

# *Town of Trophy Club, Texas*

## Comprehensive Annual Financial Report

*For the fiscal year ending September 30, 2012*



Photo taken at Trophy Club Park overlooking Grapevine Lake

**TOWN OF TROPHY CLUB, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2012**

**As Prepared By The**  
**FINANCE DEPARTMENT**

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**TOWN OF TROPHY CLUB, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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**Town of Trophy Club**  
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**Trophy Club, TX 76262**  
**(682) 831-4600**  
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March 29, 2013

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, 2012, 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 and 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, 2012, 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, 2012, 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 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 currently occupies a land area of just over 4 square miles and serves a growing population of approximately 9,005. 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.). No person shall serve as Mayor or Council member for successive elected full terms totaling more than six years. 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 is one of the Town's identifying characteristics, identified by both the Dallas Business Journal and Fort Worth Builders Association. Trophy Club's location between DFW and Alliance Airports is ideal for both businesses and residents, as well as those who commute to Dallas, Denton, Las Colinas, and Fort Worth. Trophy Club maintains a small-town, picturesque feel while taking advantage of nearby metro areas. The Town offers an outstanding quality of life, with great educational and recreational amenities as well as two 18-hole premier golf courses including the only course designed by Ben Hogan.

The North Texas region possesses diverse research and education institutions, logistics, oil and gas, manufacturing and industrial, and a professional services base that has contributed 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 5.9% while the national unemployment rate is 7.7%.

Trophy Club has worked diligently to position itself for a significant future within DFW and the Alliance corridor. The Town has issued over 1,000 building permits for high end homes over the past 5 years, with another 275 building permits anticipated for Fiscal Year 2013. Additionally, the Town's tax base is expected to exceed \$1 billion assessed value in 2013. Business growth continues to be strong in Trophy Club and the Highway 114 region. The Town directly benefits from those businesses locating within the Town or professionals moving to our neighborhoods who work at nearby corporations.

### **Long-Term Financial Planning**

During the fiscal year 2013 budget cycle, the Town Council and staff developed a long term financial plan that would alter the current sales tax distribution in order to fund capital projects without increasing the existing debt service rate.

The first step was the adoption of a debt service rate that maintained the current 11.5 cent level. In order to maintain that rate, and in preparation for future capital needs, the Town issued \$500,000 in tax notes to go towards facility planning, land purchases, and future Town facility design in September 2012.

The second step was to reallocate ¼ cent from Economic Development Corporation 4A (EDC4A) to the Economic Development Corporation 4B (EDC4B) for additional economic development. The election was approved by a majority of citizens in November 2012. After the election, the Council appointed a temporary board for a Crime Control and Prevention District (CCPD) to develop a budget to submit to voters in May of 2013 to reallocate the remaining ¼ cent from EDC4A to the CCPD.

Additionally, on January 14, 2013, the Town called \$880,000 in GO Bonds which will yield approximately \$220,000 in interest savings. These actions coupled with the Town's strong growth and increased debt capacity will provide the Town increased flexibility for funding future capital needs.

Those projects include reconstructing a portion of Indian Creek Drive, a major thoroughfare, in the Spring of 2013. In addition, two storm drainage projects will begin while engineering for a third project will be nearing completion in anticipation of projected construction in January 2014. The total estimated cost of these projects is \$2.2 million.

### **Budgeting Process**

The Town of Trophy Club uses a program-based budgeting process. Each budgeting unit or division is given a target or "baseline" funding level based upon the previous year's funding level. With a few exceptions, no fixed assets, wages and benefits, or one-time packages are included in baseline funding. Any funding request that represents new expenditures and programs, or that is in excess of baseline funding, must be submitted as a separate request or "package." These packages may be either a new or restoration request for resources, depending upon the budgeting unit's funding target.

#### *Revenue Projection*

The budget revenue projections for the new fiscal year begin early in the current fiscal year. The projections are made by the departments responsible for the revenues with help from the Finance staff. Projections are based upon consultations with state and local agencies, trend analysis, anticipated changes in the local and regional economy, and discussions with directly associated staff members. Although revenue projections are prepared early in the budget process, the budget revenue analysis continues with departmental budget development and extends until the budget is adopted based upon any new information.

#### *Proposed Budget Analysis/Compilation*

The Finance Department reviews and compiles a preliminary draft of departmental budgets to present to the Budget Team, which is comprised of the Town Manager, Assistant Town Manager, Director of Finance, and Budget Analyst. During Budget Team discussions, each department director answers questions from the entire group concerning their budget.

Given revenue projections and baseline funding requirements, budget funding changes are made according to necessity and priority. A total recommended funding level is determined and is weighed against available resources.

#### *Proposed Budget Development*

The Town Manager, no later than July 31 each year (Charter Section 9.02), shall prepare and submit to the Town Secretary, the annual budget covering the next fiscal year. The Town Manager's proposed budget should assume, for each fund, operating revenues and resources that are equal to, or exceed operating expenditures. The Town Manager's budget message summarizes funding requirements, major changes in programs, and alternatives for funding.

### *Town Council Budget Study*

A budget work session is held with the Town Council to review and discuss the proposed budget. Discussions and study may follow at subsequent work sessions up until budget adoption.

### *Capital Program*

The Town Manager shall prepare and submit to the Council a five (5) year capital program no later than three months before the final date for submission of the budget. The capital program shall be revised and extended each year with regard to capital improvements still pending or in process of construction or acquisition (Charter Section 9.08).

### *Public Hearing/Budget Adoption*

A public hearing on the proposed budget and two public hearings on the tax rate are held in August and September prior to final budget consideration. At the public hearings, citizens may make formal comments concerning the proposed budget. The public also has the opportunity to attend Town Council budget work sessions in August and September.

Budget adoption occurs in September after Town Council deliberations and the public hearings. The Town Council adopts a tax rate to support adopted funding levels. Pursuant to Town Charter, the budget in place for the preceding year shall remain in place on a month-to-month basis until such time as a new budget has been adopted if no Town Council action is taken before the end of the fiscal year, September 30.

### *Compilation of Adopted Budget/Budget Maintenance*

The adopted budget is compiled and published during the first months of the new fiscal year. The adopted budget in the form of an amended proposed budget is available for public inspection in October. Ledger accounts are prepared for the new fiscal year prior to October 1.

Budget maintenance is a year-round activity of divisions/departments and Budget Office staff. Other spending control mechanisms include monthly review of expenditures by the Accounting staff. During the budget process, departments make revenue and expenditure estimates for the current year.

Finally, program goals, objectives, and measures are evaluated during budget implementation to determine the effectiveness of program activities and levels of appropriate funding for subsequent 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.

Additionally, the Town Council adopted a fund balance policy in September 2011 which established new fund balance categories (as recommended by Statement No. 54 by the Governmental Accounting Standards Board) and established a minimum unassigned fund balance goal (30% of annual operating expenditures).

## Major Initiatives

The Town Council has continued its strategic planning process to identify goals and objectives for long range planning. Each year, the Council meets in strategic planning retreats to review and refine those goals. Management Team members utilize the strategic planning documents to help guide their budget planning and service/program implementation.

The Town recently completed Vision Trophy Club which was a citizen committee tasked with planning the next 20 years. It is anticipated that an updated Comprehensive Plan primarily focused on redevelopment will occur within the next two years.

## Acknowledgements

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



Michael Aguilera  
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, 2011

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.



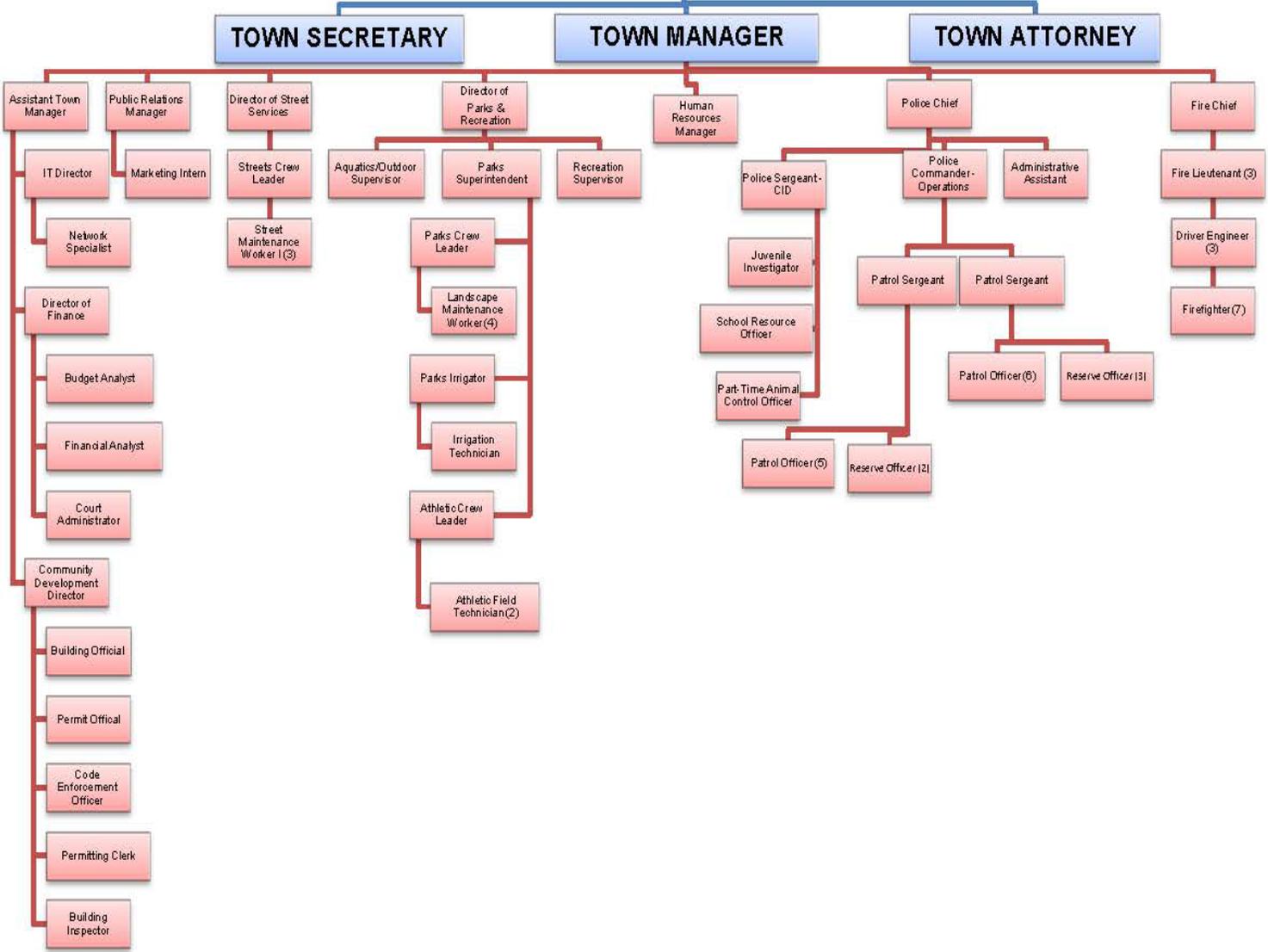
*Christopher P. Morill*

President

*Jeffrey R. Emer*

Executive Director

**CITIZENS OF TROPHY CLUB**  
**MAYOR & COUNCIL MEMBERS**



## **ELECTED OFFICIALS**

Mayor	Connie White
Mayor Pro Tem	Glenn Strother
Council Member	Bill Rose
Council Member	Jeannette Tiffany
Council Member	Clint Schroeder
Council Member	Danny Mayer

## **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	Michael Aguilera
Human Resources Manager	Tammy Ard
Information Systems Director	Mike Pastor
Parks & Recreation Director	Adam Adams
Police Chief	Scott Kniffen
Public Information Officer/Marketing Manager	April Reiling
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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Trophy Club, Texas (the Town) as of and for the year ended September 30, 2012, 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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.

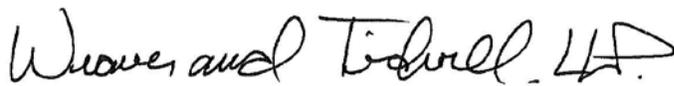
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Trophy Club, Texas, as of September 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2013, on our consideration of Town of Trophy Club, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 52 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements as a whole. The introductory section, combining and budgetary comparison schedules, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The combining budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
March 28, 2013

**TOWN OF TROPHY CLUB, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2012**

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, 2012. 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 v of this report.

**Financial Highlights**

- The assets of the Town exceeded its liabilities at the close of the fiscal year ended September 30, 2012, by \$54,071,975 (net assets). Of this amount, \$2,663,174 (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 \$3,019,894 as a result of operations and contributions from the Public Improvement District #1 and developer contributions.
- The Town's governmental funds reported combined ending fund balances of \$4,311,590.
- The unassigned portion of the General Fund balance at the end of the year was \$3,119,918 or 45.3% of total General Fund expenditures and transfers out.
- The governmental long-term debt obligations of the Town decreased by \$408,936 during the fiscal year. This decrease was comprised primarily of debt service and capital lease payments totaling \$914,386, a decrease in compensated absences of \$24,799, and the addition of \$500,000 in general obligation bonds.

