
Capital grants and contributions	619,381	323,822	-	-	619,381	323,822
General revenues:						
Ad valorem taxes	4,480,999	3,889,157	-	-	4,480,999	3,889,157
Sales and mixed beverage taxes	631,561	674,131	-	-	631,561	674,131
Franchise taxes	625,756	519,959	-	-	625,756	519,959
Occupancy taxes	22,644	17,685	-	-	22,644	17,685
Intergovernmental revenue	-	409,454	-	-	-	409,454
Investment income	15,162	17,634	78	-	15,240	17,634
Miscellaneous revenues	333,497	126,949	-	-	333,497	126,949
Total revenues	9,144,362	8,072,274	253,112	-	9,397,474	8,072,274
Expenses:						
General government	82,798	61,251	-	-	82,798	61,251
Storm drainage	133,251	133,251	-	-	133,251	133,251
Emergency medical services	684,692	666,073	-	-	684,692	666,073
Manager's office	533,188	604,649	-	-	533,188	604,649
Human resources	91,065	44,137	-	-	91,065	44,137
Finance	363,419	255,564	-	-	363,419	255,564
Information systems	287,262	135,496	-	-	287,262	135,496
Legal	146,881	146,431	-	-	146,881	146,431
Police	1,510,755	1,545,035	-	-	1,510,755	1,545,035
Court	80,331	74,040	-	-	80,331	74,040
Recreation	824,744	798,588	-	-	824,744	798,588
Facilities management	76,484	73,369	-	-	76,484	73,369
Parks	1,019,829	798,031	-	-	1,019,829	798,031
Community development	209,513	201,788	-	-	209,513	201,788
Planning and zoning	136,291	152,106	-	-	136,291	152,106
Streets	1,239,250	1,202,423	-	-	1,239,250	1,202,423
Water and sewer	617,001	310,929	-	-	617,001	310,929
Administrative	1,251	12,095	-	-	1,251	12,095
Interest on long-term debt	558,473	391,593	-	-	558,473	391,593
Trophy Club Park	-	-	98,935	-	98,935	-
Town storm drainage	-	-	156,461	-	156,461	-
Total expenses	8,596,478	7,606,849	255,396	-	8,851,874	7,606,849
Increase (decrease) in net assets before transfers	547,884	465,425	(2,284)	-	545,600	465,425
Transfers	75,819	-	(75,819)	-	-	-
Increase (decrease) in net assets	623,703	465,425	(78,103)	-	545,600	465,425
Net Assets - Beginning	41,099,368	40,633,943	-	-	41,099,368	40,633,943
Change in accounting principle	(90,644)	-	90,644	-	-	-
Net Assets - Ending	\$ 41,632,427	\$ 41,099,368	\$ 12,541	\$ -	\$ 41,644,968	\$ 41,099,368

Financial Analysis of the Government's Funds

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.

TOWN OF TROPHY CLUB, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2011

In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Town's governmental funds reported a combined fund balance of \$4,353,233.

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the unreserved fund balance was \$2,412,034. The fund balance of the General Fund increased by \$528,972 during the fiscal year. The increase can be attributed to higher than expected revenues and expenditures that were below budgeted amounts. The majority of the increase is attributable to revenues related to licenses and permits, property taxes, charges for service and miscellaneous revenue. Revenue categories experiencing significant increases/decrease include:

- Property tax revenue increased from the previous year - \$ 591,842
- Miscellaneous revenues increased from the previous year - \$ 206,548

The Debt Service Fund had an increase of \$2,321 in fund balance. Funds are restricted for the payment of debt service. The Capital Projects Fund experienced a decrease in fund balance of \$5,157,414, which is due to the spending down of previously issued bond proceeds. The Grant Fund had a decrease in fund balance of \$32,388, while fund balance in the Town Utility Fund decreased by \$4,149. Other governmental funds had a decrease in fund balance of \$1,291. This decrease was primarily due to decreases in the Street Maintenance Fund and the 25th Anniversary Fund.

In the General Fund, the Town budgeted for a fund balance increase in the current year of \$84,338. Due to actual revenues being more than budgeted and actual expenditures being less than budgeted, the actual budget basis fund balance variance from budget was an increase for fiscal year 2011 of \$444,634.

Proprietary funds--The Town's proprietary funds provide the same type of information found in the government-wide statements, but in more detail.

Unrestricted net assets of the Trophy Club Park Fund amounted to (\$34,642) at year end while Town Storm Drainage net assets amounted to \$47,183. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

Revenue: Significant variances between budgeted and actual revenues included: sales and mixed beverage taxes were \$21,263 below budget; licenses and permits were \$202,220 over budget; and revenues from charges for services were \$127,268 over budget. Overall, the Town's actual revenues exceeded final budgeted amounts by \$389,596.

Expenses: Savings from vacancies during the year are reflected in actual expenses under budget in the Finance, Police, and Recreation Departments. The Manager's Office, Emergency Medical Services, Planning and Zoning, and Human Resources departments were over budget due to personnel related expenditures and additional professional services required for planning and zoning services. Overall, the Town had a net positive savings of \$95,892.

TOWN OF TROPHY CLUB, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2011

Capital Assets

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of September 30, 2011, amounts to \$49,316,120 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements other than buildings, utility system, machinery and equipment, and construction in progress. The total increase in the Town's investment in capital assets for the current year was 10.0%.

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

- Town resurfaced swimming pool-\$49,010
- Town purchased new HVAC system-\$41,673
- Town completed the installation of sidewalks-\$336,742
- Town purchased a new dump truck-\$58,004
- Town purchased new vehicles-\$35,100

Table 3
Capital Assets at Year-End

	Governmental		Business Type		Total	
	Activities	Activities	Activities	Activities	Activities	Activities
	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010
Land	\$ 3,445,349	\$ 3,445,349	\$ -	\$ -	\$ 3,445,349	\$ 3,445,349
Construction in progress	24,878,759	19,733,283	-	-	24,878,759	19,733,283
Buildings	1,458,863	1,451,586	-	-	1,458,863	1,451,586
Improvements other than buildings	15,982,484	16,463,819	-	-	15,982,484	16,463,819
Machinery and equipment	580,552	582,370	-	-	580,552	582,370
Vehicles	343,023	402,934	-	-	343,023	402,934
Water system	28,334	30,078	-	-	28,334	30,078
Infrastructure	2,598,756	2,732,007	-	-	2,598,756	2,732,007
Total	\$ 49,316,120	\$ 44,841,426	\$ 0	\$ 0	\$ 49,316,120	\$ 44,841,426

Additional information on the Town's capital assets can be found in Note 4 on pages 38-39 of this report.

Debt Administration

At the end of the current fiscal year, the Town of Trophy Club had total debt outstanding of \$12,574,323. Of this amount, \$11,735,000 comprises bonded debt backed by the full faith and credit of the Town and \$709,000 represent contractual obligations.

The Town maintains fair ratings from bond rating agencies as follows

Bond Ratings:

	Standard & Poor's	Moody's
General obligation bonds	AA	Aa3
Contractual obligations	AA	Aa3

TOWN OF TROPHY CLUB, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2011

The Town's General obligation, contractual obligations, capital leases and compensated absence obligations are as follows.

Table 4
Outstanding Debt at Year-End
Governmental Business Type
Activities Activities

	Governmental Activities		Business Type Activities		Total	
	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010
General obligation bonds	\$11,735,000	\$12,400,000	\$ -	\$ -	\$11,735,000	\$12,400,000
Contractual obligations	709,000	782,000	-	-	709,000	782,000
Issuance premium	98,750	-	-	-	98,750	-
Deferred loss on refunding	(83,752)	-	-	-	(83,752)	-
Capital leases	29,386	92,240	-	-	29,386	92,240
Compensated absences	85,939	42,740	-	-	85,939	42,740
Totals	\$12,574,323	\$13,316,980	\$ -	\$ -	\$12,574,323	\$13,316,980

Additional information on the Town's long-term debt can be found in the Note 6 on pages 40-42 of this report.

Economic Factors and Next Year's Budgets and Rates

The Town continues to experience high residential growth as well as limited commercial and retail development. The Town issued 225 residential construction permits in FY 2011, an increase of 16 from the previous year. The permits are averaging approximately \$464,000 in total annually. The Town budgeted for 220 residential building permits for FY12. However, based on current construction activity the conservative estimate will be approximately 300 issued permits. Residential development is expected to continue at its current growth rate based on the current demand expressed from the local home builders.

The Town Council recently rezoned a 26 acre tract to a Mixed-Use Planned Development which will yield an estimated \$100 million to the commercial tax base. Additionally, a new hotel is under construction, and developers are looking to locate new businesses to Trophy Club. The Town anticipates an influx in commercial development activity within the next two years.

In fiscal year 2012, General Fund revenues and expenditures are both budgeted to increase by 9.7% and 11.9%, respectively, over fiscal year 2011 estimated revenues and expenditures. An increase of approximately 7.8% in the assessed valuation of taxable property was realized during FY 2011. The FY11 Budget increased the ad valorem tax rate to \$0.5300 per hundred dollars of assessed value, up from \$0.5150 in FY2010. The increase was due to voter approved bond projects coming online.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Trophy Club Finance Director, 100 Municipal Drive, Trophy Club, Texas, 76262. This information can also be accessed on the Town of Trophy Club's website at www.trophyclub.org.

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BASIC FINANCIAL STATEMENTS

**TOWN OF TROPHY CLUB, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 5,420,957	\$ 43,348	\$ 5,464,305	\$ 702,718
Receivables:				
Sales taxes	123,256	-	123,256	73,954
Ad valorem taxes	61,020	-	61,020	-
Franchise fees	356,895	-	356,895	-
Accounts, net of \$369,896 allowance	143,043	11,457	154,500	-
Other	50,192	-	50,192	-
Due from other governments	327,830	9,857	337,687	4,859
Internal balances	29,577	(29,577)	-	-
Prepaid items	2,620	6,983	9,603	-
Bond issuance costs	173,999	-	173,999	-
Capital assets:				
Land	3,445,349	-	3,445,349	-
Construction in progress	24,878,759	-	24,878,759	-
Buildings	1,993,440	-	1,993,440	-
Improvements other than buildings	26,681,776	-	26,681,776	-
Machinery and equipment	1,259,542	-	1,259,542	-
Vehicles	1,155,534	-	1,155,534	-
Water system	43,600	-	43,600	-
Infrastructure	5,330,030	-	5,330,030	-
Accumulated depreciation	(15,471,910)	-	(15,471,910)	-
TOTAL ASSETS	\$ 56,005,509	\$ 42,068	\$ 56,047,577	\$ 781,531
LIABILITIES				
Accounts payable	\$ 1,599,823	\$29,157	\$ 1,628,980	\$ -
Accrued liabilities	131,920	81	132,001	-
Interest payable	39,364	-	39,364	-
Due to other governments	27,652	289	27,941	-
Noncurrent liabilities:				
Debt due within one year	944,367	-	944,367	-
Debt due in more than one year	11,629,956	-	11,629,956	-
TOTAL LIABILITIES	14,373,082	29,527	14,402,609	-
NET ASSETS				
Invested in capital assets, net of related debt	38,427,724	-	38,427,724	-
Restricted for debt service	57,471	-	57,471	-
Unrestricted	3,147,232	12,541	3,159,773	781,531
TOTAL NET ASSETS	\$ 41,632,427	\$ 12,541	\$ 41,644,968	\$ 781,531

The Notes to Basic Financial Statements are an integral part of this statement.

**TOWN OF TROPHY CLUB, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDING SEPTEMBER 30, 2011**

Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 82,798	\$ 160,541	\$ -	\$ 265,426
Storm drainage	133,251	-	-	-
Emergency medical services	684,692	120,554	-	-
Manager's office	533,188	-	-	-
Human resources	91,065	-	-	-
Finance	363,419	-	-	-
Information systems	287,262	-	-	-
Legal	146,881	-	-	-
Police	1,510,755	-	53,098	-
Court	80,331	167,461	-	-
Recreation	873,754	214,816	23,182	-
Facilities management	76,484	-	-	-
Parks	970,819	-	31,683	35,001
Community development	209,513	792,065	-	-
Planning and zoning	136,291	6,455	-	-
Streets	1,239,250	-	-	318,954
Water and sewer	617,001	612,722	-	-
Administrative	1,251	-	-	-
Interest on long-term debt	558,473	-	232,785	-
Total governmental activities	8,596,478	2,074,614	340,748	619,381
Business-type activities:				
Trophy Club Park	98,935	117,013	-	-
Town Storm Drainage	156,461	136,021	-	-
Total business-type activities	255,396	253,034	-	-
Total Primary Government	\$ 8,851,874	\$ 2,327,648	\$ 340,748	\$ 619,381
Component units:				
4A Economic				
Development Corporation	\$ 250,634	\$ -	\$ -	\$ -
4B Economic				
Development Corporation	82,317	-	-	-
Total component units	\$ 332,951	\$ -	\$ -	\$ -

General Revenues and transfers:

Taxes:

 Ad valorem
 Sales and mixed beverage
 Franchise taxes
 Occupancy taxes
 Investment income
 Miscellaneous revenues
 Transfers

Total general revenues and transfers

 Change in net assets
 Net Assets - beginning of year
 Change in accounting principle
 Net Assets - end of year

The Notes to Basic Financial Statements are an integral part of this statement.

Net (Expenses) Revenues and Changes in Net Assets
Primary Government

Governmental Activities	Business-type Activities	Total	Component Units
\$ 343,169	\$ -	\$ 343,169	\$ -
(133,251)	-	(133,251)	-
(564,138)	-	(564,138)	-
(533,188)	-	(533,188)	-
(91,065)	-	(91,065)	-
(363,419)	-	(363,419)	-
(287,262)	-	(287,262)	-
(146,881)	-	(146,881)	-
(1,457,657)	-	(1,457,657)	-
87,130	-	87,130	-
(635,756)	-	(635,756)	-
(76,484)	-	(76,484)	-
(904,135)	-	(904,135)	-
582,552	-	582,552	-
(129,836)	-	(129,836)	-
(920,296)	-	(920,296)	-
(4,279)	-	(4,279)	-
(1,251)	-	(1,251)	-
(325,688)	-	(325,688)	-
<u>(5,561,735)</u>	<u>-</u>	<u>(5,561,735)</u>	<u>-</u>
-	18,078	18,078	-
-	(20,440)	(20,440)	-
-	(2,362)	(2,362)	-
<u>(5,561,735)</u>	<u>(2,362)</u>	<u>(5,564,097)</u>	<u>-</u>
-	-	-	(250,634)
-	-	-	(82,317)
-	-	-	<u>(332,951)</u>
4,480,999	-	4,480,999	-
631,561	-	631,561	370,124
625,756	-	625,756	-
22,644	-	22,644	-
15,162	78	15,240	882
333,497	-	333,497	-
75,819	(75,819)	-	-
<u>6,185,438</u>	<u>(75,741)</u>	<u>6,109,697</u>	<u>371,006</u>
623,703	(78,103)	545,600	38,055
41,099,368	-	41,099,368	743,476
(90,644)	90,644	-	-
<u>\$ 41,632,427</u>	<u>\$ 12,541</u>	<u>\$ 41,644,968</u>	<u>\$ 781,531</u>

**TOWN OF TROPHY CLUB, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011**

	General	Debt Service	Capital Projects
ASSETS			
Cash and cash equivalents	\$ 2,778,527	\$ 64,067	\$ 2,425,789
Receivables			
Sales taxes	98,605	-	-
Ad valorem taxes	49,573	11,447	-
Franchise fees	356,895	-	-
Accounts (net of \$359,370 allowance for uncollectible accounts)	58,542	-	-
Miscellaneous	50,192	-	-
Due from other governments	45,795	-	-
Due from other funds	331,931	30,156	-
Prepays	2,620	-	-
Total assets	\$ 3,772,680	\$ 105,670	\$ 2,425,789
LIABILITIES AND FUND BALANCES (DEFICITS)			
Liabilities			
Accounts payable	\$ 559,193	\$ -	\$ 824,882
Accrued liabilities	131,920	-	-
Due to other governments	17,804	4,859	-
Due to other funds	29,656	3,976	919
Deferred revenue	391,315	11,447	-
Total liabilities	1,129,888	20,282	825,801
Fund balances (deficits)			
Nonspendable for:			
Prepays	2,620	-	-
Restricted for:			
Debt service	-	85,388	-
Capital projects	-	-	1,599,988
Tourism	-	-	-
Street maintenance	-	-	-
Town 25th anniversary	-	-	-
Water services	-	-	-
Assigned for:			
Capital expenditures	228,138	-	-
Unassigned	2,412,034	-	-
Total fund balances (deficits)	2,642,792	85,388	1,599,988
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 3,772,680	\$ 105,670	\$ 2,425,789

The Notes to Basic Financial Statements are an integral part of this statement.

<u>Grant Fund</u>	<u>Town Utility Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,270	\$ 129,458	\$ 20,846	\$ 5,420,957
-	-	24,651	123,256
-	-	-	61,020
-	-	-	356,895
-	83,306	1,195	143,043
-	-	-	50,192
261,299	20,736	-	327,830
-	-	-	362,087
-	-	-	2,620
<u>\$ 263,569</u>	<u>\$ 233,500</u>	<u>\$ 46,692</u>	<u>\$ 6,847,900</u>
\$ 35,146	\$ 175,915	\$ 4,687	\$ 1,599,823
-	-	-	131,920
-	4,989	-	27,652
254,900	39,808	3,251	332,510
-	-	-	402,762
<u>290,046</u>	<u>220,712</u>	<u>7,938</u>	<u>2,494,667</u>
-	-	-	2,620
-	-	-	85,388
-	-	-	1,599,988
-	-	1,890	1,890
-	-	34,750	34,750
-	-	2,114	2,114
-	12,788	-	12,788
-	-	-	228,138
(26,477)	-	-	2,385,557
<u>(26,477)</u>	<u>12,788</u>	<u>38,754</u>	<u>4,353,233</u>
<u>\$ 263,569</u>	<u>\$ 233,500</u>	<u>\$ 46,692</u>	<u>\$ 6,847,900</u>

**TOWN OF TROPHY CLUB, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011**

Total fund balances - governmental funds	\$ 4,353,233
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	49,316,120
Costs associated with the issuance of governmental long-term debt are expensed when incurred in the fund financial statements and capitalized and amortized over the life of the debt in the government-wide financial statements.	173,999
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.	(39,364)
Revenues earned but not available within sixty days of year-end are not recognized as revenue in the fund financial statements.	402,762
Compensated absences are not due and payable in the current period and, therefore, are not reported in the fund financial statements.	(85,939)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund financial statements. The amount was in the net effect of:	
o General obligation bonds	(11,375,000)
o Contractual obligations	(709,000)
o Issuance premium	(98,750)
o Deferred loss on refunding	83,752
o Capital leases	(29,386)
	<u>(12,488,384)</u>
Net assets of governmental activities	<u>\$ 41,632,427</u>

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**TOWN OF TROPHY CLUB, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2011**

	General	Debt Service	Capital Projects
Revenues:			
Ad valorem taxes	\$ 3,442,842	\$ 1,014,987	\$ -
Sales and mixed beverage taxes	508,187	-	-
Franchise taxes	608,806	-	-
Occupancy taxes	-	-	-
Licenses and permits	798,520	-	-
Intergovernmental	107,963	232,785	35,001
Charges for services	527,834	-	-
Fines	167,461	-	-
Investment income	4,128	4,592	6,323
Miscellaneous	335,720	-	-
Grant revenue	-	-	-
Contributions	-	-	264,381
Total revenues	6,501,461	1,252,364	305,705
Expenditures:			
Current:			
General government	-	-	27,489
Emergency medical services	688,213	-	-
Manager's office	556,489	-	-
Human resources	90,060	-	-
Finance	360,548	-	-
Information systems	287,448	-	-
Legal	146,881	-	-
Police	1,463,179	-	-
Court	80,260	-	-
Parks	951,328	-	-
Recreation	571,805	-	-
Facilities management	76,484	-	-
Community development	189,425	-	-
Planning and zoning	154,225	-	-
Streets	384,513	-	-
Water	-	-	-
Administrative	-	-	-
Capital outlay	-	-	5,390,630
Debt service:			
Principal retirement	-	803,000	-
Interest and fiscal charges	-	551,955	-
Bond issuance costs	-	74,324	-
Total expenditures	6,000,858	1,429,279	5,418,119
Excess (deficiency) of			
revenues over expenditures	500,603	(176,915)	(5,112,414)
Other financing sources (uses):			
Transfers in	75,000	95,835	15,000
Transfers out	(46,631)	-	(60,000)
Issuance of long-term debt	-	2,790,000	-
Payment to refund bond escrow agent	-	(2,825,503)	-
Premium on issuance of long-term debt	-	118,904	-
Total other financing sources (uses)	28,369	179,236	(45,000)
Net change in fund balances	528,972	2,321	(5,157,414)
Change in accounting principle	-	-	-
Fund Balances - beginning of year	2,113,820	83,067	6,757,402
Fund Balances - end of year	\$ 2,642,792	\$ 85,388	\$ 1,599,988

The Notes to Basic Financial Statements are an integral part of this statement.

<u>Grant Fund</u>	<u>Town Utility Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 4,457,829
-	-	123,374	631,561
-	-	-	608,806
-	-	22,644	22,644
-	-	-	798,520
-	-	-	375,749
-	612,722	-	1,140,556
-	-	-	167,461
4	54	61	15,162
-	76	-	335,796
318,954	-	-	318,954
-	-	1,045	265,426
<u>318,958</u>	<u>612,852</u>	<u>147,124</u>	<u>9,138,464</u>
-	-	20,500	47,989
-	-	-	688,213
-	-	-	556,489
-	-	-	90,060
-	-	-	360,548
-	-	-	287,448
-	-	-	146,881
5,611	-	-	1,468,790
-	-	-	80,260
-	-	-	951,328
-	-	-	571,805
41,673	-	-	118,157
-	-	-	189,425
-	-	-	154,225
304,062	-	123,279	811,854
-	617,001	-	617,001
-	-	1,251	1,251
-	-	-	5,390,630
-	-	-	803,000
-	-	-	551,955
-	-	-	74,324
<u>351,346</u>	<u>617,001</u>	<u>145,030</u>	<u>13,961,633</u>
<u>(32,388)</u>	<u>(4,149)</u>	<u>2,094</u>	<u>(4,823,169)</u>
-	-	-	185,835
-	-	(3,385)	(110,016)
-	-	-	2,790,000
-	-	-	(2,825,503)
-	-	-	118,904
-	-	(3,385)	159,220
(32,388)	(4,149)	(1,291)	(4,663,949)
-	-	(90,644)	(90,644)
5,911	16,937	130,689	9,107,826
<u>\$ (26,477)</u>	<u>\$ 12,788</u>	<u>\$ 38,754</u>	<u>\$ 4,353,233</u>

**TOWN OF TROPHY CLUB, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2011**

Net change in fund balances - total governmental funds	\$ (4,663,949)
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.	5,827,702
Depreciation expense on capital assets reported in the statement of activities does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.	(1,353,008)
The issuance of long-term debt (i.e. bonds) provides current financial resources to governmental funds, while the repayment of principal consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of the following:	
o Payment of old debt - \$2,725,000	
o Refunding bond proceeds - (\$2,790,000)	
o Payment of principal on bonds and capital leases - \$865,854	800,854
Losses as a result of refunding debt are not recorded in the governmental funds. The effect of recording current year's amortization of the loss is to increase net assets. This amount represents the net effect of the loss on refunding incurred in the current year (\$100,503), less the current year amortization (\$16,751).	83,752
Costs associated with the issuance of governmental long-term debt are expensed when incurred in the fund financial statements and capitalized and amortized over the life of the debt in the government-wide financial statements. This amount represents \$74,324 of newly capitalized costs less \$21,242 of current year amortization.	53,082
Premiums and discounts are recognized as other financing sources in the fund financial statements, but they are amortized over the term of the bonds in the government-wide financial statements. This amount represents \$118,904 of premium less \$20,154 of current year amortization.	(98,750)
Current year changes in the long-term liability for compensated absences do not require the use of current financial resources; and, therefore, are not reported as expenditures in the governmental funds.	(43,199)
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.	11,321
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.	5,898
Change in net assets of governmental activities	<u>\$ 623,703</u>

The Notes to Basic Financial Statements are an integral part of this statement.