**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, 2012**

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

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 ten 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, and the Grant Fund, all of which are considered to be major funds. Data from the other six 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, 2012**

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 governmental 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 29-49.

**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 52-53.

**Government-wide Financial Analysis**

At the end of fiscal year 2012, the Town's net assets (assets exceeding liabilities) totaled \$54,071,975. 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, \$50,217,390 or 92.9%, 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, \$1,191,411 or 2.2% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$2,663,174 or 4.9%, 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 2012	FY 2011	FY 2012	FY 2011	FY 2012	FY 2011
Current and other assets	\$ 5,980,469	\$ 6,689,389	\$ 62,621	\$ 42,068	\$ 6,043,090	\$ 6,731,457
Capital assets	61,342,411	58,723,233	-	-	61,342,411	58,723,233
<b>Total Assets</b>	<b>67,322,880</b>	<b>65,412,622</b>	<b>62,621</b>	<b>42,068</b>	<b>67,385,501</b>	<b>65,454,690</b>
Long-term liabilities outstanding	12,165,387	12,574,323	-	-	12,165,387	12,574,323
Other liabilities	1,132,384	1,798,759	15,755	29,527	1,148,139	1,828,286
<b>Total Liabilities</b>	<b>13,297,771</b>	<b>14,373,082</b>	<b>15,755</b>	<b>29,527</b>	<b>13,313,526</b>	<b>14,402,609</b>
<b>Net Assets</b>						
Invested in capital assets (net of related debt)	50,217,390	47,834,837	-	-	50,217,390	47,834,837
Restricted	1,191,411	57,471	-	-	1,191,411	57,471
Unrestricted	2,616,308	3,147,232	46,866	12,541	2,663,174	3,159,773
<b>Total Net Assets</b>	<b>\$ 54,025,109</b>	<b>\$ 51,039,540</b>	<b>\$ 46,866</b>	<b>\$ 12,541</b>	<b>\$ 54,071,975</b>	<b>\$ 51,052,081</b>

**TOWN OF TROPHY CLUB, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2012**

**Changes in Net Assets**--The net assets of the Town increased by \$3,019,894 for the fiscal year ended September 30, 2012.

*Governmental Activities.* Governmental activities increased the Town's net assets by \$2,985,569 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 increased by \$34,325. This increase is primarily due to a \$25,798 increase in net assets in the Town Storm Drainage fund despite a \$64,382 transfer to other funds.

**Table 2  
Changes in Net Assets**

	Governmental Activities		Business Type Activities		Total	
	FY 2012	FY 2011	FY 2012	FY 2011	FY 2012	FY 2011
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,984,623	\$ 2,074,614	\$ 325,380	\$ 253,034	\$ 2,310,003	\$ 2,327,648
Operating grants and contributions	342,894	340,748	-	-	342,894	340,748
Capital grants and contributions	2,682,302	4,003,446	-	-	2,682,302	4,003,446
General revenues:						
Ad valorem taxes	4,897,615	4,480,999	-	-	4,897,615	4,480,999
Sales and mixed beverage taxes	754,105	631,561	-	-	754,105	631,561
Franchise taxes	685,522	625,756	-	-	685,522	625,756
Occupancy taxes	20,543	22,644	-	-	20,543	22,644
Investment income	7,983	15,162	-	78	7,983	15,240
Miscellaneous revenues	301,269	333,497	-	-	301,269	333,497
<b>Total revenues</b>	<b>11,676,856</b>	<b>12,528,427</b>	<b>325,380</b>	<b>253,112</b>	<b>12,002,236</b>	<b>12,781,539</b>
<b>Expenses:</b>						
General government	179,110	82,798	-	-	179,110	82,798
Storm drainage	187,400	133,251	-	-	187,400	133,251
Emergency medical services	699,230	684,692	-	-	699,230	684,692
Manager's office	637,218	533,188	-	-	637,218	533,188
Human resources	94,065	91,065	-	-	94,065	91,065
Finance	525,494	363,419	-	-	525,494	363,419
Information systems	273,673	287,262	-	-	273,673	287,262
Legal	154,236	146,881	-	-	154,236	146,881
Police	1,613,833	1,510,755	-	-	1,613,833	1,510,755
Court	79,735	80,331	-	-	79,735	80,331
Recreation	838,138	824,744	-	-	838,138	824,744
Facilities management	120,341	76,484	-	-	120,341	76,484
Parks	726,522	1,019,829	-	-	726,522	1,019,829
Community development	253,761	209,513	-	-	253,761	209,513
Planning and zoning	231,853	136,291	-	-	231,853	136,291
Streets	1,642,399	1,839,851	-	-	1,642,399	1,839,851
Water and sewer	92	617,001	-	-	92	617,001
Administrative	-	1,251	-	-	-	1,251
Interest on long-term debt	498,569	558,473	-	-	498,569	558,473
Trophy Club Park	-	-	130,185	98,935	130,185	98,935
Town storm drainage	-	-	96,488	156,461	96,488	156,461
<b>Total expenses</b>	<b>8,755,669</b>	<b>9,197,079</b>	<b>226,673</b>	<b>255,396</b>	<b>8,982,342</b>	<b>9,452,475</b>
<b>Increase (decrease) in net assets before transfers</b>	<b>2,921,187</b>	<b>3,331,348</b>	<b>98,707</b>	<b>(2,284)</b>	<b>3,019,894</b>	<b>3,329,064</b>
<b>Transfers</b>	<b>64,382</b>	<b>75,819</b>	<b>(64,382)</b>	<b>(75,819)</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) in net assets</b>	<b>2,985,569</b>	<b>3,407,167</b>	<b>34,325</b>	<b>(78,103)</b>	<b>3,019,894</b>	<b>3,329,064</b>
<b>Net Assets - Beginning, as restated</b>	<b>51,039,540</b>	<b>47,723,017</b>	<b>12,541</b>	<b>-</b>	<b>51,052,081</b>	<b>47,723,017</b>
<b>Change in accounting principle</b>	<b>-</b>	<b>(90,644)</b>	<b>-</b>	<b>90,644</b>	<b>-</b>	<b>-</b>
<b>Net Assets - Ending</b>	<b>\$ 54,025,109</b>	<b>\$ 51,039,540</b>	<b>\$ 46,866</b>	<b>\$ 12,541</b>	<b>\$ 54,071,975</b>	<b>\$ 51,052,081</b>

**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, 2012**

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 \$4,311,590.

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the unassigned fund balance was \$3,119,918. The fund balance of the General Fund increased by \$706,060 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, sales and mixed beverage taxes, franchise taxes, and charges for service. Revenue categories experiencing significant increases/decrease include:

- Property tax revenue increased from the previous year - \$ 410,032
- Licenses and permits increased from the previous year - \$ 329,714

The Debt Service Fund had an increase of \$8,879 in fund balance. Funds are restricted for the payment of debt service. The Capital Projects Fund experienced a decrease in fund balance of \$603,563, which is due to the spending down of previously issued bond proceeds. The Grant Fund had a decrease in fund balance of \$230,873. Other governmental funds had an increase in fund balance of \$77,854. This increase was primarily due to increases in the Street Maintenance Fund, a decrease in the Town Utility Fund, and the addition of the Court Technology Fund and Court Security Fund.

In the General Fund, the Town budgeted for a fund balance decrease in the current year of \$62,553. Due primarily to actual revenues being more than budgeted, the actual budget basis fund balance variance from budget was an increase for fiscal year 2012 of \$768,613.

**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 (\$26,115) at year end while Town Storm Drainage net assets amounted to \$72,981. 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: franchise taxes were \$101,166 over budget; licenses and permits were \$451,150 over budget; and revenues from charges for services were \$199,396 over budget. Overall, the Town's actual revenues exceeded final budgeted amounts by \$754,991.

**Expenses:** Several departments realized savings during fiscal year 2012 for various reasons. Manager's office realized significant savings in professional services and did not expend all of the funds reserved for contingency items. Personnel and utility savings were recognized in Police, Recreation, and Community Development. Savings in Emergency Medical Services were caused by the reclassifying of a budgeted expense as a transfer out. Significant budget overages were seen in Finance and Planning and Zoning and were due to the previously approved purchase of enterprise resource planning software not included in the adopted budget and engineering expenses associated with development.

**TOWN OF TROPHY CLUB, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2012**

**Capital Assets**

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of September 30, 2012, amounts to \$61,342,411 (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 4.5%.

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

- Town completed construction of the Roundabout
- Town completed Independence Park improvements
- Town completed Freedom Park improvements
- Town purchased new enterprise resource planning software
- Town purchased and installed virtual servers
- Town purchased new vehicles
- Town purchased new defibrillators

**Table 3  
Capital Assets at Year-End**

	Governmental Activities		Business Type Activities		Total	
	FY 2012	FY 2011	FY 2012	FY 2011	FY 2012	FY 2011
Land	\$ 3,500,349	\$ 3,445,349	\$ -	\$ -	\$ 3,500,349	\$ 3,445,349
Construction in progress	22,012,233	24,878,759	-	-	22,012,233	24,878,759
Buildings	1,410,199	1,458,863	-	-	1,410,199	1,458,863
Improvements other than buildings	25,287,491	20,283,218	-	-	25,287,491	20,283,218
Machinery and equipment	790,190	573,118	-	-	790,190	573,118
Vehicles	332,107	343,023	-	-	332,107	343,023
Water system	1,756,639	1,616,338	-	-	1,756,639	1,616,338
Infrastructure	6,253,203	6,124,565	-	-	6,253,203	6,124,565
<b>Total</b>	<b>\$ 61,342,411</b>	<b>\$ 58,723,233</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 61,342,411</b>	<b>\$ 58,723,233</b>

Additional information on the Town's capital assets can be found in Note 4 on page 40 of this report.

**Debt Administration**

At the end of the current fiscal year, the Town of Trophy Club had total debt outstanding of \$12,165,387. Of this amount, \$11,425,000 comprises bonded debt backed by the full faith and credit of the Town and \$634,000 represents 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, 2012**

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		Total	
	Activities		Activities			
	FY 2012	FY 2011	FY 2012	FY 2011	FY 2012	FY 2011
General obligation bonds	\$11,425,000	\$11,735,000	\$ -	\$ -	\$11,425,000	\$11,735,000
Contractual obligations	634,000	709,000	-	-	634,000	709,000
Issuance premium	80,149	98,750	-	-	80,149	98,750
Deferred loss on refunding	(67,001)	(83,752)	-	-	(67,001)	(83,752)
Capital leases	-	29,386	-	-	-	29,386
OPEB Liability	32,099	-	-	-	32,099	-
Compensated absences	61,140	85,939	-	-	61,140	85,939
Totals	<u>\$12,165,387</u>	<u>\$12,574,323</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$12,165,387</u>	<u>\$12,574,323</u>

Additional information on the Town's long-term debt can be found in the Note 6 on pages 42-43 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 338 residential construction permits in FY 2012, an increase of 111 from the previous year. The permits are averaging approximately \$480,000. The Town budgeted for 275 residential building permits for FY13. Residential development is expected to continue at its current growth rate based on the current demand expressed from the local home builders.

In addition to the strong residential growth, the Town is experiencing strong commercial development as well. The Town will open a new hotel in March 2013 and is reviewing a rezoning application for another hotel and restaurant development on 8 acres. The Town also anticipates a third hotel submitting plans in the near future. Office/medical buildings also continue to come forward for construction. The Town anticipates another 3 office developments during 2013. Finally, the Town Council rezoned a 26 acre tract to a Mixed-Use Planned Development in January 2012. Town staff continues to work with the property owner to develop that tract that will add an estimated \$100 million to the commercial tax base.

In fiscal year 2013, General Fund revenues and expenditures are both budgeted to increase by 8.2% over fiscal year 2012 estimated revenues and expenditures. An increase of approximately 10.18% in the assessed valuation of taxable property was realized for fiscal year 2013. The fiscal year 2013 budget decreased the ad valorem tax rate to \$0.518543 per hundred dollars of assessed value, down from \$0.5300 in fiscal year 2012.