**TOWN OF TROPHY CLUB, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2011**

	Business-type Activities - Enterprise Funds		
	Trophy Club Park	Town Storm Drainage	Total
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 12,886	\$ 30,462	\$ 43,348
Accounts receivable	-	11,457	11,457
Due from other funds	-	10,746	10,746
Due from other governments	-	9,857	9,857
Prepays	6,981	2	6,983
Total current assets	19,867	62,524	82,391
TOTAL ASSETS	\$ 19,867	\$ 62,524	\$ 82,391
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable	\$ 15,047	\$ 14,110	\$ 29,157
Other accrued liabilities	81	-	81
Due to other funds	39,381	942	40,323
Due to other governments	-	289	289
Total current liabilities	54,509	15,341	69,850
TOTAL LIABILITIES	54,509	15,341	69,850
NET ASSETS			
Unrestricted	(34,642)	47,183	12,541
TOTAL NET ASSETS	(34,642)	47,183	12,541
TOTAL LIABILITIES AND NET ASSETS	\$ 19,867	\$ 62,524	\$ 82,391

The Notes to Basic Financial Statements are an integral part of this statement.

**TOWN OF TROPHY CLUB, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2011**

	Business-type Activities - Enterprise Funds		
	Trophy Club Park	Town Storm Drainage	Total
OPERATING REVENUES			
Charges for service:			
Park fees	\$ 115,658	\$ -	\$ 115,658
Storm drainage fees	-	136,021	136,021
Miscellaneous	1,355	-	1,355
Total operating revenue	117,013	136,021	253,034
OPERATING EXPENSES			
Salaries and benefits	44,127	20,863	64,990
Supplies and materials	9,327	110,720	120,047
Repairs and maintenance	25,199	8,964	34,163
Utilities	7,373	-	7,373
Other operating expenses	12,909	15,914	28,823
Total operating expenses	98,935	156,461	255,396
Operating income (loss)	18,078	(20,440)	(2,362)
NONOPERATING REVENUES (EXPENSES)			
Interest income	6	72	78
Total nonoperating revenues (expenses)	6	72	78
Income (loss) before transfers	18,084	(20,368)	(2,284)
TRANSFERS			
Transfers in	-	3,385	3,385
Transfers out	(15,000)	(64,204)	(79,204)
Total transfers	(15,000)	(60,819)	(75,819)
Change in net assets	3,084	(81,187)	(78,103)
NET ASSETS, beginning of year	-	-	-
Change in accounting principle	(37,726)	128,370	90,644
NET ASSETS, end of year	\$ (34,642)	\$ 47,183	\$ 12,541

The Notes to Basic Financial Statements are an integral part of this statement.

**TOWN OF TROPHY CLUB, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2011**

	Business-type Activities - Enterprise Funds		
	Trophy Club Park	Town Storm Drainage	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 117,013	\$ 124,564	\$ 241,577
Cash paid to employees	(44,538)	(21,065)	(65,603)
Cash paid to suppliers	(46,143)	(126,532)	(172,675)
Net cash provided by (used in) operating activities	26,332	(23,033)	3,299
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Repayments of amounts due from other funds	1,515	795	2,310
Transfers to other funds	(15,000)	(60,819)	(75,819)
Net cash used in noncapital financing activities	(13,485)	(60,024)	(73,509)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	6	72	78
Net cash provided by investing activities	6	72	78
Net increase (decrease) in cash	12,853	(82,985)	(70,132)
Cash and cash equivalents, beginning of year	33	113,447	113,480
Cash and cash equivalents, end of year	\$ 12,886	\$ 30,462	\$ 43,348

	Business-type Activities -Enterprise Funds		
	Trophy Club Park	Town Storm Drainage	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 18,078	\$ (20,440)	\$ (2,362)
Adjustments to reconcile operating income (loss) to cash provided by (used in) operating activities:			
Increase in accounts receivable	-	(11,457)	(11,457)
Increase in prepaid expenses	(5,580)	164	(5,416)
Increase in accounts payable	14,245	8,902	23,147
Decrease in accrued expenses	(411)	(202)	(613)
Net cash provided by (used in) operating activities	\$ 26,332	\$ (23,033)	\$ 3,299

The Notes to Basic Financial Statements are an integral part of this statement.

**TOWN OF TROPHY CLUB, TEXAS
 STATEMENT OF FIDUCIARY NET ASSETS
 AGENCY FUND
 SEPTEMBER 30, 2011**

	<u>Agency Fund</u>
	<u>PID NO. 1</u>
	<u>Debt Service</u>
ASSETS	
Cash and cash equivalents	4,107,689
Total assets	<u>\$ 4,107,689</u>
LIABILITIES	
Due to debt holders	4,107,689
Total liabilities	<u>\$ 4,107,689</u>

The Notes to Basic Financial Statements are an integral part of this statement.

**TOWN OF TROPHY CLUB, TEXAS
 COMBINING STATEMENT OF NET ASSETS
 DISCRETELY PRESENTED COMPONENT UNITS
 SEPTEMBER 30, 2011**

	4A Economic Development Corporation	4B Economic Development Corporation	Totals September 30, 2011
ASSETS			
Cash and cash equivalents	\$ 386,234	\$ 316,484	\$ 702,718
Receivables, net:			
Sales taxes	49,303	24,651	73,954
Due from other governments	4,859	-	4,859
TOTAL ASSETS	\$ 440,396	\$ 341,135	\$ 781,531
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	-	-
NET ASSETS			
Unrestricted	440,396	341,135	781,531
TOTAL NET ASSETS	\$ 440,396	\$ 341,135	\$ 781,531

The Notes to Basic Financial Statements are an integral part of this statement.

**TOWN OF TROPHY CLUB, TEXAS
COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Expenses</u>	<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
		<u>4A Economic Development Corporation</u>	<u>4B Economic Development Corporation</u>	<u>Total</u>
4A Economic Development Corporation				
General government	\$ 250,634	\$ (250,634)	\$ -	\$ (250,634)
4B Economic Development Corporation				
General government	82,317	-	(82,317)	(82,317)
Total component units	<u>\$ 332,951</u>	<u>(250,634)</u>	<u>(82,317)</u>	<u>(332,951)</u>
General Revenues:				
Sales taxes		246,749	123,375	370,124
Investment income		520	362	882
Total general revenues		<u>247,269</u>	<u>123,737</u>	<u>371,006</u>
Change in net assets		(3,365)	41,420	38,055
Net Assets - beginning of year		<u>443,761</u>	<u>299,715</u>	<u>743,476</u>
Net Assets - end of year		<u>\$ 440,396</u>	<u>\$ 341,135</u>	<u>\$ 781,531</u>

The Notes to Basic Financial Statements are an integral part of this statement.

TOWN OF TROPHY CLUB, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The Town of Trophy Club (the "Town") is a "home rule town" incorporated in 1985. The Town operates under a Council-Manager form of government and provides the following services as authorized by its charter: council, public safety (police and emergency medical services), parks, public works (public improvements, streets, planning and zoning), and general administrative services.

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

B. Financial Reporting Entity

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

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

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

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.

**TOWN OF TROPHY CLUB, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Financial Reporting Entity – Continued

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

The following entities were found to be discretely presented component units of the Town and are included in the financial statements:

Discretely Presented Component Units

The 4A Economic Development Corporation (4A) serves all citizens of the Town and is governed by a board appointed by the Town's elected council. The Town can impose its will on the 4A and affect the day-to-day operations of the 4A by removing appointed board members at will. The scope of public service of 4A benefits the Town and its citizens and is operated primarily within the geographic boundaries of the Town.

The 4B Economic Development Corporation (4B) serves all citizens of the Town and is governed by a board appointed by the Town's elected council. The Town can impose its will on the 4B and affect the day-to-day operations of the 4B by removing appointed board members at will. The scope of public service of the 4B benefits the Town and its citizens and is operated primarily within the geographic boundaries of the Town.

Separate financial statements for the individual component units are not prepared.

C. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Town. As a general rule, the effect of interfund activity has been removed from these statements. However, interfund services provided and used are not eliminated in the consolidation process.

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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given 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.

**TOWN OF TROPHY CLUB, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Government-Wide Financial Statements – Continued

Fund Financial Statements

The Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental, proprietary and fiduciary activities. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. A separate financial statement is provided for the agency fund even though it is excluded from the government-wide statements.

1. Governmental Funds:

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources.

The Town has presented the following major governmental funds:

General Fund

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

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on long-term debt paid primarily from taxes levied by the Town. The fund balance of the Debt Service Fund is restricted to signify the amounts that are restricted exclusively for debt service expenditures.

Capital Projects Funds

The Capital Projects Funds are used to account for funds received and expended for the acquisition and construction of infrastructure and other capital assets.

Grant Fund

This fund is used to account for grant monies received by and expended by the Town.

Town Utility Fund

This fund is used to account for water usage receipts from PID (Public Utility District No. 1) properties and for expenses related to the cost of providing the water service.

**TOWN OF TROPHY CLUB, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Government-Wide Financial Statements – Continued

Fund Financial Statements – Continued

In addition, the Town reports the following non-major governmental funds:

Hotel/Motel Fund

This fund is used to account for local hotel and motel occupancy tax receipts, as well as expenses (events).

Street Maintenance Sales Tax Fund

Accounts for sales taxes specifically restricted for street improvements.

25th Anniversary Fund

Accounts for contributions designated for the Town's 25th anniversary celebration.

2. Proprietary Funds:

Proprietary Funds are accounted for using an economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and changes in cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net assets.

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. The principal operating revenues of the Trophy Club Park enterprise fund and the Town Storm Drainage enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and service, administrative expenses, and repairs and maintenance. All revenues and expenses not meeting the above definitions are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

The Town has presented the following major Proprietary funds:

Trophy Club Park Fund

This fund is utilized to account for funds received and expended for the maintenance of park land.

Town Storm Drainage Fund

Accounts for the storm drainage utility fee designated for the maintenance of the Town's storm drainage system.

3. Fiduciary Funds:

The Town reports the following fiduciary fund:

Public Utility District (PID) No. 1 Debt Service Agency Fund

This fund accounts for bond proceeds, assessments and related debt associated with the issuance of bonds issued by the Town as an agent for the Public Improvement District.

TOWN OF TROPHY CLUB, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The government-wide and proprietary fund financial statements follow the accounting set forth by the Government Accounting Standards Board and all pronouncements of the Financial Accounting Standards Board issued on or before November 30, 1989. The Town has elected not to follow subsequent private-sector guidance.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. The fiduciary fund financial statements are reported using the accrual basis of accounting, but have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 the 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 receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental 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.

E. Cash and Investments

The Town’s cash and cash equivalents includes cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Because the Town, at its option, can withdraw funds within a twenty-four hour period from TexPool, these investments are considered to be cash equivalents.

State statutes authorize the Town to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States; (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (5) certificates of deposit by state and national banks domiciled in this state that are (A) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (B) secured by obligations that are described by (1) – (4); or, (6) fully collateralized direct repurchase agreements having a defined termination date, secured by obligations described by (1), pledged with third party selected or approved by the Town, and placed through a primary government securities dealer. The Town’s investments are governed by the same state statutes.

TOWN OF TROPHY CLUB, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. Cash and Investments – Continued

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.

F. Prepaid Items

Prepaid items represent costs such as postage deferred to subsequent periods.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental activities column in the government-wide financial statements. 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.

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	30 Years
Improvements other than buildings	10-30 Years
Improvements other than buildings (streets)	30 Years
Machinery and equipment	7-15 Years
Vehicles	6 Years
Water system	25 Years
Infrastructure (storm drainage system)	40 Years

H. Accumulated Vacation, Compensated Time and Sick Leave

It is the Town's policy to permit employees to accumulate earned but unused vacation pay benefits. No liability is reported for unpaid accumulated sick leave. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they are expected to be liquidated with expendable available financial resources, for example, as a result of employee resignations and retirements.

I. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs and any deferred loss on the refunding of bonds are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts received on debt issuances are reported as other financing sources or uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**TOWN OF TROPHY CLUB, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

J. Fund Equity

The Town has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing government fund type definitions. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe the constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications under GASB 54 are Nonspendable, Restricted, Committed, Assigned, and Unassigned.

Nonspendable fund balance represents fund balance that is (a) not in a spendable form such as prepaid items or (b) legally or contractually required to be maintained intact such as an endowment.

Restricted fund balance consists of amounts that can be spent only on the specific purposes stipulated by law or by the external providers of those resources.

Committed fund balances are self-imposed limitations set in place prior to the end of the fiscal period. These amounts can be used only for the specific purposes determined and approved by formal action of the Town Council, which is the highest level of decision-making authority for the Town. The same level of formal action is required to remove the constraint.

Assigned fund balance consists of amounts that are subject to a purpose constraint that represents an intended use established by the Town Council or by their designated body or official.

Unassigned fund balance represents the residual classification of fund balance and includes all spendable amounts not contained within the other classifications.

When multiple categories of fund balance are available for expenditure, the Town will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

Additionally, the implementation of GASB No. 54 required the Town to evaluate the classification of Special Revenue Funds. In accordance with GASB No. 54 Special Revenue Funds are used only to account for specific revenue sources that are externally restricted or committed by the government's highest level of decision making authority for specific purposes other than debt service or capital projects. Accordingly, the Trophy Club Park and Town Storm Drainage Funds have been reclassified and the beginning fund balances of the enterprise funds and the non-major governmental funds have been restated as follows as a change in accounting principle:

Trophy Club Park	\$ (37,726)
Town Storm Drainage	<u>128,370</u>
Increase in enterprise funds net assets and decrease in non-major fund balances	<u><u>\$ 90,644</u></u>

Additionally, as a result of the change in accounting principle, beginning net assets of the governmental activities decreased by \$90,644; and beginning net assets of the business – type activities increased by the same amount.

**TOWN OF TROPHY CLUB, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

K. Net Assets

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

NOTE 2. CASH AND INVESTMENTS

At September 30, 2011, the carrying amount of the Town's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$5,916,673 (including \$0 of Component Unit deposits) and the bank balance was \$5,925,168 (including \$0 of Component Unit deposits). The Town's cash deposits at September 30, 2011 and during the year ended September 30, 2011 were entirely covered by FDIC insurance or by pledged collateral held by the Town's agent bank in the Town's name.

Legal and contractual provisions governing deposits and investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the Town to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity, allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes and the Town's investment policy authorized the Town to invest in the following investments as summarized in the table below:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	2 years	85%	NA
U.S. Agencies Securities	2 years	85%	NA
State of Texas Securities	2 years	85%	NA
Certificates of Deposits	2 years	85%	NA
Municipal Securities	2 years	85%	NA
Money Market	2 years	50%	NA
Mutual Funds	2 years	50%	NA
Investment pools	2 years	100%	NA

The Act also requires the Town to have independent auditors perform test procedures related to investment practices as provided by the Act. The Town is in substantial compliance with the requirements of the Act and with local policies.

Cash and investments as of September 30, 2011 are classified in the accompanying financial statements as follows:

**TOWN OF TROPHY CLUB, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Legal and contractual provisions governing deposits and investments – Continued

Statement of Net Assets

Primary Government:

Cash	\$ 1,107,465
Cash equivalents	4,356,840

Fiduciary Fund:

Cash	4,107,689
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Component Unit:

Cash	<u>702,718</u>
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Total cash and investments	<u><u>\$ 10,274,712</u></u>
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Cash and investments as of September 30, 2011 consist of the following:

Cash on hand	\$ 1,199
Deposits with financial institutions	5,916,673
Investments	<u>4,356,840</u>

Total cash and investments	<u><u>\$ 10,274,712</u></u>
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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 which purchase a combination of shorter term investments with an average maturity of less than 60 days thus reducing the interest rate risk. The Town monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The Town has no specific limitations with respect to this metric.

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

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>
Texpool	<u>\$ 4,356,840</u>	44 days
Total Investments	<u><u>\$ 4,356,840</u></u>	

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

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.

TOWN OF TROPHY CLUB, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS – CONTINUED

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
Texpool	<u>\$ 4,356,840</u>	N/A	AAAm
Total Investments	<u><u>\$ 4,356,840</u></u>		

Concentration of credit risk

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

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 its deposits or will not be able to recover collateral securities that are in the possession 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 and the Town's investment policy do 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 FDIC insurance at all times.

As of September 30, 2011 the Town deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

Investment in state investment pools

The Town is a voluntary participant in TexPool. The State Comptroller of Public Accounts exercises responsibility over TexPool. This oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized costs rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

NOTE 3. RECEIVABLES

Year-end receivable balances for the government's individual major funds and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

TOWN OF TROPHY CLUB, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3. RECEIVABLES – CONTINUED

	<u>General</u>	<u>Debt Service</u>	<u>Town Utility Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Town Storm Drainage</u>
Governmental Funds					
Receivables					
Property taxes	\$ 49,573	\$ 11,447	\$ -	\$ -	\$ -
Franchise taxes	356,895	-	-	-	-
Sales Taxes	98,605	-	-	24,651	-
Accounts	417,912	-	83,306	1,195	11,457
Other	50,192	-	-	-	-
Gross receivables	<u>973,177</u>	<u>11,447</u>	<u>83,306</u>	<u>25,846</u>	<u>11,457</u>
Less: allowance	<u>(359,370)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net total receivables	<u><u>\$ 613,807</u></u>	<u><u>\$ 11,447</u></u>	<u><u>\$ 83,306</u></u>	<u><u>\$ 25,846</u></u>	<u><u>\$ 11,457</u></u>

The September 30, 2011 Due from Other Governments balance is comprised of \$66,531 due from Trophy Club Municipal Utility District No.1 for various services and \$261,299 due from federal agencies for grant reimbursement.

NOTE 4. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Capital assets				
not depreciated:				
Land	\$ 3,445,349	\$ -	\$ -	\$ 3,445,349
Construction in progress	19,733,283	5,145,476	-	24,878,759
Total capital assets not depreciated	<u>23,178,632</u>	<u>5,145,476</u>	<u>-</u>	<u>28,324,108</u>
Capital assets being depreciated:				
Buildings	1,934,264	59,176	-	1,993,440
Improvements other than buildings	26,194,803	486,973	-	26,681,776
Machinery and equipment	1,158,565	100,977	-	1,259,542
Vehicles	1,120,434	35,100	-	1,155,534
Water system	43,600	-	-	43,600
Infrastructure	5,330,030	-	-	5,330,030
Total capital assets being depreciated	<u>35,781,696</u>	<u>682,226</u>	<u>-</u>	<u>36,463,922</u>
Less accumulated depreciation for:				
Buildings	(482,678)	(51,899)	-	(534,577)
Improvements other than buildings	(9,730,984)	(968,308)	-	(10,699,292)
Machinery and equipment	(576,195)	(102,795)	-	(678,990)
Vehicles	(717,500)	(95,011)	-	(812,511)
Water system	(13,522)	(1,744)	-	(15,266)
Infrastructure	(2,598,023)	(133,251)	-	(2,731,274)
Total accumulated depreciation	<u>(14,118,902)</u>	<u>(1,353,008)</u>	<u>-</u>	<u>(15,471,910)</u>
Total capital assets being depreciated, net	<u>21,662,794</u>	<u>(670,782)</u>	<u>-</u>	<u>20,992,012</u>
Governmental activities capital assets, net	<u><u>\$ 44,841,426</u></u>	<u><u>\$ 4,474,694</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 49,316,120</u></u>

**TOWN OF TROPHY CLUB, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 4. CAPITAL ASSETS – CONTINUED

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

General government	\$ 34,809
Emergency medical services	37,024
Information systems	14,316
Police	45,901
Parks and recreation	308,380
Community development	19,657
Streets	759,670
Water and sewer	<u>133,251</u>
Total depreciation expense	<u>\$ 1,353,008</u>

As of September 30, 2011, there were no capital assets relating to business-type activities.

NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of interfund receivables and payables balances at September 30, 2011 is as follows:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Nonmajor Governmental Fund	\$ 255	Reimbursable expenditures moved to General Fund
General Fund	Grant Fund	254,900	Reimbursable expenditures moved to General Fund
General Fund	Trophy Club Park	39,381	Transfers for administrative and public safety services
General Fund	Town Utility Fund	29,062	To record storm drainage fees, refuse fees and taxes
General Fund	Storm Drainage Fund	942	Reimbursable expenditures moved to General Fund
General Fund	Capital Projects Fund	419	Reimbursable expenditures moved to General Fund
General Fund	Nonmajor Governmental Fund	2,996	Reimbursable expenditures moved to General Fund
General Fund	Debt Service Fund	3,976	Reimbursable expenditures moved to General Fund
Debt Service Fund	General Fund	29,656	Reimbursable expenditures moved to Debt Service Fund
Debt Service Fund	Capital Projects Fund	500	Reimbursable expenditures moved to Debt Service
Storm Drainage	Town Utility Fund	<u>10,746</u>	Reimbursable expenditures moved to Storm Drainage
	Total	<u>\$372,833</u>	

Transfers between funds during the year are as follows:

Transfer In	Transfer Out	Amount	Purpose
General Fund	Trophy Club Park	\$ 15,000	Police and EMS / Administration
General Fund	Capital Projects	60,000	Technology Replacement
Town Storm Drainage	Nonmajor Governmental	3,385	Fuel Purchases
Debt Service	Town Storm Drainage	64,204	Storm Drainage Debt
Debt Service	General Fund	31,631	Vehicles / Equipment Purchase
Capital Projects	General Fund	<u>15,000</u>	Technology Replacement Reserve
	Total	<u>\$ 189,220</u>	

TOWN OF TROPHY CLUB, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT

The Town periodically issues general obligation bonds and contractual obligations to provide funds for general government purposes. The Town also periodically utilizes notes and capital leases to provide financing for general government purposes.

At September 30, 2011, the Town's long-term debt consisted of the following:

<u>Description</u>	<u>Interest Rate</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Average Annual Payment</u>	<u>Original Amount</u>	<u>Balance 9/30/2011</u>
Contractual Obligations:						
Combination Tax and Revenue-Series 2004	3.50-4.75 %	2004	2024	\$45,620	\$ 650,000	\$ 431,000
Combination Tax and Revenue-Series 2007	4.20 %	2007	2017	\$53,361	\$ 474,000	<u>278,000</u>
						<u>\$ 709,000</u>
General Obligation Bonds:						
Improvements	4.00-4.90 %	2002	2022	83,750	1,400,000	\$ 945,000
Improvements	4.00-5.00 %	2007	2027	175,000	3,260,000	2,855,000
Improvements	3.00-4.13 %	2010	2030	250,000	5,000,000	4,895,000
Tax notes	2.48-5.01 %	2010	2017	80,000	560,000	465,000
Refunding	2.00-4.00 %	2010	2022	232,500	2,790,000	<u>2,575,000</u>
						<u>\$11,735,000</u>
Capital Lease Obligations:						
Vehicle	4.00%	2008	2012	74,205	256,836	<u>\$ 29,386</u>

During the year ended September 30, 2011, the Town issued \$2,790,000 General Obligation Refunding Bonds, Series 2010. Proceeds from the sale of the Bonds will be used to refinance certain outstanding general obligation bonds. The net proceeds of \$2,825,503 were deposited with an escrow agent to purchase direct obligations of the United States. As a result of the current refunding, the Town decreased its aggregate debt service payment to maturity by \$252,416 and realized an economic gain (difference between present value of debt service payments of the old debt and new debt) of \$223,510.

TOWN OF TROPHY CLUB, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT – CONTINUED

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 12,400,000	\$ 2,790,000	\$(3,455,000)	\$ 11,735,000	\$ 810,000
Contractual Obligations	782,000	-	(73,000)	709,000	75,000
Issuance Premium	-	118,904	(20,154)	98,750	20,154
Deferred Loss on Refunding	-	(100,503)	16,751	(83,752)	(16,751)
Capital Leases	92,240	-	(62,854)	29,386	29,386
Compensated Absences	42,740	58,025	(14,826)	85,939	26,578
Total Governmental Activities					
Long-term Liabilities	<u>\$ 13,316,980</u>	<u>\$ 2,866,426</u>	<u>\$(3,609,083)</u>	<u>\$ 12,574,323</u>	<u>\$ 944,367</u>

The annual requirements to amortize all debts outstanding as of September 30, 2011, are as follows:

Year Ended September 30,	General Obligation Bonds		Total Requirements
	Principal	Interest	
2012	\$ 810,000	\$ 438,527	\$ 1,248,527
2013	830,000	411,630	1,241,630
2014	835,000	385,297	1,220,297
2015	670,000	356,200	1,026,200
2016	655,000	334,124	989,124
2017-2021	3,480,000	1,325,421	4,805,421
2022-2026	2,820,000	670,359	3,490,359
2027-2030	1,635,000	155,961	1,790,961
	<u>\$ 11,735,000</u>	<u>\$ 4,077,519</u>	<u>\$ 15,812,519</u>

Year Ended September 30,	Contractual Obligations		Total Requirements
	Principal	Interest	
2012	\$ 75,000	\$ 32,490	\$ 107,490
2013	77,000	29,080	106,080
2014	78,000	25,642	103,642
2015	80,000	22,163	102,163
2016	82,000	18,639	100,639
2017-2021	216,000	50,324	266,324
2022-2024	101,000	9,829	786,338
	<u>\$ 709,000</u>	<u>\$ 188,167</u>	<u>\$ 1,572,676</u>

**TOWN OF TROPHY CLUB, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 6. LONG-TERM DEBT – CONTINUED

Year Ended September 30,	Capital Leases
2012	\$ 30,570
Less: interest	(1,184)
Present value	<u>\$ 29,386</u>

The general fund has been used to liquidate compensated absences and capital lease liabilities.

NOTE 7. PROPERTY TAX

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business property located in the Town. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the Town Council.

Taxes are due on October 1, the levy date, and are delinquent if unpaid by the following January 31; after which time the Town has an enforceable lien with respect to both real and personal property.

Under state law, property taxes levied on real property constitute a perpetual lien which cannot be forgiven without specific approval of the State Legislature. Penalties and interest are included for any payment received after January 31.

Property taxes at the fund level are recorded as receivables and deferred revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual have been recognized as revenue. Property taxes are recorded net of the allowance for uncollectible taxes. Uncollectible personal property taxes can be written off upon expiration of the five year statute of limitations.

NOTE 8. PENSION PLAN

Texas Municipal Retirement System

Plan Description

The Town of Trophy Club provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and Town-financed monetary credits, with interest. At the date the plan began, the Town granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percentage (100%, 150%, 200%) of the employee's accumulated contributions.

**TOWN OF TROPHY CLUB, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 8. PENSION PLAN – CONTINUED

Texas Municipal Retirement System – Continued

Plan Description – Continued

In addition, the Town can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and the Town matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the governing body of the Town, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the Town were as follows:

Deposit rate	7%
Matching ratio (Town to employee)	2-1
A member is vested after	5 years

Members can retire at certain ages, based on the years of service with the Town. The service retirement eligibilities for the Town are 5 years at 60 years of age, or 20 years at any age.

Contributions

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

Since the Town needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2009 valuation is effective for rates beginning January 2011).

**TOWN OF TROPHY CLUB, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 8. PENSION PLAN – CONTINUED

Texas Municipal Retirement System – Continued

Contributions – Continued

The following is a schedule of actuarial liabilities and funding progress for the past three years:

	<u>12/31/2010</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
Actuarial valuation date			
Actuarial value of assets	\$ 7,520,704	\$ 5,511,201	\$ 4,773,166
Actuarial accrued liability	11,489,027	8,869,701	7,839,301
Percentage funded	65.5%	62.1%	60.9%
Unfunded actuarial accrued liability	3,968,323	3,358,500	3,066,135
Annual covered payroll	4,200,873	4,133,892	4,054,683
Unfunded actuarial accrued liability as a percentage of covered payroll	94.5%	81.2%	75.6%
Net pension obligation at beginning of period	-	-	-
Annual pension cost:			
Annual required contribution	427,029	565,078	483,441
Less: contributions made	<u>(427,029)</u>	<u>(565,078)</u>	<u>(483,441)</u>
Net pension obligation at end of period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The following actuarial assumptions were used:

Actuarial Cost Method	Projected unit credit
Amortization Method	Level percent of payroll
Remaining Amortization	27.2 years – closed period
Asset Valuation Method	10-year smoothed market
Investment Rate of Return	7.0%
Projected Salary Increases	Varies by age and service
Includes Inflation at	3.0%
Cost of Living Adjustments	2.1% (3.0% CPI)

All assumptions for the December 31, 2010 valuations are contained in the 2010 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

NOTE 9. CONTRIBUTIONS

The Town received contributions of \$241,540 and \$57,929, respectively, from the 4A Economic Development Corporation (4A) and 4B Economic Development Corporation (4B) during the year ended September 30, 2011. These contributions represent payment for various items such as pool bond payments, pool operations, property maintenance, and administrative services. The contributions have been recorded as part of intergovernmental revenue in the Town's statement of revenues, expenditures, and changes in fund balance – governmental funds, and as expenses in the statement of activities for 4A and 4B.

TOWN OF TROPHY CLUB, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 10. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has purchased commercial insurance to protect against these various risks of loss. There was no significant reduction in insurance coverage from the previous year. Settled claims for risks have not exceeded insurance coverage for the past three years.

NOTE 11. PUBLIC UTILITY DISTRICT NO. 1

On May 7, 2007, the Trophy Club Town Council approved Resolution 2007-08 authorizing and providing for the creation of a Public Improvement District. Trophy Club Public Improvement District No.1 consists of approximately 609.68 acres within the corporate limits of the Town of Trophy Club. This District was created in accordance with Chapter 372 of the Texas Local Government Code.

On December 13, 2007 the Trophy Club Town Council approved the issuance and sale of \$27,500,000 in bonds, known as Trophy Club Public Improvement No. 1 Special Assessment Revenue Bonds, Series 2007. These bonds were authorized in order to finance the authorized improvements found in the Service and Assessment Plan. An Assessment on each property located in the District will repay the bonds. The Town is acting only as an agent and has no obligation to support payment of the bonds, directly or indirectly.

The Service and Assessment Plan included the following projects: Thoroughfare Improvements, Water Distribution System Improvements, Wastewater Collection System Improvements, Trails and Open Space, Elevated Water Storage, Thoroughfare Landscaping and Irrigation, Screening Walls and Entry Features, Public Parks, Drainage Improvements, and Construction Administration.

NOTE 12. TROPHY CLUB MUNICIPAL UTILITY DISTRICT No.1

The Town entered into an agreement with Trophy Club Municipal Utility District No.1 ("the District") in 2010 to provide support services to the District. Total payments received for services provided to the District under this agreement totaled \$228,076 during the fiscal year ended September 30, 2011, and are recorded as miscellaneous revenue in the Town's statement of revenues, expenditures and changes in fund balance.

NOTE 13. SUBSEQUENT EVENTS

The Town has evaluated all events and transactions that have occurred from September 30, 2011 up until March 30, 2012, the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF TROPHY CLUB, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Ad valorem taxes	\$ 3,423,998	\$ 3,423,998	\$ 3,442,842	\$ 18,844
Sales and mixed beverage taxes	529,450	529,450	508,187	(21,263)
Franchise taxes	565,200	565,200	608,806	43,606
Licenses and permits	596,300	596,300	798,520	202,220
Intergovernmental	101,848	101,848	107,963	6,115
Charges for services	368,800	400,566	527,834	127,268
Fines	144,500	144,500	167,461	22,961
Investment income	22,500	22,500	4,128	(18,372)
Miscellaneous	327,503	327,503	335,720	8,217
Total revenues	6,080,099	6,111,865	6,501,461	389,596
Expenditures:				
Current				
Emergency medical services	676,891	676,891	688,213	(11,322)
Manager's office	546,417	546,417	556,489	(10,072)
Human resources	81,752	81,752	90,060	(8,308)
Finance	390,915	390,915	360,548	30,367
Information systems	305,560	305,560	287,448	18,112
Legal	154,818	154,818	146,881	7,937
Police	1,468,489	1,500,255	1,463,179	37,076
Court	79,751	79,751	80,260	(509)
Parks	912,577	953,622	951,328	2,294
Recreation	600,088	594,843	571,805	23,038
Facilities management	77,580	77,580	76,484	1,096
Community development	191,206	191,206	189,425	1,781
Planning and zoning	144,694	144,694	154,225	(9,531)
Streets	398,446	398,446	384,513	13,933
Total expenditures	6,029,184	6,096,750	6,000,858	95,892
Excess (deficiency) of revenues over (under) expenditures	50,915	15,115	500,603	485,488
Other financing sources (uses):				
Transfer in	(84,223)	84,223	75,000	(9,223)
Transfer out	(15,000)	(15,000)	(46,631)	(31,631)
Total other financing sources	(99,223)	69,223	28,369	(40,854)
Net change in fund balance	(48,308)	84,338	528,972	444,634
Fund Balances - beginning of year	2,113,820	2,113,820	2,113,820	-
Fund Balances - end of year	\$ 2,065,512	\$ 2,198,158	\$ 2,642,792	\$ 444,634

**TOWN OF TROPHY CLUB, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2011**

NOTE 1. BUDGETARY CONTROL

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance.
4. The Town Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Town Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.

Annual Appropriated budgets are consistent with U.S. generally accepted accounting principles and are legally adopted for the general fund, the Trophy Club park fund and the debt service fund.

All appropriations lapse on September 30 of the fiscal year.

Expenditures were in excess of appropriations for the following:

- Emergency medical services (\$11,322)
- Manager's office (\$10,072)
- Human resources (\$8,308)
- Court (\$509)
- Planning and zoning (\$9,531)

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COMBINING AND BUDGETARY COMPARISON SCHEDULES

**TOWN OF TROPHY CLUB, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Ad valorem taxes	\$ 1,003,634	\$ 1,003,634	\$ 1,014,987	\$ 11,353
Investment income	1,000	1,000	4,592	3,592
Intergovernmental revenue	220,557	220,557	232,785	12,228
Total revenues	1,225,191	1,225,191	1,252,364	27,173
Expenditures:				
Debt service:				
Principal	803,000	803,000	803,000	-
Interest and fiscal charges	589,330	589,330	551,955	37,375
Bond issuance charges	-	-	74,324	(74,324)
Total expenditures	1,392,330	1,392,330	1,429,279	(36,949)
Deficiency of revenues over expenditures	(167,139)	(167,139)	(176,915)	(9,776)
Other financing sources (uses):				
Transfer in	115,834	115,834	95,835	(19,999)
Issuance of long-term debt	-	-	2,790,000	2,790,000
Payment to refund bond escrow agent	-	-	(2,825,503)	(2,825,503)
Premium on issuance of long-term debt	-	-	118,904	118,904
Total other financing sources	115,834	115,834	179,236	63,402
Net change in fund balance	(51,305)	(51,305)	2,321	53,626
Fund Balances - beginning of year	83,067	83,067	83,067	-
Fund Balances - end of year	\$ 31,762	\$ 31,762	\$ 85,388	\$ 53,626

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

HOTEL/ MOTEL FUND

Accounts for occupancy taxes charged to hotels.

STREET MAINTENANCE SALES TAX FUND

Accounts for sales taxes specifically restricted for street improvements.

25TH ANNIVERSARY FUND

Accounts for contributions designated for the Town's 25th anniversary celebration.