**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](http://www.trophyclub.org).

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## **BASIC FINANCIAL STATEMENTS**

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**TOWN OF TROPHY CLUB, TEXAS**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2012**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,998,280	\$ 52,093	\$ 5,050,373	\$ 782,217
Receivables:				
Sales taxes	130,298	-	130,298	75,881
Ad valorem taxes	41,929	-	41,929	-
Franchise fees	336,749	-	336,749	-
Accounts, net	90,259	30,110	120,369	-
Other	60,552	-	60,552	-
Due from other governments	122,941	9,568	132,509	38,797
Internal balances	30,899	(30,899)	-	-
Prepaid items	796	1,749	2,545	-
Bond issuance costs	167,766	-	167,766	-
Capital assets:				
Land	3,500,349	-	3,500,349	-
Construction in progress	22,012,233	-	22,012,233	-
Buildings	1,993,440	-	1,993,440	-
Improvements other than buildings	37,511,136	-	37,511,136	-
Machinery and equipment	1,591,089	-	1,591,089	-
Vehicles	1,149,442	-	1,149,442	-
Water system	1,874,028	-	1,874,028	-
Infrastructure	9,384,876	-	9,384,876	-
Accumulated depreciation	(17,674,182)	-	(17,674,182)	-
<b>TOTAL ASSETS</b>	<b>\$ 67,322,880</b>	<b>\$ 62,621</b>	<b>\$ 67,385,501</b>	<b>\$ 896,895</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 638,773	\$ 15,675	\$ 654,448	\$ 14,389
Accrued liabilities	248,999	80	249,079	-
Interest payable	37,264	-	37,264	-
Due to other governments	207,348	-	207,348	-
Noncurrent liabilities:				
Debt due within one year	1,050,781	-	1,050,781	-
Debt due in more than one year	11,114,606	-	11,114,606	-
<b>TOTAL LIABILITIES</b>	<b>13,297,771</b>	<b>15,755</b>	<b>13,313,526</b>	<b>14,389</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	50,217,390	-	50,217,390	-
Restricted for debt service	65,590	-	65,590	-
Restricted for capital projects	996,425	-	996,425	-
Restricted for tourism	1,321	-	1,321	-
Restricted for street maintenance	75,999	-	75,999	-
Restricted for anniversary events	2,114	-	2,114	-
Restricted for court	49,962	-	49,962	-
Unrestricted	2,616,308	46,866	2,663,174	882,506
<b>TOTAL NET ASSETS</b>	<b>\$ 54,025,109</b>	<b>\$ 46,866</b>	<b>\$ 54,071,975</b>	<b>\$ 882,506</b>

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, 2012**

Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 179,110	\$ 277,995	\$ 12,159	\$ 322,536
Storm drainage	187,400	-	-	-
Emergency medical services	699,230	185,556	-	-
Manager's office	637,218	-	-	-
Human resources	94,065	-	-	-
Finance	525,494	-	-	-
Information systems	273,673	-	-	-
Legal	154,236	-	-	-
Police	1,613,833	-	60,662	-
Court	79,735	157,143	-	-
Recreation	838,138	233,655	47,151	-
Facilities management	120,341	-	-	-
Parks	726,522	-	-	-
Community development	253,761	1,112,979	-	-
Planning and zoning	231,853	15,255	-	-
Streets	1,642,399	-	-	1,829,610
Water and sewer	92	2,040	-	530,156
Interest on long-term debt	498,569	-	222,922	-
<b>Total governmental activities</b>	<b>8,755,669</b>	<b>1,984,623</b>	<b>342,894</b>	<b>2,682,302</b>
Business-type activities:				
Trophy Club Park	130,185	138,712	-	-
Town Storm Drainage	96,488	186,668	-	-
<b>Total business-type activities</b>	<b>226,673</b>	<b>325,380</b>	<b>-</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 8,982,342</b>	<b>\$ 2,310,003</b>	<b>\$ 342,894</b>	<b>\$ 2,682,302</b>
Component units:				
4A Economic Development Corporation	\$ 235,380	\$ -	\$ -	\$ -
4B Economic Development Corporation	119,668	13,850	-	-
<b>Total component units</b>	<b>\$ 355,048</b>	<b>\$ 13,850</b>	<b>\$ -</b>	<b>\$ -</b>
General Revenues and transfers:				
Taxes:				
Ad valorem				
Sales and mixed beverage				
Franchise taxes				
Occupancy taxes				
Investment income				
Miscellaneous revenues				
Transfers				
<b>Total general revenues and transfers</b>				
Change in net assets				
Net Assets - beginning of year, as restated				
Net Assets - end of year				

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

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ 433,580	\$ -	\$ 433,580	\$ -
(187,400)	-	(187,400)	-
(513,674)	-	(513,674)	-
(637,218)	-	(637,218)	-
(94,065)	-	(94,065)	-
(525,494)	-	(525,494)	-
(273,673)	-	(273,673)	-
(154,236)	-	(154,236)	-
(1,553,171)	-	(1,553,171)	-
77,408	-	77,408	-
(557,332)	-	(557,332)	-
(120,341)	-	(120,341)	-
(726,522)	-	(726,522)	-
859,218	-	859,218	-
(216,598)	-	(216,598)	-
187,211	-	187,211	-
532,104	-	532,104	-
(275,647)	-	(275,647)	-
<u>(3,745,850)</u>	<u>-</u>	<u>( 3,745,850)</u>	<u>-</u>
-	8,527	8,527	-
-	90,180	90,180	-
-	98,707	98,707	-
<u>(3,745,850)</u>	<u>98,707</u>	<u>(3,647,143)</u>	<u>-</u>
-	-	-	(235,380)
-	-	-	(105,818)
-	-	-	(341,198)
4,897,615	-	4,897,615	-
754,105	-	754,105	442,173
685,522	-	685,522	-
20,543	-	20,543	-
7,983	-	7,983	-
301,269	-	301,269	-
64,382	(64,382)	-	-
<u>6,731,419</u>	<u>(64,382)</u>	<u>6,667,037</u>	<u>442,173</u>
2,985,569	34,325	3,019,894	100,975
<u>51,039,540</u>	<u>12,541</u>	<u>51,052,081</u>	<u>781,531</u>
<u>\$ 54,025,109</u>	<u>\$ 46,866</u>	<u>\$ 54,071,975</u>	<u>\$ 882,506</u>

**TOWN OF TROPHY CLUB, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2012**

	<u>General</u>	<u>Debt Service</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,511,208	\$ 159,954
Receivables		
Sales taxes	105,004	-
Ad valorem taxes	33,342	8,587
Franchise fees	336,749	-
Accounts, net	89,064	-
Miscellaneous	60,552	-
Due from other governments	5,484	-
Due from other funds	301,462	500
Prepays	796	-
<b>Total assets</b>	<u><u>\$ 4,443,661</u></u>	<u><u>\$ 169,041</u></u>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>		
Liabilities		
Accounts payable	\$ 269,107	\$ -
Accrued liabilities	248,999	-
Due to other governments	168,551	38,797
Due to other funds	10,746	27,390
Deferred revenue	397,406	8,587
<b>Total liabilities</b>	<u><u>1,094,809</u></u>	<u><u>74,774</u></u>
Fund balances (deficits)		
Nonspendable for:		
Prepays	796	-
Restricted for:		
Debt service	-	94,267
Capital projects	-	-
Tourism	-	-
Street maintenance	-	-
Town 25th anniversary	-	-
Court	-	-
Assigned for:		
Capital expenditures	228,138	-
Unassigned	3,119,918	-
<b>Total fund balances (deficits)</b>	<u><u>3,348,852</u></u>	<u><u>94,267</u></u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<u><u>\$ 4,443,661</u></u>	<u><u>\$ 169,041</u></u>

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

<u>Capital Projects</u>	<u>Grant Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,107,942	\$ 107,551	\$ 111,625	\$ 4,998,280
-	-	25,294	130,298
-	-	-	41,929
-	-	-	336,749
-	-	1,195	90,259
-	-	-	60,552
-	117,457	-	122,941
-	27,390	-	329,352
-	-	-	796
<u>\$ 1,107,942</u>	<u>\$ 252,398</u>	<u>\$ 138,114</u>	<u>\$ 6,111,156</u>
\$ 109,848	\$ 254,847	\$ 4,971	\$ 638,773
-	-	-	248,999
-	-	-	207,348
1,669	254,901	3,747	298,453
-	-	-	405,993
<u>111,517</u>	<u>509,748</u>	<u>8,718</u>	<u>1,799,566</u>
-	-	-	796
-	-	-	94,267
996,425	-	-	996,425
-	-	1,321	1,321
-	-	75,999	75,999
-	-	2,114	2,114
-	-	49,962	49,962
-	-	-	228,138
-	(257,350)	-	2,862,568
<u>996,425</u>	<u>(257,350)</u>	<u>129,396</u>	<u>4,311,590</u>
<u>\$ 1,107,942</u>	<u>\$ 252,398</u>	<u>\$ 138,114</u>	<u>\$ 6,111,156</u>

**TOWN OF TROPHY CLUB, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2012**

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Total fund balances - governmental funds	\$ 4,311,590
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.	61,342,411
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.	167,766
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.	(37,264)
Revenues earned but not available within sixty days of year-end are not recognized as revenue in the fund financial statements.	405,993
Compensated absences are not due and payable in the current period and, therefore, are not reported in the fund financial statements.	(61,140)
OPEB liability has not been included in the governmental fund financial statements, as this liability does not require current financial resources.	(32,099)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund financial statements. This amount is the net effect of:	
o General obligation bonds	(11,425,000)
o Contractual obligations	(634,000)
o Issuance premium	(80,149)
o Deferred loss on refunding	67,001
	<u>(12,104,247)</u>
Net assets of governmental activities	<u>\$ 53,993,010</u>

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

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**TOWN OF TROPHY CLUB, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2012**

	<u>General</u>	<u>Debt Service</u>
<b>Revenues:</b>		
Ad valorem taxes	\$ 3,852,874	\$ 1,064,012
Sales and mixed beverage taxes	606,714	-
Franchise taxes	693,722	-
Occupancy taxes	-	-
Licenses and permits	1,128,234	-
Intergovernmental	119,972	222,922
Charges for services	668,146	-
Fines	149,134	-
Investment income	5,632	880
Miscellaneous	299,807	-
Grant revenue	-	-
Contributions	-	-
<b>Total revenues</b>	<u>7,524,235</u>	<u>1,287,814</u>
<b>Expenditures:</b>		
Current:		
General government	-	-
Emergency medical services	695,139	-
Manager's office	636,758	-
Human resources	94,839	-
Finance	528,143	-
Information systems	330,204	-
Legal	154,236	-
Police	1,638,863	-
Court	78,929	-
Parks	1,141,216	-
Recreation	518,440	-
Facilities management	65,341	-
Community development	248,339	-
Planning and zoning	233,134	-
Streets	417,998	-
Water	-	-
Capital outlay	-	-
Debt service:		
Principal retirement	-	885,000
Interest and fiscal charges	-	475,266
Bond issuance costs	-	-
<b>Total expenditures</b>	<u>6,781,579</u>	<u>1,360,266</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>742,656</u>	<u>(72,452)</u>
<b>Other financing sources (uses):</b>		
Transfers in	64,019	81,331
Transfers out	(100,615)	-
Issuance of long-term debt	-	-
<b>Total other financing sources (uses)</b>	<u>(36,596)</u>	<u>81,331</u>
<b>Net change in fund balances</b>	706,060	8,879
<b>Fund Balances (Deficit) - beginning of year</b>	<u>2,642,792</u>	<u>85,388</u>
<b>Fund Balances (Deficit) - end of year</b>	<u>\$ 3,348,852</u>	<u>\$ 94,267</u>

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

<b>Capital Projects</b>	<b>Grant Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 4,916,886
-	-	147,391	754,105
-	-	-	693,722
-	-	20,543	20,543
-	-	-	1,128,234
-	-	-	342,894
-	-	2,040	670,186
-	-	8,009	157,143
1,245	-	226	7,983
-	-	-	299,807
-	1,400,252	-	1,400,252
<u>322,536</u>	<u>-</u>	<u>-</u>	<u>322,536</u>
<u>323,781</u>	<u>1,400,252</u>	<u>178,209</u>	<u>10,714,291</u>
2,453	-	21,144	23,597
-	70,215	-	765,354
-	-	-	636,758
-	-	-	94,839
-	-	-	528,143
-	-	-	330,204
-	-	-	154,236
-	3,886	-	1,642,749
-	-	1,240	80,169
-	-	-	1,141,216
-	-	-	518,440
-	55,000	-	120,341
-	-	-	248,339
-	-	-	233,134
-	1,505,359	94,191	2,017,548
-	-	92	92
1,403,691	-	-	1,403,691
-	-	-	885,000
-	-	-	475,266
<u>21,200</u>	<u>-</u>	<u>-</u>	<u>21,200</u>
<u>1,427,344</u>	<u>1,634,460</u>	<u>116,667</u>	<u>11,320,316</u>
<u>(1,103,563)</u>	<u>(234,208)</u>	<u>61,542</u>	<u>(606,025)</u>
-	3,335	43,193	191,878
-	-	(26,881)	(127,496)
<u>500,000</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
<u>500,000</u>	<u>3,335</u>	<u>16,312</u>	<u>564,382</u>
(603,563)	(230,873)	77,854	(41,643)
<u>1,599,988</u>	<u>(26,477)</u>	<u>51,542</u>	<u>4,353,233</u>
<u>\$ 996,425</u>	<u>\$ (257,350)</u>	<u>\$ 129,396</u>	<u>\$ 4,311,590</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, 2012**