**TOWN OF TROPHY CLUB, TEXAS
 COMBINING BALANCE SHEET-
 NON MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2011**

	<u>Trophy Club Park</u>	<u>Town Storm Drainage</u>	<u>Hotel/Motel Fund</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 950
Sales taxes receivable	-	-	-
Accounts receivable (net of allowance for uncollectibles)	-	-	1,195
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,145</u>
LIABILITIES AND FUND BALANCES			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	255
Total liabilities	<u>-</u>	<u>-</u>	<u>255</u>
FUND BALANCES			
Restricted for:			
Tourism	-	-	1,890
Street maintenance	-	-	-
Town 25th anniversary	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>1,890</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,145</u>

Street Maintenance Sales Tax Fund	25th Anniversary Funds	Total Non-major Governmental Funds
\$ 17,782	\$ 2,114	\$ 20,846
24,651	-	24,651
-	-	1,195
\$ 42,433	\$ 2,114	\$ 46,692
\$ 4,687	\$ -	\$ 4,687
2,996	-	3,251
7,683	-	7,938
-	-	1,890
34,750	-	34,750
-	2,114	2,114
34,750	2,114	38,754
\$ 42,433	\$ 2,114	\$ 46,692

**TOWN OF TROPHY CLUB, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON MAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2011**

	<u>Trophy Club Park</u>	<u>Town Storm Drainage</u>	<u>Hotel/Motel Fund</u>
Revenues:			
Occupancy taxes	\$ -	\$ -	\$ 22,644
Sales Taxes	-	-	-
Investment income	-	-	1
Contributions	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>22,645</u>
Expenditures:			
General government	-	-	20,500
Administrative	-	-	-
Streets	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>20,500</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>2,145</u>
Other financing sources (uses):			
Transfer out	-	-	-
Total Other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	-	-	2,145
Fund balances (deficits) - beginning	(37,726)	128,370	(255)
Change in accounting principle	37,726	(128,370)	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,890</u>

Street Maintenance Sales Tax Fund	25th Anniversary Funds	Total Non-major Governmental Funds
\$ -	\$ -	\$ 22,644
123,374	-	123,374
59	1	61
-	1,045	1,045
<u>123,433</u>	<u>1,046</u>	<u>147,124</u>
-	-	20,500
-	1,251	1,251
<u>123,279</u>	<u>-</u>	<u>123,279</u>
<u>123,279</u>	<u>1,251</u>	<u>145,030</u>
154	(205)	2,094
<u>(3,385)</u>	<u>-</u>	<u>(3,385)</u>
<u>(3,385)</u>	<u>-</u>	<u>(3,385)</u>
(3,231)	(205)	(1,291)
37,981	2,319	130,689
-	-	(90,644)
<u>\$ 34,750</u>	<u>\$ 2,114</u>	<u>\$ 38,754</u>

DISCRETELY PRESENTED COMPONENT UNITS

4A ECONOMIC DEVELOPMENT FUND

Accounts for the use of 4A economic development sales tax revenue.

4B ECONOMIC DEVELOPMENT FUND

Accounts for the use of 4B economic development sales tax revenue.

**TOWN OF TROPHY CLUB, TEXAS
4A ECONOMIC DEVELOPMENT FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2011**

	<u>Budgeted amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Sales taxes	\$ 252,545	\$ 252,545	\$ 246,749	\$ (5,796)
Investment income	1,000	1,000	520	(480)
Total revenues	<u>253,545</u>	<u>253,545</u>	<u>247,269</u>	<u>(6,276)</u>
Expenditures:				
General government	<u>288,774</u>	<u>288,774</u>	<u>250,634</u>	<u>38,140</u>
Total expenditures	<u>288,774</u>	<u>288,774</u>	<u>250,634</u>	<u>38,140</u>
Deficiency of revenues over expenditures	(35,229)	(35,229)	(3,365)	31,864
Fund Balance - beginning of year	<u>443,761</u>	<u>443,761</u>	<u>443,761</u>	<u>-</u>
Fund Balance - end of year	<u>\$ 408,532</u>	<u>\$ 408,532</u>	<u>\$ 440,396</u>	<u>\$ 31,864</u>

**TOWN OF TROPHY CLUB, TEXAS
4B ECONOMIC DEVELOPMENT FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2011**

	<u>Budgeted amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues				
Sales taxes	\$ 126,273	\$ 126,273	\$ 123,375	\$ (2,898)
Investment income	2,000	2,000	362	(1,638)
Total revenues	<u>128,273</u>	<u>128,273</u>	<u>123,737</u>	<u>(4,536)</u>
Expenditures:				
General government	124,595	124,595	82,317	42,278
Total expenditures	<u>124,595</u>	<u>124,595</u>	<u>82,317</u>	<u>42,278</u>
Excess of revenues over expenditures	3,678	3,678	41,420	37,742
Fund Balances - beginning of year	<u>299,715</u>	<u>299,715</u>	<u>299,715</u>	<u>-</u>
Fund Balances - end of year	<u>\$ 303,393</u>	<u>\$ 303,393</u>	<u>\$ 341,135</u>	<u>\$ 37,742</u>

STATISTICAL SECTION

STATISTICAL SECTION

This part of the Town of Trophy Club's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Tables
<p>Financial Trends</p> <p><i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i></p>	<p>1-4</p>
<p>Revenue Capacity</p> <p><i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i></p>	<p>5-8</p>
<p>Debt Capacity</p> <p><i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i></p>	<p>9-11</p>
<p>Demographic and Economic Information</p> <p><i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i></p>	<p>12-13</p>
<p>Operating Information</p> <p><i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i></p>	<p>14-15</p>

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**TOWN OF TROPHY CLUB, TEXAS
NET ASSETS BY COMPONENT
LAST EIGHT FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

TABLE 1

	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities								
Invested in capital assets, net of related debt	\$ 12,798,201	\$ 12,937,027	\$ 18,482,623	\$ 12,598,102	\$ 24,467,178	\$ 33,443,249	\$ 36,491,021	\$ 38,427,724
Restricted for debt service	879,984	-	663	42,164	130,709	40,716	39,003	57,471
Unrestricted	1,675,338	1,740,263	(4,334,834)	1,689,440	11,115,277	6,197,041	4,569,344	3,147,232
Total governmental activities net assets	\$ 15,353,523	\$ 14,677,290	\$ 14,148,452	\$ 14,329,706	\$ 35,713,164	\$ 39,681,006	\$ 41,099,368	\$ 41,632,427
Business-type activities								
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-	-	12,541
Total business-type activities net assets	\$ -	\$ 12,541						
Primary government								
Invested in capital assets, net of related debt	\$ 12,798,201	\$ 12,937,027	\$ 18,482,623	\$ 12,598,102	\$ 24,467,178	\$ 33,443,249	\$ 36,491,021	\$ 38,427,724
Restricted for debt service	879,984	-	663	42,164	130,709	40,716	39,003	57,471
Unrestricted	1,675,338	1,740,263	(4,334,834)	1,689,440	11,115,277	6,197,041	4,569,344	3,159,773
Total primary governmental net assets	\$ 15,353,523	\$ 14,677,290	\$ 14,148,452	\$ 14,329,706	\$ 35,713,164	\$ 39,681,006	\$ 41,099,368	\$ 41,644,968

Source: City audited financial statements

(1) The City implemented the GASB 34 model of reporting fiscal year ending September 30, 2004.

Note: The Town did not have business-type activities prior to fiscal year 2011.

**TOWN OF TROPHY CLUB, TEXAS
CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

TABLE 2

	2004	2005	2006	2007	2008	2009	2010	2011
Expenses								
Governmental activities:								
General government	\$ 1,267,005	\$ 1,165,820	\$ 1,009,358	\$ 1,026,163	\$ 1,475,709	\$ 1,421,942	\$ 1,717,961	\$ 1,582,348
Public safety	2,089,858	2,315,846	2,380,610	2,312,318	3,041,753	2,013,822	2,211,108	2,275,778
Highways & streets	150,095	142,116	198,671	131,922	526,621	1,326,986	1,335,674	1,372,501
Community development	2,301,253	388,260	1,405,385	982,406	415,552	298,287	353,894	345,804
Water and sewer	-	-	-	-	-	-	-	617,001
Culture and recreation	-	1,682,217	1,176,295	1,539,859	1,930,105	1,224,521	1,596,619	1,844,573
Interest on long-term debt	277,816	266,346	249,829	261,125	2,532,457	391,346	391,593	558,473
Total governmental activities expenses	6,086,027	5,960,605	6,420,148	6,253,793	9,922,197	6,676,904	7,606,849	8,596,478
Business-type activities:								
Trophy Club Park	-	-	-	-	-	-	-	98,935
Town Storm Drainage	-	-	-	-	-	-	-	156,461
Total business-type activities expenses	-	-	-	-	-	-	-	255,396
Total primary government expenses	\$ 6,086,027	\$ 5,960,605	\$ 6,420,148	\$ 6,253,793	\$ 9,922,197	\$ 6,676,904	\$ 7,606,849	\$ 8,851,874
Program Revenues								
Governmental activities:								
Charges for services								
Community development	-	-	-	-	-	-	713,920	792,065
Water and sewer	-	-	-	-	-	-	305,580	612,722
Other	581,763	710,275	687,476	931,685	1,284,324	1,551,633	688,554	669,827
Operating grants and contributions	677,451	799,680	895,044	909,784	977,774	55,801	385,429	340,748
Capital grants and contributions	1,507,105	-	-	-	27,776,510	3,736,920	323,822	619,381
Total governmental activities program revenues	2,766,319	1,509,955	1,582,520	1,841,469	30,038,608	5,344,354	2,417,305	3,034,743
Business-type activities:								
Charges for services	-	-	-	-	-	-	-	253,034
Total business-type activities program revenues	-	-	-	-	-	-	-	253,034
Total primary government program revenues	\$ 2,766,319	\$ 1,509,955	\$ 1,582,520	\$ 1,841,469	\$ 30,038,608	\$ 5,344,354	\$ 2,417,305	\$ 3,287,777

**TOWN OF TROPHY CLUB, TEXAS
CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

TABLE 2 – CONT.

Total business-type activities program revenues	-	-	-	-	-	-	-	253,034
Total primary government program revenues	<u>\$ 2,766,319</u>	<u>\$ 1,509,955</u>	<u>\$ 1,582,520</u>	<u>\$ 1,841,469</u>	<u>\$ 30,038,608</u>	<u>\$ 5,344,354</u>	<u>\$ 2,417,305</u>	<u>\$ 3,287,777</u>
Net (Expenses) Revenue								
Governmental activities	\$ (3,319,708)	\$ (4,450,650)	\$ (4,837,628)	\$ (4,412,324)	\$ 20,116,411	\$ (1,332,550)	\$ (5,189,544)	\$ (5,561,735)
Business-type activities	-	-	-	-	-	-	-	(2,362)
Total primary government net expenses	<u>\$ (3,319,708)</u>	<u>\$ (4,450,650)</u>	<u>\$ (4,837,628)</u>	<u>\$ (4,412,324)</u>	<u>\$ 20,116,411</u>	<u>\$ (1,332,550)</u>	<u>\$ (5,189,544)</u>	<u>\$ (5,564,097)</u>
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Taxes:								
Property taxes	\$ 2,469,138	\$ 2,531,828	\$ 2,650,351	\$ 2,906,229	\$ 3,217,051	\$ 3,639,192	\$ 3,889,157	\$ 4,480,999
Sales and mixed beverage taxes	774,176	347,716	430,950	605,776	608,218	588,362	674,131	631,561
Other taxes	395,739	404,337	466,794	455,944	515,205	563,340	537,644	648,400
Intergovernmental revenue	-	271,190	264,885	280,086	254,572	260,507	409,454	-
Investment income	35,256	80,815	91,439	176,939	465,064	85,800	17,634	15,162
Miscellaneous revenues	33,810	138,531	159,487	168,604	629,225	163,192	126,949	333,497
Transfers	-	-	-	-	(4,422,288)	-	-	75,819
Total governmental activities	<u>3,708,119</u>	<u>3,774,417</u>	<u>4,063,906</u>	<u>4,593,578</u>	<u>1,267,047</u>	<u>5,300,393</u>	<u>5,654,969</u>	<u>6,185,438</u>
Business-type activities:								
Investment income	-	-	-	-	-	-	-	78
Transfers	-	-	-	-	-	-	-	(75,819)
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(75,741)</u>
Total primary government	<u>\$ 3,708,119</u>	<u>\$ 3,774,417</u>	<u>\$ 4,063,906</u>	<u>\$ 4,593,578</u>	<u>\$ 1,267,047</u>	<u>\$ 5,300,393</u>	<u>\$ 5,654,969</u>	<u>\$ 6,109,697</u>
Change in Net Assets								
Governmental activities	\$ 388,411	\$ (676,233)	\$ (773,722)	\$ 181,254	\$ 21,383,458	\$ 3,967,843	\$ 465,425	\$ 623,703
Business-type activities	-	-	-	-	-	-	-	(78,103)
Total primary government	<u>\$ 388,411</u>	<u>\$ (676,233)</u>	<u>\$ (773,722)</u>	<u>\$ 181,254</u>	<u>\$ 21,383,458</u>	<u>\$ 3,967,843</u>	<u>\$ 465,425</u>	<u>\$ 545,600</u>

**TOWN OF TROPHY CLUB, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Fund				
Nonspendable for prepaids	\$ -	\$ -	\$ -	\$ -
Assigned for capital expenditures	-	-	-	-
Unassigned	-	-	-	-
Reserved	1,012	26,522	26,202	27,564
Unreserved	<u>1,319,585</u>	<u>1,252,569</u>	<u>1,647,522</u>	<u>1,452,181</u>
Total general fund	<u>\$ 1,320,597</u>	<u>\$ 1,279,091</u>	<u>\$ 1,673,724</u>	<u>\$ 1,479,745</u>
All Other Governmental Funds				
Restricted for:				
Debt service	\$ -	\$ -	\$ -	\$ -
Capital projects	-	-	-	-
Tourism	-	-	-	-
Street maintenance	-	-	-	-
Town 25th anniversary	-	-	-	-
Water services	-	-	-	-
Unassigned	-	-	-	-
Reserved for:				
Debt service	\$ 101,238	\$ 99,071	\$ -	\$ 10,009
Prepaid items	-	-	-	-
Encumbrances	-	-	-	-
Capital projects funds	-	-	-	-
Unreserved, reported in:				
Debt service	-	-	8,875	-
Special revenue funds	568,918	342,741	192,201	7,482
Capital projects funds	<u>3,774,994</u>	<u>1,171,686</u>	<u>869,180</u>	<u>811,140</u>
Total all other governmental funds	<u>\$ 4,445,150</u>	<u>\$ 1,613,498</u>	<u>\$ 1,070,256</u>	<u>\$ 828,631</u>

Source: City audited financial statements

(1) The City implemented the GASB 34 model of reporting fiscal year ending September 30, 2004.

TABLE 3

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,620
-	-	-	-	-	228,138
-	-	-	-	-	2,412,034
122,236	71,195	97,355	56,968	57,486	-
1,005,073	1,335,796	1,830,233	2,010,869	2,056,334	-
<u>\$ 1,127,309</u>	<u>\$ 1,406,991</u>	<u>\$ 1,927,588</u>	<u>\$ 2,067,837</u>	<u>\$ 2,113,820</u>	<u>\$ 2,642,792</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,388
-	-	-	-	-	1,599,988
-	-	-	-	-	1,890
-	-	-	-	-	34,750
-	-	-	-	-	2,114
-	-	-	-	-	12,788
-	-	-	-	-	(26,477)
\$ 13,326	\$ 74,060	\$ 152,253	\$ 63,305	\$ 83,067	\$ -
-	-	-	-	1,567	-
-	-	-	-	48,000	-
-	-	-	3,750,206	6,709,402	-
-	-	-	-	-	-
246	(1,531)	18,607	8,231	151,970	-
80	3,065,681	10,193,492	-	-	-
<u>\$ 13,652</u>	<u>\$ 3,138,210</u>	<u>\$ 10,364,352</u>	<u>\$ 3,821,742</u>	<u>\$ 6,994,006</u>	<u>\$ 1,710,441</u>

**TOWN OF TROPHY CLUB, TEXAS
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)
 (UNAUDITED)**

	2002	2003	2004	2005
Revenues				
Taxes				
Ad valorem taxes	\$ 2,217,966	\$ 2,411,272	\$ 2,475,244	\$ 2,525,331
Sales and mixed beverage taxes	664,945	731,903	774,176	347,716
Franchise taxes	435,727	380,234	395,739	400,759
Hotel/motel	-	-	-	-
Licenses, permits & fees	321,779	321,691	197,595	331,218
Inter-governmental	805,009	15,669	1,272,648	1,084,687
Charges for services	-	-	219,135	304,499
Fines	90,294	110,826	89,268	88,950
Contributions	325,000	56,500	-	-
Investment Income	88,775	64,710	35,256	80,814
Grant revenue	-	-	-	-
Sales taxes	-	-	-	-
Miscellaneous	724,134	445,591	96,143	128,964
Total revenues	<u>5,673,629</u>	<u>4,538,396</u>	<u>5,555,204</u>	<u>5,292,938</u>
Expenditures				
Current:				
General government	1,569,137	890,894	1,290,456	1,247,417
Public safety	723,215	1,239,454	2,243,084	2,310,747
Highways & Streets	1,503,799	316,814	19,059	10,195
Community development	61,236	48,566	1,366,414	419,919
Water and sewer	-	-	-	-
Culture & Recreation	942,893	1,175,529	-	1,025,036
Debt Service:				
Principal	149,750	250,000	265,000	280,000
Interest	88,160	291,204	278,331	266,701
Other Charges	84,074	1,731	1,431	-
Capital Outlay	944,470	3,214,862	313,236	736,589
Total expenditures	<u>6,066,734</u>	<u>7,429,054</u>	<u>5,777,011</u>	<u>6,296,604</u>
Excess of revenues over (under) expenditures	<u>(393,105)</u>	<u>(2,890,658)</u>	<u>(221,807)</u>	<u>(1,003,666)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease obligation	-	-	73,198	72,743
Proceeds from contractual obligations	-	-	-	-
Proceeds of bank loan	-	17,500	-	-
Proceeds from bonds	5,980,000	-	-	688,000
Premium on bonds	-	-	-	-
Payment to refunded bond escrow agent	(1,571,430)	-	-	-
Transfer from other funds	66,240	864,510	347,748	129,146
Transfer to other funds	(66,240)	(864,510)	(347,748)	(129,146)
Total other financing sources (uses)	<u>4,408,570</u>	<u>17,500</u>	<u>73,198</u>	<u>760,743</u>
NET CHANGE IN FUND BALANCES	<u>\$ 4,015,465</u>	<u>\$ (2,873,158)</u>	<u>\$ (148,609)</u>	<u>\$ (242,923)</u>
Debt service as a percentage of non-capital expenditures	7.36%	19.47%	14.97%	14.52%

Source: City audited financial records

(1) The City implemented the GASB 34 model of reporting fiscal year ending September 30, 2004.

TABLE 4

	2006	2007	2008	2009	2010	2011
\$	2,627,333	\$ 2,903,193	\$ 3,219,061	\$ 3,623,124	\$ 3,890,927	\$ 4,457,829
	430,950	605,776	608,218	588,362	541,711	631,561
	444,095	447,956	481,459	546,271	519,959	608,806
	-	-	25,705	17,069	17,685	22,644
	207,539	215,251	376,628	631,895	719,333	798,520
	1,173,462	1,104,134	1,232,346	235,715	237,756	375,749
	320,926	570,063	776,088	794,185	868,571	1,140,556
	138,801	99,541	106,092	140,553	120,151	167,461
	-	-	27,415,006	3,736,920	709,251	265,426
	91,439	176,939	465,064	85,800	17,634	15,162
	-	-	361,504	50,191	171,698	318,954
	-	-	-	-	132,420	-
	159,412	207,719	659,254	178,594	126,949	335,796
	5,593,957	6,330,572	35,726,425	10,628,679	8,074,045	9,138,464
	1,034,432	1,091,305	1,458,474	1,523,604	1,722,229	1,763,048
	2,415,056	2,360,669	3,082,797	1,944,643	2,169,477	2,237,263
	66,750	-	593,444	791,304	568,619	811,854
	847,830	871,553	317,973	265,162	344,278	189,425
	-	-	-	-	-	617,001
	1,057,322	1,229,661	1,296,752	1,230,193	1,393,751	1,523,133
	290,000	305,000	447,000	515,000	540,000	803,000
	250,897	291,924	460,741	389,921	371,721	551,955
	-	-	2,078,496	-	82,245	74,324
	820,629	629,681	14,078,557	10,394,523	3,223,478	5,390,630
	6,782,916	6,779,793	23,814,234	17,054,350	10,415,798	13,961,633
	(1,188,959)	(449,221)	11,912,191	(6,425,671)	(2,341,753)	(4,823,169)
	21,544	119,461	256,836	23,310	-	-
	-	474,000	-	-	5,560,000	-
	-	-	-	-	-	-
	-	3,260,000	-	-	-	2,790,000
	-	-	-	-	-	118,904
	-	-	-	-	-	(2,825,503)
	-	60,002	123,280	104,700	276,317	185,835
	-	(60,002)	(4,545,568)	(104,700)	(276,317)	(110,016)
	21,544	3,853,461	(4,165,452)	23,310	5,560,000	159,220
\$	(1,167,415)	\$ 3,404,240	\$ 7,746,739	\$ (6,402,361)	\$ 3,218,247	\$ (4,663,949)
	12.33%	13.38%	17.16%	14.47%	12.79%	16.66%

**TOWN OF TROPHY CLUB, TEXAS
 ASSESSED VALUE AND ESTIMATED ACTUAL
 VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS
 (UNAUDITED)**

TABLE 5

Fiscal Year	Estimated Market Value		Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property			
2002	494,407,305	15,861,974	12,587,214	497,682,065	0.44051
2003	528,653,168	16,114,871	16,434,905	528,333,134	0.43051
2004	567,057,774	14,786,952	17,229,507	564,615,219	0.43051
2005	574,949,832	14,933,189	18,038,751	571,844,270	0.43051
2006	594,049,682	24,232,608	70,905,881	547,376,409	0.43051
2007	685,072,817	19,814,395	98,177,044	606,710,168	0.43051
2008	773,744,822	31,628,248	127,529,115	677,843,955	0.45551
2009	811,964,942	30,827,359	138,379,226	704,413,075	0.47000
2010	906,610,064	24,793,229	157,762,477	773,640,816	0.51500
2011	978,805,191	23,862,338	168,155,101	834,512,428	0.53000

Source: Denton & Tarrant County Central Appraisal District Certified Roll

(1) The City implemented the GASB 34 model of reporting fiscal year ending September 30, 2004.

Note: Total Taxable Assessed Value is not adjusted for tax ceilings.

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**TOWN OF TROPHY CLUB, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
(PER \$100 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Town of Trophy Club			Overlapping Rates			
	Operating Mileage	Debt Service Mileage	Total City Mileage	Northwest ISD	Trophy Club MUD #1	Trophy Club MUD #2	Denton County
2002	0.387510	0.053000	0.440510	1.834810	0.300000	0.340000	0.248970
2003	0.377510	0.053000	0.430510	1.834810	0.280000	0.339000	0.247170
2004	0.377510	0.053000	0.430510	1.819300	0.280000	0.349000	0.254800
2005	0.359630	0.070880	0.430510	1.819300	0.280000	0.349000	0.246480
2006	0.367230	0.063280	0.430510	1.665000	0.250000	0.299000	0.231920
2007	0.351040	0.079470	0.430510	1.335050	0.230000	0.279230	0.235890
2008	0.374310	0.081200	0.455510	1.335000	0.225000	0.264230	0.235770
2009	0.388380	0.081620	0.470000	1.355000	0.205000	0.205000	0.249800
2010	0.397220	0.117780	0.515000	1.375000	0.195000	-	0.273900
2011	0.415013	0.114987	0.530000	1.375000	0.175000	-	0.277357

Source: Denton & Tarrant County Appraisal Districts

(1) The City implemented the GASB 34 model of reporting fiscal year ending September 30, 2004.