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Net change in fund balances - total governmental funds	\$ (41,643)
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.	3,372,127
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.	(1,687,857)
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 Bond proceeds - (\$500,000)	
o Payment of principal on bonds and capital leases - \$914,386	414,386
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 decrease net assets.	(16,571)
Changes in the other post employment benefit assets and liabilities are not reported at the fund level; however they are reported at the government-wide level.	(32,099)
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.	(6,233)
Premiums and discounts are recognized as other financing sources or uses in the fund financial statements, but they are amortized over the term of the bonds in the government-wide financial statements.	18,601
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.	24,799
Governmental funds do not recognize assets contributed by developers. However, in the statement of activities, the fair market value of those assets is recognized as revenue, then allocated over their estimated useful lives and reported as depreciation expense.	959,514
In governmental fund financial statements the proceeds from a sale of assets are shown as an increase in financial resources. In the government-wide financial statements, the gain or loss is calculated and reported.	(24,606)
Current year changes in accrued interest payable do not require the use of current financial resources; and, therefore, are not reported as expenditures in governmental funds.	2,100
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.	<u>3,051</u>
Change in net assets of governmental activities	<u>\$ 2,985,569</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, 2012**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Trophy Club Park</u>	<u>Town Storm Drainage</u>	<u>Total</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 24,548	\$ 27,545	\$ 52,093
Accounts receivable	-	30,110	30,110
Due from other funds	-	10,746	10,746
Due from other governments	-	9,568	9,568
Prepays	1,747	2	1,749
<b>Total current assets</b>	<u>26,295</u>	<u>77,971</u>	<u>104,266</u>
<b>TOTAL ASSETS</b>	<u>\$ 26,295</u>	<u>\$ 77,971</u>	<u>\$ 104,266</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	\$ 12,348	\$ 3,327	\$ 15,675
Other accrued liabilities	80	-	80
Due to other funds	39,982	1,663	41,645
<b>Total current liabilities</b>	<u>52,410</u>	<u>4,990</u>	<u>57,400</u>
<b>TOTAL LIABILITIES</b>	<u>52,410</u>	<u>4,990</u>	<u>57,400</u>
<b>NET ASSETS</b>			
Unrestricted	<u>(26,115)</u>	<u>72,981</u>	<u>46,866</u>
<b>TOTAL NET ASSETS</b>	<u>(26,115)</u>	<u>72,981</u>	<u>46,866</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 26,295</u>	<u>\$ 77,971</u>	<u>\$ 104,266</u>

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, 2012**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Trophy Club Park</u>	<u>Town Storm Drainage</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
<b>Charges for service:</b>			
Park fees	\$ 138,712	\$ -	\$ 138,712
Storm drainage fees	-	186,668	186,668
	<u>138,712</u>	<u>186,668</u>	<u>325,380</u>
<b>Total operating revenue</b>			
	<u>138,712</u>	<u>186,668</u>	<u>325,380</u>
<b>OPERATING EXPENSES</b>			
Salaries and benefits	45,977	21,667	67,644
Supplies and materials	9,599	40,816	50,415
Repairs and maintenance	39,817	2,706	42,523
Utilities	6,667	-	6,667
Other operating expenses	28,125	31,299	59,424
	<u>130,185</u>	<u>96,488</u>	<u>226,673</u>
<b>Total operating expenses</b>			
	<u>130,185</u>	<u>96,488</u>	<u>226,673</u>
Operating income	<u>8,527</u>	<u>90,180</u>	<u>98,707</u>
<b>TRANSFERS</b>			
Transfers out	-	(64,382)	(64,382)
	<u>-</u>	<u>(64,382)</u>	<u>(64,382)</u>
Change in net assets	8,527	25,798	34,325
<b>NET ASSETS, beginning of year</b>	<u>(34,642)</u>	<u>47,183</u>	<u>12,541</u>
<b>NET ASSETS, end of year</b>	<u>\$ (26,115)</u>	<u>\$ 72,981</u>	<u>\$ 46,866</u>

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, 2012**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Trophy Club Park</b>	<b>Town Storm Drainage</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 138,712	\$ 168,015	\$ 306,727
Cash paid to employees	(45,978)	(21,504)	(67,482)
Cash paid to suppliers	(81,673)	(85,767)	(167,440)
<b>Net cash provided by operating activities</b>	<b>11,061</b>	<b>60,744</b>	<b>71,805</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Repayments of amounts due from other funds	601	721	1,322
Transfers to other funds	-	(64,382)	(64,382)
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>601</b>	<b>(63,661)</b>	<b>(63,060)</b>
<b>Net increase (decrease) in cash</b>	<b>11,662</b>	<b>(2,917)</b>	<b>8,745</b>
Cash and cash equivalents, beginning of year	12,886	30,462	43,348
Cash and cash equivalents, end of year	<u>\$ 24,548</u>	<u>\$ 27,545</u>	<u>\$ 52,093</u>
	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Trophy Club Park</b>	<b>Town Storm Drainage</b>	<b>Total</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income	\$ 8,527	\$ 90,180	\$ 98,707
Adjustments to reconcile operating income to cash provided by operating activities:			
Increase in accounts receivable	-	(18,653)	(18,653)
Increase in prepaid expenses	5,234	-	5,234
Increase in accounts payable	(2,699)	(10,946)	(13,645)
Decrease in accrued expenses	(1)	163	162
<b>Net cash provided by operating activities</b>	<b>\$ 11,061</b>	<b>\$ 60,744</b>	<b>\$ 71,805</b>

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, 2012**

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	<u>Agency Fund</u>
	<u>PID No. 1</u>
	<u>Debt Service</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 4,306,341
<b>Total assets</b>	<u>4,306,341</u>
<b>LIABILITIES</b>	
Due to debt holders	<u>4,306,341</u>
<b>Total liabilities</b>	<u>\$ 4,306,341</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, 2012**

	<b>4A Economic Development Corporation</b>	<b>4B Economic Development Corporation</b>	<b>Totals September 30, 2012</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 418,577	\$ 363,640	\$ 782,217
Receivables, net:			
Sales taxes	50,587	25,294	75,881
Due from other governments	34,423	4,374	38,797
<b>TOTAL ASSETS</b>	<b>\$ 503,587</b>	<b>\$ 393,308</b>	<b>\$ 896,895</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 3,789	\$ 10,600	\$ 14,389
<b>TOTAL LIABILITIES</b>	<b>3,789</b>	<b>10,600</b>	<b>14,389</b>
<b>NET ASSETS</b>			
Unrestricted	499,798	382,708	882,506
<b>TOTAL NET ASSETS</b>	<b>\$ 499,798</b>	<b>\$ 382,708</b>	<b>\$ 882,506</b>

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, 2012**

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expenses) Revenues and Changes in Net Assets</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>4A Economic Development Corporation</u>	<u>4B Economic Development Corporation</u>	
4A Economic Development Corporation					
General government	\$ 235,380	\$ -	\$ (235,380)	\$ -	\$ (235,380)
4B Economic Development Corporation					
General government	119,668	13,850	-	(105,818)	(105,818)
<b>Total component units</b>	<u>\$ 355,048</u>	<u>\$ 13,850</u>	<u>(235,380)</u>	<u>(105,818)</u>	<u>(341,198)</u>
General Revenues:					
Sales taxes			294,782	147,391	442,173
<b>Total general revenues</b>			<u>294,782</u>	<u>147,391</u>	<u>442,173</u>
Change in net assets			59,402	41,573	100,975
Net Assets - beginning of year			440,396	341,135	781,531
Net Assets - end of year			<u>\$ 499,798</u>	<u>\$ 382,708</u>	<u>\$ 882,506</u>

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

## TOWN OF TROPHY CLUB, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

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#### 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 and Fund 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 Fund**

The Capital Projects Fund is used to account for funds received and expended for 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.

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).

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

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**C. Government-Wide and Fund Financial Statements – Continued**

**Fund Financial Statements – Continued**

**Street Maintenance Sales Tax Fund**

Accounts for sales taxes specifically restricted for street improvements.

**25<sup>th</sup> Anniversary Fund**

Accounts for contributions restricted for the Town's 25<sup>th</sup> anniversary celebration.

**Court Technology Fund**

Accounts for court fees specifically restricted for court technology expenses.

**Court Security Fund**

Accounts for court fees specifically restricted for court security expenses.

**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.

**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.

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

---

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**C. Government-Wide and Fund Financial Statements – Continued**

**3. Fiduciary Funds:**

The Town reports the following fiduciary fund:

**Public Improvement 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.

**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.

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

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**E. Cash and Investments – Continued**

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.

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.

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

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**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.

**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 the Finance Director.

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.

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

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**J. Fund Equity - Continued**

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.

**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, 2012, the carrying amount of the Town's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$5,044,393 and the bank balance was \$5,046,884. The Town's cash deposits at September 30, 2012 and during the year ended September 30, 2012 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.

**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**

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, 2012 are classified in the accompanying financial statements as follows:

Statement of Net Assets

Primary Government:

Cash	\$ 740,051
Cash equivalents	4,310,322

Fiduciary Fund:

Cash	4,306,341
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Component Unit:

Cash equivalents	<u>782,217</u>
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Total cash and investments	<u><u>\$ 10,138,931</u></u>
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Cash and investments as of September 30, 2012 consist of the following:

Cash on hand	\$ 1,999
Deposits with financial institutions	5,044,393
Investments	<u>5,092,539</u>

Total cash and investments	<u><u>\$ 10,138,931</u></u>
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**TOWN OF TROPHY CLUB, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

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**NOTE 2. CASH AND INVESTMENTS – CONTINUED**

**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, 2012, the Town had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>
Texpool	<u>\$ 5,092,539</u>	41 days
Total Investments	<u><u>\$ 5,092,539</u></u>	

As of September 30, 2012, 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.

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
Texpool	<u>\$ 5,092,539</u>	N/A	AAAm
Total Investments	<u><u>\$ 5,092,539</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, 2012, 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.

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

**NOTE 2. CASH AND INVESTMENTS – CONTINUED**

**Custodial credit risk – Continued**

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, 2012 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:

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Town Storm Drainage</u>
Governmental Funds				
Receivables				
Property taxes	\$ 33,342	\$ 8,587	\$ -	\$ -
Franchise taxes	336,749	-	-	-
Sales Taxes	105,004	-	25,294	-
Accounts	369,001	-	1,195	30,110
Other	<u>60,552</u>	<u>-</u>	<u>-</u>	<u>-</u>
Gross receivables	904,648	8,587	26,489	30,110
Less: allowance	<u>(279,937)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net total receivables	<u><u>\$ 624,711</u></u>	<u><u>\$ 8,587</u></u>	<u><u>\$ 26,489</u></u>	<u><u>\$ 30,110</u></u>

The September 30, 2012 Due from Other Governments balance is comprised of \$5,484 due from PID administrator for purchases made by the Town, \$117,457 due from federal agencies for grant reimbursement, and \$9,568 due from Trophy Club Municipal Utility District No. 1 for stormwater drainage services rendered.

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

**NOTE 4. CAPITAL ASSETS**

The governmental activities' beginning capital assets were restated in 2012. The restatement adjusted improvements other than buildings, water system, and infrastructure assets and the corresponding accumulated depreciation to include developer contributions conveyed to the Town. For more information about the restatement, refer to Note 15.

Capital asset activity for the year ended September 30, 2012, was as follows:

	Beginning Balance	Adjustments/ Reclassifications	Balance As Restated	Additions	Retirements/ Transfers	Ending Balance
<b>Governmental Activities:</b>						
Capital assets not depreciated:						
Land	\$ 3,445,349	\$ -	3,445,349	\$ 55,000	\$ -	\$ 3,500,349
Construction in progress	24,878,759	-	24,878,759	1,009,541	(3,876,067)	22,012,233
Total capital assets not depreciated	<u>28,324,108</u>	<u>-</u>	<u>28,324,108</u>	<u>1,064,541</u>	<u>(3,876,067)</u>	<u>25,512,582</u>
Capital assets being depreciated:						
Buildings	1,993,440	-	1,993,440	-	-	1,993,440
Improvements other than buildings	26,681,776	4,652,596	31,334,372	2,309,197	3,867,567	37,511,136
Machinery and equipment	1,259,542	-	1,259,542	329,297	2,250	1,591,089
Vehicles	1,155,534	-	1,155,534	98,450	(104,542)	1,149,442
Water system	43,600	1,652,743	1,696,343	177,685	-	1,874,028
Infrastructure	5,330,030	3,702,375	9,032,405	352,471	-	9,384,876
Total capital assets being depreciated	<u>36,463,922</u>	<u>10,007,714</u>	<u>46,471,636</u>	<u>3,267,100</u>	<u>3,765,275</u>	<u>53,504,011</u>
Less accumulated depreciation for:						
Buildings	(534,577)	-	(534,577)	(50,630)	1,966	(583,241)
Improvements other than buildings	(10,699,292)	(359,296)	(11,058,588)	(1,173,766)	1,275	(12,231,079)
Machinery and equipment	(678,990)	-	(678,990)	(109,346)	(5,129)	(793,465)
Vehicles	(812,511)	-	(812,511)	(92,898)	88,074	(817,335)
Water system	(15,266)	(64,739)	(80,005)	(37,384)	-	(117,389)
Infrastructure	(2,731,274)	(176,566)	(2,907,840)	(223,833)	-	(3,131,673)
Total accumulated depreciation	<u>(15,471,910)</u>	<u>(600,601)</u>	<u>(16,072,511)</u>	<u>(1,687,857)</u>	<u>86,186</u>	<u>(17,674,182)</u>
Total capital assets being depreciated, net	<u>20,992,012</u>	<u>9,407,113</u>	<u>30,399,125</u>	<u>1,579,243</u>	<u>3,851,461</u>	<u>35,829,829</u>
Governmental activities capital assets, net	<u>\$ 49,316,120</u>	<u>\$ 9,407,113</u>	<u>\$ 58,723,233</u>	<u>\$ 2,643,784</u>	<u>\$ (24,606)</u>	<u>\$ 61,342,411</u>

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

General government	\$ 98,808
Emergency medical services	47,200
Information systems	15,444
Police	45,830
Parks and recreation	322,113
Community development	20,412
Streets	950,650
Water and sewer	<u>187,400</u>
Total depreciation expense	<u>\$ 1,687,857</u>

As of September 30, 2012, there were no capital assets relating to business-type activities.

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

**NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

A summary of interfund receivables and payables balances at September 30, 2012 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Capital Projects Fund	\$ 1,169	Reimbursable expenditures moved to General Fund
General Fund	Grant Fund	254,901	Reimbursable expenditures moved to General Fund
General Fund	Trophy Club Park Fund	39,982	Transfers for administrative and public safety services
General Fund	Storm Drainage Fund	1,663	Reimbursable expenditures moved to General Fund
General Fund	Street Maintenance Sales Tax Fund	3,492	Reimbursable expenditures moved to General Fund
General Fund	Hotel/Motel Fund	255	Reimbursable expenditures moved to General Fund
Grant Fund	Debt Service Fund	27,390	To record grant revenues received by Debt Service Fund
Debt Service Fund	Capital Projects Fund	500	Reimbursable expenditures moved to Debt Service
Storm Drainage	General Fund	10,746	Reimbursable expenditures moved to Storm Drainage
	Total	<u>\$ 340,098</u>	

Transfers between funds during the year are as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Purpose</u>
Debt Service	Town Storm Drainage	\$ 27,244	Debt service payments
General Fund	Town Storm Drainage	37,138	Technology replacement
General Fund	Street Maintenance	11,951	Technology replacement
General Fund	Town Utility	14,930	Town Utility Fund activity
Court Technology	General Fund	29,244	Court Technology restricted revenues
Court Security	General Fund	13,949	Court Security restricted revenues
Debt Service	General Fund	54,087	Debt service payments
Grants	General Fund	3,335	Equipment purchases
	Total	<u>\$ 191,878</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, 2012, the Town's long-term debt consisted of the following:

Description	Interest Rate		Year of Issue	Final Maturity	Average Annual Payment	Original Amount	Balance 9/30/2012
Contractual Obligations:							
Combination Tax and Revenue-Series 2004	3.50-4.75 %		2004	2024	\$45,620	\$ 650,000	\$ 398,000
Combination Tax and Revenue-Series 2007	4.20 %		2007	2017	\$53,361	\$ 474,000	236,000
							<u>\$ 634,000</u>
General Obligation Bonds:							
Improvements	4.00-4.90 %		2002	2022	83,750	1,400,000	\$ 880,000
Improvements	4.00-5.00 %		2007	2027	175,000	3,260,000	2,730,000
Improvements	3.00-4.13 %		2010	2030	250,000	5,000,000	4,725,000
Tax notes	2.48-5.01 %		2010	2017	80,000	560,000	365,000
Refunding	2.00-4.00 %		2010	2022	232,500	2,790,000	2,225,000
Tax notes	4.24 %		2012	2015	166,667	500,000	500,000
							<u>\$11,425,000</u>

During the year ended September 30, 2012, the Town issued \$500,000 General Obligation Tax Notes, Series 2012. The debt was issued to pay costs of various general capital project improvements. The obligations are payable over the next three years.

The following is a summary of long-term debt transactions of the Town for the year ended September 30, 2012:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 11,735,000	\$ 500,000	\$ (810,000)	\$ 11,425,000	\$ 950,000
Contractual Obligations	709,000	-	(75,000)	634,000	77,000
Issuance Premium	98,750	-	(18,601)	80,149	16,073
Deferred Loss on Refunding	(83,752)	-	16,751	(67,001)	(16,751)
Capital Leases	29,386	-	(29,386)	-	-
OPEB Liability	-	32,099	-	32,099	16,274
Compensated Absences	85,939	146,667	(171,466)	61,140	8,185
Total Governmental Activities					
Long-term Liabilities	<u>\$ 12,574,323</u>	<u>\$ 678,766</u>	<u>\$(1,087,702)</u>	<u>\$ 12,165,387</u>	<u>\$ 1,050,781</u>

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

**NOTE 6. LONG-TERM DEBT – CONTINUED**

The annual requirements to amortize all long-term debt outstanding as of September 30, 2012, are as follows:

Year Ended September 30,	General Obligation Bonds		Total Requirements
	Principal	Interest	
2013	\$ 950,000	\$ 416,301	\$ 1,366,301
2014	1,115,000	388,074	1,503,074
2015	770,000	356,778	1,126,778
2016	655,000	334,124	989,124
2017	680,000	311,961	991,961
2018-2022	3,575,000	1,197,836	4,772,836
2023-2027	2,615,000	553,269	3,168,269
2028-2030	1,065,000	88,675	1,153,675
	<u>\$ 11,425,000</u>	<u>\$ 3,647,018</u>	<u>\$ 15,072,018</u>

Year Ended September 30,	Contractual Obligations		Total Requirements
	Principal	Interest	
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	84,000	14,952	98,952
2018-2022	165,000	40,235	205,235
2023-2024	68,000	4,966	72,966
	<u>\$ 634,000</u>	<u>\$ 155,677</u>	<u>\$ 789,677</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.

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

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**NOTE 7. PROPERTY TAX – CONTINUED**

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 (200%) of the employee's accumulated contributions.

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.

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

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**NOTE 8. PENSION PLAN – CONTINUED**

**Texas Municipal Retirement System – Continued**

**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, 2011 valuation is effective for rates beginning January 2013).

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

	<u>FY2011-12</u>	<u>FY2010-11</u>	<u>FY2009-10</u>
	<u>12/31/2011</u>	<u>12/31/2010</u>	<u>12/31/2009</u>
Actuarial valuation date			
Actuarial value of assets	\$ 8,701,754	\$ 7,520,704	\$ 5,511,201
Actuarial accrued liability	12,685,291	11,489,027	8,869,701
Percentage funded	68.6%	65.5%	62.1%
Unfunded actuarial accrued liability	3,983,537	3,968,323	3,358,500
Annual covered payroll	4,465,244	4,200,873	4,133,892
Unfunded actuarial accrued liability as a percentage of covered payroll	89.2%	94.5%	81.2%
Net pension obligation at beginning of period	-	-	-
Annual pension cost:			
Annual required contribution	467,621	427,029	565,078
Less: contributions made	<u>(467,621)</u>	<u>(427,029)</u>	<u>(565,078)</u>
Net pension obligation at end of period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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**NOTE 8. PENSION PLAN – CONTINUED**

**Texas Municipal Retirement System – Continued**

**Contributions – Continued**

The following actuarial assumptions were used:

Actuarial Cost Method	Projected unit credit
Amortization Method	Level percent of payroll
Remaining Amortization	26.2 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, 2011 valuations are contained in the 2011 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 \$196,139 and \$73,934, respectively, from the 4A Economic Development Corporation (4A) and 4B Economic Development Corporation (4B) during the year ended September 30, 2012. 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.

**NOTE 10. OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description**

The Town provides post-employment medical, dental, and vision benefits (OPEB) for eligible retirees, their spouses and dependents through TML Intergovernmental Employee Benefits Pool, which covers both active and retired members.

As of September 30, 2012, membership consisted of:

Retirees and beneficiaries receiving benefits	2
Active employees	80
Total	<u>82</u>

The three optional benefit levels, TML Plan P85-50-20, TML Plan P85-100-25 and TML Plan P96-200-5, are the same for retirees as those afforded to active employees. Regular full-time employees retiring from the Town have the option to continue medical insurance coverage until the retiree becomes eligible for Medicare or is eligible to be covered under another medical plan.

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

**NOTE 10. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED**

**Funding Policy**

The benefit levels and contribution rates are approved annually by the Town management and the Town Council as part of the budget process. By the Town not contributing anything toward this plan in advance, the Town employs a pay-as-you-go method through ensuring the annual retiree contributions are equal to the benefits that are paid on behalf of the retirees.

The monthly Retiree health coverage contribution rates for offered benefit levels are as follows:

	TML Plan P85-50-20	TML Plan P85-100-25	TML Plan P96-200-5
Single Coverage	\$ 411	\$ 367	\$ 293
Single + Spouse	\$ 1,100	\$ 982	\$ 782
Single + Children	\$ 779	\$ 696	\$ 555
Single + Family	\$ 1,387	\$ 1,239	\$ 986

An irrevocable trust has not been established; therefore, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

**Annual OPEB Cost**

The Town's annual OPEB cost is calculated based on the annual required contribution of the Town (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The Town's annual OPEB cost and related information for the current year and the two most recent years are as follows as of September 30,

	2012	2011	2010
Annual required contribution	\$ 16,274	\$ 18,497	\$ 18,497
Interest on prior year Net OPEB obligation	1,156	592	-
Adjustment to annual required contribution	(1,156)	(592)	-
Annual OPEB cost	16,274	18,497	18,497
Contributions made	9,857	5,975	5,337
Increase in net OPEB obligation	6,417	12,522	13,160
Net Obligation - beginning of year	25,682	13,160	-
Net Obligation - end of year	<u>\$ 32,099</u>	<u>\$ 25,682</u>	<u>\$ 13,160</u>
Percentage of OPEB costs contributed	60.57%	32.30%	28.85%
Actuarial accrued liability	\$ 109,475	\$ 101,926	\$ 101,926
Actuarial value of plan assets	-	-	-
Unfunded actuarial accrued liability	<u>\$ 109,475</u>	<u>\$ 101,926</u>	<u>\$ 101,926</u>
Funded ratio	0.0%	0.0%	0.0%
Covered payroll	4,465,244	4,200,873	4,133,892
Unfunded actuarial accrued liability as a percentage of covered payroll	2.45%	2.43%	2.47%

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

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**NOTE 10. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**

**Actuarial Methods and Assumptions**

Projections of benefits are based on substantive plan (the plan understood by the employer and plan members) and include the type of benefits in force at the valuation date and the pattern of sharing benefits between the Town and the plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 23, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8.0% initially, reduced by decrements to an ultimate rate of 4.5% after 7 years. The rate of inflation is assumed to be 3%.

**NOTE 11. RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 12. 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 13. TROPHY CLUB MUNICIPAL UTILITY DISTRICT No.1**

The Town entered into an agreement with Trophy Club Municipal Utility District No.1 ("the District") in 2011 to provide support services to the District. Total payments received for services provided to the District under this agreement totaled \$190,769 during the fiscal year ended September 30, 2012, and are recorded as miscellaneous revenue in the Town's statement of revenues, expenditures and changes in fund balance.

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

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**NOTE 14. SUBSEQUENT EVENTS**

The Town has evaluated all events and transactions that have occurred from September 30, 2012 up until March 28, 2013, the date the financial statements were issued, and determined that there are no transactions requiring additional recognition or disclosure.