TABLE 6

Trophy Club ESD	Overlapping Rates			Total MUD #1 Mileage	Total MUD #2 Mileage	Total Direct & Overlapping Rates
	Tarrant County	Tarrant County College	Tarrant County Hospital			
-	-	-	-	\$ 2.877290	\$ 2.864290	\$ 3.164290
-	-	-	-	\$ 2.845490	\$ 2.851490	\$ 3.131490
-	-	-	-	\$ 2.837610	\$ 2.853610	\$ 3.133610
-	-	-	-	\$ 2.847170	\$ 2.845290	\$ 3.125290
-	-	-	-	\$ 2.640710	\$ 2.626430	\$ 2.876430
-	-	-	-	\$ 2.310920	\$ 2.280680	\$ 2.510680
-	0.264000	0.137960	0.227897	\$ 2.734440	\$ 2.920367	\$ 3.145367
0.109140	0.264000	0.137670	0.227897	\$ 2.872230	\$ 3.018507	\$ 3.223507
0.109250	0.264000	0.137640	0.227897	\$ 2.987570	N/A	\$ 3.097687
0.109250	0.264000	0.148970	0.227897	\$ 2.994564	N/A	\$ -

**TOWN OF TROPHY CLUB, TEXAS
 PRINCIPAL PROPERTY TAX PAYERS
 CURRENT FISCAL YEAR AND TEN YEARS EARLIER
 (UNAUDITED)**

TABLE 7

Taxpayer	2011			2001		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value (2)	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value (3)
Cnl Retmt CRSI Trophy Cl Tx LP	18,395,000	1	2.38%			
Clubcorp Golf Tex LP	6,629,584	2	0.86%	1,909,115	10	0.43%
High Trophy Development LLC	6,176,998	3	0.80%			
Goodman Family of Builders LP	6,016,687	4	0.78%			
4663 Okeechobee Blvd & Palm Beach	6,000,000	5	0.78%			
Trophy Club Medical Center LP	5,878,060	6	0.76%			
Regency Centers LP	5,875,000	7	0.76%	3,040,709	7	0.69%
Standard Pacific of Texas LP	5,509,437	8	0.71%			
Oncor Electric Delivery	4,731,860	9	0.61%			
Armored Trophy Club LLC	4,722,000	10	0.61%			
Beck Property Trophy Club LP				6,126,182	1	1.38%
TC Plantations LTD				4,024,036	2	0.91%
Trophy Lake LTD				3,887,209	3	0.88%
Oakmont Ent Inc.				3,840,661	4	0.87%
TXU Electric Co				3,686,060	5	0.83%
Trophy Club 114 LP				3,310,917	6	0.75%
TC Quorum LTD				2,447,769	8	0.55%
Drees Custom Homes LP				1,937,197	9	0.44%
Totals	<u>\$ 69,934,626</u>		<u>9.04%</u>	<u>\$ 34,209,855</u>		<u>7.72%</u>

Note: information on 2002 was not available at the time of printing, so 2001 was presented instead.

Source: Denton Appraisal District

(1) The City implemented the GASB 34 model of reporting fiscal year ending September 30, 2004.

(2) Total taxable value including real and personal property for tax year 2010 (fiscal year 2011) is \$834,512,428

(3) Total taxable value including real and personal property for tax year 2000 (fiscal year 2001) is \$497,682,065

**TOWN OF TROPHY CLUB, TEXAS
AD VALOREM TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(UNAUDITED)**

TABLE 8

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2002	2,257,878.00	2,243,427.58	99.36%	13,773.81	2,257,201.39	99.97%
2003	2,461,847.00	2,434,274.31	98.88%	26,707.72	2,460,982.03	99.96%
2004	2,526,645.00	2,499,357.23	98.92%	26,858.12	2,526,215.35	99.98%
2005	2,634,681.00	2,609,651.53	99.05%	24,448.51	2,634,100.04	99.98%
2006	2,881,601.00	2,851,920.51	98.97%	29,193.83	2,881,114.34	99.98%
2007	3,196,891.00	3,161,725.20	98.90%	33,888.17	3,195,613.37	99.96%
2008	3,643,746.00	3,614,231.66	99.19%	27,574.06	3,641,805.72	99.95%
2009	3,554,035.10	3,525,247.93	99.19%	26,794.28	3,552,042.21	99.94%
2010	3,856,737.49	3,836,568.30	99.48%	13,705.34	3,850,273.64	99.83%
2011	4,434,805.00	4,414,699.00	99.55%	-	4,414,699.00	99.55%

Source: Denton County Tax Assessor Collector

(1) The City implemented the GASB 34 model of reporting fiscal year ending September 30, 2004.

**TOWN OF TROPHY CLUB, TEXAS
RATIOS OF OUTSTANDING BONDED DEBT BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)**

TABLE 9

Fiscal Year	Governmental Activities				Business-Type Activities			Total Primary Government	Percentage of Personal Income (2)	Per Capita
	General Obligation Bonds	Special Assessment Bonds	Capital Leases	Notes Payable	Water & Sewer Bonds	General Obligation Bonds	Capital Leases			
2002	6,265,000	-	-	-	-	-	-	-	-	-
2003	6,015,000	-	-	-	-	-	-	-	-	-
2004	5,750,000	-	-	-	-	-	-	5,750,000	4.73%	572
2005	6,090,000	-	-	-	-	-	-	6,090,000	2.87%	597
2006	5,770,000	-	-	-	-	-	-	5,770,000	2.35%	552
2007	9,124,000	-	-	-	-	-	-	9,124,000	3.62%	861
2008	8,677,000	-	-	-	-	-	-	8,677,000	3.40%	792
2009	8,162,000	-	-	-	-	-	-	8,162,000	3.28%	745
2010	13,182,000	-	92,240	-	-	-	-	13,274,240	4.92%	1,213
2011	12,444,000	-	29,386	-	-	-	-	12,473,386	3.66%	1,139

(1) The City implemented the GASB 34 model of reporting fiscal year ending September 30, 2004.

(2) Personal Income and Population found on Table 15 of the statistical section

**TOWN OF TROPHY CLUB, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(UNAUDITED)**

TABLE 10

Fiscal Year	Certificates of Obligation	Percentage of Actual Taxable Value of Property^a	Per Capita^b
2002	6,265,000	1.26%	\$ 938
2003	6,015,000	1.14%	\$ 851
2004	5,750,000	1.02%	\$ 803
2005	6,090,000	1.06%	\$ 809
2006	5,770,000	1.05%	\$ 749
2007	9,124,000	1.50%	\$ 1,175
2008	8,677,000	1.28%	\$ 1,152
2009	8,162,000	1.16%	\$ 1,074
2010	13,182,000	1.70%	\$ 1,605
2011	12,444,000	1.49%	\$ 1,516

^a Property values are from table 5.

^b Populations are from table 13.

**TOWN OF TROPHY CLUB, TEXAS
DIRECT AND OVERLAPPING DEBT
AS OF SEPTEMBER 30, 2011
(UNAUDITED)**

TABLE 11

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Denton County	\$ 477,705,000	1.36%	\$ 6,496,788
Northwest Independent School District	599,801,901	9.65%	57,880,883
Tarrant County	335,050,000	0.05%	167,525
Tarrant County College District	29,780,000	0.05%	14,890
Tarrant County Hospital District	27,160,000	0.05%	13,580
Trophy Club MUD #1	7,120,000	72.13%	5,135,656
Subtotal, overlapping debt	\$ 1,476,616,901		\$ 69,709,322
 Town of Trophy Club, direct debt	 12,444,000	 100.00%	 12,444,000
Total Direct and Overlapping Debt Principal	\$ 1,489,060,901		\$ 82,153,322

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Town of Trophy Club. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Source: Most recent Texas Municipal Reports ("TMR") published by the Municipal Advisory Council of Texas.

**TOWN OF TROPHY CLUB, TEXAS
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN CALENDAR YEARS
 (UNAUDITED)**

TABLE 12

Year	Estimated Population^a	Total Households^a	Per Capita Personal Income^b	Total Personal Income
2002	6,679	2,530	N/A	N/A
2003	7,072	2,701	N/A	N/A
2004	7,162	2,740	N/A	N/A
2005	7,530	2,690	92,492	248,803,480
2006	7,703	2,824	92,492	261,197,408
2007	7,763	2,850	92,492	263,602,200
2008	7,531	2,289	92,492	211,714,188
2009	7,600	2,763	92,492	255,555,396
2010	8,204	2,930	92,492	271,001,560
2011	8,210	3,179	107,150	340,629,850

Note: The Town unemployment figures were unavailable at the time of printing; however the Denton County unemployment rate as of September 30, 2011 was 6.9% per the Texas Workforce Commission.

Sources: ^aTotal Households provided by NCTCOG

^bPer Household Income provided by Town of Trophy Club Economic Development Corporation. Estimate for Household Income utilizes 2000 census data (except in 2010 where census data was available).

(1) The City implemented the GASB 34 model of reporting fiscal year ending September 30, 2004.

**TOWN OF TROPHY CLUB, TEXAS
PRINCIPAL EMPLOYERS
CURRENT YEAR AND FIVE YEARS AGO
(UNAUDITED)**

TABLE 13

2011			2006		
Employer	Employees	Percentage of Total City Employment	Employer	Employees	Percentage of Total City Employment
Northwest Independent School District	309	29.43%	Trophy Club Country Club	100	13.50%
Baylor Medical Center at Trophy Club	125	11.90%	Tom Thumb	75	10.12%
Trophy Club Country Club	100	9.52%	Town of Trophy Club	73	9.85%
Tom Thumb	90	8.57%	Ivy Glen	31	4.18%
Town of Trophy Club & Trophy Club MUD #1	88	8.38%	Blockbuster	12	1.62%
Cristina's Mexican Restaurant	45	4.29%	Bank of America	7	0.94%
Fellowship United Methodist Church	39	3.71%	Texas National Bank	6	0.81%
Church at Trophy Lake	30	2.86%	Quizno's	4	0.54%
Bank of America	25	2.38%	Beck Properties/Centurion	4	0.54%
Walgreen's	23	2.19%			
Total	874	83.24%		312	42.11%

(1) The City implemented the GASB 34 model of reporting fiscal year ending September 30, 2004.

(2) Total city employment for year 2010 is 4,314 as reported by the Sourcebook of Zip Code Demographics

(3) Total city employment for year 2003 is 4,579 as reported by the US Census Bureau

Sources: Town Official Statement dated April 26, 2010, North Central Texas Council of Governments, and Town Survey

**TOWN OF TROPHY CLUB, TEXAS
 FULL-TIME CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS
 (UNAUDITED)**

TABLE 14

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government and Administration	8.00	10.00	10.00	8.50	7.50	10.00	9.00	9.00	10.00	12.00
Public Safety	23.00	25.00	24.00	25.50	26.00	25.00	29.00	21.87	21.81	21.21
Streets				-	-	-	5.00	6.00	5.00	5.00
Parks and Recreation	6.00	7.00	7.00	10.67	12.19	13.28	10.00	11.00	11.00	12.00
Community Development	3.00	3.00	3.00	1.00	4.00	6.00	4.00	2.50	2.50	3.00
Total	40.00	45.00	44.00	45.67	49.69	54.28	57.00	50.37	50.31	53.21

Source: Departmental records

(1) The City implemented the GASB 34 model of reporting fiscal year ending September 30, 2004.

**TOWN OF TROPHY CLUB, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(UNAUDITED)**

Function	2002	2003	2004	2005
Public Safety				
Police				
Number of stations	1	1	1	1
Number of police personnel	13	14	14	14
Number of arrests	N/A	49	62	73
Number of traffic stops	N/A	825	1,541	2,083
Fire				
Number of stations	1	1	1	1
Number of fire personnel	12	14	14	14
Number of calls answered	503	450	408	561
Developmental				
Miles of streets ^a	N/A	N/A	N/A	N/A
Cultural/Recreational Changes				
Parks	4	6	6	6
Park acreage	901	916	916	916

Source: Departmental records

(1) The City implemented the GASB 34 model of reporting fiscal year ending September 30, 2004.

Note: Information on indicators of volume, usage of nature of capital assets and demand or level of service for various functions was not available at the time of printing.

TABLE 15

2006	2007	2008	2009	2010	2011
1	1	1	1	1	1
15	15	15	15	15	15
82	81	152	121	125	128
2,379	2,346	2,939	3,608	2,696	2,821
1	1	1	1	1	1
14	14	14	14	14	14
633	608	597	689	651	741
N/A	31	34	36	39	42
6	5	8	8	8	7 ^b
916	907	1,037	1,037	1,037	1,037