**NOTE 15. RESTATEMENT OF BEGINNING NET ASSETS**

In 2012, the Town restated the net assets of the governmental activities. As a result of prior year developer contributions not being captured as capital assets, improvements other than buildings, water system, and infrastructure assets were understated by \$10,007,714 and the corresponding accumulated depreciation was understated by \$600,601 as of October 1, 2011. The correction of these errors resulted in a \$9,407,113 increase in beginning governmental activities net assets. The governmental activities net assets have been restated on the government-wide financial statements as follows:

	<u>Governmental Activities</u>
Net assets, October 1, 2011, as previously presented	\$ 41,632,427
To correct capital asset balances	<u>9,407,113</u>
Net assets, October 1, 2011, as restated	<u><u>\$ 51,039,540</u></u>

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## **REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF TROPHY CLUB, TEXAS  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED SEPTEMBER 30, 2012**

	<b>Budgeted amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>		<b>Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Ad valorem taxes	\$ 3,865,202	\$ 3,865,202	\$ 3,852,874	\$ (12,328)
Sales and mixed beverage taxes	570,626	570,626	606,714	36,088
Franchise taxes	592,556	592,556	693,722	101,166
Licenses and permits	658,084	677,084	1,128,234	451,150
Intergovernmental	122,050	122,050	119,972	(2,078)
Charges for services	468,750	468,750	668,146	199,396
Fines	143,200	140,000	149,134	9,134
Investment income	20,000	20,000	5,632	(14,368)
Miscellaneous	312,976	312,976	299,807	(13,169)
<b>Total revenues</b>	<b>6,753,444</b>	<b>6,769,244</b>	<b>7,524,235</b>	<b>754,991</b>
<b>Expenditures:</b>				
Current				
Emergency medical services	729,285	729,285	695,139	34,146
Manager's office	658,387	658,387	636,758	21,629
Human resources	87,146	87,146	94,839	(7,693)
Finance	372,037	372,037	528,143	(156,106)
Information systems	315,724	315,724	330,204	(14,480)
Legal	161,910	161,910	154,236	7,674
Police	1,686,885	1,686,885	1,638,863	48,022
Court	79,447	79,447	78,929	518
Parks	1,129,529	1,129,529	1,141,216	(11,687)
Recreation	594,156	594,156	518,440	75,716
Facilities management	80,320	80,320	65,341	14,979
Community development	259,809	278,809	248,339	30,470
Planning and zoning	156,769	156,769	233,134	(76,365)
Streets	441,687	441,687	417,998	23,689
<b>Total expenditures</b>	<b>6,753,091</b>	<b>6,772,091</b>	<b>6,781,579</b>	<b>(9,488)</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>353</b>	<b>(2,847)</b>	<b>742,656</b>	<b>745,503</b>
<b>Other financing uses:</b>				
Transfer in	-	-	64,019	64,019
Transfer out	(59,706)	(59,706)	(100,615)	(40,909)
<b>Total other financing uses</b>	<b>(59,706)</b>	<b>(59,706)</b>	<b>(36,596)</b>	<b>23,110</b>
<b>Net change in fund balance</b>	<b>(59,353)</b>	<b>(62,553)</b>	<b>706,060</b>	<b>768,613</b>
<b>Fund Balances - beginning of year</b>	<b>2,642,792</b>	<b>2,642,792</b>	<b>2,642,792</b>	<b>-</b>
<b>Fund Balances - end of year</b>	<b>\$ 2,583,439</b>	<b>\$ 2,580,239</b>	<b>\$ 3,348,852</b>	<b>\$ 768,613</b>

**TOWN OF TROPHY CLUB, TEXAS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED SEPTEMBER 30, 2012**

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**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:

- Finance (\$156,106)
- Human resources (\$7,693)
- Information Systems (\$14,480)
- Parks (\$11,687)
- Planning and zoning (\$76,365)

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## **COMBINING AND BUDGETARY COMPARISON SCHEDULES**

**TOWN OF TROPHY CLUB, TEXAS  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED SEPTEMBER 30, 2012**

	<b>Budgeted amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Ad valorem taxes	\$ 1,059,064	\$ 1,059,064	\$ 1,064,012	\$ 4,948
Investment income	1,000	1,000	880	(120)
Intergovernmental revenue	222,922	222,922	222,922	-
<b>Total revenues</b>	<b>1,282,986</b>	<b>1,282,986</b>	<b>1,287,814</b>	<b>4,828</b>
<b>Expenditures:</b>				
Debt service:				
Principal	885,000	885,000	885,000	-
Interest and fiscal charges	473,316	473,316	475,266	(1,950)
<b>Total expenditures</b>	<b>1,358,316</b>	<b>1,358,316</b>	<b>1,360,266</b>	<b>(1,950)</b>
<b>Deficiency of revenues under expenditures</b>	<b>(75,330)</b>	<b>(75,330)</b>	<b>(72,452)</b>	<b>2,878</b>
<b>Other financing sources (uses):</b>				
Transfer in	81,513	81,513	81,331	(182)
<b>Total other financing sources</b>	<b>81,513</b>	<b>81,513</b>	<b>81,331</b>	<b>(182)</b>
<b>Net change in fund balance</b>	<b>6,183</b>	<b>6,183</b>	<b>8,879</b>	<b>2,696</b>
<b>Fund Balances - beginning of year</b>	<b>85,388</b>	<b>85,388</b>	<b>85,388</b>	<b>-</b>
<b>Fund Balances - end of year</b>	<b>\$ 91,571</b>	<b>\$ 91,571</b>	<b>\$ 94,267</b>	<b>\$ 2,696</b>

## **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.

#### **25<sup>TH</sup> ANNIVERSARY FUND**

Accounts for contributions designated for the Town's 25<sup>th</sup> anniversary celebration.

#### **COURT TECHNOLOGY FUND**

Accounts for court fees specifically restricted for court technology expenditures.

#### **COURT SECURITY FUND**

Accounts for court fees specifically restricted for court security expenditures.

#### **TOWN UTILITY FUND**

Accounts 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  
 COMBINING BALANCE SHEET-  
 NON MAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2012**

	<u>Hotel/Motel Fund</u>	<u>Street Maintenance Sales Tax Fund</u>	<u>25th Anniversary Fund</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 607	\$ 58,722	\$ 2,114
Sales taxes receivable	-	25,294	-
Accounts receivable (net of allowance for uncollectibles)	1,195	-	-
<b>Total assets</b>	<u>\$ 1,802</u>	<u>\$ 84,016</u>	<u>\$ 2,114</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Accounts payable	\$ 226	\$ 4,525	\$ -
Due to other funds	255	3,492	-
<b>Total liabilities</b>	<u>481</u>	<u>8,017</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted for:			
Tourism	1,321	-	-
Street maintenance	-	75,999	-
Town 25th anniversary	-	-	2,114
Court	-	-	-
<b>Total fund balances</b>	<u>1,321</u>	<u>75,999</u>	<u>2,114</u>
<b>Total liabilities and fund balances</b>	<u>\$ 1,802</u>	<u>\$ 84,016</u>	<u>\$ 2,114</u>

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<b>Court Technology Fund</b>	<b>Court Security Fund</b>	<b>Town Utility Fund</b>	<b>Total Non-major Governmental Funds</b>
\$ 32,734	\$ 17,448	\$ -	\$ 111,625
-	-	-	25,294
-	-	-	1,195
<u>\$ 32,734</u>	<u>\$ 17,448</u>	<u>\$ -</u>	<u>\$ 138,114</u>
\$ 220	\$ -	\$ -	\$ 4,971
-	-	-	3,747
<u>220</u>	<u>-</u>	<u>-</u>	<u>8,718</u>
-	-	-	1,321
-	-	-	75,999
-	-	-	2,114
<u>32,514</u>	<u>17,448</u>	<u>-</u>	<u>49,962</u>
<u>32,514</u>	<u>17,448</u>	<u>-</u>	<u>129,396</u>
<u>\$ 32,734</u>	<u>\$ 17,448</u>	<u>\$ -</u>	<u>\$ 138,114</u>

**TOWN OF TROPHY CLUB, TEXAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NON MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2012**

	<b>Hotel/Motel Fund</b>	<b>Street Maintenance Sales Tax Fund</b>	<b>25th Anniversary Fund</b>
<b>Revenues:</b>			
Charges for services	\$ -	\$ -	\$ -
Occupancy taxes	20,543	-	-
Sales Taxes	-	147,391	-
Fines	-	-	-
Investment income	32	-	-
<b>Total revenues</b>	<b>20,575</b>	<b>147,391</b>	<b>-</b>
<b>Expenditures:</b>			
General government	21,144	-	-
Court	-	-	-
Streets	-	94,191	-
Water	-	-	-
<b>Total expenditures</b>	<b>21,144</b>	<b>94,191</b>	<b>-</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(569)</b>	<b>53,200</b>	<b>-</b>
<b>Other financing sources (uses):</b>			
Transfer in	-	-	-
Transfer out	-	(11,951)	-
<b>Total Other financing sources (uses)</b>	<b>-</b>	<b>(11,951)</b>	<b>-</b>
Change in net assets	(569)	41,249	-
Fund balances - beginning	1,890	34,750	2,114
Fund balances - ending	<b>\$ 1,321</b>	<b>\$ 75,999</b>	<b>\$ 2,114</b>

<b>Court Technology Fund</b>	<b>Court Security Fund</b>	<b>Town Utility Fund</b>	<b>Total Non-major Governmental Funds</b>
\$ -	\$ -	\$ 2,040	\$ 2,040
-	-	-	20,543
-	-	-	147,391
4,510	3,499	-	8,009
-	-	194	226
<u>4,510</u>	<u>3,499</u>	<u>2,234</u>	<u>178,209</u>
-	-	-	21,144
1,240	-	-	1,240
-	-	-	94,191
-	-	92	92
<u>1,240</u>	<u>-</u>	<u>92</u>	<u>116,667</u>
<u>3,270</u>	<u>3,499</u>	<u>2,142</u>	<u>61,542</u>
29,244	13,949	-	43,193
-	-	(14,930)	(26,881)
<u>29,244</u>	<u>13,949</u>	<u>(14,930)</u>	<u>16,312</u>
32,514	17,448	(12,788)	77,854
-	-	12,788	51,542
<u>\$ 32,514</u>	<u>\$ 17,448</u>	<u>\$ -</u>	<u>\$ 129,396</u>

## **FIDUCIARY FUND**

### **PUBLIC IMPROVEMENT DISTRICT (PID) NO. 1 DEBT SERVICE AGENCY 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  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
YEAR ENDED SEPTEMBER 30, 2012**

PID No. 1 Debt Service	Balance September 2011	ADDITIONS	DEDUCTIONS	Balance September 2012
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 4,107,689	\$ 198,652	\$ -	\$ 4,306,341
<b>Total Assets</b>	<u>\$ 4,107,689</u>	<u>\$ 198,652</u>	<u>\$ -</u>	<u>\$ 4,306,341</u>
<b>LIABILITIES:</b>				
Due to debt holders	\$ 4,107,689	\$ 198,652	\$ -	\$ 4,306,341
<b>Total Liabilities</b>	<u>\$ 4,107,689</u>	<u>\$ 198,652</u>	<u>\$ -</u>	<u>\$ 4,306,341</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, 2012**

	<u>Budgeted amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Sales taxes	\$ 293,661	\$ 293,661	\$ 294,782	\$ 1,121
Investment income	1,000	1,000	-	(1,000)
<b>Total revenues</b>	<u>294,661</u>	<u>294,661</u>	<u>294,782</u>	<u>121</u>
<b>Expenditures:</b>				
General government	294,661	294,661	235,380	59,281
<b>Total expenditures</b>	<u>294,661</u>	<u>294,661</u>	<u>235,380</u>	<u>59,281</u>
<b>Excess of revenues over expenditures</b>	-	-	59,402	59,402
<b>Fund Balance - beginning of year</b>	<u>440,396</u>	<u>440,396</u>	<u>440,396</u>	<u>-</u>
<b>Fund Balance - end of year</b>	<u>\$ 440,396</u>	<u>\$ 440,396</u>	<u>\$ 499,798</u>	<u>\$ 59,402</u>

**TOWN OF TROPHY CLUB, TEXAS  
4B ECONOMIC DEVELOPMENT FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED SEPTEMBER 30, 2012**

	<b>Budgeted amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>		<b>Final Budget</b>
				<b>Positive (Negative)</b>
<b>Revenues</b>				
Charges for services	\$ 20,000	\$ 20,000	\$ 13,850	\$ (6,150)
Sales taxes	140,656	140,656	147,391	6,735
Investment income	1,000	1,000	-	(1,000)
<b>Total revenues</b>	<u>161,656</u>	<u>161,656</u>	<u>161,241</u>	<u>(415)</u>
<b>Expenditures:</b>				
General government	<u>161,656</u>	<u>161,656</u>	<u>119,668</u>	<u>41,988</u>
<b>Total expenditures</b>	<u>161,656</u>	<u>161,656</u>	<u>119,668</u>	<u>41,988</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	-	41,573	41,573
<b>Fund Balances - beginning of year</b>	<u>341,135</u>	<u>341,135</u>	<u>341,135</u>	<u>-</u>
<b>Fund Balances - end of year</b>	<u>\$ 341,135</u>	<u>\$ 341,135</u>	<u>\$ 382,708</u>	<u>\$ 41,573</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.

<b>Contents</b>	<b>Tables</b>
<b>Financial Trends</b>	<b>1-4</b>
<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>	
<b>Revenue Capacity</b>	<b>5-8</b>
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
<b>Debt Capacity</b>	<b>9-11</b>
<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>	
<b>Demographic and Economic Information</b>	<b>12-13</b>
<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>	
<b>Operating Information</b>	<b>14-15</b>
<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>	

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 NINE FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)  
(UNAUDITED)**

**TABLE 1**

	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental activities</b>									
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	\$ 50,217,390
Restricted for debt service	879,984	-	663	42,164	130,709	40,716	39,003	57,471	65,590
Restricted for capital projects	-	-	-	-	-	-	-	-	996,425
Restricted for tourism	-	-	-	-	-	-	-	-	1,321
Restricted for street maintenance	-	-	-	-	-	-	-	-	75,999
Restricted for anniversary events	-	-	-	-	-	-	-	-	2,114
Restricted for court	-	-	-	-	-	-	-	-	49,962
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	2,616,308
<b>Total governmental activities net assets</b>	<b>\$ 15,353,523</b>	<b>\$ 14,677,290</b>	<b>\$ 14,148,452</b>	<b>\$ 14,329,706</b>	<b>\$ 35,713,164</b>	<b>\$ 39,681,006</b>	<b>\$ 41,099,368</b>	<b>\$ 41,632,427</b>	<b>\$ 54,025,109</b>
<b>Business-type activities</b>									
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-	-	12,541	46,866
<b>Total business-type activities net assets</b>	<b>\$ -</b>	<b>\$ 12,541</b>	<b>\$ 46,866</b>						
<b>Primary government</b>									
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	\$ 50,217,390
Restricted for debt service	879,984	-	663	42,164	130,709	40,716	39,003	57,471	65,590
Restricted for capital projects	-	-	-	-	-	-	-	-	996,425
Restricted for tourism	-	-	-	-	-	-	-	-	1,321
Restricted for street maintenance	-	-	-	-	-	-	-	-	75,999
Restricted for anniversary events	-	-	-	-	-	-	-	-	2,114
Restricted for court	-	-	-	-	-	-	-	-	49,962
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	2,663,174
<b>Total primary governmental net assets</b>	<b>\$ 15,353,523</b>	<b>\$ 14,677,290</b>	<b>\$ 14,148,452</b>	<b>\$ 14,329,706</b>	<b>\$ 35,713,164</b>	<b>\$ 39,681,006</b>	<b>\$ 41,099,368</b>	<b>\$ 41,644,968</b>	<b>\$ 54,071,975</b>

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 NINE FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)  
(UNAUDITED)**

**TABLE 2**

	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>									
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	\$ 1,984,137
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	2,392,798
Highways & streets	150,095	142,116	198,671	131,922	526,621	1,326,986	1,335,674	1,372,501	1,829,799
Community development	2,301,253	388,260	1,405,385	982,406	415,552	298,287	353,894	345,804	485,614
Water and sewer	-	-	-	-	-	-	-	617,001	92
Culture and recreation	-	1,682,217	1,176,295	1,539,859	1,930,105	1,224,521	1,596,619	1,844,573	1,564,660
Interest on long-term debt	277,816	266,346	249,829	261,125	2,532,457	391,346	391,593	558,473	498,569
<b>Total governmental activities expenses</b>	<b>6,086,027</b>	<b>5,960,605</b>	<b>6,420,148</b>	<b>6,253,793</b>	<b>9,922,197</b>	<b>6,676,904</b>	<b>7,606,849</b>	<b>8,596,478</b>	<b>8,755,669</b>
Business-type activities:									
Trophy Club Park	-	-	-	-	-	-	-	98,935	130,185
Town Storm Drainage	-	-	-	-	-	-	-	156,461	96,488
<b>Total business-type activities expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>255,396</b>	<b>226,673</b>
<b>Total primary government expenses</b>	<b>\$ 6,086,027</b>	<b>\$ 5,960,605</b>	<b>\$ 6,420,148</b>	<b>\$ 6,253,793</b>	<b>\$ 9,922,197</b>	<b>\$ 6,676,904</b>	<b>\$ 7,606,849</b>	<b>\$ 8,851,874</b>	<b>\$ 8,982,342</b>
<b>Program Revenues</b>									
Governmental activities:									
Charges for services									
Community development	-	-	-	-	-	-	713,920	792,065	1,128,234
Water and sewer	-	-	-	-	-	-	305,580	612,722	2,040
Other	581,763	710,275	687,476	931,685	1,284,324	1,551,633	688,554	669,827	854,349
Operating grants and contributions	677,451	799,680	895,044	909,784	977,774	55,801	385,429	340,748	342,894
Capital grants and contributions	1,507,105	-	-	-	27,776,510	3,736,920	323,822	619,381	2,682,302
<b>Total governmental activities program revenues</b>	<b>2,766,319</b>	<b>1,509,955</b>	<b>1,582,520</b>	<b>1,841,469</b>	<b>30,038,608</b>	<b>5,344,354</b>	<b>2,417,305</b>	<b>3,034,743</b>	<b>5,009,819</b>
Business-type activities:									
Charges for services	-	-	-	-	-	-	-	253,034	325,380
<b>Total business-type activities program revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>253,034</b>	<b>325,380</b>
<b>Total primary government program revenues</b>	<b>\$ 2,766,319</b>	<b>\$ 1,509,955</b>	<b>\$ 1,582,520</b>	<b>\$ 1,841,469</b>	<b>\$ 30,038,608</b>	<b>\$ 5,344,354</b>	<b>\$ 2,417,305</b>	<b>\$ 3,287,777</b>	<b>\$ 5,335,199</b>

(continued)

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

**TABLE 2 – CONT.**

<b>Net (Expenses) Revenue</b>									
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)	\$ (3,745,850)
Business-type activities	-	-	-	-	-	-	-	(2,362)	98,707
<b>Total primary government net expenses</b>	<b>\$ (3,319,708)</b>	<b>\$ (4,450,650)</b>	<b>\$ (4,837,628)</b>	<b>\$ (4,412,324)</b>	<b>\$ 20,116,411</b>	<b>\$ (1,332,550)</b>	<b>\$ (5,189,544)</b>	<b>\$ (5,564,097)</b>	<b>\$ (3,647,143)</b>
<b>General Revenues</b>									
<b>and Other Changes in Net Assets</b>									
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	\$ 4,897,615
Sales and mixed beverage taxes	774,176	347,716	430,950	605,776	608,218	588,362	674,131	631,561	754,105
Other taxes	395,739	404,337	466,794	455,944	515,205	563,340	537,644	648,400	706,065
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	7,983
Miscellaneous revenues	33,810	138,531	159,487	168,604	629,225	163,192	126,949	333,497	301,269
Transfers	-	-	-	-	(4,422,288)	-	-	75,819	64,382
<b>Total governmental activities</b>	<b>3,708,119</b>	<b>3,774,417</b>	<b>4,063,906</b>	<b>4,593,578</b>	<b>1,267,047</b>	<b>5,300,393</b>	<b>5,654,969</b>	<b>6,185,438</b>	<b>6,731,419</b>
Business-type activities:									
Investment income	-	-	-	-	-	-	-	78	-
Transfers	-	-	-	-	-	-	-	(75,819)	(64,382)
<b>Total business-type activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(75,741)</b>	<b>(64,382)</b>
<b>Total primary government</b>	<b>\$ 3,708,119</b>	<b>\$ 3,774,417</b>	<b>\$ 4,063,906</b>	<b>\$ 4,593,578</b>	<b>\$ 1,267,047</b>	<b>\$ 5,300,393</b>	<b>\$ 5,654,969</b>	<b>\$ 6,109,697</b>	<b>\$ 6,667,037</b>
<b>Change in Net Assets</b>									
Governmental activities	\$ 388,411	\$ (676,233)	\$ (773,722)	\$ 181,254	\$ 21,383,458	\$ 3,967,843	\$ 465,425	\$ 623,703	\$ 2,985,569
Business-type activities	-	-	-	-	-	-	-	(78,103)	34,325
<b>Total primary government</b>	<b>\$ 388,411</b>	<b>\$ (676,233)</b>	<b>\$ (773,722)</b>	<b>\$ 181,254</b>	<b>\$ 21,383,458</b>	<b>\$ 3,967,843</b>	<b>\$ 465,425</b>	<b>\$ 545,600</b>	<b>\$ 3,019,894</b>

(concluded)

Source: City audited financial statements

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

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund				
Nonspendable for prepaids	\$ -	\$ -	\$ -	\$ -
Assigned for capital expenditures	-	-	-	-
Unassigned	-	-	-	-
Reserved	26,522	26,202	27,564	122,236
Unreserved	1,252,569	1,647,522	1,452,181	1,005,073
<b>Total general fund</b>	<u>\$ 1,279,091</u>	<u>\$ 1,673,724</u>	<u>\$ 1,479,745</u>	<u>\$ 1,127,309</u>
All Other Governmental Funds				
Restricted for:				
Debt service	\$ -	\$ -	\$ -	\$ -
Capital projects	-	-	-	-
Tourism	-	-	-	-
Street maintenance	-	-	-	-
Town 25th anniversary	-	-	-	-
Water services	-	-	-	-
Court	-	-	-	-
Unassigned	-	-	-	-
Reserved for:				
Debt service	99,071	-	10,009	13,326
Prepaid items	-	-	-	-
Encumbrances	-	-	-	-
Capital projects funds	-	-	-	-
Unreserved, reported in:				
Debt service	-	8,875	-	-
Special revenue funds	342,741	192,201	7,482	246
Capital projects funds	1,171,686	869,180	811,140	80
<b>Total all other governmental funds</b>	<u>\$ 1,613,498</u>	<u>\$ 1,070,256</u>	<u>\$ 828,631</u>	<u>\$ 13,652</u>

Source: City audited financial statements

**TABLE 3**

2007	2008	2009	2010	2011	2012
\$ -	\$ -	\$ -	\$ -	\$ 2,620	\$ 796
-	-	-	-	228,138	228,138
-	-	-	-	2,412,034	3,119,918
71,195	97,355	56,968	57,486	-	-
1,335,796	1,830,233	2,010,869	2,056,334	-	-
<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>	<u>\$ 3,348,852</u>
\$ -	\$ -	\$ -	\$ -	\$ 85,388	\$ 94,267
-	-	-	-	1,599,988	996,425
-	-	-	-	1,890	1,321
-	-	-	-	34,750	75,999
-	-	-	-	2,114	2,114
-	-	-	-	12,788	-
-	-	-	-	-	49,962
-	-	-	-	(26,477)	(257,350)
74,060	152,253	63,305	83,067	-	-
-	-	-	1,567	-	-
-	-	-	48,000	-	-
-	-	3,750,206	6,709,402	-	-
-	-	-	-	-	-
(1,531)	18,607	8,231	151,970	-	-
3,065,681	10,193,492	-	-	-	-
<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>	<u>\$ 962,738</u>

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

	2003	2004	2005	2006
<b>Revenues</b>				
Taxes				
Ad valorem taxes	\$ 2,411,272	\$ 2,475,244	\$ 2,525,331	\$ 2,627,333
Sales and mixed beverage taxes	731,903	774,176	347,716	430,950
Franchise taxes	380,234	395,739	400,759	444,095
Hotel/motel	-	-	-	-
Licenses, permits & fees	321,691	197,595	331,218	207,539
Inter-governmental	15,669	1,272,648	1,084,687	1,173,462
Charges for services	-	219,135	304,499	320,926
Fines	110,826	89,268	88,950	138,801
Contributions	56,500	-	-	-
Investment Income	64,710	35,256	80,814	91,439
Grant revenue	-	-	-	-
Sales taxes	-	-	-	-
Miscellaneous	445,591	96,143	128,964	159,412
<b>Total revenues</b>	<u>4,538,396</u>	<u>5,555,204</u>	<u>5,292,938</u>	<u>5,593,957</u>
<b>Expenditures</b>				
Current:				
General government	890,894	1,290,456	1,247,417	1,034,432
Public safety	1,239,454	2,243,084	2,310,747	2,415,056
Highways & Streets	316,814	19,059	10,195	66,750
Community development	48,566	1,366,414	419,919	847,830
Water and sewer	-	-	-	-
Culture & Recreation	1,175,529	-	1,025,036	1,057,322
Debt Service:				
Principal	250,000	265,000	280,000	290,000
Interest	291,204	278,331	266,701	250,897
Other Charges	1,731	1,431	-	-
Capital Outlay	3,214,862	313,236	736,589	820,629
<b>Total expenditures</b>	<u>7,429,054</u>	<u>5,777,011</u>	<u>6,296,604</u>	<u>6,782,916</u>
Excess of revenues over (under) expenditures	<u>(2,890,658)</u>	<u>(221,807)</u>	<u>(1,003,666)</u>	<u>(1,188,959)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from capital lease obligation	-	73,198	72,743	21,544
Proceeds from contractual obligations	-	-	-	-
Proceeds of bank loan	17,500	-	-	-
Proceeds from bonds	-	-	688,000	-
Premium on bonds	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Transfer from other funds	864,510	347,748	129,146	-
Transfer to other funds	(864,510)	(347,748)	(129,146)	-
<b>Total other financing sources (uses)</b>	<u>17,500</u>	<u>73,198</u>	<u>760,743</u>	<u>21,544</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (2,873,158)</u>	<u>\$ (148,609)</u>	<u>\$ (242,923)</u>	<u>\$ (1,167,415)</u>
Debt service as a percentage of non-capital expenditures	19.47%	14.97%	14.52%	12.33%

Source: City audited financial records

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

TABLE 4

	2007	2008	2009	2010	2011	2012
\$	2,903,193	\$ 3,219,061	\$ 3,623,124	\$ 3,890,927	\$ 4,457,829	\$ 4,916,886
	605,776	608,218	588,362	541,711	631,561	754,105
	447,956	481,459	546,271	519,959	608,806	693,722
	-	25,705	17,069	17,685	22,644	20,543
	215,251	376,628	631,895	719,333	798,520	1,128,234
	1,104,134	1,232,346	235,715	237,756	375,749	342,894
	570,063	776,088	794,185	868,571	1,140,556	670,186
	99,541	106,092	140,553	120,151	167,461	157,143
	-	27,415,006	3,736,920	709,251	265,426	322,536
	176,939	465,064	85,800	17,634	15,162	7,983
	-	361,504	50,191	171,698	318,954	1,400,252
	-	-	-	132,420	-	-
	207,719	659,254	178,594	126,949	335,796	299,807
	6,330,572	35,726,425	10,628,679	8,074,045	9,138,464	10,714,291
	1,091,305	1,458,474	1,523,604	1,722,229	1,763,048	1,968,287
	2,360,669	3,082,797	1,944,643	2,169,477	2,237,263	2,408,103
	-	593,444	791,304	568,619	811,854	2,017,548
	871,553	317,973	265,162	344,278	189,425	481,473
	-	-	-	-	617,001	92
	1,229,661	1,296,752	1,230,193	1,393,751	1,523,133	1,659,656
	305,000	447,000	515,000	540,000	803,000	885,000
	291,924	460,741	389,921	371,721	551,955	475,266
	-	2,078,496	-	82,245	74,324	21,200
	629,681	14,078,557	10,394,523	3,223,478	5,390,630	1,403,691
	6,779,793	23,814,234	17,054,350	10,415,798	13,961,633	11,320,316
	(449,221)	11,912,191	(6,425,671)	(2,341,753)	(4,823,169)	(606,025)
	119,461	256,836	23,310	-	-	-
	474,000	-	-	5,560,000	-	-
	-	-	-	-	-	-
	3,260,000	-	-	-	2,790,000	500,000
	-	-	-	-	118,904	-
	-	-	-	-	(2,825,503)	-
	60,002	123,280	104,700	276,317	185,835	191,878
	(60,002)	(4,545,568)	(104,700)	(276,317)	(110,016)	(127,496)
	3,853,461	(4,165,452)	23,310	5,560,000	159,220	564,382
\$	3,404,240	\$ 7,746,739	\$ (6,402,361)	\$ 3,218,247	\$ (4,663,949)	\$ (41,643)
	13.38%	17.16%	14.47%	12.79%	16.66%	17.11%

**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	Non Real Property			
2003	507,428,108	15,809,881	10,677,903	512,560,086	0.44051
2004	549,351,537	11,795,494	12,242,025	548,905,006	0.43051
2005	563,361,650	12,932,189	13,860,232	562,433,607	0.43051
2006	557,098,576	20,565,996	14,477,096	563,187,476	0.43051
2007	669,790,841	15,603,238	18,941,759	666,452,320	0.43051
2008	728,292,523	31,439,675	30,732,229	728,999,969	0.45551
2009	802,085,464	30,781,322	43,426,286	789,440,500	0.47000
2010	861,983,993	28,133,834	49,316,322	840,801,505	0.51500
2011	901,333,893	24,792,616	52,794,045	873,332,464	0.53000
2012	973,311,971	23,862,338	54,287,697	942,886,612	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			Northwest ISD	Trophy Club MUD #1	Trophy Club MUD #2	Denton County
	Operating Mileage	Debt Service Mileage	Total City Mileage				
2003	0.387510	0.053000	0.440510	1.834810	0.300000	0.340000	0.248970
2004	0.377510	0.053000	0.430510	1.834810	0.280000	0.339000	0.247170
2005	0.377510	0.053000	0.430510	1.819300	0.280000	0.349000	0.254800
2006	0.359630	0.070880	0.430510	1.819300	0.280000	0.349000	0.246480
2007	0.367230	0.063280	0.430510	1.665000	0.250000	0.299000	0.231920
2008	0.351040	0.079470	0.430510	1.335050	0.230000	0.279230	0.235890
2009	0.374310	0.081200	0.455510	1.335000	0.225000	0.264230	0.235770
2010	0.388380	0.081620	0.470000	1.355000	0.205000	0.205000	0.249800
2011	0.397220	0.117780	0.515000	1.375000	0.195000	-	0.273900
2012	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**

Overlapping Rates						Total
Trophy Club ESD	Tarrant County	Tarrant County College	Tarrant County Hospital	Total MUD #1 Mileage	Total MUD #2 Mileage	Direct & Overlapping Rates
-	-	-	-	\$ 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	\$ 3.107474

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

**TABLE 7**

Taxpayer	2012			2003		
	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	17,800,000	1	1.89%			
Regency Centers LP	7,094,526	2	0.75%			
Goodman Family of Builders LP	6,272,995	3	0.67%			
Trophy Club Medical Center LP	6,163,459	4	0.65%			
BDMR Development LLC	6,030,947	5	0.64%			
Standard Pacific of Texas LP	5,987,095	6	0.63%			
High Trophy Development LLC	5,807,077	7	0.62%			
Armore Trophy Club LLC	5,665,875	8	0.60%			
Lennar Homes of Texas Land and Constuction LTD	5,184,902	9	0.55%			
4663 Okeechobee Blvd & Palm Beach Holdings	5,000,000	10	0.53%			
I & L Dev Co				9,017,798	1	1.76%
Clubcorp Golf Tex LP P/S				6,300,014	2	1.23%
Beck Property Trophy Club LP				7,937,137	3	1.55%
TC Platations LTD P/S				3,941,473	4	0.77%
Oncor Electric Delivery Company				3,799,440	5	0.74%
Randall's Food Markets				3,263,919	6	0.64%
Trophy Club 114 LP P/S				3,224,031	7	0.63%
Oakmont Ent Inc				2,338,963	8	0.46%
TC Quorum LTD				2,152,559	9	0.42%
Scott, Larry P & Laurie Ann LLC				1,853,443	10	0.36%
Totals	<u>\$ 71,006,876</u>		<u>7.53%</u>	<u>\$ 43,828,777</u>		<u>8.56%</u>

Source: Denton Appraisal District

(1) The City implemented the GASB 34 model of reporting fiscal year ending September 30, 2006.

(2) Total taxable value including real and personal property for tax year 2011 (fiscal year 2012) is \$942,886,612

(3) Total taxable value including real and personal property for tax year 2002 (fiscal year 2003) is \$512,560,086

**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
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%
2012	4,846,521.93	4,838,091.91	99.83%	-	4,838,091.91	99.83%

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	Certificates of Obligation	Capital Leases	Notes Payable	Water & Sewer Bonds	General Obligation Bonds	Capital Leases			
2003	6,015,000	-	-	-	-	-	-	6,015,000	N/A	851
2004	5,750,000	-	-	-	-	-	-	5,750,000	N/A	803
2005	5,470,000	620,000	-	-	-	-	-	6,090,000	2.45%	809
2006	5,180,000	590,000	-	-	-	-	-	5,770,000	2.21%	749
2007	8,135,000	989,000	-	-	-	-	-	9,124,000	3.46%	1,175
2008	7,755,000	922,000	-	-	-	-	-	8,677,000	4.10%	1,152
2009	7,310,000	852,000	-	-	-	-	-	8,162,000	3.19%	1,074
2010	12,400,000	782,000	92,240	-	-	-	-	13,274,240	4.90%	1,618
2011	11,735,000	709,000	29,386	-	-	-	-	12,473,386	3.66%	1,519
2012	11,425,000	634,000	-	-	-	-	-	12,059,000	3.00%	1,339

(1) The City implemented the GASB 34 model of reporting fiscal year ending September 30, 2004.  
(2) Personal Income and Population found on Table 12 of the statistical section

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

**TABLE 10**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Certificates of Obligation</b>	<b>Percentage of Actual Taxable Value of Property<sup>a</sup></b>	<b>Per Capita<sup>b</sup></b>
2003	6,015,000	-	1.17%	\$ 851
2004	5,750,000	-	1.05%	\$ 803
2005	5,470,000	620,000	1.08%	\$ 809
2006	5,180,000	590,000	1.02%	\$ 749
2007	8,135,000	989,000	1.37%	\$ 1,175
2008	7,755,000	922,000	1.19%	\$ 1,152
2009	7,310,000	852,000	1.03%	\$ 1,074
2010	12,400,000	782,000	1.57%	\$ 1,605
2011	11,735,000	709,000	1.42%	\$ 1,516
2012	11,425,000	634,000	1.28%	\$ 1,451

<sup>a</sup> Property values are from table 5.

<sup>b</sup> Populations are from table 12.

**TOWN OF TROPHY CLUB, TEXAS  
DIRECT AND OVERLAPPING DEBT  
AS OF SEPTEMBER 30, 2012  
(UNAUDITED)**

**TABLE 11**

Governmental Unit	Debt Principal Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Denton County	\$ 553,915,000	1.36%	\$ 7,533,244
Northwest Independent School District	629,986,474	9.65%	60,793,695
Tarrant County	317,725,000	0.05%	158,863
Tarrant County College District	22,705,000	0.05%	11,353
Tarrant County Hospital District	26,285,000	0.05%	13,143
Trophy Club MUD #1	<u>6,555,000</u>	72.13%	<u>4,728,122</u>
Subtotal, overlapping debt	\$ 1,557,171,474		\$ 73,238,420
 Town of Trophy Club, direct debt	 <u>12,059,000</u>	 100.00%	 <u>12,059,000</u>
 Total Direct and Overlapping Debt Principal	 <u>\$ 1,569,230,474</u>		 <u>\$ 85,297,420</u>

**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**

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<b>Year</b>	<b>Estimated Population<sup>a</sup></b>	<b>Total Households<sup>a</sup></b>	<b>Median Household Income</b>	<b>Total Personal Income</b>
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
2012	9,005	3,395	118,595	402,630,025

Sources: a Data provided by the 2010 US Census  
 N/A - Data not available.

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

**TABLE 13**

2012			2007		
Employer	Employees	Percentage of Total City Employment	Employer	Employees	Percentage of Total City Employment
Northwest Independent School District	341	32.48%	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	150	14.29%	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	93	8.82%	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	11	1.05%	Beck Properties/Centurion	4	0.54%
Walgreen's	23	2.19%			
<b>Total</b>	<b>947</b>	<b>90.16%</b>		<b>312</b>	<b>42.10%</b>

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

(2) Staff estimated total city employment of 1,050 for year 2012

(3) Staff estimated total city employment of 741 for year 2007

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

**TABLE 14**

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government and Administration	10.00	10.00	8.50	7.50	10.00	9.00	9.00	10.00	12.00	12.75
Public Safety	25.00	24.00	25.50	26.00	25.00	29.00	21.87	21.81	22.31	23.10
Streets	-	-	-	-	-	5.00	6.00	4.04	4.04	4.04
Parks and Recreation	7.00	7.00	10.67	12.19	13.28	10.00	11.00	9.60	9.60	13.60
Community Development	3.00	3.00	1.00	4.00	6.00	4.00	2.50	2.50	3.00	4.50
<b>Total</b>	<b>45.00</b>	<b>44.00</b>	<b>45.67</b>	<b>49.69</b>	<b>54.28</b>	<b>57.00</b>	<b>50.37</b>	<b>47.95</b>	<b>50.95</b>	<b>57.99</b>

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	2003	2004	2005	2006
Public Safety				
Police				
Number of stations	1	1	1	1
Number of police personnel	14	14	14	15
Number of arrests	49	62	73	82
Number of traffic stops	825	1,541	2,083	2,379
Fire				
Number of stations	1	1	1	1
Number of fire personnel	14	14	14	14
Number of calls answered	450	408	561	633
Developmental				
Miles of streets <sup>a</sup>	N/A	N/A	N/A	N/A
Cultural/Recreational Changes				
Parks	6	6	6	6
Park acreage	916	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**

2007	2008	2009	2010	2011	2012
1	1	1	1	1	1
15	15	15	15.5	16.5	15
81	152	121	125	128	108
2,346	2,939	3,608	2,696	2,821	2,602
1	1	1	1	1	1
14	14	14	14	14	13
608	597	689	651	741	845
31	34	36	39	42	43
5	8	8	8	7	6
907	1,037	1,037	1,037	1,037	1,039